

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 13, 2020
Agency 13
Rough Draft

STINNER: We will now open with the hearing on Agency 13: Department of Education. Good afternoon.

MATT BLOMSTEDT: Good afternoon. Thank you, Senator Stinner and members of the Appropriations Committee. My name is Matt Blomstedt. Last name is B-l-o-m-s-t-e-d-t and I am the Commissioner of Education for the Department of Education. I'm actually very privileged and honored to be in that, in that spot. As you all know, I have an elected board of eight members and I, I appreciate that our constitution basically says that the Department of Education is formed of the, the elected eight board members and myself and that we run a-- I think a pretty important function in the state of Nebraska for the future of our students, families, and communities. It's really-- I think as I listened to the other testimony, another, another great thing I think about the state of Nebraska is actually just how we function as a government and how we function together and how we really coordinate and cooperate. And so thanks for your service on this. I have-- I am handing out some of my talking points. I'm not going to read through every line and detail there for you, but I did want you to know that we put in probably-- several may be substantial requests. And I'm going to kind of walk through those and walk through, I think, what the kind of context of the moment happens to be relative to our request plus maybe some other happenings across the Legislature. So at least I can try to use this moment to kind of walk you through where we're at. Also, just to let you know that as we kind of continue through our particular work, these are requests that we have probably put in front of you before. And I want to kind of highlight some areas that I think are a priority for the, kind of, middle of the biennium and also some other things as I kind of forecast to the future of what I believe we're going to need to be able to accomplish in the education system in this state. So now number one-- I mean, obviously, we're working very hard to ensure that we're able to carry out the responsibilities placed on us both by the Legislature and also at a federal level. And if you-- as you think about this and then, then-- Nebraska, like every other state, has a Department of Education that is probably two-thirds to three-fourths funded by, by the federal government. A lot of what we end up having to do are running particular federal programs. Our ability to provide leadership is kind of dependent on the laws that we have to carry out. Mr. Halstead, coming up before you before, he often talks about strings and chains and, and requirements of federal law. But I actually really strongly

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believe that an education system has to be really led at the state level. And so I appreciate, kind of, the opportunity to talk about some of those areas that we've tried to provide that leadership. And in, and in particular, as I go through this, it will give you a sense of areas that I think we can continue to work on. Number one, when I first started-- and I'm actually six years in. Actually, I'm in my seventh year, come to think of it. I started January 2, 2014. There's been a lot of things that have happened in education in that timeframe. Number one, I walked right into the first, kind of, week of legislative session and there was a bill that was being proposed that was-- create a new accountability system for the state in Nebraska. That accountability system was somewhat in advance of an accountability system that later would also be thrust upon us to a certain extent by the federal government and making changes on that side. We've made substantial changes in building an accountability system. Senator Vargas not being here, I would give him some credit. He and I talked before about-- we were trying to run an accountability system in the middle of getting the data systems in place, getting other things in place, and we weren't running it necessarily every year. And he said, I think you need to run that every year. I didn't really disagree, but we had a lot of moving parts and a lot of new data elements that were coming together at that moment in time. Since I've been Commissioner, we've had that. Since I've been Commissioner, we also-- in 2015, the federal law changed, requiring-- going from No Child Left Behind to ESSA, which changed some requirements that I'll talk about a little bit on why I have some of the requests within here. That happened in 2015 and we had to very quickly move upon requirements for the Department Education to also administer ACT as the high school assessment. We changed assessment systems from three through eight. We raised the expectations and standards on schools all over the state. I believe we have among the highest standards in the, in the country right now, which means that we actually don't have to constantly be in a change dynamic; maybe we can manage this and keep growing from here. And that's my hope when I talk to educators and, and I think our, our opportunity is really to be able to drive that system. Part of the law-- actually, part of the state law said identify, identify up to three priority schools that you're going to go in and work intensively in. And so we did that and then a couple of years ago, just-- the law actually changed and that-- we were supportive of that particular change, but instead of up to three, that we would do at least three schools because there are more than three

