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Transcriber's Office

Revenue Committee
March 02, 2017

[LB326 LB400 LB531 LB633]

The Committee on Revenue met at 1:30 p.m. on Thursday, March 2, 2017, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB326, LB633, LB400 and LB531. Senators present: Curt Friesen, Vice Chairperson; Lydia Brasch; Burke Harr; Tyson Larson; Brett Lindstrom; and Paul Schumacher. Senators absent: Jim Smith and Mike Groene.

SENATOR FRIESEN: Let's get started. Welcome to the Revenue Committee. My name is Curt Friesen representing District 34. I'm from Henderson, Nebraska, and the committee will take up bills in the order posted. Our hearing today is a public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceedings, I ask you to abide by the following procedures. Turn off all cell phones and other electronic devices; move to the chair in the front of the room when you're ready to testify. The order of testimony is introducer, proponents, opponents, neutral, and closing remarks. If you'll be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written testimony or exhibits for the committee and you'd like to distribute, please hand them to the page to distribute. We need 11 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. We will be limiting testimony to five minutes. It doesn't look like we're going to have a problem today, but four minutes with the green light, one minute with the amber light, and when the red light comes on you wrap up your testimony. If you would like your position to be known but do not wish to testify, you can sign the white form at the back of the room and it will be included in the official record. And please speak directly into the microphone so our transcribers are able to hear your testimony clearly. And I will introduce my staff, and here next to me is Mary Jane Egr Edson. And over on the other side is Kay Bergquist, and then Krissa Delka at the end out there. And I will let the other senators introduce themselves starting with Tyson Larson.

SENATOR LARSON: Tyson Larson.

SENATOR FRIESEN: And next to him would be Mike Groene and he won't be with us today.

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

SENATOR BRASCH: Lydia Brasch from Bancroft, Nebraska, representing Burt County, Cuming County and Washington County.

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

SENATOR HARR: Burke Harr, Legislative District 8, representing parts of Douglas County.

SENATOR FRIESEN: And we have two pages today. We have Alexi Richmond from Milwaukee, Wisconsin, and Sarah Wearne from Topeka, Kansas. With that, we will open the hearing on LB326.

SENATOR KOLOWSKI: Good afternoon, Vice Chairman Friesen, and members of the Revenue Committee. My name is Senator Rick Kolowski, R-i-c-k K-o-l-o-w-s-k-i, representing District 31. I'm here today to introduce LB326 which allows the school district whose spending per student is below average for all districts may upon two-thirds vote of the school board levy up to an additional 3 cents. Many of our best districts are up against the levy limit, but their per pupil spending is below average. Their only option provided now is to go to the vote of the people to exceed the levy limit and many of these districts have done so. I'm asking for the ability of these low spending districts to be able to levy additional money to satisfy their desire in academic needs. We keep cutting state aid to schools but the districts are up against the levy limit with no option even though they are the lower per pupil spending in the entire state. Thank you for your consideration of this bill today. I'd be happy to answer any questions that you might have. [LB326]

SENATOR FRIESEN: Thank you, Senator Kolowski. Any questions from the committee? Senator Schumacher. [LB326]

SENATOR SCHUMACHER: Thank you, Senator Friesen. Thank you for bringing this bill, Senator Kolowski. The...do you have some examples of the computations of how...what schools districts would be affected by this and meet this standard? [LB326]

SENATOR KOLOWSKI: I have...I don't have those sheets with me, but we can provide those to you that show the number of districts. I know that the superintendent of the Millard District is here today. He's going to talk about this and they are the third lowest per pupil spending district in the state of Nebraska. [LB326]

SENATOR SCHUMACHER: I think we've experienced some of the same math in the CIR talk of three or four years ago where if you set a standard up like this, the line keeps moving up so that because as you...the median is...below the median moves up, then the median moves up and

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more get to qualify as being entitled to the tax raise. Is there any way to do this other than the median? [LB326]

SENATOR KOLOWSKI: I'm trying to follow all of your math, understand what you're talking about. When you have 245 districts and you're judging them accordingly. I think when we provide you with that breakdown sheet where districts are on that per pupil expenditure and how they're also up against the levy limit, how that hampers their ability to do the additional things they'd like to do and want to do in their strategic plan with their district compared to other districts that might be sitting at such a low levy situation that they're not facing the same dilemma. [LB326]

SENATOR SCHUMACHER: Thank you. [LB326]

SENATOR KOLOWSKI: I'd have to get that for you though. [LB326]

SENATOR FRIESEN: Thank you, Senator Schumacher. Senator Brasch. [LB326]

SENATOR BRASCH: Thank you, Vice Chair Friesen, and thank you, Senator Kolowski, for introducing this bill. I was trying...as I was reading it, trying to remember the number of individuals on a school board. I thought we had legislation years ago. Is there one set number or are there exceptions? How many members... [LB326]

SENATOR KOLOWSKI: There's a range. It could be five, six, seven. Omaha Public had 12 at one time. They're down to nine by our actions as a Legislature. So there's a range across the state depending on what they want to have. [LB326]

SENATOR BRASCH: And do the low spending...is there a correlation between low spending, smaller schools boards or academic achievement? Have the numbers been run on what's creating this need? [LB326]

SENATOR KOLOWSKI: Well, the need is simply out of the TEEOSA formula. We only have...we only get so much money for the districts. The districts are very hard-pressed now. With the majority of the...especially the larger districts are hard-pressed now in having the plans that they have and the number of students they have. Millard with 24,000 approximately students at this point in time and having the third lowest per pupil expenditure in the state is a rather remarkable figure when you see that. That is a real challenge and we are not giving them any other tools. At the local level of decision making, rather than an edict or a law or something passed by the Legislature, I believe it's best to take it to the local level and their elected officials,

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meaning the school board in that particular area, then will make the decision about being as close as they are to all of the decision making. They'd make the decision about going to their public...or making the decision internally in their board to represent the public for the desired additional money that they'd be able to go out and raise with their bond issue or whatever they're doing. [LB326]

SENATOR BRASCH: And are the Millard students suffering academically? Are their SAT scores or they're achieving less? [LB326]

SENATOR KOLOWSKI: The superintendent is here and he can speak to that much better than I can, but I know from my own history in the district, we have to tell the story across the state and I've said this in various meetings with administrators and teachers in the state. We've got to tell our story about how difficult it is and where we are at the current time. We've cut through skin, through muscle, through sinew, we're down to bone. And that's really affecting any desire that people have to make the additional gains they hope to make in their districts and that's a really unknown situation to most legislators as well as the public. They have their mail-outs and they have their communication through the superintendent's office to their taxpayers, but where it really hits home is how their plans are curtailed or cut back totally by the lack of additional funding to make some of our hard-charging districts even better. We have some of the best in the Midwest and I say that because I've been to other ones. Chicago land area, the Dallas Fort Worth area. You go anywhere you want to go in the country and we'll put our best districts and students up against anyone and we know how well they hold their own. But that's a challenge to maintain that when you have slippage in dollars and very, very tight situations taking place. [LB326]

SENATOR BRASCH: And I appreciate that and the commitment that our educators have. My only concern is when you talk about cutting to the bone, that's where our appropriations and our state budget and our forecasting is. When we see the financial state we're in, that's a direct correlation to where the counties, the villages, the cities, you know, that's where dollars...from where they come. And so my concern is, is this the appropriate time until we see some economic recovery to try to increase, you know, any spending, work with the levies. Is there a savings at all? [LB326]

SENATOR KOLOWSKI: The savings will come in the quality of the education the students are receiving. I would disagree and argue your point, that this is the prime time. We must do this because we're going to be missing and losing ground compared to where we could be and the local decision making by a school board to put their own district into that opportunity to have that additional money to operate when their hands are so tied with the current TEEOSA formula the way it is, and which needs to be looked at, is a real challenge for us at the present time as far as school districts are concerned. So I hope we can look beyond where we are, understand what

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needs to be done, and have a better decision making process at a local level rather than...if we make the decision here at this level as representatives of our districts for the Unicameral, we're tying the hands of a lot of different locations across the state, a lot of different districts, compared to their making the decisions and responding accordingly to their patrons that have elected them to their positions. [LB326]

SENATOR BRASCH: I appreciate your position. Thank you. [LB326]

SENATOR KOLOWSKI: Thank you. [LB326]

SENATOR FRIESEN: Thank you, Senator Brasch. Senator Larson. [LB326]

SENATOR LARSON: So if I understand this right, there is a...if they're under the median for the last year, they can then vote by two-thirds for the upcoming year and then it's just a one-year thing, right? [LB326]

SENATOR KOLOWSKI: It carries on... [LB326]

SENATOR LARSON: It carries on in perpetuity. [LB326]

SENATOR KOLOWSKI: Correct. I don't think there's a sunset on that. [LB326]

SENATOR LARSON: So if they were only under the median one year, they can...one board can vote one time with two-thirds and then that carries on in perpetuity. [LB326]

SENATOR KOLOWSKI: Because you're taking the tax dollars for what you're raising and using it with those students. [LB326]

SENATOR LARSON: So it doesn't matter if they go over per pupil student funding at any point if they were under one year, they can then do this. [LB326]

SENATOR KOLOWSKI: It's about the levy, yes. [LB326]

SENATOR LARSON: Yeah, okay. That was my first question. Second of all, you talked about Millard specifically. Do you know how much in state aid Millard gets, equalization aid? [LB326]

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SENATOR KOLOWSKI: I don't have those figures in front of me. [LB326]

SENATOR LARSON: But do they receive equalization aid? [LB326]

SENATOR KOLOWSKI: They have aid, yes, they have. [LB326]

SENATOR LARSON: Receive equalization aid. All right. Has Millard in the last five years passed a school bond issue? [LB326]

SENATOR KOLOWSKI: You'd have to ask the superintendent behind me that will be coming up. [LB326]

SENATOR LARSON: You're not familiar if they have or not. [LB326]

SENATOR KOLOWSKI: I'm trying to remember how recent they have been, but they...I don't have that information before me. [LB326]

SENATOR LARSON: I thought they had in the recent years. [LB326]

SENATOR KOLOWSKI: Probably have. [LB326]

SENATOR LARSON: All right. I guess I'll save that question for the superintendent. Thank you. [LB326]

SENATOR FRIESEN: Thank you, Senator Larson. Senator Harr. [LB326]

SENATOR HARR: Thank you, Mr. Vice Chair. Thank you, Senator Kolowski, for bringing this bill. [LB326]

SENATOR KOLOWSKI: Yes. [LB326]

SENATOR HARR: I want to follow up on Senator Larson's question because I think that's a good question. Do you have a copy of the bill in front of you? [LB326]

SENATOR KOLOWSKI: Sure. [LB326]

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SENATOR LARSON: Can you...it really starts. Well, it's one long sentence it looks like on the bottom of page 3, section (h), and if you read through, it says the additional...then I'm starting on page 4, line 3, it says, the additional levy is approved for each fiscal year by a two-thirds majority vote of the school board member. So it looks like it would have to be for each year. It wouldn't be in perpetuity. [LB326]

SENATOR KOLOWSKI: Okay, I see that. [LB326]

SENATOR HARR: Is that how you read that? [LB326]

SENATOR KOLOWSKI: I believe that's correct. Yes, I'm sorry. [LB326]

SENATOR HARR: I just wanted to clarify the record. Do you know what the median cost per student is this year? [LB326]

SENATOR KOLOWSKI: In the entire state? [LB326]

SENATOR HARR: Yeah, well, would not...yeah, by school districts. [LB326]

SENATOR KOLOWSKI: I don't have it with me but I know where I can find it and we can get that to you. [LB326]

SENATOR HARR: Okay. Can you give me an approximate number? [LB326]

SENATOR KOLOWSKI: No, I wouldn't be able to do that. I'm sorry. [LB326]

SENATOR HARR: Okay. [LB326]

