

## **Education Committee March 5, 2019**

**GROENE:** [00:00:00] Anyway, we're gonna get started here. Welcome to the Education Committee public hearing. My name is Mike Groene, from Legislative District 42. I serve as Chair of this committee. The committee will take up the bills in the posted agenda. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceedings, I ask that you abide by the following procedures: please turn off cell phones and other electronic devices; move to the chairs at the front of the room when you are ready to testify. The order of the testimony is introducer, proponent, opponent, neutral, and closing remarks. If you will be testifying, please complete the green testifier sheet and hand to the committee page when you come up to testify. If you have written materials that you would like distributed to the committee please hand them the page to distribute. If you are not going to publicly testify or need to leave early, you may turn in written testimony with a completed green testifier sheet. We need twelve copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you now. When you begin to testify, please state and spell out your name for the record. Please be concise. It is my request that testimony be limited to four minutes-- five minutes. We will be using the light system, green for four minutes, yellow for one minute, and wrap up when it turns red or before. If you would like your support or opposition to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record and check if your opponent or proponent. If you're not testifying in person, you must have had your testimony or position e-mailed to us by 5:00 yesterday. The committee members with us today will introduce themselves beginning at my far right.

**MURMAN:** [00:02:05] Hello. I'm Senator Dave Murman, District 38, Clay, Webster, Nuckolls, Franklin, Kearney, Phelps, and southwest Buffalo County.

**LINEHAN:** [00:02:14] Good afternoon, Lou Ann Linehan, from western Douglas County, District 39.

**WALZ:** [00:02:18] Lynne Walz, District 15, Dodge County.

**BREWER:** [00:02:21] Tom Brewer, District 43, 13 counties of western Nebraska.

**KOLOWSKI:** [00:02:26] Rick Kolowski, District 31, southwest Omaha.

**GROENE:** [00:02:29] Senator Pansing Brooks, I believe will be joining us, she hasn't said otherwise, and Senator Morfeld.

**MORFELD:** [00:02:35] Senator Morfeld, District 46, northeast Lincoln.

**GROENE:** [00:02:37] Thank you. I'd like to introduce committee staff. To my immediate left is legal-- is research analysis, Nicole Barrett. I believe, Amara will be joining us later for bills. To my right at the end of the table is committee clerk, Trevor Reilly, and if the pages would stand, I'll introduce you. Erika Llano, a sophomore at the University of Nebraska-Lincoln studying political science and sociology; and Maddy Brown, a junior at the University of Nebraska-Lincoln studying political science. Hand your green sheets to them or if you have handouts. Please remember that the senators may come and go during our hearing as they may have bills to introduce in other committees. I'd also like to remind you that this is an electronically equipped, equipped committee and you might see us on our phones texting to someone in our staff to get information for us so we can ask you pertinent questions and we'll begin by LB432 by my-- by Senator Groene. Vice Chair, Senator Walz, will now take over until I'm done.

**GROENE:** [00:04:13] Mike Groene, M-i-k-e G-r-o-e-n-e. There'll be some-- a handout I believe you'll be receiving-- got three different portions. I brought this legislation to bring to light that overuse and misuse of tax increment financing by irresponsible local city councils is costing the state of Nebraska tax dollars to fund public education. The first handout I, I gave you the constitutional amendment that the people voted on in 1978. A good idea. I was a young man. I might have even voted for it. We came out of the 60s and 70s when inner cities were burning and development was on the outer doughnut that we would allow cities to confiscate the property taxes of the schools and the counties unilaterally and the community colleges to use for to encourage the redevelopment in blighted and substandard areas and what we used to call the slums and, and downtown Omaha where the riots were, and it worked. The Haymarket, the Old Market, but it has been misused since then. It is now being used for economic development in the cities or confiscating the property taxes away from the schools for their purposes and they're not even using it for, for infrastructure, for tax dollars used for tax purposes, they're using it to bribe companies to come to their communities. As I said, TIF was meant to be used for urban renewal to revitalize blighted and substandard areas. Local school boards, taxpayers are willing to divert tax dollars from one purpose to another for a good purpose. But it's no longer being done for that. The second part-- the second handout is number 2, and just wanted to let you know how fast TIF is growing and its misuse. The last page out of the report by the Revenue Department of the historic amount of tax dollars that have been diverted. I just took the last page. In 2006, there were thirty million three hundred fifty-two dollars of tax dollars diverted away from schools and community colleges and counties. And now in 19-- 2018 the report just came out the first part of March, the newest one for 2018. We're up to \$80 million a year. That's annually. That is no longer-- is being collected but not used for tax purposes, most of it. A big chunk of that goes to the schools. The third handout is my hand-- the Department of Revenue helped me out where what happens is at the county level, the community college level where there's no state aid involved, the local taxpayer, the, the valuation