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schools across the state that could use that type of intensive intervention. And so we were looking for ways to be able to scale that work and continue, continue to do that. We, as a department and like a lot of others, we actually suffered some cuts. I think on the second page of my talking points, you'll find, you'll find, kind of, the numbers that we experienced in that cut. We've actually-- I think-- I guess between fiscal year '17-18-- excuse me, '16-17 to '18-19, experienced about \$5.9 million of funds that were cut from the agency. Some of these were funds that we were hoping to be able to implement the A QuESTT system, be able to implement our accountability, implement the changes in assessment; do all those different things and move us forward. And so when those cuts happened, there was a lot of conversations about what other things you're going to need. And I remember saying at that time, probably to the Appropriations Committee and maybe others as well-- going well, eventually I have to come back and ask for resources to do the work that I think you've, you've asked us to do. I guess now it's kind of-- at least some of that time-- and I want to describe a little bit more of that. As we do our work with schools across the state-- and we have identified priority schools and a set of priority schools over time-- the federal law also requires that we identify schools for comprehensive support and improvement where we're able to use certain federal funds to do some additional support and also targeted support and improvement for schools that are-- identifies a set of students that are otherwise not performing-- really, our lowest 5 percent of our performers in a, in a subgroup performance. Our largest student group that doesn't perform that we've identified schools for targeted support is special education. Perhaps not a huge surprise, but obviously, a statewide group. When you look at you-- when you look across the state when serving students in special ed, it is a, is a substantial issue and an equity issue for us. When you look at this, I've actually put in, in place-- and I'll take you through the, the spreadsheet that asked for the specifics. But we're looking to actually create permanent employee positions that are actually doing some of the work that we're now doing, sometimes by contract. And that's-- I think this is going to be permanent work for the agency. If I thought, well, we'd just have to do it for a while and then we can do it-- something else, but the reality is there's some permanent work that needs to be done. And I'll explain a little bit more of that in a, in a moment as well. There's also kind of some system-level investments that need to be made. We've tried to do our data systems and continue to do data systems and have conversations

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about that and continue to expand how data is used. I joked with our, our information officer. I said, I don't know what you're so worried-- this data thing is just a fad, right? The reality is it's not a fad. Obviously, we're continuing to be asked to put data and information together for this body, for the federal government, for other reasons. And for a lot of those reasons, it's really important that we're able to do that well. I'm ultimately, as we keep building our accountability system and identifying places that need our support, it starts to target how we would do our support. And I think we're at a moment in time-- in my timeframe, anyway-- that you can really identify what are the strategies that work and in which places those things work. So we've identified a set of staff that I think would be permanent, long-term staff. And primarily working with-- we've employed different folks, had different challenges. I have somebody that's leading and part of our agency that's really on support services for school districts and building a team that do that support is going to be really critical. Another part of ESSA actually requires that we have school finance data-- and I think I shared this with you before-- school finance data at a building level. That-- we've actually built the abilities to be able to start doing that. There's going to be first-year data quality issues and a whole bunch of other things. But as we shift to a school building quality, our school building funding model, I suspect over time this body is going to start to ask for information on what that means for a school finance system. I might be wrong. You know, just because you have data doesn't mean anybody ever asked for it. No, I think eventually that's going to be asked for. So we have put in here a request for funding around school finance. This is actually a conversation-- not that school finance is ever a topic that you have to worry about-- tongue-in-cheek. The, the reality is we actually have our staff under a, kind of, constant pressure to provide data and research for this body. And I want to make sure that we're thinking about what that capacity has to look like for the future. So we have a request in there on that, on that front. We also have a need to improve our, our grant monitoring. This comes as a requirement underneath state and federal audit that you end up-- what we've been asked from a federal audit perspective is knowing where funds are going and being able to have people in the field to do particular audits in schools. That's a substantial amount of work and I've included that-- we've included an item within here for that purpose. Also, kind of more administratively, we've included a request around retirement and