SENATOR KOLOWSKI: But I know where...the opportunity for this to help a lot of districts is extremely important to all them with the school. [LB326]

SENATOR HARR: Okay. Do you know what...so we're doing it by percentage of school districts meaning then how much they spend. Do you know how many students would be affected being or percentage of...how do I say this? [LB326]

SENATOR KOLOWSKI: In all districts? [LB326]

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SENATOR HARR: Right. Because we have 245 school districts, the median is...a lot...some school districts are smaller than others, you'd agree with that? And so the number of students is probably greater on the top end of that median than on the bottom. Am I making sense because it's not making sense in my brain? [LB326]

SENATOR KOLOWSKI: No, you're correct. Forty-five, 245 districts, about 45 of those have 81 percent of all the students in the state. [LB326]

SENATOR HARR: You're much more articulate than I am. Thank you. So if we do it based on the median of the school districts, generally smaller school districts are more expensive, you'd agree with me? [LB326]

SENATOR KOLOWSKI: Yes, they are. [LB326]

SENATOR HARR: They don't have economy of scale. [LB326]

SENATOR KOLOWSKI: On a per pupil basis. [LB326]

SENATOR HARR: On a per pupil, thank you, because they don't have economy to scale. [LB326]

SENATOR KOLOWSKI: Correct. [LB326]

SENATOR HARR: It's not that they're doing anything right or wrong, it's just they don't have the economy of scale. And they probably have higher transportation cost because they're probably more rural. Would a better way be based on it instead a meeting of the school districts, but median of the amount spent on children? [LB326]

SENATOR KOLOWSKI: Well, it's another way of looking at it. At the current time, I'd have to run the figures and see how much of a difference that would make at the present time compared to the current way of the listing efforts. [LB326]

SENATOR HARR: Okay. And part of the problem we have is that Millard costs, let's say basically \$12,000 a student, they're at their levy lid of \$1.05. Then we have other school districts that may cost \$20,000 a student, but their level is only at, let's say, 65-70 cents. And so this is a way of addressing that to get more aid to those school districts. Is that what we're trying to do here? [LB326]

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SENATOR KOLOWSKI: Correct. Those up against their buck five or buck twenty-five in some cases depending... [LB326]

SENATOR HARR: And I'm sorry, I missed...Senator Groene isn't here. Would a better way of approaching this just is to provide more state aid for education? [LB326]

SENATOR KOLOWSKI: Well, absolutely. And I said in my introduction, part of the difficulty is the TEEOSA formula which we have had for...since 1990 and the need to address that is our charge that we must pay for K-12 education up to the age 21 in the state of Nebraska. And that's the driving force behind our decisions in...as we produce a state budget for this next year, one of the things that we must do is public education. [LB326]

SENATOR HARR: Okay. Thank you for your testimony here today. [LB326]

SENATOR KOLOWSKI: Thank you. [LB326]

SENATOR FRIESEN: Thank you, Senator Harr. Senator Larson. [LB326]

SENATOR LARSON: Do...would this money count against the formula in any way in terms of the TEEOSA formula? Do you think it... [LB326]

SENATOR KOLOWSKI: I don't think it goes against it. It's an override on the part of the Board of Education by their two-thirds vote. [LB326]

SENATOR LARSON: Okay. So it wouldn't count against the formula or anything of that nature? [LB326]

SENATOR KOLOWSKI: Not being a school accountant, I couldn't tell you exactly how that magic works, but I think that would be above and beyond. [LB326]

SENATOR LARSON: So, okay. Do you think it...so you don't think it...I know a lot of rural school districts that were looking for extra income, I know whether it's through windmills or a number of other things. When we receive outside income from such as those windmills, it counts against our equalization aid in what the other income part. So the more we grow, essentially the less equalization aid we get, and so I guess herein lies another reason that, you know, I think it's very difficult because not only do we have higher per pupil funding but anytime we add development in terms of too much any development, it then counts against us as well. It's

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just...it's frustrating that the urban districts are taking a majority of the aid and then asking for the ability to continue to add more on top of that, so. I guess I just wanted to double-check on that. [LB326]

SENATOR KOLOWSKI: Well, the taxes within your district are the determining factor within your county and... [LB326]

SENATOR LARSON: I understand that. [LB326]

SENATOR KOLOWSKI: ...how that flows and... [LB326]

SENATOR LARSON: I guess I understand that part of it. I guess I'm...we can have arguments about the levy limit and how equalization works, and I disagree with the formula in general as it is, but that wasn't necessarily my question. Thank you. [LB326]

SENATOR KOLOWSKI: And that's where the kids are also. [LB326]

SENATOR FRIESEN: Thank you, Senator Larson. Any other questions from the committee? I guess when I was reading it and looking through a little bit, I was curious, too, whether or not if your levy now is going to be \$1.08, instead if you have more resources and that would affect the TEEOSA formula, and lowering the amount of TEEOSA you might receive, so. I'll follow that question up with maybe a superintendent or somebody. [LB326]

SENATOR KOLOWSKI: Thank you. I appreciate that. [LB326]

SENATOR FRIESEN: Seeing no other questions, thank you. And you'll stick around for closing. [LB326]

SENATOR KOLOWSKI: Yes, I will, thank you. [LB326]

SENATOR FRIESEN: Proponents who wish to testify in favor of LB326. Welcome. [LB326]

JIM SUTFIN: (Exhibit 1) Good afternoon. I'll give you a minute to get the documents. You're not starting my time yet, are you? [LB326]

SENATOR FRIESEN: Your light is still off. [LB326]

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JIM SUTFIN: All right. My name is Jim Sutfin and it's J-i-m S-u-t-f-i-n and I serve as superintendent of the Millard Public Schools and I'm offering proponent testimony on LB326. I certainly understand the difficult financial situation that we're in as a state and to be honest with you, I thought long and hard whether or not I would come and testify on behalf of this bill today. We must, though, figure out how to address the issues without further defunding our educational system or we will watch some of the best public schools in the nation erode. I'm going to try to not read this to you and have more of a conversation with you. Millard Public Schools serves just under 24,000 kids. We are, as Senator Kolowski alluded to, like many other school districts in the urban area, up against our levy limit. We are the third lowest spending school district in the state of Nebraska averaging about 96...\$9,633 per student with a statewide average of 11,901, so we're considerably below that average. What I would like to share with the Revenue Committee today is that since 2010 our expenses have increased an average of 1.1 percent per year, but our revenue has increased by .9 percent per year. We have added over 1,200 students. We have decreased 41 teaching positions and cut three administrative positions. We no longer have money in a budget for a curriculum adoption and we're looking at significant cuts coming into this year. To maybe understand more of what it looks like, as you're aware, the Douglas County assessors office reassess properties, it's created quite the story in the news. Fully fund the TEEOSA formula, 4 percent property value, that allows the Millard Schools to increase it's spending by 3 percent. It's been so long since we've seen 3 percent, it would be a gold mine. But we also know, we are not going to get a fully funded TEEOSA formula. The Governor comes out with his proposal, 2.7 percent. The Governor's formula at 2.7 percent, 8 percent property value increase allows the Millard Public Schools to increase its spending by 3 percent. Likelihood of getting 2.7, not looking very good. So now we're going below that 3 percent level. The chance of getting 8 percent property value growth, after what's happened in Douglas County, I don't know. I guess we'll wait and see. So what the purpose behind this bill and the reason I guess that I would be here to testify for it, is that we're looking for a release valve. We're looking for a release valve that is voted on each year with the Board of Education while the state addresses the budget shortfall that is occurring so that we do not have to continue to make the level of reductions that we are having to make. Senator Brasch, you had asked whether or not achievement is suffering. Our ACT scores are very well, but what I can tell you what we are starting to see is 5th grade classrooms with 29 and 30 students. We're starting to see class sizes that are becoming unmanageable. We have cut a middle school alternative program which is some of our most highest at-risk students. We have cut a Culinary Arts Academy when culinary arts is one of the fastest growing industries in the city of Omaha. We reduced that because we could no longer afford to offer that. We have cut bus routes, we have cut professional development days. Our average total salary increase, I'm going to say...I'm going to say total package. Okay, that's insurance, that's benefits, that's salary. For the last...since 2010, has been 2.89 percent. We're projecting that our revenue is going...that our expenses are going to go up about 2.86 percent next year. And then when we go to 2.85, but if you look at our history of only having .9 percent revenue growth, you're in deficit spending. The cost of healthcare is crazy. It's ridiculous what's

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happening with healthcare. And that works its way out in the contracts that you settle. We are not asking for the moon and the stars. We're asking for the ability to increase our budget by 3 percent. This levy enables us to have a release valve for the deficit that is going to occur because of the state budget and the state funding from funding from TEEOSA. I, again, I understand the position we're in with the state. I do not take lightly what the testimony and what this bill empowers the local school board to do, but our back is against the wall and we're in a position where these continued cuts are going to ruin a really good educational system and we're not the only school district that's struggling. With that, I'd be more than willing in answering any questions, and I certainly appreciate the time to come and tell you a little bit more about our story. [LB326]

SENATOR FRIESEN: Thank you, Mr. Sutfin. Questions? Senator Larson. [LB326]

SENATOR LARSON: Senator Kolowski wasn't sure, when was your guys' last bond issue? [LB326]

JIM SUTFIN: Our last bond issue was in 2012, I believe. [LB326]

SENATOR LARSON: How much was that bond issue? [LB326]

JIM SUTFIN: It was eighty million dollars. [LB326]

SENATOR LARSON: Did it pass? [LB326]

JIM SUTFIN: Yes, it did. [LB326]

SENATOR LARSON: How much did that increase the levy? [LB326]

JIM SUTFIN: It has not. [LB326]

SENATOR LARSON: It has not, because another one was expiring? [LB326]

JIM SUTFIN: Because we had others expiring and... [LB326]

SENATOR LARSON: How much...how much...so did it, since they were expiring, how much...if the other ones would have been allowed to expire. [LB326]

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JIM SUTFIN: I think we're looking between... [LB326]

SENATOR LARSON: Yeah, I mean, I understand the political talking points but in the end it's still increased though...increased the levy. [LB326]

JIM SUTFIN: Yeah, we actually have dropped our levy the last couple of years. [LB326]

SENATOR LARSON: But the bond issues specifically, how much did it...how much added on to the levy was it? [LB326]

JIM SUTFIN: You know, Senator, I don't know if I can answer that because when you look at the overall levy... [LB326]

SENATOR LARSON: But, I mean, just that bond issue still has an impact on the levy... [LB326]

JIM SUTFIN: Sure it does. [LB326]

SENATOR LARSON: ...in a specific percent per hundred. You're not sure on that... [LB326]

JIM SUTFIN: Yeah, I can tell you we dropped our bond levy a penny over the last year. [LB326]

SENATOR LARSON: Do you guys have a building fund levy? [LB326]

JIM SUTFIN: We do. [LB326]

SENATOR LARSON: Okay. Do you know what that's at? [LB326]

JIM SUTFIN: Yes, it's at 4.3 cents. [LB326]

SENATOR LARSON: Is that the max? [LB326]

JIM SUTFIN: No. [LB326]

SENATOR LARSON: What is your max? [LB326]

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JIM SUTFIN: I don't know but I think it's 16 cents. [LB326]

SENATOR LARSON: How much does that building fund levy bring in a year? [LB326]

JIM SUTFIN: Four million dollars. [LB326]

SENATOR LARSON: Four million? [LB326]

JIM SUTFIN: Yep. [LB326]

SENATOR LARSON: You talk about healthcare and those types of costs. What's your contract with the union, what's the deductible for teachers? [LB326]

JIM SUTFIN: I do not know that off the top of my head. We have a high deductible plan, I can tell you. We're...we pushed really hard to make that high deductible plan. We are not part of the HA, so you know we're a self-funded insurance program. [LB326]