from TIF is just taken out of the total. And the local-- the other taxpayers just pay more to make it up for the infrastructure and needs for the new construction. But in the case-- and that's also true with nonequalized school districts, they just-- the other taxpayers make it up. But those school districts that are equalized, when TIF is used and the valuation at TIF is taken out of the total valuation, it shifts to the taxpayer of the state of Nebraska through equalization aid. And if you look at the numbers on the total on that handout number 3, up in the right-hand corner, was thirty-eight million eight hundred forty-six dollars was total TIF. That includes the nonequalized districts, too. But if you look at the fiscal note, the legislative fiscal office estimated thirty million five hundred thousand dollars, the people in Nebraska, state of Nebraska is subsidizing school districts that are equalized where the city council's abused TIF. Because what's lost in the property tax as the resource is made up by the, by the taxpayers in the state of Nebraska. If you read the constitution amendment, it was made as a local tool for local, local citizens to decide it was meant to be paid for by those local citizens not the rest of the state of Nebraska. And some of the ones I highlighted is Omaha. If you looked on the third column of numbers, 6.61 percent of their total valuation is off the tax rolls of the Omaha Public Schools which costs the state of Nebraska seventeen thousand one hundred ninety five thousand-- seventeen million one hundred ninety-five thousand dollars. Douglas County west, which surprised me, is \$1.7 million. Lincoln which is 2.45 percent, which is not that bad of valuation, but a big area. We subsidized a very well off middle-class city with \$5.8 million in additional state aid due to the abuse of TIF in the city. If you're a nonequalized district you get nothing. If your community does not abuse TIF, you get very little in, in offset. What LB432 does is puts TIF valuations back into the valuation of the schools and when resources are figured it saves us \$30 million in TEEOSA, but it also helps the local school district because now they can tax the full amount. They can tax it at the max levy. They will-- because in the, in the formula they only get a dollar and it's only for that part of the excess. Now if we allow them to turn around and recoup that amount of money and they do it at what their levy is they will receive more funds, but it will be paid by the local taxpayer. But it was a local taxpayer through their elected

officials decided to give away the tax base when they-- when their city council voted to TIF something. They are the ones that should bear the burden of paying for that difference. So that's why I brought the bill. It frees up \$30 million in, in state aid that could be used for better purposes. And it also allows the local school district to fully recuperate what they lost through TIF.

**WALZ:** [00:10:47] Thank you. Questions for Senator Groene?

**GROENE:** [00:10:54] Thank you.

**WALZ:** [00:10:58] Thank you. Proponents for LB432? Do we have any opponents, would like to testify?

**TIM SIEH:** [00:11:29] Senator Walz, members of the Education Committee. My name is Tim Sieh, T-i-m S-i-e-h. I am an assistant city attorney for the City of Lincoln. In that capacity, I work with a number of TIF projects throughout our city. And we have done a number of things in our city that have certainly improved some of the downtown and more blighted and substandard areas of our community. And LB432 certainly may impact our ability to do that in the future. LB432 is no doubt an education funding bill. So you might ask why is the city even here. Why does the city care about a bill that affects TEEOSA? Probably a reasonable question. I would tell you it's as simple as this. The City of Lincoln and Lincoln Public Schools worked closely together to make Lincoln the best city we can, and that includes for its residents and its students. We are engaged in a cooperative effort to create a top-notch city with a first-class education system. With that in mind, we have learned to work together when it comes to the use of TIF and redevelopment projects in Lincoln. Over a decade ago the city approved a residential subdivision as part of a redevelopment project and used TIF for that residential subdivision. LPS let us know, in no, in no uncertain terms that that was not an approach they wanted us to take because the tax dollars from that residential subdivision that

would have included single-family residences, were not going to be available to pay for the school that was going to be required for the kids that were gonna be living in that subdivision. We learned our lesson. We listened and we haven't done another project like that since. Our staff has an ongoing conversation with LPS when it comes to tacking-- in tax-increment financing in Lincoln. We understand the concerns that LPS has with respect to tax-increment financing. And yet, the city is left with this notion that we're supposed to build a city, and we take seriously the Legislature statement in Nebraska by statute 18-2102, which says that the cities are to eliminate and prevent blighted and substandard conditions because those conditions have an effect on our cities. I look-- share with you a little bit the specific language from 18-2102, quote: Such conditions or a combination of some or all of them have resulted and will continue to result in making such areas economic or social liabilities harmful to the social and economic well-being of the entire communities in which they exist, needlessly increasing public expenditures, reducing tax pay-- reducing tax revenue, substantially impairing or arresting the sound growth of municipalities, aggravating traffic problems, substantially impairing or arresting the elimination of traffic hazards and the improvement of traffic facilities, and depreciating the general community-wide values. These are tasks that the City of Lincoln is tasked with improving. That's what TIF was created for. We have taken that seriously and we've gone out and done those projects. LB432 drives a wedge between the City of Lincoln and LPS. It forces the city to decide whether to allow blighted and substandard conditions to remain. Directly contradicting the findings of the Legislature or to encourage redevelopment of such areas knowing that there will be a 15-year penalty for LPS students or property owners of the City of Lincoln for the city's use of a conditional-- constitutionally authorized statutorily created tool intended to alleviate blighted and substandard conditions in our cities and in other cities across the state. There's one other thing I'd, I'd like to raise to the committee today and that, that is just simply a technical issue with the way the bill is drafted and it's dry so I apologize. But when we talk about the valuation, the LB432 changes the definition of adjusted valuation to a new term full assessed value. Full assessed value is read to be

tax valuation or for those properties for which the taxes are divided, tax valuation plus tax-increment financing valuation. It is a little bit unclear in the bill what exactly tax valuation is. But if tax valuation is the entire value of the property and tax-increment valuation is the valuation above what the base value was or what the redevelopment project value was, then there is a danger there, they're actually going to double count the valuation for the TIF valuation. So it's just a, a concern I raise. Again the City of Lincoln is an opposition to this, but there is certainly a technical issue there that perhaps needs to be taken care of if this moves forward. With that, I'd be happy to take any questions you might have.