retirement payoffs and I, I can talk about that. We've kind of tried to manage that as an agency the best we can, but I don't know how other agencies necessarily manage that. But over time, I can remember being told, hey, look, you should come and ask for those resources from the state because that's a state obligation to help pay on, on that front. So there's items in there on that front. We've asked for a revolving fund to implement information technology. By the way, that's completely internal. I'm just asking for the ability to have a fund internal to the agency so we can manage that, that part of our fund as well. We've changed to a biweekly pay structure and so we have a request in there around the increased costs on that and ensuring that we can do that well. I will tell you we shifted to a biweekly pay structure to get in alignment with the rest of the state and actually, hopefully create some efficiencies for everyone else. It wasn't exactly an efficiency for us because that's extra pay periods that we're tracking. I think in the long run, it's the right thing to do, but, but there is an additional cost for us that we put in there. I'm going to highlight the college admission test and for a reason that will get me into a little bit more about the lottery funds and where we're at on that front. The lottery funds have, for the last several years-- three years at least-- provided the funding for the college admission test. The law had allowed that where we went to-- it ended up being ACT, but it allowed for us to use those funds and then it wasn't appropriated separately. We're probably all right for the current year. So maybe I don't need it in this, in this deficit request, but I am worried because it, it is actually going to be proposed to be removed. I think LB920 is the lottery bill. And so going into next year, that would actually have to be something that would be replaced back into General Fund. So I highlight that one for you and I also highlight one that was one of our top four priorities, the multicultural ed specialist. I really do believe that the language from about 1997 is out of date with where it ought to be so I'm going to-- I'm not asking for that additional funding in the deficit. We did include it in our original request, but I'll, I'll go ahead and say, well, we're not really asking for that. We are going to come back next session and ask the Legislature-- ask the Education Committee first: where do we need to go with that and how can we, how can we develop that or further develop that? So I want to, just ever so quickly, walk you through our-- that-- this form. On this, on this particular form, you'll see that our, our budget issue-- the request that we put in that-- what the Governor actually fund-- or proposed to allow to be

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funded-- what the committee's preliminary looked like and then some areas where I'm asking for these funds to actually be included. So it looks like this one I think-- mine-- I hope you have it anyway.

DORN: It's in our portfolio. It's in our agency.

MATT BLOMSTEDT: OK. We might have to send you that one separately.

DORN: We, we have something like that.

MATT BLOMSTEDT: I'm going to send you that. Sorry, I was thinking you had it in front of you. I'm going to describe it. The, the first part on the costs of A QuESTT: so we're putting in and asking you to consider funding for that and actually, for those particular services and, and staff. So in, in fiscal year 2019-20-- we'll send it to you so you don't have to try to keep track of all this. We had requested, like, \$1.5 million in the first year, \$1.9 million. That's actually to do some of the systems pieces that we were asking for and also the staffing that we talked about. I-- I'm going to, I'm going to talk about that one and the school funding policy work as well. Within that one, we were asking for about \$66,000 or \$67,000 in the first-- in the current year and then \$210,000 going forward. Those two things were to build capacity for the agency. Here's where I want to stop just for a second. We've been in the middle of talking with the Education Committee about LB920, which is the lottery funding. I was in a, in a conversation and in a meeting there. There's been grants, innovation grants, that were part of that particular process. And I presented what we are trying to do with those innovation grants and build capacity across the state for the important work that I thought we needed to do as an agency and not just be in a position where we're sending out grant funds and hoping good things happen. But, you know, starting to talk about where can we rebuild supports for schools to really make a difference. And I'm going to say-- I'll say this very publicly and on the record, I guess, but Senator Groene said so why wouldn't you just ask for those funds in the lottery funds to do some of that work to move, move forward? And I sat a bit stunned with him that particular day because he said, well, I don't like how you're trying to use these lottery funds to do different things. And I said, well, honestly, I just need-- we need to start building this capacity for the future of the state, for the future of, of the education system. He said, why wouldn't you just use some of those funds? I'm like, OK. And I told him, I hate it when you're right. And I told him

he could quote me on that, but the, the reality is if that's a mechanism that is able to allow us to move this forward for a period of time, that we have to prove up, hey, look, that's the right investment to make, I'm willing to do that, right? So-- and I think it's actually very important for the state to be able to look at the resources that we have, the capacity that we have to do key work. And we've been changing what we do as an agency. And that's-- so if that innovation would allow us to do some of that work, that's great. There's a whole bunch of other things in that particular bill, uses for different funds. But in the scope of the work that I'm trying to get done to make sure we have the data systems necessary, making sure that we have the accountability system that we're supposed to have, making sure that we have the supports for schools-- if that's the funding source, I can, I can kind of be fine with that. Maybe I should stop and ask you if you have questions on that and then I'll walk you through the rest.