SENATOR LARSON: Okay. [LB326]

JIM SUTFIN: We have saved roughly thirty-six million dollars worth of expenses because we have been self-funded. [LB326]

SENATOR LARSON: But, yeah, I get that you don't know what your contract with the union is, is in term for the deductible for the teacher, like the base deductible. [LB326]

JIM SUTFIN: I would have to go look at it because I couldn't even tell you what my own deductible is other than it's a high deductible plan. [LB326]

SENATOR LARSON: So it constitutes high deductible roughly. [LB326]

JIM SUTFIN: The high deductible plan is about \$5,200, I believe is what the... [LB326]

SENATOR LARSON: Would that be the bottom level, \$5,200 for your teacher? [LB326]

JIM SUTFIN: Okay. The average cost of insurance for a family in our district is right at \$12,000. [LB326]

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SENATOR LARSON: That's how much each teacher pay...okay, I think we're...okay, I think we're kind of off base on that in terms of what I'm trying to get at. That's fine. [LB326]

JIM SUTFIN: I'll try to answer your questions better. [LB326]

SENATOR LARSON: How many people are on your board? [LB326]

JIM SUTFIN: Six. [LB326]

SENATOR LARSON: So it would take five of the six to vote for this? [LB326]

JIM SUTFIN: It would take four of six, two-thirds. [LB326]

SENATOR LARSON: Oh, yeah, two-thirds. That's my mistake, I'm sorry. [LB326]

JIM SUTFIN: But I certainly would welcome...I don't think the statute definition of a supermajority means five of six. I believe supermajority on a six-member board means four, but I would certainly entertain if that was a concern of this committee to make it five out of six, I think that would be great. [LB326]

SENATOR LARSON: That was my own...I was thinking four out of five. I'm sorry, that was my own mistake. And why...obviously this comes year after year. When was the...has the Millard Public Schools voted to go on top of the levy before? [LB326]

JIM SUTFIN: We have not. [LB326]

SENATOR LARSON: You have not. Why haven't you guys at...why...I guess, I have a number of schools in my district that have voted to go on, you know, add it on top of the levy. [LB326]

JIM SUTFIN: So, you're saying it's the schools... [LB326]

SENATOR LARSON: Why haven't...yeah. [LB326]

JIM SUTFIN: You have school districts in your area which is O'Neill, correct? [LB326]

SENATOR LARSON: More than just O'Neill. I represent about 6,600 square miles. [LB326]

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JIM SUTFIN: Those school districts are all at \$1.05. [LB326]

SENATOR LARSON: Not all of them. I'm saying I have some school districts that are half. [LB326]

JIM SUTFIN: That are at \$1.05 and have voted to... [LB326]

SENATOR LARSON: I do have some at \$1.05. [LB326]

JIM SUTFIN: And they have voted to go above the \$1.05. [LB326]

SENATOR LARSON: And they have and I'm guessing...I'm wondering why have you guys not tried the vote of the people first? [LB326]

JIM SUTFIN: I would tell you that that is something that we're working on, if we need to. Again, what we are looking at with this bill is a release valve for the reduction in state aid that we are all going to be under. This is not meant to be very long... [LB326]

SENATOR LARSON: I'm very familiar with the reduction of state aid. My district is... [LB326]

JIM SUTFIN: This is not meant to be a long-term fix. [LB326]

SENATOR LARSON: It feels as though that if you want to solve that issue, you should have to go to the people as have...I very well understand the loss of state aid. My first year here, I had a number of school districts lose significantly and now I think I have maybe only one left inside the equalization aid. So I get that concept, I just have a hard time just giving it to the board of six when I think you should take it to the vote of the people and you haven't yet. So I appreciate you coming though. [LB326]

SENATOR FRIESEN: Thank you, Senator Larson. Any other questions from the...Senator Harr. [LB326]

SENATOR HARR: Thank you, Mr. Vice Chairman, and thank you, is it Doctor? [LB326]

JIM SUTFIN: Yes, sir. [LB326]

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SENATOR HARR: Dr. Sutfin, good to see you. So I have a couple of questions. First of all, this 3 cent as far as TEEOSA and how it affects it, would this be similar to how we handle bonds where they don't count as a resource? [LB326]

JIM SUTFIN: That is correct. [LB326]

SENATOR HARR: Okay. And Senator Brasch was asking about performance of your district or whatever. Senator Lindstrom is a graduate of your school, is that correct? [LB326]

JIM SUTFIN: That is correct. [LB326]

SENATOR HARR: Were you a teacher of his? [LB326]

JIM SUTFIN: Yes. [LB326]

SENATOR HARR: Okay. And... [LB326]

JIM SUTFIN: Pretty good student. [LB326]

SENATOR HARR: You're not under oath. (Laughter) Overall, let's just make it overall, are you proud of the output of your students in Millard? [LB326]

JIM SUTFIN: Yes. Yes. [LB326]

SENATOR HARR: Are you concerned with the current fiscal crisis that we as a state are having and you with some appreciating but not as much as other areas of the state land value, worried that it's going to affect the outcome of your students? [LB326]

JIM SUTFIN: Yes. [LB326]

SENATOR HARR: Okay. And that's why you're here today. [LB326]

JIM SUTFIN: Correct. [LB326]

SENATOR HARR: Okay. And you're in the process of probably trying a levy override, is that correct? [LB326]

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JIM SUTFIN: We're in the process of a discussion and an investigation. [LB326]

SENATOR HARR: Okay. And do you think that would be difficult to pass? [LB326]

JIM SUTFIN: We have not got to the survey end piece, so I do not know. I know that it's an extremely laborious and expensive deal and it is a long-term commitment and with this bill we're not looking for a long-term commitment, we're looking for a release valve for the reduction in state aid so we do not have to lay off people and inflate class sizes beyond manageability. [LB326]

SENATOR HARR: Perfect. Okay. That makes sense. Thank you very much. I appreciate it. [LB326]

JIM SUTFIN: Thank you. [LB326]

SENATOR FRIESEN: Thank you, Senator Harr. Senator Brasch. [LB326]

SENATOR BRASCH: Thank you, Vice Chair Friesen, and thank you, sir, for coming forward here today and your testimony and for addressing my question and my concern as well, but as I'm listening still, you appreciate the position the state is in. The Governor is...has proposed giving more money to special education. Are you aware of that? That was in his address that special... [LB326]

JIM SUTFIN: Yeah, 1.5 percent that I think that the Appropriations Committee has taken that down to 1 percent. [LB326]

SENATOR BRASCH: And which, but that it still is taking special education above and beyond your other dollars. And you had mentioned about the strain of health insurance... [LB326]

JIM SUTFIN: Yes, ma'am. [LB326]

SENATOR BRASCH: ...for teachers. And I just wanted to make note that for all citizens, including the ag community which pays 100 percent of their health insurance, for example, Mr. and Mrs. farmer Brasch, we've seen our healthcare...two very healthy individuals we are, skyrocket as well. And so, we've had to contribute more to that, and it's difficult to contribute to everyone else's healthcare at the same time. And so, I just don't know how many dollars are

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actually getting right there to the student and how many dollars go into the infrastructure in the schools and the administration. You know, what is the ratio there? It used to be 80-20. [LB326]

JIM SUTFIN: Yeah, I would say that right around 80 percent of the dollars go into instruction, but you have to remember about 85 percent of your budget is personnel. It's teachers, it's paraprofessionals. You...my dad owns a farm in Syracuse, Nebraska, and I certainly understand the situation that you've talked about that I know what the health insurance has done outside of the schools. Maybe a different way of looking at it, teachers when they negotiate contracts negotiate total package. So if the teacher's contract goes up 3 percent, that's the total package and then based upon the negotiations, the teams will assign where those dollars go. So it may mean that everybody is going to get a \$250 raise and it's going to go to cover...the rest of it is going to go to cover healthcare. I can tell you that we've raised our deductibles nearly every year. We have cheapened our plan every year. We go through and work on our prescriptions and what we pay for them, what those costs are and the co-pays are. We went to a high deductible plan to try to shift some of that cost, but it still comes back to that total...that total package increase. So their teachers are paying more of their healthcare because the benefits of the healthcare plan continue to erode much like probably even with yourself in the insurance program that you go with. [LB326]

SENATOR BRASCH: I see, and I have another question. [LB326]

JIM SUTFIN: Yes, ma'am. [LB326]

SENATOR BRASCH: Does Millard Schools have a school foundation? [LB326]

JIM SUTFIN: Yes, ma'am. [LB326]

SENATOR BRASCH: And what is the state of that foundation? Is it pretty strong? The schools in our district seem to have a pretty sound foundations. [LB326]

JIM SUTFIN: Yeah, our public school foundation raises about a million to a million two each year that then they...kept us in grants. I can tell you what we use those grants for. We use those to pay for dual enrollment credit for students that take dual enrollment credit courses. We use it to pay for AP and IB tests because those tests are around \$93 apiece. We have some dollars that we allow each building to access for after school extended learning opportunities for kids, particularly students that would be at risk and who are not able to have daycare after school. That pretty well covers it. [LB326]

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SENATOR BRASCH: And I'm just wondering, during this period of time where we're looking at a potentially very bleak realistic period of low revenues, is this a crisis and urgent that we need to do...you know, this must be passed now or it will be detrimental? [LB326]

JIM SUTFIN: This 3 cents? [LB326]

SENATOR BRASCH: Yes. [LB326]

JIM SUTFIN: I think it's safe to say that we have been cutting and cutting and it's going to become detrimental. I think there's two...there's two pieces to your question, I think and the answer, the first one is, a school board does not have to elect to levy this, right? The second one is, a school board could elect to levy up to 3 cents. I don't envision that our school district would levy up to 3 cents right away. We would continue to make reductions, continue to work on efficiencies, but slow down the cutting that has occurred because of the loss of the aid. And I could say to you, in our school district would be, gosh, if it came in at 3.5 percent, we would get it. We're looking for 3 percent. We can make a run and we can have a really, really great product with 3 percent, but when you look at...when you look at what we've been at with revenue increasing at .9 percent, are there many companies around that are keeping their spending at .9 percent that are even viable after five years. At .9 percent, it just continues to widen the deficit each year and it's a difficult spot. And we have made those reductions, we have made those cuts, we continue to study and look at efficiencies, but it's the snowball effect that occurs year after year after year. [LB326]

SENATOR BRASCH: Okay. Thank you for your testimony. I have no other questions. [LB326]

SENATOR FRIESEN: Thank you, Senator Brasch. Senator Lindstrom. [LB326]

SENATOR LINDSTROM: Thank you, Vice Chairman Friesen, and hello, Doctor. [LB326]

JIM SUTFIN: Hello. [LB326]

SENATOR LINDSTROM: I knew you before you were a doctor. [LB326]

JIM SUTFIN: Yes, you did. And I knew you before a Senator. (Laughter) [LB326]

SENATOR LINDSTROM: And I appreciate that. I think on the same lines that Senator Brasch has questions, this would essentially stop the bleeding on the list that you have here through the

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one through eleven. Would any of the programs be able to be reinstated or would this just be... [LB326]

JIM SUTFIN: This is stopping the bleeding. I tell you, we...and you've probably have heard this from other people and just the community, mental health is an issue we're all struggling with in, I think, all aspects of life. But particularly in public school where kids come, I worry about the middle school alternative program in what option we will end up coming up with because there is a need there that we are not filling currently like we were. That's created a pretty big hole for us. [LB326]

SENATOR LINDSTROM: That would be a top priority? [LB326]

JIM SUTFIN: I think that would have to be a top priority. It's not going...and it would be a top priority. We have a tentative agreement on our contract for next year. It falls very much in line with what you heard me say the history of contracts that end since 2010 and our history of our contracts have been under 3 percent. I'm not at liberty to discuss any deeper than that until it goes to the vote. [LB326]