**WALZ:** [00:16:26] Questions from the committee? Senator Linehan.

**LINEHAN:** [00:16:30] Thank you, Vice Chair Walz. But you-- I don't think you would argue with Senator Groene's point that Lincoln-- City of Lincoln uses it even if LPS agrees. Part of it makes it easier to do is the state comes in and picks up 40 percent of the cost with equalization aid or 50 percent of the cost with equalization aid.

**TIM SIEH:** [00:16:52] Certainly, that's a benefit to LPS.

**LINEHAN:** [00:16:54] Right. So that-- and I don't think they're here, I don't see them, but, I don't know. You probably don't have this list, but probably, Senator Groene will share it with you. If you are DC West, Douglas County West, which is in my district, and I, I know this problem because I've talked to the superintendent in Douglas County West. They have 13.29 percent of their property TIFed. So it's-- we're not doing something right here. I mean Douglas County West is Valley and they're building million dollar homes out there. So how is it that they get 13.29 percent of their-- so we need-- it needs to be studied at the very least, I think, what we're doing here.

**TIM SIEH:** [00:17:37] I can't comment on what's, what's happening in western Douglas County because I'm not involved with it. I know, Senator Groene said the City of Lincoln had TIFed approximately 2.45 value-- 2.45 percent of our valuation. That's, that's significantly less than the 13 you're stating there for DC West.

**LINEHAN:** [00:17:54] Yeah. So there's-- but thank you for being here.

**TIM SIEH:** [00:17:57] Thank you.

**WALZ:** [00:17:57] Other questions from the committee? Senator Kolowski.

**KOLOWSKI:** [00:18:05] You're-- thank you for coming, number one. Your, your situation is so different than the metro area in Omaha because of the multiple school district's former pieces of towns like Millard was totally wiped out and brought into Omaha and just different, different structures all through that. That gives us a different kind of eyes to look at the various areas of TIF that they're working on all through the city, North Omaha, South Omaha, Central Omaha, east end of Omaha down by the river. I mean, there's lots of different things that make it look so different. Is that out of line with the size of the City of Omaha compared to the size of Lincoln where Lincoln is with one district? One city makes quite a difference.

**TIM SIEH:** [00:18:55] Well, I think you're just identified that difference. I mean, we, we have one city, one district. Our district grows as the city grows. But our district is also limited by the city limits. So we don't, we don't have Elkhorn becoming part of the City of Omaha. We don't have Millard Public Schools. We don't have an Elkhorn Public Schools. I was-- I mean DC West is obviously bordering up against the western edge. Eventually, you would come into Bennington as well. Those are, those are situations we don't have because we have Lincoln and that's it. And, and



it is a little bit different.

**KOLOWSKI:** [00:19:30] But you have growth in Lincoln, you are in annexing and moving into areas in the 50 years that I've been driving back and forth from Omaha.

**TIM SIEH:** [00:19:39] Yeah.

**KOLOWSKI:** [00:19:39] You've had tremendous examples of growth.

**TIM SIEH:** [00:19:42] Yep.

**KOLOWSKI:** [00:19:43] Beautiful areas that have been added to the city as well as your work in the downtown area that has gotten rid of blighted areas and made it transformed into recreational in other areas.

**TIM SIEH:** [00:19:55] That's right. We've done a number of edge, edge developments as we call them. We've annexed new areas. We have not used TIF in those areas. We have used it on redevelopment area-- or blighted and substandard areas within the city.

**KOLOWSKI:** [00:20:08] And you're continuing to grow in each one of those areas.

**TIM SIEH:** [00:20:11] We do continue to grow.

**KOLOWSKI:** [00:20:13] OK, thank you.

**WALZ:** [00:20:13] Any other questions from the committee? I don't see any.

**TIM SIEH:** [00:20:19] Thank you.

**WALZ:** [00:20:19] Thank you so much. Next opponent.

**JENNIFER TAYLOR:** [00:20:32] Good afternoon, Vice Chair Walz, members of the Education Committee. My name is Jennifer Taylor, it's J-e-n-n-i-f-e-r T-a-y-l-o-r, and I am an assistant city attorney for the City of Omaha. I reiterate much of what Mr. Sieh said. Mr. Sieh and I worked together a lot on the Community Development Law, changes to the Community Development Law, and the use of tax-increment financing in both of our cities. The reason that I am here today is that is, Senator Groene indicated in his introduction that the purpose of this bill is to address what he's considered to be a misuse or an abuse of TIF by the cities and the city councils. We spent a great deal of time last year in the Urban Affairs Committee working with, Senator Wayne, and the members of that committee to draft a bill that actually tightened the provisions of the Community Development Law. How we undertake the use of TIF in our various communities and to make sure that we've put forth guidance to cities and municipalities to ensure that they are using the Community Development Law in the way that it was intended. And Senator Groene's correct, Community Development Law is intended to be a law that helps us redevelop areas of our city that are substandard and blighted. So it might help, I think, to share with this committee a little bit of what we use TIF for. So in the past year, we've had a number of TIF projects approved that include things like Habitat for Humanity developments of single-family housing in North Omaha. What that actually does is allow the use of TIF to install streets, sewers, prepare the ground so that Habitat can take vast swaths of vacant and oftentimes kind of neglected and dangerous areas of North Omaha and then actually build affordable housing so that the children who go to Howard Kennedy, the children that go to Lothrop, the children that go to the schools in North Omaha have a better opportunity for their families to actually obtain safe secure and stable housing. That's just one