STINNER: Senator Bolz.

BOLZ: Thanks for, for all that information and the context and the background. Can I, can I simplify what I think--

MATT BLOMSTEDT: Yeah.

BOLZ: --I'm hearing you say? I'm looking at your top four priorities.

MATT BLOMSTEDT: Yeah.

BOLZ: And please stop me if I'm not understanding correctly. What I hear you saying is that the multicultural education specialist and the standard college admission test are very important, but they are planting a flag for the next biennial budget.

MATT BLOMSTEDT: Correct, thank you.

BOLZ: OK.

MATT BLOMSTEDT: You said that better than I did.

BOLZ: And the school funding policy and ESSA reporting; that remains a priority for us to consider this year, partly because that school funding policy conversation gets more difficult and more complex and continues to be a conversation within the body and you want to be able

to serve us. And ESSA is a federal mandate that you must respond to, is that correct?

MATT BLOMSTEDT: Yeah, that's fair. And those two kind of come together on that particular topic right now.

BOLZ: OK, so that's clear in my head. Can you revisit for me what you were telling us about A QuESTT? Does-- is that an urgent priority? Is that something we really need to act on now? Help me understand what exactly you were trying to communicate.

MATT BLOMSTEDT: Yeah, it's, it's an urgent priority in the sense that in order for us to actually begin to serve the schools in the fashion that we are asked to, right, for our priority schools, we have to-- by state law, we are-- we have to identify intervention teams to go and work very intensively with schools. And we've done that in Santee and Schuyler and Loup County and at Druid Hill so far. We've also identified a whole "nother" set of schools that-- underneath the federal policy for comprehensive support and targeted support. Our comprehensive support-- I can get the exact number, but 25-ish schools that, that we have to work intensively in. There's some federal funds, but the way that the federal funds work, we have to give those to the school. We aren't able to retain them to actually do that work. The targeted support and improvement has identified over-- I think about 360 school districts and school-- building, excuse me-- school, school buildings to do work. It's, it's work that's building very quickly on us. And for us to be able to start to provide that, what I'm really asking for is about four or five people, some investments in some key systems like our what we call our Qualtrics system. It's actually a way that we're kind of economizing on schools to be able to report data to us and report their plans to us. And so we're asking for those funds in that. I'm probably missing something or-- I guess our equity officer and part of that is in, in my list here as well; or our grants management system as well. So federal grants management is a complex environment to work in. I think we can do that right and better and improve the efficiency both for school districts and for us with some, with some of that investment. That's why that's an important collaborative piece of that puzzle.

BOLZ: And some of that is reflected in the chart that you'll share with us?

MATT BLOMSTEDT: Yes, yes.

BOLZ: OK, thank you.

MATT BLOMSTEDT: Sorry. I was thinking you had it in front of you and that's how that goes.

BOLZ: Well, look at me [INAUDIBLE] thank you.

MATT BLOMSTEDT: So, yes. So you hit the nail on the head; those first four priorities on that list that you would have in front of you. I'm not asking for money immediately on the, on the ACT or immediately on the-- but, but coming back next session, we'll have to have that conversation. The one that ends up there on, on fifth is about that grant or-- excuse me-- the grant monitoring. And you will notice that both the Governor and you, in your preliminary, put that down as federal funds. We don't have extra federal funds to meet that requirement. So the only way that I could actually meet that requirement underneath that audit finding is for us to ask for, for state funds. Now over time, I may be able-- gradually be able to shift that back, but, but that's-- our federal funds don't work in such a fashion that I can simply switch over and do that, do that effectively. So that's an important one. If you jump down on-- I know on your list-- I think I have them in the same, same order anyway-- you know, the retirement payout and I hope that makes sense to you. That's-- we're, we're coming back and asking for funding on that particular front. And again, I think we've helped try to manage that over time, but we're not really equipped as an agency, after the cuts, to continue to do that very effectively. So, yes, Senator.