SENATOR LINDSTROM: Sure. Thank you, Doctor. [LB326]

SENATOR FRIESEN: Thank you, Senator Lindstrom. Senator Schumacher. [LB326]

SENATOR SCHUMACHER: Thank you, Senator Friesen. Thank you, Doctor, for your testimony. Just a broader base question. If we assume that the current revenue difficulties that the state is having is not just an anomaly in ag prices or a fluke in our incentive program credits being claimed, that this is life from now on out. And we came off a high with ag prices and a high because we were not affected as most of the folks in the nation were with the recession, at least not affected as much. But this is life. What...and you know the 3 percent kick, if something like this is adopted, but long term, where are we headed? What's the systemic change that we have to make in order to control cost because we can only do a 3 percent thing here not very often and we can only juggle things around and bleed down cash funds at the state level not very often. Something is going to have to resolve the fact that as you sit there very legitimately asking for a way to raise additional revenue, most of the people that sit in that chair are screaming about taxes being too high. What do we do? [LB326]

JIM SUTFIN: Well, I appreciate the question. I hope you don't throw me out when I say this. [LB326]

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SENATOR SCHUMACHER: We've been thrown out of worst places. (Laughter) [LB326]

JIM SUTFIN: You all have a very, very difficult job. We...if we want property tax relief, we've got to look at sales and income tax. With income tax, we've got to look at sales tax and property tax. I find it odd that if I rent a taxi I pay tax, but if I rent a limo, I don't. I find it odd that if I go to the gas station and I buy a car wash, I don't pay tax on it. There are things that are in our tax code that need to be addressed and they are very, very difficult decisions as well. I also think that we have to be in a spot where we continue to force people to look at efficiency and to control spending. If I was coming in here and saying, we want 5 percent, 7 percent, 8 percent, I would like to think you would throw me out of here. We're not looking for that. I will also say to you that as difficult as it will be on the Revenue Committee and the legislative committee, we have gone from a good society to a service society. And maybe that needs to change some of the tax code of being more of a service society. I don't...I don't sit in the seat you guys sit in. I understand that people don't like paying taxes. I pay a lot of taxes myself and I don't...I guess, I'm different. I don't complain about my property and my state income taxes because I know what services I get, and I love living in the state of Nebraska and this is where I want to be because I recognize it's a great place to raise a family. And now my federal taxes, I probably complain a little bit more about, but the services that we get from our state in...our state taxes, are great services. So I don't know if I have an answer for you. It's a complicated question, but in this case this is a chance to empower a local board of education who although...you know, you talked about that we were pretty high on the hog, that we were doing really well, we haven't been doing very well. We've been getting an average of .9 percent per year since 2010. So if that's high on the hog, it sure hasn't landed in the Millard Schools. There's no...there's no worst position to be in as a school district than to be landlocked and not growing very much, not rapid growth. Because if you go and you look at some of the districts that are really growing, they're able to keep up and...and I'm having a (inaudible) they're not even really keeping up but each year they add land value. They add more structures to those properties. When you have a district that grows by 500 kids and they add 400 dwellings, those 400 dwellings come on the tax rolls and that's different than if you're landlocked and your not adding structures to it. So the state aid to education formula, I struggle with it. I think it needs to be studied, it needs to be looked at. [LB326]

SENATOR SCHUMACHER: Thank you. [LB326]

SENATOR FRIESEN: Thank you, Senator Schumacher. Senator Lindstrom. [LB326]

SENATOR LINDSTROM: Yeah, just one, I guess, final question or thought. This is my first year in Revenue and I've sat here for I guess the last couple of months and listened to people testify and really from all across the state. It seems like the TEEOSA formula is the problem and

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everything that comes out when people testify, whether it's property tax owners paying 70 percent to their local schools, is there a better way to fund education that you see or...in different states? Should we reevaluate what we're doing with TEEOSA? Get rid of it? Is there another funding process that we can look at that you've seen or run across, because it seems like that is a problem. [LB326]

JIM SUTFIN: Right. Yeah, I've...the high property tax in the state of Nebraska is a common theme. You hear it in the city, you hear it in the rural areas. You see it in the ag lands. If we want to have property tax relief, it's going to have to come through some broadening of the base through sales and income tax. I don't know of any other way to do it is that broadening of that base. [LB326]

SENATOR LINDSTROM: Like funding itself, because you spoke about that Millard spends significantly less than the average student across the state, a couple of thousand. [LB326]

JIM SUTFIN: Yep. [LB326]

SENATOR LINDSTROM: Can you talk about that? What do you think...what's causing...? [LB326]

JIM SUTFIN: You know we used to be a school system in the state of Nebraska where we had small schools, then we had medium size schools, then we had large schools. You know, that...I think in 1985, I think we had right at 900 school districts in the state of Nebraska. I'm trying to remember back in college, okay, you would have maybe not been born yet, but I think back in college it was a paper called A Nation at Risk. And I think they said in Nebraska we had about 900 school districts and we're down to 235, 240, something like that now. But we're...so school districts have gotten bigger, right. We've gotten rid of the Class I schools and, you know, they've gotten bigger. That continues to get bigger all the time, right. Take a look at like Gretna, Elkhorn and Bennington and Lincoln Public Schools. I mean they continue...they continue to grow. Your rural areas are not growing and it puts them at a tax disadvantage and a per pupil cost disadvantage. I don't...I question and speculate of whether or not there's a single school district in the state of Nebraska that is spending wildly. They're just not. Man, I am tighter than two coats of paint and most of the people that I know that are superintendents and school people are tight. It's not...it's not a spending issue. It is figuring out the correct way to have the funding for it. I don't think...I'm not trying to evade your question. [LB326]

SENATOR LINDSTROM: No, no, it's not evading. I guess if there's something that you...it just seems that that is the problem. [LB326]

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JIM SUTFIN: I think that if the state of Nebraska wanted to commit to coming up with options for better funding of public education, different funding for public education, we got the really, really smart people in the state and we can do it, but we got to want to do it. [LB326]

SENATOR LINDSTROM: Sure. Maybe you don't know, before 1990 was the process better, how did we do it? You know, I've never... [LB326]

JIM SUTFIN: Before equalization aid? [LB326]

SENATOR LINDSTROM: Yeah. [LB326]

JIM SUTFIN: Before equalization aid it came out of property tax and there would have been levies that would have been two...probably two and three dollars. So, and if I remember right, and I think that started off at a dollar and then it went back...when all that all came in, it went to a dollar, and then I think it went up to a dollar five because it wasn't doable under a dollar. [LB326]

SENATOR LINDSTROM: Okay. I appreciate it. Thank you. [LB326]

SENATOR FRIESEN: Thank you, Senator Lindstrom. Senator Brasch. [LB326]

SENATOR BRASCH: Thank you, Vice Chair Friesen, and thank you, Doctor, once again. Since you're speaking so broadly right now, I'll have to tell you what has been running through my mind is, is there something structurally. You know, we talked about TEEOSA and what I'm going to...and we can keep the answer brief, but before I was elected and I worked with Pearson Education in their marketing area. [LB326]

JIM SUTFIN: And they're not doing very well right now. [LB326]

SENATOR BRASCH: Yeah, well, and during that period of time, 2006, we could see the economy rapidly dropping and when we worked with our sales force, they went to the states that had charter schools and because they were not suffering...the states that were tied to their Legislatures, you know, directly. That's where parochial schools, private schools and charter schools still had revenues and were functioning wholeheartedly. So, and we are one of, what eight states that does not have charter schools, is that correct, or...? [LB326]

JIM SUTFIN: I think that's correct. [LB326]

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SENATOR BRASCH: And so has there been more discussion? I know it's been controversial, maybe to even ask about it in this committee, but with your colleagues, or is it just say, no to charter school here in Nebraska? I don't know if we need to...looking at as Senator Schumacher said, what if this is a long term, would that potentially be in addition to changes that need to be done since the tax base is weakening on how to fund public schools in a different structure. [LB326]

JIM SUTFIN: Yeah. Well, I'm a public school superintendent, so... [LB326]

SENATOR BRASCH: So you're going to fight for the...yeah. [LB326]

JIM SUTFIN: But I would like to offer just a couple of thoughts for you. [LB326]

SENATOR BRASCH: Okay. [LB326]

JIM SUTFIN: If we think that bringing in a school like a charter school and giving them less restrictions would increase the efficiency and performance of student learning, then let's do that with public schools. Let's get rid of bureaucracy that exists in public education and allow for some of those flexibilities to occur so they would occur. The other thing I would say to you in this state.... [LB326]

SENATOR BRASCH: And is that feasible to be done? [LB326]

JIM SUTFIN: Well, we'd have to have a...I think we'd have to have a really, real robust conversation about that. The second thing I would say to you is, I think that parents are looking for choice and Nebraska runs a really, really good program called Option Enrollment and the Option Enrollment Program allows for choice for kids and that is a very positive way for kids to be able to match themselves to a specific curricular program, particularly in areas of population where you can do that. It's a little bit harder in areas of sparsity. [LB326]

SENATOR BRASCH: Okay. And unlimited time for other testifiers, but I just wanted to bring that thought out there that perhaps we will need to change the model and as you're saying, the structure of schools at some point should we not see a light at the end of this tunnel. [LB326]

JIM SUTFIN: I would not say to you, we need to change the structure of the schools. We must continue to increase the efficiency of the school. This nation and this state particularly is founded on free appropriate public education. [LB326]

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SENATOR BRASCH: Absolutely. [LB326]

JIM SUTFIN: Can I throw one last thing in for you? [LB326]

SENATOR BRASCH: Please. [LB326]

JIM SUTFIN: We have a program that we started at one of our high schools and it's called Early College. And we started this two years ago. We have a growing population in our school district that is not able to afford four-year college and with Early College, you can enroll as a freshman in Millard South and you can earn your associate's with arts degree while you earn your high school diploma. We had to turn away kids this...or we just got through the application period for next year and we had to turn kids away because we don't have any more capacity to offer because of the limited budget. That to me is the type of change we must talk about for public education. That ability for kids to be able to earn that degree before they leave and to get that much closer to their four-year degree is powerful because we have to, we have to as a state of Nebraska begin to raise up two- and four-year college graduates with little or no debt because they never get out of it. And they can't complete and we need them to be completers because we need them to be able to perform those high-paying jobs and pay those taxes and grow their families here so we increase that population. [LB326]

SENATOR BRASCH: And there are states with public/private partnerships. There are states where their ESUs or IUs are very entrepreneurial. Susquehanna IU out of Pennsylvania, they refuse state tax dollars and they raise revenues through different technology programs. And I do believe that when you're forced...when you hit the end of the road there, and I think that's where we're at right now, is what you're saying is, it's expensive to have open enrollment. You know, we pick our priorities. But I just am very hesitant and very cautious to tie taxpayers' hands with another obligation, another debt to the state of Nebraska when families are rolling back. As you're saying, they can't afford. If they can't afford to help send their kids to the working schools, you know, secondary colleges, then what is to say that someone else has the ability and wherewithal to provide that? You know, I would strongly encourage more public/private partnerships than foundation work than to take a look at tying taxpayers' dollars to schools' growing need. I have no other questions. Thank you very much. [LB326]

JIM SUTFIN: Thank you. [LB326]

SENATOR FRIESEN: Thank you, Senator Brasch. Senator Larson. [LB326]

SENATOR LARSON: Hi. [LB326]

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JIM SUTFIN: Hi. [LB326]

SENATOR LARSON: You talk about, you want...Senator Brasch brought up charter schools and you talked about, you know, you don't necessarily feel the need for them, you want to reduce the regulations that...for all schools, I think was kind of your comment, correct? [LB326]

JIM SUTFIN: And my comment was, if we're going to do it for charter schools, then why don't we try it in the public school and reduce the regulations first. [LB326]

SENATOR LARSON: Awesome. So you're good with ending collective bargaining? [LB326]