example of what we use TIF for. Those are always done as Mr. Sieh indicated in conjunction and in cooperation with our, our OPS school district. So those are schools that are actually probably under attended and are greatly benefited by any sort of assistance they can to get their families in those areas to have better affordable stable secure housing. Also cleaning out areas and redeveloping areas that are vacant, that are falling apart. Those are exactly the types of projects that are intended to be used with TIF. That's what the whole point of redeveloping those safe and substandard areas is for. That's one project. Downtown projects oftentimes as indicated we use TIF for projects in downtown. Again, unlike Greenfield projects or Western projects in the areas that we have annexed where you have no need to deal with aging infrastructure, aging sewers, aging streets, because you've got green land. You go in and you build a street you put in sewers, it's all easy. If you're in downtown and you're trying to redevelop you have the existing infrastructure that has to be upgraded. Oftentimes, it's woefully substandard. You also have challenges in acquisition and demolition things that don't exist in what you call Greenfield Development. Those are the types of costs that we use to reimburse with tax-increment financing. So without the availability of that kind of additional assistance when you try to develop downtown Omaha, North Omaha, South Omaha, those projects actually become cost prohibitive. Because when a developer goes in and either is-- comes out of the project even or at a minimal 2 percent return on investment, that's not enough to get someone to actually redevelop an area of, of town. So you have to encourage and incent developers to take that risk to do the development in those areas of town to where it's very, very challenging. We had a project a couple of years ago where the entire amount of the tax-increment financing that was awarded the projects went to reinstalling and upgrading the sewer lines from the street to the project. Something that's very simple and basic, it's something that was a cost that wouldn't be incurred by a developer in the western areas but is incurred by, incurred by a developer at 25th and Jackson. So this is what TIF is used for. And, and without the use of TIF, many of these projects wouldn't occur. And there is a fundamental, I think, misunderstanding here in, in what's being presented to you, which is it's the assumption that TIF-- that all these projects-- every project

that is represented by TIF in the City of Omaha would not-- would occur anyway whether or not they got TIF, and that's just simply not the case. So what you're looking at is the amount of money that may be set aside to assist the developer in doing those developments that development would never occur. So that money that eventually comes back on the tax rolls in 15 years that benefits the school district would never actually come to fruition at all. So we'd simply be running along exactly where we are with no additional density, no additional growth, and all of that that happens in the downtown in the urban core is actually an engine creating density, creating value that helps the whole city thrive. And I'm happy to answer any questions.

**WALZ:** [00:25:27] Questions from the committee? Senator Linehan.

**LINEHAN:** [00:25:35] Thank you for being here.

**JENNIFER TAYLOR:** [00:25:37] Um-hum.

**LINEHAN:** [00:25:38] So-- I don't think Senator Groene actually said in his opening statement that when you're redeveloping blighted areas that's OK. I think the concern here is that if Omaha decides to do that OPS signs off on it, the state's picking up about half the cost. And we don't have a vote on the deal.

**JENNIFER TAYLOR:** [00:25:58] Well, and I think that's-- my, my point is that it's not necessarily the state's picking up half the cost, it's that this is development that wouldn't otherwise occur anyway. So but, but what the state does get the benefit of is in 15 years when the value of that development-- so what was once \$100,000 piece of property becomes a \$20 million dollar piece of property. In 15 years, the revenue generated by that increase in value does come back on the tax rolls and the school districts do benefit from that additional resource. If we don't use TIF, that value

never occurs.

**LINEHAN:** [00:26:29] OK. But, I, I agree.

**JENNIFER TAYLOR:** [00:26:31] Um-hum.

**LINEHAN:** [00:26:31] I get that part of the argument. But, do you understand why there's a concern with-- I'm sure you've heard that there's a concern about property taxes in Nebraska. That when projects may get misused-- because I'll go back to DC West, Douglas County West, where Omaha's at 6.61 percent,--

**JENNIFER TAYLOR:** [00:26:51] Um-hum.

**LINEHAN:** [00:26:51] --they're at 13.29 percent.

**JENNIFER TAYLOR:** [00:26:54] Um-hum.

**LINEHAN:** [00:26:54] And it's mostly green fields out there.

**JENNIFER TAYLOR:** [00:26:57] [INAUDIBLE] much that Mr. Sieh-- I can't speak to Valley. Although, I do know that some of that redevelopment is done so that they can actually create things that, that helped spur the additional development you mentioned. However, I would say--

**LINEHAN:** [00:27:07] They're TIFing houses.

**JENNIFER TAYLOR:** [00:27:08] And again, I'm not sure what they do in Valley.

**LINEHAN:** [00:27:10] So I just-- I think-- I understand your concerns. But, I'm not saying we should just throw the whole thing out, but I think we do need to study exactly-- make sure it's blighted like you're saying--

**JENNIFER TAYLOR:** [00:27:20] Um-hum.

**LINEHAN:** [00:27:22] --that you've been working with Senator Wayne, that we're really talking about blighted here. Because Aksarben at one time-- I think it's all still TIFed, right, too? Aksarben?

**JENNIFER TAYLOR:** [00:27:31] But that project is actually complete, and I don't think there's any new projects coming in utilizing TIF in that area.

**LINEHAN:** [00:27:34] But it was all TIFed?

**JENNIFER TAYLOR:** [00:27:34] It was, yes.

**LINEHAN:** [00:27:38] And it's-- and I know that that was a deal made a long, long time ago. But it does make people question when you drive by Aksarben now which is got University of Nebraska-Omaha there and you've got a new stadium and you have a lot of new office buildings and it's beautiful. It's wonderful. But when somebody builds a new building there-- maybe they're all built up, right, no more TIF projects you said at Aksarben.