STINNER: Senator Wishart.

WISHART: I do have a question on the retiree vacation and sick leave. Generally speaking, it's the philosophy of this committee to, to support those. I think some of the conversations going on were around how, how many-- so it looks like the, the federal employees; we would be paying their retirement from-- you'd be paying that. Your request is from your federal fund?

MATT BLOMSTEDT: Federal funds where we can, yes.

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WISHART: So the \$132,000; that is from employees who are state-funded employees?

MATT BLOMSTEDT: Correct. So-- and we, we certainly have employees that are paid out of both resources, but I think it's a, it's a breakdown of where those would come from and how we can get that done so.

WISHART: And to just our committee-- oh, we did not even give the PSL, I see here-- in terms of-- if we were to just grant the PSL, walk me through what that would do in terms of how you'd have to prioritize your funding.

MATT BLOMSTEDT: Yeah. For us, what we would have to do, obviously on the federal side where we can, can do that, then we would have to pull out of whatever we could on the, the General Fund side. I have the magic worker behind me to help me sort that out. But from our budget standpoint, yeah, we would have to, have to make cuts or I typically-- I'm just going to tell you the way that we end up having to do it is usually through vacancy savings and not fill spots until I can catch up; that's, that's what happens.

STINNER: Questions? I don't see any questions. Do you have some more from us?

MATT BLOMSTEDT: Yeah, so my, my last couple of points are probably around kind of more administrative things as well. Number one, we're-- we've changed the agency structure and we're asking for a change in what those accounting codes look like. And I, I suspect that will be just fine with you. It doesn't cost any money to do that. The other thing is I want to thank you very much. And I know I spoke with some of you around DAS accounting or kind of costs and I appreciate very much that you put that in. I know other agencies feel that. And to me, that's a bit of a-- just a transparency thing. I want a good state system that's right. I really do because we need to do our work well. I'm, I'm always going to promote that we do that well. I just want, kind of, transparency that when we have a cost, that you know where that comes from. So, so I appreciate that. My last point may be-- that I'll hit is around special ed funding. And I know Senator Wishart has a legislative resolution to talk about special ed funding at the federal level. The federal level; the intent language had been that-- or the intent behind IDEA is that the feds would pick up 40 percent across the country. Well, they pick up about 12 percent right now so

the federal investment in special ed is, is way down. The state's investment in special ed is about 47 percent. I might be off a percentage or so, but about 47 percent. The rest falls then to the, to the property taxpayers and, and falls to the state aid formula too. It-- both of those things are picking that up in different ways. I, I-- because it was too ironic, I had to be able to point this out to you. The TEEOSA-- our estimate of TEEOSA when we ended last year was \$20 million down from what it ended up demanding. Our request for special ed increase was \$20 million more. What I want to describe to you is I know there's a lot of other conversations going on around school finance right now. There is a benefit in the long run that the state would keep up with, with special ed costs in a different way. Here's-- one benefit is-- and certainly when you talk about equalized and nonequalized districts, the benefit on special ed is when that-- when we increase the reimbursement rate, schools that are nonequalized would be getting more payment from the state as a result of getting more of their special ed reimbursed from the state. The benefit on-- for nonequalized school districts is that it keeps up and it keeps demonstrating that their costs are actually being recognized within the formula in such a fashion. It doesn't necessarily generate a lot more money for them, but it targets the money on where it's being spent. And I think those two things are actually really important for this body to keep, kind of, considering. And so the irony of the \$20 million here or less on one side-- and the \$20 million increase was almost too much for me not to mention, especially as you look at the importance. Just like I mentioned before, we're identifying schools all across the state with, with concerns around their special ed and how, and how their students are performing based on subgroups of special ed students, right? For us, as a state, to really constantly be thoughtful about could we do more by this part of it; how does that fit into the, the mix of the conversations on school finance? I've raised this point with, with others as well. I mean, certainly, as you continue to look at it, it needs to be part of the mix. And I'm just going to say it; that's one of those areas that the Appropriations Committee has a substantial, substantial influence on; school finance policy is, quite frankly, around special ed and, and how, how we can keep up and maybe even set some goals for the future about what our percentage of reimbursement ought to be. And see if we can keep it there because it's hard for people to realize that as we drop that