JIM SUTFIN: I don't...I don't... [LB326]

SENATOR LARSON: I'm just saying if you want to do it in the public school system first, you're good with ending collective bargaining. Yes, or...is that a no, then? Or what about paying teachers by student performance, are you good with that? Or maybe ending tenure? Any of those? Would you support any of those? [LB326]

JIM SUTFIN: I would want to have further discussion on these because they're pretty big questions. [LB326]

SENATOR LARSON: Well, I guess, I hear you saying that you want to bring the minimalistic regulations that come with charter schools to the public school system and would help make them work, but those are some of the bigger aspects that are charter schools and when I ask you about them, you say you're not quite ready there. So...or you want to look at them further. So if you...it's either a yes, you're willing to reduce those regulations and you'll help support those reduction and regulations to make sure that the public school system has the same flexibility that charters have in other states, or you're not. And then at which point you aren't necessarily asking for the same reductions and regulations and you're using a talking point that many school districts and school administrators use to just bat off the question. So if you want to reduce the regulations, but you're not supportive of ending collective bargaining, ending...or you know, letting school pay teachers by student performance, ending tenure, you know, working on different curriculum types of things, then I guess it's hard for me to really take you at your word that we should reduce regulation for all public schools. And it just feels like, as I've heard from a number of other people, that it's a talking point. Well, just do it for everybody. Well, let's do this for everybody but you just said that you're not ready to. So I appreciate the talking point, but it doesn't feel like you're ready to be there quite yet. I appreciate it. [LB326]

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JIM SUTFIN: Can I make a comment now? I understand where you're... [LB326]

SENATOR LARSON: I guess, you answered my question where I want. [LB326]

JIM SUTFIN: You're discrediting my testimony. [LB326]

SENATOR LARSON: You answered. [LB326]

JIM SUTFIN: Okay, you're discrediting my testimony, which I understand. And I go back to the purpose of this bill is to talk about a release valve. I am more than willing to have conversations about how we continue to increase the efficiency of public education, but to commit to those questions in this time period without having a chance to work through all the pieces, those are huge questions. Thank you. [LB326]

SENATOR FRIESEN: Thank you, Senator Larson. Any other questions from the committee? I just have a couple, maybe you've mentioned earlier, but how much TEEOSA aid do you receive? [LB326]

JIM SUTFIN: We receive right at...about 80...are you talking just... [LB326]

SENATOR FRIESEN: Equalization aid. [LB326]

JIM SUTFIN: Equalization aid, I think we're...equalization is...boy, I can't read that. I think our equalization is fifty-five million. [LB326]

SENATOR FRIESEN: How many different courses do you offer in your school? [LB326]

JIM SUTFIN: Courses? [LB326]

SENATOR FRIESEN: Yeah, roughly. [LB326]

JIM SUTFIN: Oh, boy. You know, sir, I'm not sure I can answer that. I can tell you that we offer 25 different AP courses, but I don't know if I could go through and tabulate. Our high schools run about 2,500 kids apiece. [LB326]

SENATOR FRIESEN: So, do you think it's in the 120 range? [LB326]

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JIM SUTFIN: I can find out and let you know, if you like. [LB326]

SENATOR FRIESEN: Yeah, I'm just curious I guess at that standpoint. And I'm all with you on getting rid of regulations if there are things we can do to make it better and you can operate more efficiency, I'd love to see that. You know, I guess my problem with supporting something like this, and I know there's other schools exactly in your position, and the only thing you lack is a lot of ag land where you could have pushed some of that tax obligation off on to which...you know, when my taxes have gone up 18 percent a year for ten years, I pay the bill and we don't receive an equalization aid at all. There's none. And so that's where I have a problem now. You know you have schools that...they're \$1.05 out our way and they're kind of landlocked like you guys are and they've lost all of their state aid just recently. They're down to basically zero so they're going to have to be cutting positions too. And yet, for me to say that I'm going to support raising the taxes on that farm ground that is in that district when they're already at \$100 an acre, one of the highest costs of producing a crop, that's tough for me to...I mean, is that something that I can support? Is that...how do you justify that to me? [LB326]

JIM SUTFIN: I guess, I would say to you that it really is a decision of local control with that Board of Education of whether or not they would venture out to raise that tax levy. The second one would be in those areas you describe. I don't know if they're at the \$1.05. [LB326]

SENATOR FRIESEN: That's a dollar five. [LB326]

JIM SUTFIN: And so, you're right, it's...Senator, what you're talking about is a tax shift. This is clearly, this 3 cents is a tax shift for what the state is not able to do this year with the TEEOSA funding so that we can avoid the cuts. It's clear...I mean, it's clear, right, it's a one-year fix. [LB326]

SENATOR FRIESEN: You aren't the only school that's...there are schools out there that do not receive any equalization aid and they've already cut positions and they're at the \$1.05 and, you know, their taxes are...it's ridiculous now and the TEEOSA formula is a problem. And unless you blow it up and start over, how do you fix it or even tweak it enough to make it work to where it helps most of those schools? [LB326]

JIM SUTFIN: Yeah, I wish I had the magic answer because if I did I would share it with you guys because in the meantime while we address it and fix it, how do we not have catastrophic effects on public education in schools. [LB326]

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SENATOR FRIESEN: And so you had quite a few dollars in the foundation that you raised each year in the community there. [LB326]

JIM SUTFIN: Yes. [LB326]

SENATOR FRIESEN: Is that what you're using to pay for some of the college courses? [LB326]

JIM SUTFIN: The tuition, correct. [LB326]

SENATOR FRIESEN: You typically don't use any property tax money to do that? [LB326]

JIM SUTFIN: We don't use property tax money for tuition. [LB326]

SENATOR FRIESEN: Okay. [LB326]

JIM SUTFIN: I'm not sure that you can. I don't know, I'm not sure you can but I'd have to look into that. Really felt like that was a function of our foundation though, the same thing with the AP tests. [LB326]

SENATOR FRIESEN: Okay. Any other questions from the committee? Seeing none, thank you for your testimony. [LB326]

JIM SUTFIN: Thank you very much. Appreciate it. [LB326]

SENATOR FRIESEN: (Exhibits 2-3) Other proponents who wish to testify in favor of LB326. We have letters in favor from Dr. Mark Adler from Ralston Public Schools. Okay, seeing no more proponents, are there any opponents who wish to testify on LB326? We have one letter from Dan Wesely from Nebraska Corn Growers Association. Anyone wishing to testify in opposition to LB326? Seeing none, anyone who wishes to testify in a neutral capacity? Seeing none, Senator Kolowski, you're willing to close. [LB326]

SENATOR KOLOWSKI: I want to thank the committee for their patience and the amount of time that we've had today. I appreciate it very much. I think the questions were excellent and the discussion was good, and I think we have a challenge before us as you well know. Having had a career in education and had much success over that time period, we are dealing with a very important commodity in our state that is extremely important to the vast majority of the state. I hope we can put the thought together to find the correct funding formula. There's 49 other states

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that have a formula that is successful at this point in time for them. What we have done for the last...since 1990 with TEEOSA has gotten us to where we are today. Is it perfect? No, it isn't. You've heard the concerns from the superintendent of one district here today and it's echoed by many others across the state as we look at the strands of the three taxes that go into the TEEOSA formula and how that is worked out on a yearly basis. I know, and I fear for, the decisions that we might be making and how much that might bottle up the opportunities of local boards of education to make their decision about their future with their students. If we want to sit here in Lincoln as Senators and make decisions that will block other districts or other school boards, another elected set of officials from doing what they think is proper in their area, then we can certainly do that. But I think it's misguided and misdirected in our positions as to what we're doing and the direction we're heading. I hope we can consider that because of the range of excellence that we have in the state of public education and the direction we're heading and have had and the success we've had in our public schools. We have some of the best in the country and I've been all over the country and I've seen those other districts and know them. I've had students transfer from all over the country into the Millard District for the 38 years I spent there. So I know the stories. I know the situations. I know many of the school districts they've come from and to maintain that is a challenge. To maintain the excellence that we have is a major challenge. The questions about comparing public to charter or anything else, apples and oranges and where we are, there's a lot we can talk about in the future in that particular direction, but the concern right now is one of local control making local decisions with their taxpayers for the benefit of their district for their students. And I hope we might be able to have the flexibility and insight to carry that on and give them that opportunity to make those decisions. When you look at the average expenditure, per pupil expenditure with Millard being at 96.33, I think that speaks volumes for the kind of things that are being done and have been done in the district and the direction they're heading at this time and many other districts could do the same. I thank you for your time again and I'm here for any last questions you might have. [LB326]

SENATOR FRIESEN: Thank you, Senator Kolowski. Senator Larson. [LB326]

SENATOR LARSON: I can appreciate the local control aspect of your closing and honestly, I don't necessarily agree. What would you say to if we said we have this much in school aid formula funding, we divide that up evenly among the number of students in the state, and then just let the local school board levy whatever they want to cover the rest of their cost? Let's put it, you know, every state, every student is equal, and then just give it back to the locals to levy it...to the local school board to levy whatever they want. [LB326]

SENATOR KOLOWSKI: You're saying that no matter what the property... [LB326]

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SENATOR LARSON: Every student it would be worked the same amount of dollars and then we just let the local government, the local school board levy whatever else they wanted after that. [LB326]

SENATOR KOLOWSKI: Well, Senator, you know we have... [LB326]

SENATOR LARSON: I'm just asking. I mean, that's pure local control, the state divides the amount of money it has in the pot and then let the local school board take over from there. [LB326]

SENATOR KOLOWSKI: And you think that's an equitable situation? [LB326]

SENATOR LARSON: I'm just asking if...is that the type of local control you're looking for? [LB326]

SENATOR KOLOWSKI: No, I'm talking about within our current situations... [LB326]

SENATOR LARSON: Okay. I just wanted to...how local you wanted to get. [LB326]

SENATOR KOLOWSKI: Well, I think the local school boards have a tremendous responsibility and can make that judgment because they know their people... [LB326]

SENATOR LARSON: Okay. [LB326]

SENATOR KOLOWSKI: ...and they know... [LB326]

SENATOR LARSON: And I guess that's my comment, too, but if the state...let's just put a minimum requirement of the state of so much a student and then let the local school boards, because they know their people, levy whatever they want and provide whatever school their education system they want to their students. I think that is equitable. [LB326]

SENATOR KOLOWSKI: Well, we have a long discussion on property, income, and sales taxes we have to talk about also because there is inequities that we have to examine. [LB326]

SENATOR LARSON: I understand the inequities in rural Nebraska. [LB326]

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SENATOR FRIESEN: Thank you, Senator Larson. Any other questions from the committee? I guess from the property tax standpoint again, and I guess on...when we've seen a billion dollar shift from...on to agriculture land, how do...how would you by adding 3 cents now to it, it doesn't...we're just making it worse. So how do we fix that? How do we shift that back to where it used to be where it was a third and a third and a third? What, you know...we have...there is no other industry now that has had a tax increase that agriculture has had in funding our K-12 schools. And so to get it shifted back proportionately, this doesn't get me there. This doesn't help. [LB326]

SENATOR KOLOWSKI: I understand, Senator, and I appreciate your question and do we have the will to do it is the question we have to be...we'd better ask ourselves because the imbalance is not doing anything for our state the way it should have. [LB326]

SENATOR FRIESEN: I've got a bunch of bills out there and a bunch of will. I just need a lot of help. I need about 33 other senators. [LB326]

SENATOR KOLOWSKI: Well, we have a great deal that we are challenged by and I think it's an extremely crucial and important question as far as public education in our state and our country at this time. And Senator Larson and I could have most interesting discussion about charter schools or any other direction we want to go and the equity of balance of what we could do as far as different changes that we can bring about in public education. And those are open for future discussion. [LB326]