**JENNIFER TAYLOR:** [00:28:00] We haven't had a TIF project except for the hotel which is not actually in Aksarben, it's across the street; and actually in the industrial area that's immediately east of the arena. And that again is an area that was not built up and was not addressed by the original

Aksarben Village development. The Aksarben Village development is finished and built out.

**LINEHAN:** [00:28:17] So are we going to start TIFing everything around Aksarben?

**JENNIFER TAYLOR:** [00:28:21] Those-- designations of blight and substandard actually have to meet specific rules and regulations within the Community Development Law. So there are standards that you have to meet. You can't just say, I looked around and said I think this is blighted and substandard.

**LINEHAN:** [00:28:32] I know, but the standards are pretty loose. We've been talking about this for two years. It's up to the city council to decide, right?

**JENNIFER TAYLOR:** [00:28:39] No, there are standards that have to be met. And I can tell you honestly from my position in my job in what I do, I actually review requests for substandard and blighted. Oftentimes developers will come to our-- will come to the planning department and come to the city and say, we think this area's is substandard and blighted, will you do a study.

**LINEHAN:** [00:28:53] OK, so--

**JENNIFER TAYLOR:** [00:28:53] And then we do a study, and we will oftentimes determine-- it's happened several times in last two years where that area actually isn't-- doesn't meet the standards. It is not substandard and blighted, and we will not authorize it for TIF.

**LINEHAN:** [00:29:04] So how much of the property between UNMC and Aksarben would you say is blighted?

**JENNIFER TAYLOR:** [00:29:10] Between UNMC and Aksarben-- there's a-- there's probably a fair amount between UNMC and Aksarben, but there's also a fair amount of very dilapidated properties along Saddle Creek. It kind of depends on where you go, and if you go up Center Street-- south of center, there's a lot of areas in there that are, are having some roll-off from the Aksarben development. But if you, again, if you go along Saddle Creek, there's not a lot of new development there.

**LINEHAN:** [00:29:36] OK. So-- just-- that's a lot of land in the Omaha Public School districts if you go from 42nd Street to 72nd Street between Center and Dodge Street.

**JENNIFER TAYLOR:** [00:29:48] Um-hum.

**LINEHAN:** [00:29:51] OK. All right, thank you for being here.

**JENNIFER TAYLOR:** [00:29:53] Of course, thank you.

**WALZ:** [00:29:54] Senator Brewer.

**BREWER:** [00:29:55] Thank you, Madam Chairman. All right. Obviously, if you take and draw a line from Bassett to Wyoming from South Dakota to North Platte, which is my district, both TIF and the Advantage Act are not very popular. And part of that is, we don't get much of it, a minuscule amount, if any. And if we look at TIF from 2004-- '11 to '14, with 7-- a \$7 million increase, but then you go the next four, from '14 to '18, goes up to \$80 million, a \$19 million increase. It's hard to sell that where they get no impact except the bills for it. And it, and it-- you're increasing two and a half times in four years. I mean if that doesn't raise a red flag and cause people to be concerned especially if it absolutely does not impact anybody you know in the area that you



live. So-- I mean, I'm not sure what the right answer for this is but I just don't see how we can have this type of an increase and not be concerned about what TIF is doing.

**JENNIFER TAYLOR:** [00:31:02] And, and I actually can completely appreciate that and I understand that question because it's a question we've actually been kind of wrestling with the Urban Affairs Committee for the last several years. Senator Groene has brought several bills. In fact the year before last session we did an interim study, there was legislative resolution. We conducted three hearings around the state of Nebraska to discuss the use of TIF, how TIF is used, what municipalities do, whether or not they're using it properly or not. The State Auditor actually issued a report identifying concerns. We took that report. We took those hearings, and we actually created a bill last year-- drafted a bill last year, that, I think, Senator Groene signed onto. That was an overhaul of the Community Development Law to address many of the issues that were raised by the Auditor as to how municipalities use TIF. So I, I think what also I would say is that we acknowledge that there have been some concerns throughout the state where TIF may or may not have been used properly. But I also think we have addressed the-- we've, we've put forth it-- you don't want to [INAUDIBLE] throw the baby out with the bathwater. And so to essentially take a school district and assigned to it value that it's not receiving in its resources because the city is attempting to grow itself so that actually we can get more tax value and get more resources to the, to the schools and to the counties and the community colleges and the NRDs that, that this bill could potentially take that opportunity away from the cities.

**BREWER:** [00:32:32] I wasn't aware of the interim study, so I'll take a look at that. Thank you.

**JENNIFER TAYLOR:** [00:32:37] Um-hum.

**WALZ:** [00:32:38] Senator Linehan.

**LINEHAN:** [00:32:38] Because this is very confusing, I just want to make sure you-- Senator Groene, his, his concern here is that TEEOSA, the school aid formula, is picking up the bill.

**JENNIFER TAYLOR:** [00:32:48] Um-hum.

**LINEHAN:** [00:32:49] You do-- OK.

**JENNIFER TAYLOR:** [00:32:51] I, I understand that. But what it would do would be to assign to the school district a set of resources associated with that excess valuation that school district's not getting.

**LINEHAN:** [00:33:01] I know but they're, they're getting it from us. It's a matter of who pays the bill.

**JENNIFER TAYLOR:** [00:33:05] Well, then I--

**LINEHAN:** [00:33:06] They get it-- or at least 50 percent of it from the state aid formula.

**JENNIFER TAYLOR:** [00:33:13] OK, um-hum.

**LINEHAN:** [00:33:15] That's, that's the [INAUDIBLE] here. It's the, it's the property taxpayer or the owner. The developer doesn't have to pay it in Omaha. And I get the reasons again why you're doing it, but then it comes back, whatever their resources-- if their resources are low than we have to make it up.