off, it just falls back on, on school districts and creates a different type of burden, so.

STINNER: You were saying 47 percent right now?

MATT BLOMSTEDT: Yeah, I think that's about right, yeah.

STINNER: OK. Questions? Senator Bolz.

BOLZ: This might not be a fair question to ask you, but you know as much about the school finance program, I think, as anybody. If, if the Appropriations Committee had \$10 to spend in the property tax credit program or special education funding, which one is more meaningful in terms of property tax relief? Can, can you answer that question? Can you help me think about it?

MATT BLOMSTEDT: I can help you think about it, I mean-- because I think on one side-- and I do think there's kind of multiple, multiple sides. On the special ed side, if you want to use it within the formula, it would have a direct impact on those places that were probably nonequalized and they'd be able to see the benefit of that; just like you might on the property tax credit. Now that one is going out directly to property taxpayers and people could see maybe that direct connection between them. But as far as a commitment into the education spending and getting, and getting a sense of-- those, those special ed costs are going to continue to go up. And if you don't increase that, that amount of special ed reimbursement, people aren't going to recognize that the school side of that is actually being covered when you do the property tax credit, right? So people don't see those two transactions come out. So I didn't-- you know, I'm not going to say there's not a benefit one way or the other, but I think when you do it through special ed, it's actually a commitment by the state to some of our state's most vulnerable children. And you can actually see those things tie together and school districts and, and taxpayers across the state would see an increase in, in the state's commitment to their education program.

BOLZ: Thank you.

STINNER: It's almost like foundation aid--

BOLZ: Yes.

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STINNER: --is what it is.

MATT BLOMSTEDT: It has a similar effect, yes.

STINNER: It doesn't necessarily get passed through to the property tax [INAUDIBLE].

MATT BLOMSTEDT: Right and there could be mechanisms and I-- this would be one thing I would just offer. I mean, certainly, there can be mechanisms that could address that part of it if, if, if that was part of the conversation, so.

STINNER: Very good. Additional questions?

WISHART: I just have one more.

STINNER: Senator Wishart.

WISHART: Just speaking a little bit more about that biweekly payroll process; was that a decision that, that you made or was that a decision forced upon you based off of our movement towards Kronos and what DAS was doing?

MATT BLOMSTEDT: I, I-- I'm going to say that I made the decision, right? I felt like the logical thing for the state was to start to force that, though. And here's why; because I know when they're dealing-- we're a large agency and we would have been one of the few hanging out there as a monthly payroll. So we really wanted to do it to contribute to the ease of the whole system. And I think it actually helps when I look across state agencies for-- we have employees that might transfer between agencies. It was a really tough thing for our agency; emotionally tough for our, our staff and I was the bad guy. I tried to blame Senator Stinner, but it didn't work.

STINNER: No worries.

MATT BLOMSTEDT: [LAUGHTER] No, I mean, we were not forced into it if, if that's fair enough. I felt like, though, eventually the state probably should say, you know, we ought to go that way. And I explained that to our staff at the time and they've done-- we tried everything we could to help smooth that transition. But for a lot of different reasons, that was, that was a tough transition, so.

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WISHART: OK.

STINNER: Additional questions? Seeing none, thank you.

MATT BLOMSTEDT: Yeah, thanks a lot. We'll, we'll send you this, too, so sorry about that.

STINNER: Well, thank you very much. Any additional proponents? Any opponents? Anyone in the neutral capacity? Seeing none, that concludes our hearing on Agency 13.