SENATOR FRIESEN: Thank you, Senator Kolowski. Seeing no other questions, we will close the hearing on LB326 and we will open the hearing on LB633. [LB326]

SENATOR KOLOWSKI: (Exhibits 1-2) Thank you, and again, good afternoon, Vice Chairman Friesen and members of the Revenue Committee. My name is Senator Rick Kolowski, R-i-c-k K-o-l-o-w-s-k-i, representing District 31. I'm here today to introduce LB633 which allows school districts upon a two-thirds vote by the school board to levy an additional 1 cent for school security and similarly for student technology. Technology and security are areas that are increasing cost to school districts that those districts didn't have previously. Technology is a vital component of education today from laptops to software to digital textbooks to coding classes and more. These are examples of new expectations on school districts. As the state has not provided additional funding, districts that are up against this additional funding, this will set it up against the current levy limit have no way to fund these particular programs. Similarly in school security, we are seeing more requirements and costs on schools that we didn't use to have. An example in the district I serve, my former district was the tragic event that occurred at Millard South High School in 2011. We need to provide security in our schools for our students and our teachers and

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administrators. This bill gives a way for schools to raise money for security without taking it out of their already strapped budgets for education. I want to thank you for your consideration of this bill and I would be happy to answer any questions again that you might have. [LB633]

SENATOR FRIESEN: Thank you, Senator Kolowski. Any questions from the committee? Seeing none, thank you. [LB633]

SENATOR KOLOWSKI: Thank you. [LB633]

SENATOR FRIESEN: Those proponents who wish to testify in favor of LB633. Welcome. [LB633]

KYLE MCGOWAN: Hello, Senators. My name is Kyle McGowan, K-y-l-e M-c-G-o-w-a-n, and I'm representing the Nebraska Council of School Administrators today. I would just also share with you that I'm a longtime school administrator, retired at Crete and spent the last ten or eleven years as their superintendent. So I was very interested in Dr. Sutfin's conversation and would love to answer some questions also if you have them, but we're supporting LB633 because it allows the option of a local school board by two-thirds vote to increase the levy by 1 cent for security and technology. And I would argue that the number one concern of any mom or dad is first about the safety of their kids in school. And if the new normal is not being able to fund schools to allow them to budget, but yet have to ask the taxpayers for specific pieces like security, technology, then this might be the way that we need to approach it. As you know, Nebraska is 49th out of 50 states for contributing funds to public schools. I was fascinated by the conversation. I think...I'm really missing Senator Larson here. I think a school board is an elected group of people like the Legislature. I don't think the Legislature is expected to go to a vote of the people every time they want to do something. Obviously, that's a piece that happens. I think a school board shouldn't be asked to go to a vote of the people every time they're making a decision as well. But in this case, when they're asking for money and there's a super majority, I think the representative model that we all work under here can also work. That's my testimony. I'd be glad to answer any questions. [LB633]

SENATOR FRIESEN: Thank you. Any questions from the committee? Seeing none, thank you for your testimony. Welcome. [LB633]

JIM SUTFIN: (Exhibit 3) Thank you. I will be brief. [LB633]

SENATOR FRIESEN: We've got all afternoon. [LB633]

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JIM SUTFIN: Good afternoon, Vice Chairman and Revenue Committee members. My name is Jim Sutfin, J-i-m S-u-t-f-i-n. I serve as superintendent of the Millard Public Schools and am offering proponent testimony for LB633. I'm going to skip all the other parts. I'm just going to get down to the brass...on January 5, 2011, our school district experienced one of the most unimaginable and tragic events that you could ever imagine. A student entered the office upset about a suspension and shot and killed the assistant principal and wounded the principal. It was probably the darkest time in the history of our school district. Taxpayers in our district voted to support a bond issue that alarmed every door, created a request to enter system, tied all security together into one software program, put in doors, walls, and lockout systems. To give you an example, the magnitude of our security responsibility in a school district with 35 buildings, we have 43 exterior doors at Millard North High School and 573 exterior doors in the district. Each door is locked and alarmed. We have 665 cameras covering our interior and exterior campus. We have added nearly 1,500 lock improvements to our interior doors costing just under a half million dollars. Total bond expenditure for safety and security was nearly \$38 million. And as you know, bond issues support infrastructure not the ongoing costs or personnel. Currently, we spend more than \$1.5 million on safety and security for our school district on an annual basis. Every dollar that we spend on safety and security directs money away from the instruction by creating this levy exception. You give us the ability to maintain safe and secure buildings. I've detailed out the \$1.55 million worth of expenses that we incur and certainly we just had this conversation about 2010 and what our revenues have been. And I agree with what Mr. McGowan was saying that safety and security is our top priority. With that, I would be more than willing to answer any questions you may have. [LB633]

SENATOR FRIESEN: Thank you, Mr. Sutfin. Any questions from the committee? I think I will agree. I mean, I think this has impacted a lot of schools and made them rethink security and unfortunately, that seems to be more and more happening. [LB633]

JIM SUTFIN: Yeah, and it's one...and, you know, I was thinking about this that back when I was in high school, you know, which really wasn't that long ago, but it really was a long time ago, we didn't have that, right? Well, I gave a speech one time on how to shoot a compound bow and walked in the school and walked down the hall with a compound bow. I mean, it's...the world has changed. These expenses that are on school districts are expenses I don't think any of us ever predicted we would have to have. And so, I understand we're asking for the levy. You have two bills before you. Certainly this would have been nice if these bills would have been on separate days, so it doesn't look like we're coming and saying, hey, we need 3 cents, now we need this, but it's really the continuation in conversation of, would the Revenue Committee feel comfortable in providing the security levy for school districts to do that so that we can keep our instructional dollars going to instruction. [LB633]

SENATOR FRIESEN: Any questions from the committee? Senator Brasch. [LB633]

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SENATOR BRASCH: Thank you for your testimony. Just have the comment. Lincoln High School, 1971, we had armed police officers in our schools, the time of great racial unrest. [LB633]

JIM SUTFIN: Absolutely. [LB633]

SENATOR BRASCH: I worked at Taco John's and someone threw a Molotov cocktail in the windows starting the place on fire. We've seen some pretty challenging days as well in the '70s, so hopefully we're better than that. But I do understand the need for increased security and perhaps as we, you know, try to work more...is it through early childhood and that was a no word that we just bring a better balanced culture of students forward where we're not alarmed with behavioral health issues, social issues, the other, but there have been times of distress in the past as well. [LB633]

JIM SUTFIN: Thank you. [LB633]

SENATOR BRASCH: Thank you for your testimony. [LB633]

JIM SUTFIN: Thank you. [LB633]

SENATOR FRIESEN: Thank you, Senator Brasch. Any other questions from the committee? Seeing none, thank you for your testimony. [LB633]

JIM SUTFIN: Thank you. Have a good afternoon. [LB633]

SENATOR FRIESEN: (Exhibits 4-6) Other proponents for LB633? We have letters from Dr. Mark Adler from Ralston Public Schools and Bill Heimann from STANCE. Now we'll listen to testifying opposition to LB633. Seeing none, we have one letter from Dan Wesley, Nebraska Corn Growers. Is there anyone who wishes to testify in a neutral capacity on LB633? Seeing none, Senator Kolowski, you wish to close. [LB633]

SENATOR KOLOWSKI: Again, thank you, committee for their patience and questions this afternoon. I think it's really important to couch the discussion on educational issues that we are...I am personally coming forward with this year within a certain context. And that's very simply from early childhood education and we have some bills in that category, but the extent of the learning opportunities, ELOs, with our families that are the highest percentage of working parents in the country, male and females within those families, to the college and career readiness aspect at the other end, at the high school end, as students are moving on to college and

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as has been talked about, the expenses of college, earning dual credit. Either the international baccalaureate or AP classes, we have a full spectrum here of things that are extremely important to us to consider and any negative hits on that financially is a setback for our students and families in the state of Nebraska. So I hope you'll keep that in mind because of the considerations we're moving forward on are extremely important for the full range of what we've been talking about. Dr. Sutfin mentioned the program at Millard South where students will be able to, in the very near future, graduate from high school with their high school diploma and an associates degree from Metro Community College. If you don't think that's a great advantage going into the next level of what they're going to do as far as career, trade, or on to college, whatever it might be, that's a huge savings. At Millard West, within that district, we have a career academy in the area of education and students finish their half day in their junior-senior year in the academy and graduate with UNO and community college, Metro Community College credit for 27 credits. When I say that to parents, their eyes light up because it's one year of college you don't have to pay for. And it's transferable with both of those institutions in the city. We're trying to get it to other places as well over time and that's a great start. So all of these things are extremely important issues for us. I know when I worked in the district, I had 2,400 students in the building at Millard West. That's larger than most of the districts in the state as you can well imagine. And it's a very vital and very active set of things that go on in a school of that size and we're very proud of the records that we had and the standards that we had set in the district and that we have in the state which is a phenomenal source of pride. And to keep that going and to keep that difference, making that difference in the state, is extremely crucial to all of us. We are producing high-performance students and we want all students to have the opportunities that will help them get to where they want to be in the college and career choices of their own, a path as they move through the educational systems. Again, I thank you for what we've been able to present today. Again, I believe fully in the local control aspect of 3 cent, one, two or three cent, whatever the district would want to do. Levy as well as the 1 penny for security. Final comments would simply be about the security issues in schools when you have that many students and teachers, 150 teachers with 2,500 students in a building and another 60 support-staff adults. That's a small city on a daily basis. It's a lot of bodies. It's a lot of energy and a lot of programs that are very excellent that our students partake in. I had Douglas County sheriff in our building from the day we opened in 1995, and I wouldn't want to be in a school like that with that size without a police presence. I think it's extremely important. I know the difference it made in the student behavior in that building and the situations that we were able to handle very rapidly and take care of in a very efficient manner because of the law enforcement that was in our building and on our campus. That's the nature of the world today. Like it or not, that's an expense plus all the things that Dr. Sutfin talked about as far as cameras, other security issues, revamping of buildings. When you have a district that is full of older buildings where you never thought about where cameras would go, what doors you enter, how you transfer into different parts of the building, a great deal of things have to be changed when you have older buildings compared to newer buildings being built with security questions in mind. And that's a very expensive and

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time-consuming change you have to go through in your districts. And I...safety and security is one of the top things we want students to have so they have an excellent learning situation as far as what they're doing in their buildings on a daily basis with their fellow students. So we look at both of these as extremely important. One much more on the academic side, the other on the technology and security side. The bigger picture of this, as Dr. Sutfin has talked about it, this is a stock gap because we're in a situation where we have to make the decision about where TEEOSA is and help districts right now for the next couple of years to get through this period where we might transform ourselves into a different configuration for the future. Whatever that might be, there's got to be a better way and there's got to be a better answer out there than what we're currently working with because it's not the very best for all districts, of all sizes, wherever you might be in the state. And I think that's a crucial issue that we've got to come up with answers to and then we'll move on from there. But those can be legislative made issues right now, the 3 cents and the 1 cent, and they can be taken away by the Legislature also. I think that's an important thing to remember because they're not going to be forever if we do other things correctly. But we have big challenges and I have every faith that we as Nebraskans can get the answers to that. Thank you very much for your help. [LB633]

SENATOR FRIESEN: So you've been involved in education for a number of years and you made the comment that now we have students graduating with already one year of college courses under their belt. [LB633]

SENATOR KOLOWSKI: Some students are, yes, sir. [LB633]

SENATOR FRIESEN: Some. The opportunity is there. [LB633]

SENATOR KOLOWSKI: Yes. [LB633]

SENATOR FRIESEN: And so at the same time, you know, when my kids entered the college system, numerous times they commented to me that they didn't feel they were prepared for college. And I just recently, again whenever I talk to any of the colleges faculty everywhere else, I hear the comment that the kids are, you know, we're spending more and more money but our education is not preparing that child for college. What do you have to say to that? [LB633]