**JENNIFER TAYLOR:** [00:33:30] Um-hum.

**LINEHAN:** [00:33:30] So that's-- we make up for the fact that the developer is not paying the property taxes.

**JENNIFER TAYLOR:** [00:33:37] The developer does pay the property tax.

**LINEHAN:** [00:33:39] I mean-- OK, we make up for the fact that the school's not getting the property tax.

**JENNIFER TAYLOR:** [00:33:42] And that's-- and, and I understand that and I think my-- what I would suggest is that if we were to do this and to reduce the use of TIF then that low amount of resources in that school district is never gonna get better because there's not going to be the increased valuation that comes from development. So it's going to stay at that same level. By doing-- by using TIF, it stays that level for 10 to 15 years and then there is an increasing amount of resources available to the school district as a result of that development. If that development doesn't occur, that increase in resources doesn't go to the schools.

**LINEHAN:** [00:34:14] Can you think of any other way we could pay for it besides school aid formula?

**JENNIFER TAYLOR:** [00:34:18] This is-- that's probably a little outside of what my wheelhouse is. I apologize, Senator.

**LINEHAN:** [00:34:22] OK, thank you for being here.

**JENNIFER TAYLOR:** [00:34:23] Your welcome.

**WALZ:** [00:34:24] Other questions from the committee? So, thank you.

**JENNIFER TAYLOR:** [00:34:29] Thank you.

**WALZ:** [00:34:30] Next opponent.

**CHRISTY ABRAHAM:** [00:34:42] Hi, Senator Walz and members of the Education Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m. I'm here representing the League of Nebraska Municipalities, and I'm so glad to join the Education Committee today. I don't believe I've ever been here before. Miss Sieh-- Mr. Sieh and Miss Taylor have covered a lot of what I wanted to say, but I did want to remind this committee that everyone except Senator Murman, who was not here last year, the Legislature did debate a very large cleanup TIF bill. It was LB874. Everyone who worked on that bill, including Senator Groene, sort of considered it to be the grand compromise on TIF. As you heard before the State Auditor did issue a report a couple of years ago expressing some concerns. And so we did jump into action to try to address those. One of the things that the league did was put together this TIF manual. This TIF manual has been given to every city in the state of Nebraska. Senator Groene's office will get a copy of it as soon as I'm done showing it to you. We also put together a TIF checklist for every city so they sort of had a checklist of knowing what the steps were in TIF that they had to follow. These were all things that were done to ensure that cities were using TIF appropriately, were using them within the boundaries of the Community Development Law. The League's concern about this bill is we're worried that this really pits the schools against the cities and that was not our intent with LB874. In LB874, we put in extra provisions for school districts. They get notices-- special notices for the four, four public hearings that are held on TIF. On the back end school districts get a report from the cities saying, here's all

the TIF projects that this city is working on, where they are in development, how they're doing, what's going on. So my point is we really tried last year to ensure that communication between cities and schools was solid. And in the vast majority of cases, school districts are very, very supportive of cities and their TIF projects. I don't want to say that's universally true, but in the vast majority of cases it is. Because as Miss Taylor said, the school districts understand that in the end-- at the end of that TIF project, they're going to see a lot of increased valuation and they want that. So thank you so much for your time today. I'm happy to answer any questions.

**WALZ:** [00:37:17] Thank you. Questions from the committee? Senator Patty Pansing Brooks.

**PANSING BROOKS:** [00:37:23] Thank you, Senator Lynne Walz. Thank you for coming Miss Abraham. So in that discussion of the grand compromise, what-- how, how did that-- I mean, was any of what Senator Groene's now trying to do in that grand compromise previously?

**CHRISTY ABRAHAM:** [00:37:45] LB874 didn't touch what this bill does which is the TEEOSA formula, and those issues. What I think it was trying to do was ensure that the taxing jurisdictions that are affected by TIF were given as much opportunity as possible to participate in those decisions when a TIF project was being approved. And this feels like it's sort of trying to tear that apart and have cities now think, oh, I'm not sure I want this TIF project to happen it could affect my TEEOSA.

**PANSING BROOKS:** [00:38:19] OK, thank you very much.

**CHRISTY ABRAHAM:** [00:38:20] Sure.

**WALZ:** [00:38:21] Other questions? Thank you so much.

**CHRISTY ABRAHAM:** [00:38:25] Thank you.

**WALZ:** [00:38:28] Next opponent. Is there anybody here that would like to speak on the neutral? We have letters, I believe, from opponents Colby Coash, Associate Executive Director, Nebraska Association of School Boards; Scott Dobbe, Executive Director, Omaha by Design; Greater Nebraska Schools Association. Senator Groene.

**GROENE:** [00:38:55] Thank you. Maybe I should clarify, LB433 [SIC] has nothing to do-- or affects the city's ability to TIF a project, doesn't affect them at all. In a grand compromise, as they call it, I worked with Senator Wayne extensively on that bill. And I cosigned it, because it did clean up some language and took away some attorneys misrepresent what the present statutes did when they recommended to city councils what they could and couldn't do. It had nothing to do with TEEOSA. Urban Affairs Committee could not address this issue because it is a factor in TEEOSA. As far as, as far as the new definition of a full valuation, if you read the bill it's only dealing with the county assessor or county treasurer reporting to the state what the valuation is for schools. Schools is the only one TEEOSA's valuations is taken out of. As far as the wedge, there's wedges between counties, NRDs, community colleges, because the cities unilaterally take away their tax base. There is no such thing as TEEOSA for them. Counties can't fix the bridges, Lancaster County as a problem, but that's another issue. This is TEEOSA, and as to Miss Taylor's claim about taking away funds from the schools, we are not taking away any funds from the school. We are giving them a mechanism to recapture it. Miss Taylor can pay more on her house property taxes as a good citizen of Omaha to help with the economic development of that community by paying a little extra taxes. She does as a county resident, she does as a NRD resident, she does as a community college resident because they lost a valuation. Those entities have to, have to pay more. As to this would've never happened, well guess what, the apartment buildings in Omaha, the residences in Omaha, the

condos in Omaha that were TIFed bring new students to Omaha, OPS, which causes cost to OPS without the back-- without the backing of the valuation that comes with it. So they're willing to give OPS the cost, but not help them pay for it and to dump it on the state of Nebraska. No, this, this would make a better system where the local tax payers who benefit from a local decision which TIF is, pay for that benefit instead of the taxpayers of the state of Nebraska. The taxpayers in the state of Nebraska should not be funding a local decision, period. And that's what we're doing here. I don't understand why the cities are here. This does not affect their TIF. This does not affect any project they do. And by the way, Ameritrade did happen and they TIFed it afterwards. So there is one huge example where the city of Omaha-- it happened, and then it was TIFed so it didn't need TIFed. But anyway-- and they've cleaned up their act a little bit. I will-- and, and Lincoln really overall does not over TIF. They don't, but they are a huge area. How they use the money after they TIF sometimes is questionable and they've cleaned that up also. But it is \$5.7 million that adds to the taxpayers and that, that pool of money for-- that we can come up with as citizens-- as a, as a entity, as the Legislature that we can give for state aid is being diluted by TIF. That \$30 million isn't going to disappear. It would still stay inside-- the money available for, for other districts across the board. Right now, it is given to the bigger districts who the cities over TIF, so I'm not changing the TIF law. But another one, Habitat for Humanity in North Platte, volunteers build a house, people donate materials and a, and a new proud owner-- owners that move in pay property taxes to the school. That-- that's an insult to those folks that you're TIFing it also, really. They want to support their schools. The proud owners of a new home, volunteers helped them and they want their tax dollars go to the school, go to their kids not to the City of Omaha. So anyway-- no, this needs to be cleaned up. It needs to be cleaned up it needs to force-- let the schools be part of the game. Actually, we get the schools more money. We give them ability to collect more money to support their schools because they get taxed the max levy and not just lose what the [INAUDIBLE] is. So anyway, any questions?

**WALZ:** [00:43:44] Questions from the committee? Senator Brewer.

**BREWER:** [00:43:51] Thank you, Madam Chairman. All right. And just since you're kind of the one that has done the research on this, if we go from 2011, '12, '13, '14, the difference was \$7 million. And then as we jump from '14 to '18 over the next four years, it goes from 61 to 80. Why a \$19 million jump in that same swing of time when it was only \$7 million the four years prior? What's going on that causes that much of a change?

**GROENE:** [00:44:27] A younger group of economic development people in the cities grabbed it. Weren't, weren't-- didn't have faith in their communities and didn't think developers would come to their communities and went out and started throwing TIF at people before they even asked them if they wanted to build. And then we had an attorney out in western Nebraska that found his ambulance and chased it and went from community to community selling his brand of TIF, and he's a good salesman. And it has, it has ballooned to the point where you have to really question some of the folks when they blurred out economic development and they know. The older people have been around in this for a while and understand it's not economic development. It's redevelopment. It's blighted and substandard. What you're asking somebody to do is don't build on the out edge-- outer edge of the donut out by the interstate, build here in, in old downtown, the, the hole in the donut didn't re-- redevelopment. It isn't-- it was never meant to be used to, to, to compete with Lincoln-- Omaha competing with Lincoln or Des Moines to bring a business to town. It was always saying, you're coming here, the customer base is here, here's what we're gonna give you. Instead of building out here, would you please build downtown? It has been completely abused, Senator Brewer.

**BREWER:** [00:45:42] Well, thanks for sugarcoating. [LAUGHTER]

**WALZ:** [00:45:46] Other questions? I just have a quick question. The question that Senator Brewer



had for you from the \$7 million to the \$60 million, is that accumulative?

**GROENE:** [00:45:54] No, that's annually.

**WALZ:** [00:45:56] OK.

**GROENE:** [00:45:56] So if you take the reports available, we're talking billions of dollars in property taxes that have been lost to this. Not-- I will, I will give them this credit. Not completely lost-- a lot of it's been used. It's still used as property taxes. The attorney from Omaha said, when they replace the curbs, when they replace the water mains, the sewers in the old blighted part of town, that is what it's meant for. It's tax dollars being diverted from-- this use to the schools, to the community college. The citizens said, we'll divert those tax dollars to the city using it for public infrastructure. But when it's given to the developer as a bribe to come to a community and pay for their cost, I have a real concern about that.