SENATOR KOLOWSKI: That response would be as widely ranged as the type of schools and the quality of the schools that we have in the state of Nebraska. I know the students from our district and I'm only speaking of the district I worked in for 38 years, I'll put ours up against any students anywhere going to any school anywhere in the country. And I think that's testimony to the quality of what we try to do in the Millard district. The dreams that we have as far as our own strategic plan of putting together the very best academic courses and pro-curricular activities that

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students would be able to grow and experience in their time in high school. I know there exists schools and districts where the preparation of students is less than where I was. And those have to be dealt with by their districts, by their school boards, by the administration they hire to work with the teachers, and to be held responsible for the quality of what they can be doing. [LB633]

SENATOR FRIESEN: How long do you track graduates? [LB633]

SENATOR KOLOWSKI: We've had combinations while I was a high school principal for 15 years, the last 15 years. We had a good four-plus years depending on where they were from high school through college. If they were in a college or in a trade, we had both mail opportunities and as well as phone opportunities to connect with them. [LB633]

SENATOR FRIESEN: So the dropout rate you felt was fairly low when they got to college? [LB633]

SENATOR KOLOWSKI: A combination of things would happen. The dropout rate in the high schools is extremely low. The dropout rate in college would be dependent upon their preparation and where they were going and if they changed their career direction or not into the trades or a two-year program, community college, or a four-year program, or even graduate school depending on the nature of the student and where they wanted to experience whatever preparation they needed for their career choice. [LB633]

SENATOR FRIESEN: Many times I've heard the comment made that a high school is only as good as the parents that send their kids there. Is that a fair statement? [LB633]

SENATOR KOLOWSKI: True. And also the teachers and the administrators that are...operate that building. [LB633]

SENATOR FRIESEN: But those parents are the ones that demand the excellence. It starts with parents who care. [LB633]

SENATOR KOLOWSKI: True, but every parent and every student should have that same opportunity in every school. [LB633]

SENATOR FRIESEN: But not every parent cares, do they? [LB633]

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SENATOR KOLOWSKI: There's a mixture depending on where the parents are in their own lives, some situations they find themselves in. Certainly that varies. [LB633]

SENATOR FRIESEN: All right. Thank you. [LB633]

SENATOR KOLOWSKI: Thank you. Any other questions? [LB633]

SENATOR FRIESEN: Seeing no other questions, we'll close the hearing on LB633, and we will open the hearing on LB400, Senator Hilkemann. Welcome. [LB633]

SENATOR HILKEMANN: Thank you. Good afternoon, Senator Friesen 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 proudly represent District 4 in the Nebraska Legislature. I'm introducing for your consideration LB400 which deals with the taxation of motor vehicles and trailers. As a newly elected Senator in January of 2015, a constituent brought an issue to me regarding the taxes and fees he paid upon the sale of a vehicle to his daughter. He is unable to be here today. He's an accountant and he had to be traveling out of state today and he did come down earlier this summer when we worked on this bill and worked with the DMV and myself and the counties on this, but he's sorry he couldn't be here today. In the process of selling his daughter the car he owned, he took the tax information to the county treasurer to both request the refund of the remaining months of his registration and also to pay the registration and tax fees for his daughter's. Actually I had done this myself to my daughter several years earlier. Since my constituent was selling the car outright and not purchasing another car, he discovered that he paid the taxes and fees for the month of the sale and the buyer also paid the taxes and fees for the month of the sale as well. So in this case, he was covering that expense on both ends and discovered that the same vehicle was being taxed twice for the same month. My constituent went to the DMV, he went to the county treasurer, he's talked with his representatives, his county commissioners, and then he came to me. All of those whom he talked to saw this and they say, this is an issue that needs to be addressed and I agreed wholeheartedly. My constituent as an accountant, as I said, he's always on top of these numbers things, but it's quite possible that many other people have done the same thing and really aren't aware of what's happening to them. So I wouldn't be surprised we won't have a big line of proponents today on this one. LB400 would change the manner in which these refunds are provided upon the transfer of ownership of a motor vehicle or trailer. Current law, as demonstrated by my constituent's story, provides for a refund based on the number of unexpired months remaining in the registration period. This means if you sell your vehicle on the second day of the month, you pay for the taxes for the entire month. Then if the buyer registers the vehicle that same month, even if it's the 28th day of the month, they pay for the entire month also. For years, Nebraska counties have processed refunds for taxes and fees on motor vehicles in this manner which has created the situation in which they're collecting taxes twice on the same

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vehicle. I have introduced LB400 to help correct this problem and ensure that our taxpayers are being treated fairly. LB400 would change the process to provide for a refund of taxes paid upon the number of unexpired days remaining in the registration period for the date of transfer of ownership. The purpose of the bill is to eliminate taxation of both the buyer and seller for the full month of the transaction. As I said, I introduced a similar bill in 2015 and I'm glad it didn't advance because in retrospect it needed some work. That bill provided a refund for the entire month of disposition, so if a car were sold on the 3rd of March, that makes sense. However, if it sold on the 28th, then that refund of the whole month was inequitable. So LB400 has an operative date of January 1st, 2019. Now the drafter of the bill felt that that was the furthest out we should go for the purposes of introducing this bill. However, based on conversations I've had with the department, my intent is for the operative date to be January 1, 2020. And I would like to work with the committee on an amendment reflecting that. The reason for that date is because the Department of Motor Vehicles is in the process of purchasing and developing the programming of a new processing system. When I asked them about the possibility of making a change effective within the next year, the response was that it would take over a hundred hours of coding into an archaic system soon to be obsolete computer system and there was no guarantee that it would work if we did it. So that figure is reflected in the fiscal note that you got. It sounded to me like the equivalent of spending thousands of dollars to rehab an old car that you're going to be throwing to the salvage yard within the next two years, so it's important to me to find commonsense solution when it comes to spending tax dollars and I will always fight for the waste of resources. The delayed operative date provides the DMV the opportunity to develop the system under the new law so that when the new system comes on line, it can begin processing refunds in the fairer manner to the taxpayer. Colleagues, we would be remiss to not correct this issue of double taxation. I acknowledge that our counties may face a revenue issue with this bill. However, I think we need to consider that these are the dollars of our taxpayers, not the dollars of a political subdivision. We are unfairly collecting this money and we need to fix it. Now with the new DMV system coming on-line, now would be the time to change the statute so that the department can build in the changes it needs from the outset rather than creating one system and facing needed changes to correct that issue down the road. I urge the committee to take action on this bill as soon as possible so that we can take it up on the floor of the Legislature and correct this issue for our taxpayers. Thank you for your time and consideration. [LB400]

SENATOR FRIESEN: Thank you, Senator Hilkemann. Any questions from the committee? Seeing none, thank you. [LB400]

SENATOR HILKEMANN: You're easy. [LB400]

SENATOR FRIESEN: Trying to save us money, you know. (Laughter) Proponents that wish to testify in favor of LB400. Welcome. [LB400]

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LARRY DIX: Good afternoon, Senator Friesen and members of the committee. My name is Larry Dix, L-a-r-r-y D-i-x, appearing today in support of LB400. We certainly appreciate Senator Hilkemann sort of stepping back from that bill from a year ago and working with us over the summer months to change and to get it so it really did reflect the proper calculation on it. From the counties point of view, once the new VTR system is in, at that point in time it's simply a computer calculation. And, you know, initially when we looked at the bill, I think we, too, have a little bit of uneasiness about January 1 of 2019, because we don't know when the new VTR system would come in. And so, you know, our...and I'm not sure how to write this in or how to create the amendment but I think our commonsense approach is that this act becomes operative once the new VTR system is installed in all 93 counties. You know, once it's there, once you design the system, it's going to be designed to make the calculations that way. So, you know, what that magic date is, I don't know. The Department of Motor Vehicles probably has a better indication of when that is. We just want to make sure that we don't start installation and we're halfway through at January 1 of 2020, just so that we're consistent across the whole state and everybody has the same computer system. Once that's there, this will be fine or, you know, it really will be designed into the new VTR system and we're very comfortable with that. So with that, I'm happy to answer any questions you may have. [LB400]

SENATOR FRIESEN: Thank you, Mr. Dix. Senator Brasch. [LB400]

SENATOR BRASCH: Thank you, Vice Chair Friesen, and thank you, Mr. Dix, for your testimony. I do believe it's a good bill. I believe it's only right and fair. I just...what I'm questioning right now is the current system...already has running software on it, correct? [LB400]

LARRY DIX: Yes. [LB400]

SENATOR BRASCH: Right, so the software is going to be transferable into the VTR or are you telling me that everything that is held in the current system, the software will not be compatible with the new VTR? [LB400]

LARRY DIX: It's really a Department of Motor Vehicle question, but... [LB400]

SENATOR BRASCH: All right. [LB400]

LARRY DIX: ...the data that's currently in the VTR system today, your car, my car, Senator Harr's car, all that information will transfer across. But right now, the VTR system is running on an AS400 platform and that is in all 93 counties. Right now the Department of Motor Vehicles is

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going out to bid or, I don't know where they're at in that process, but we know that all those computers will be replaced. And so, what they need to do is to provide the current law to the new vendor to make sure that the new software will function according to state law just like today the system that's out there in 93 counties functions according to state law. So there will...the new system will be designed according to whatever the state law is. [LB400]

SENATOR BRASCH: And I...my thought is, it should not have to wait for the new system that it won't be a duplication of entry that with the ASA400, I think that's an IBM unit, that whoever bids on this that there is going to be some compatibility or an operative ability between the two systems because you already have current software that is expected to be run seamlessly on a new system, so why that would be a... [LB400]

LARRY DIX: Yeah, I want to make sure I understand your question but the current software that's there today will go away. [LB400]

SENATOR BRASCH: Oh, they are not...they're going to start with all new software as well. [LB400]

LARRY DIX: It's my belief that that is the way the RFP was issued that it will be completely a new set of software. [LB400]

SENATOR BRASCH: But the data... [LB400]

LARRY DIX: But the data will... [LB400]

SENATOR BRASCH: ...will be able to transfer over, so and that's...okay. [LB400]

LARRY DIX: The data will, but the software won't. [LB400]

SENATOR BRASCH: So the data potentially from this program, if it was developed during this session, most likely would be transferable as well. [LB400]

LARRY DIX: The data would be, but the software that does the calculation on this particular fee is not there. [LB400]

SENATOR BRASCH: Okay. [LB400]

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LARRY DIX: So, I think that's what probably prompts the fiscal note of an expenditure but if they were to re...not rewrite, but modify the existing software, you would have this fiscal note. And I think what Senator Hilkemann is saying that if we move to where we have the new VTR system, the fiscal note goes away because it's just designed into the new system. [LB400]

SENATOR BRASCH: Okay. All right. Very good. I have no other questions. Thank you. [LB400]

SENATOR FRIESEN: Thank you, Senator Brasch. Senator Harr. [LB400]

SENATOR HARR: Thank you, Mr. Vice Chair. It cost \$20,000 to just reprogram? [LB400]

LARRY DIX: It's not...you're going to have to ask...it's not my fiscal note. [LB400]

SENATOR HARR: Wow. [LB400]

LARRY DIX: It's...you know, I would assume that was submitted by Department of Motor Vehicles. [LB400]

SENATOR HARR: That's almost two years' salary for us. [LB400]

LARRY DIX: Almost. [LB400]

SENATOR HARR: We could have implemented by 2020, you think? [LB400]

LARRY DIX: Senator Harr, you could become a programmer and look at your opportunities. [LB400]

SENATOR HARR: And this isn't for you to know, but I find it interesting and I would love to see if they're planning to go outside or if they're using an in-house person already. And I don't know. It doesn't say that in the fiscal note, which again, I love fiscal notes. They tell me nothing, so thank you. [LB400]

SENATOR FRIESEN: Thank you, Senator Harr. So, Mr. Dix, do you think with the new software that the DMV was putting in place that counties were going to be issuing refunds by the day, no matter what the statutes would say? [LB400]

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LARRY DIX: Well, if Senator Hilkemann's bill does not advance, then the new VTR system would be designed according to whatever state statute is and today it would be just like it is today. It's by the month, so the new system, of course, is going to have to be designed to meet whatever state statute says. [LB400]

SENATOR FRIESEN: Okay, because I guess I was understanding that it has already been let and it's probably based on current statute so it's probably still going to cost another \$20,000 to change the programming, but, hey, whatever. All right, I have no other questions. Thank you, Mr. Dix. [LB400]

LARRY DIX: Thank you. [LB400]

SENATOR FRIESEN: (Exhibit 1) Any other proponents who wish to testify? Doug Kagan, Nebraska Taxpayers For Freedom. Seeing no other proponents, are there any opponents to LB400 who wish to testify? Seeing none, anybody who wishes to testify in a neutral capacity? Seeing none, Senator Hilkemann, would you like to close? [LB400]

SENATOR HILKEMANN: Well, I'll keep this sure brief. Senator Brasch, you pointed out a really...that's what I discovered when I started dealing with this, is that they're working with this archaic system and the appropriations, we have...it's a huge appropriations that they have for the Department of Motor Vehicles for the new computer system. And so, you know, computers and statutes don't have common sense. This is an issue that if we...back in the old days, it would have been put on a piece of paper and pencil to it, it would have been solved. A common businessman would have taken care of it, but now is the time to do it because when they program the new computer, we can do this programming it. There's no sense to go back and work with an old system that may not work when we get done anyway, so. [LB400]

SENATOR FRIESEN: Any questions? Senator Harr. [LB400]

SENATOR HARR: Sorry, just quickly. So if we do change the operative date to 2020, the fiscal note goes away, right? [LB400]

SENATOR HILKEMANN: That's correct. [LB400]

SENATOR HARR: Perfect. [LB400]

SENATOR HILKEMANN: My understanding, the fiscal note goes away completely, correct. [LB400]

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SENATOR HARR: Excellent. [LB400]

SENATOR FRIESEN: Any other questions from the committee? Seeing none, thank you. We'll close the hearing on LB400. Now we will open the hearing on LB531. Senator Harr. [LB400]

SENATOR HARR: Thank you, Mr. Vice Chair Friesen and my fellow member, Senator Brasch. (Laughter) It's a pleasure to be in front of this committee. My name is Burke Harr, H-a-r-r, and I represent Legislative District 8. LB531 restores a one-half percent commission to counties across the state of Nebraska for all motor vehicles sales tax collection over \$3,000 per month. Prior to October 1, 2002, counties received a 2.5 percent commission on the first \$3,000 of sales tax collections remitted to the state each month and a .5 percent commission on collections over \$3,000. After October 1, 2002, Sections 77-2703 was amended to eliminate this .5 percent commission on sales tax collections over \$3,000 a month. For example, in Sarpy County the treasurer collects over \$24 million per year in sales tax on motor vehicles in concert with the motor vehicle registration and titling process. It's estimated that roughly 7.5 percent of the treasurer's budget is involved in collecting and distributing motor vehicle sales taxes, which equates to roughly \$121,000. Currently, Sarpy County is only reimbursed at \$900 per year to cover that cost in collecting the tax for the state. And this forces the counties to level even higher property taxes to cover the remainder of that cost. With the passage of LB531, the Sarpy County treasurer's cost of collecting motor vehicle sales tax would be able to break even with the commission receipt. A representative from Sarpy County will follow me and will be able to answer any detailed questions you may have. Thank you. [LB531]

SENATOR FRIESEN: Thank you, Senator Harr. Senator Brasch. [LB531]

SENATOR BRASCH: Thank you, Vice Chair Friesen, and I feel compelled to stay now, but this sounds familiar. Has this been introduced before? [LB531]

SENATOR HARR: It has. [LB531]

SENATOR BRASCH: And has it been reintroduced because this .5 percent was taken away and promised back at a later date when the economy improves, or...? [LB531]

SENATOR HARR: Well, I would...yeah. [LB531]

SENATOR BRASCH: There was a condition they believed that this was a temporary status. [LB531]

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SENATOR HARR: Yeah, you know, I know we in the Legislature would never pull a bait and switch. So, but it was believed that one day when times were better, that we could eliminate this. And as we know... [LB531]

SENATOR BRASCH: Would you believe times are better? [LB531]

SENATOR HARR: Well, they are for me. (Laugh) [LB531]

SENATOR BRASCH: Congratulations. [LB531]

SENATOR HARR: It's a tough time, no it is a tough time. But the question is, when are we going to do this? You know, we did get...so. Yeah, I understand. It's a tough time to do it and I think there will be those coming after who may not think this a consent calendar item either. [LB531]

SENATOR BRASCH: Okay. Very good. I have no other questions. Thank you for introducing...reintroducing. [LB531]

SENATOR FRIESEN: Thank you, Senator Brasch. [LB531]

SENATOR HARR: Thank you, Mr. Vice Chair. I will stay for closing. [LB531]

SENATOR FRIESEN: Good. Welcome. [LB531]

FRED UHE: Vice Chair Friesen, members of the Revenue Committee, my name is Fred Uhe. Fred, F-r-e-d, Uhe is U-h-e. I'm director of Community and Government Relations for Sarpy County and we thank Senator Harr for raising this issue again. You know, back in 2002 this actually...restriction or change was imposed upon all retailers, so you can imagine the impact on say, your local Walmart, or Nebraska Furniture Mart, and they brought in a fair amount of revenue to the state at the time. The county portion actually goes to the Highway Allocation formula and that's kind of an unintended bonus I think at the time the way it was explained to us. And touch on briefly a little bit so there is no General Fund impact to the state with this change, but yet it does restore the counties, base our costs of doing business. And counties are different than say, the Furniture Mart or Walmart where registers, you know, computers are programmed, you know, collect that 7 percent sales tax depending on what entity you're in. Oftentimes the county treasurers are faced with private sales, you know, the sales tax forms aren't there. They're calling the dealerships, out-of-state sales, so there's a fair amount of effort calling to get the documentation to get those dollars collected. So it's a little bit different than the normal retailer

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who, you know, anytime there's a change in the sales tax rates, it's just a matter of changing the computer software that drives their cash registers, so there's a fair amount of labor involved in that and that's why the counties think we should be restored. I mean, it's kind of a part of the unfunded mandates study from a few years ago and again, I think that when the original legislation was passed it helped balance the state budget. I don't think anyone actually from the counties were really engaged in the discussions as far as what it meant to us, so. With that, I know we're the last bill so you guys can get out of here, I will close and be willing to take any questions. [LB531]

SENATOR FRIESEN: Thank you, Mr. Uhe. Any questions from Senator Brasch? [LB531]

SENATOR BRASCH: Not at this time. [LB531]

SENATOR FRIESEN: I really need to take the place of some of your Harr issues and start asking some questions, so I just can't get my brain going in that direction. Did it...did it used to be that the sales tax collection fee was 3 percent on the first...? [LB531]

FRED UHE: Yes, and it still is. I mean, because basically our treasurer is commissioned \$75 a month, \$900 a year for collecting this \$24 million in state and city sales taxes. You know, and that applies to every retailer. My local Optimist Club sells fireworks, we actually get \$75 for collecting sales tax. And so, again, every merchant in the state is receiving that \$900, \$75 a month provided their sales are above the \$3,000. So it was just that additional half percent that was struck in the 2002 legislation, so. [LB531]

SENATOR FRIESEN: So, I, you know, I guess it was in the aspect that it provides property tax relief, I'm all in that. [LB531]

FRED UHE: Great. [LB400]

SENATOR FRIESEN: Thank you for your testimony. [LB400]

FRED UHE: Thank you. [LB531]

SENATOR FRIESEN: Any other proponents? [LB531]

LARRY DIX: Good afternoon, Senator Friesen, and members of the committee. My name is Larry Dix, L-a-r-r-y D-i-x. I'm executive director of Nebraska Association of County Officials

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appearing in support of LB531. And I think everything really has been addressed on this and certainly, Senator Brasch, I was here at the time when they reduced it. That was when bad times were here and, of course, there were some good times in between that year and where we're at now, but unfortunately all the years we introduced it, even during the good times, we were never really able to get this put back into place. I always use the example that sales tax collected in all 93 counties, Arthur County gets \$75 a month for the work that they do; Douglas County gets \$75 a month for the work they do and so it is...it's one that we certainly would like. We understand that when you look at this, it does impact the Highway Allocation Fund and that Highway Allocation Fund is shared between the cities and the counties and when we look at the net effect of LB531, counties will...sort of taken some money away from ourselves on the Highway Allocation side and putting it into county general. So we're moving it from one pocket to the other. On the city side, they're really not moving it from one pocket to the other and you may hear that in their instance, it is a loss of revenue in the Highway Allocation side. So, just for full disclosure, the bill has been here a number of years before, we've described here a number of times. I'd be happy to answer any questions you'd have. [LB531]

SENATOR FRIESEN: (Exhibit 1) Thank you, Mr. Dix. Any questions? Seeing none, thank you for your testimony. Other proponents to LB531? Seeing none, we have one letter, Douglas County Board of Commissioners. Any opponents wish to testify? Welcome, Ms. Rex. [LB531]

LYNN REX: Thank you. Senator Friesen, Senator Brasch, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. I appreciate you both staying today and appreciate, of course, Senator Burke Harr introducing the measure even though we are respectfully opposing it. We're opposing for the reason that Larry Dix already outlined. This would take funds away from the Highway Allocation Fund and roughly it would be in 2017 at \$499,000 and as projected if you go up through 2020 to 2021, \$841,000 loss. And that is a loss that would be shared. The reason why we're here opposing it is simply because, you know, Senator Friesen as chair of the Transportation Committee, you and I have had discussions about the loss of revenue for cities and villages and I know you're well aware of this, and counties too, because of passage of LB846 in 2008 which tied revenue to the wholesale price of gas. And that has really resulted in day one which is the effective date of July 1, 2009, a \$14.7 million loss for cities and counties. And we are very concerned about that and even though LB264 was introduced in 2009 to correct it, I mean the bill passed in 2008; 2009, LB264 was introduced which could have corrected it. That bill did not pass to establish a base line of \$2.44 on the wholesale price of gas. Thankfully, because of LB610, which passed in 2015, which was a 6 cent gas tax increase phase in over four years, that amount roughly of \$25.4 million for cities, \$25.4 million for counties and \$25.4 million for the state, that has helped offset the loss of revenue from the wholesale price of gas. So we're here opposing this. With all due respect, we're empathetic to the counties issues as they are always with ours, but we are concerned about the

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loss of revenue. With that, I'd be happy to respond to any questions that you might have.
[LB531]

SENATOR FRIESEN: Thank you. Any questions? I was just going to ask if you had any sympathy for the counties, you know, I...? [LB531]

LYNN REX: Absolutely we do, yes. Yes, we do. And, of course, with our 529 cities and villages, over half of them are at their maximum levy limit. Of 45 cents plus 5, over half of those, roughly, cannot even raise the 2.5 percent of restricted funds over the prior year that you authorized them to do under the lid law. So, I mean, we've got some...and those are all the very small ones out there. It's got...this is a very, very rough time for everybody. But again, we empathize with the county situation. [LB531]

SENATOR FRIESEN: Thank you, Ms. Rex. [LB531]

LYNN REX: Thank you. [LB531]

SENATOR FRIESEN: (Exhibit 2) Any other opponents wish to testify? I have...Miki Esposito from the city of Lincoln. Any...seeing no more opposition, anybody wishing to testify in a neutral capacity? Seeing none, Senator Harr waives closing. And we will close the hearing on LB531 and we'll close the hearing for today. [LB531]