**WALZ:** [00:46:43] Any other questions? Thank you, Senator Groene. That closes LB432.

**GROENE:** [00:47:40] LB671. Senator Linehan.

**LINEHAN:** [00:47:44] Thank you, Chairman Groene and members of the Education Committee. My name is Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n. I'm here today presenting LB671. LB671 would put sparsity back into the TEEOSA formula. It would provide \$5,000 per student in sparsity aid to any sparse or very sparse school district with less than 390 formula students. This sparsity aid-- so I'm gonna-- this was-- I'm just introducing this as another tool for us to look at when we are looking at TEEOSA, and I don't think we'll probably be doing anything with this, this year. But as I've looked-- and, Senator Groene, we've looked at all the schools across the state, we have some

schools who are very little that have no option. They're not 15 miles down the road from another little school. They are Mullen, Nebraska, which is the only school in the county, and they're 50 or 60 miles from the next school. So it's not-- I hope-- I'm speaking there's others, but I'll just stick with Mullen. So it's not really Mullen's fault that it cost \$18,000 a kid, because they can't-- they don't have any more kids, and they'd have to go 100 miles get other kids. So I just wanted to bring this as an idea. I don't think we should be picking up half the tab or-- for schools who could be merging and spending less per student. Because we do have some schools where they're 15 miles to the next school and they're spending \$18,000 a student. If they merge they could save money, probably provide a better education. But I do have empathy for-- we've got 27 schools in Nebraska that are the only school in the county. I wish, Senator Brewer, didn't leave. They're mostly where he's from. So-- and it's not-- they can't do anything about it unless they close their school and send them to boarding school. That's their option. So anyhow, I just think it's something we should look at, and I'm not gonna prioritize it, it's just an idea I had because like in the formula we pay extra as we should. They-- our needs go up. If you're poor, needs go up. If you have English-language learner students, which is fair. So these people are stuck with no students and it's not because they haven't merged. They've all merged down to as little as they can get. So with that, I'll take any questions.

**GROENE:** [00:50:27] Senator Linehan. Any questions?

**LINEHAN:** [00:50:28] Yes.

**GROENE:** [00:50:29] Senator Murman.

**MURMAN:** [00:50:30] How does it treat unified districts?

**LINEHAN:** [00:50:33] Well, it would-- and this is-- I went back and forth and I'm not actually-- I don't understand how they define sparsity 30 years ago, so I'm using that same-- I think we'd have to redefine sparsity. So unified districts-- I-- it would depend on whether they're really sparse or they're unified because three districts merged 20 years ago. But now-- you know, they're shrunk way back down again and they're only 20 miles from the next school. This goes into the how difficult this is, right, because if you go out to Hastings they're landlocked and they've got three or four school systems around them, some of which maybe should merge with Hastings but they're not gonna merge with Hastings because Hastings is a \$1.05, and they're at 65 or 67 cents, so people aren't gonna merge to a school district where your property taxes double. So we have a lot of things to try and work out to get where we're trying to go here to be fair to all the kids in Nebraska. But this is just an idea, I thought there are some when I went through this this summer and looked at all the counties and how many schools are in the counties. I found 27 schools that if you look at them at least on a map, I haven't gone and visited them, I don't see how they can merge. It just isn't a merge. There's nobody like even 30 miles down the road. They're, they're out there by themselves. Valentine, you know, is another one. I don't think you can-- if you get-- you know, there's some schools where they're 13 miles apart and you look at it you're like, well, why are you 13 miles apart and your both spending \$20,000 a kid. That's not-- doesn't making any sense. Now this isn't a lot of kids, right? The vast majority of students in Nebraska are in Sarpy, Douglas, and Lancaster County. So all these problems, of all our things to address aren't that expensive because you're not talking about a huge number of children.

**MURMAN:** [00:52:29] OK, thanks.

**LINEHAN:** [00:52:30] Thank you.

**GROENE:** [00:52:35] But, this isn't considered a resource then? It's considered-- they get the

money no matter what, like--

**LINEHAN:** [00:52:42] Would it be just like we work with-- they would-- the way I envision it happening is the Department of Ed would know whether they qualify. It would be, it would-- it'd be part of their needs base. So if you have-- as we know if you have an English-language learner they get more money in their needs side, right? You need more money for English-language learners. You need more money if you have--

**GROENE:** [00:53:07] Well, it says that it is a part of the resource.

**LINEHAN:** [00:53:09] Right. So it'd be just, just like we do for poverty and English-language learners.

**GROENE:** [00:53:13] I just wondered where they came up with \$58 million, it seems awful high.

**LINEHAN:** [00:53:17] I don't-- yeah, well--

**GROENE:** [00:53:19] It's because they didn't have many schools that weren't equalized.

**LINEHAN:** [00:53:21] I think it goes back to where the fiscal office believes this. And I, and I didn't spend any time talking to them, so I shouldn't-- that's on me. Remember when they've said other things that, you know, we have this migration from the west to east. So in the west their costs never go down. Well, their costs do go down if they close a school if they merge. So I think actually part of this could encourage some schools to merge. If you're two schools out there and you don't qualify, but if you did merge and you did qualify, I think it's more of a carrot to get people to merge than a hammer.

**GROENE:** [00:54:04] Thank you. Any other questions? Thank you, Senator Linehan.

**LINEHAN:** [00:54:06] Thank you.

**GROENE:** [00:54:07] Proponents? Opponents?

**VIRGIL HARDEN:** [00:54:29] Good afternoon, members of the committee. My name is Virgil Harden, V-i-r-g-i-l H-a-r-d-e-n. I am the chief financial officer for Grand Island Public Schools. Thank you for the opportunity to testify on behalf of the 24 member schools that compromise-- or comprise the Greater Nebraska Schools Association or GNSA. While GNSA supports additional funding for all Nebraska Public Schools, we cannot support LB671 for the following reasons. First, the legislative fiscal office noted the cost of LB641 [SIC] for the 2020 fiscal year is approximately \$54 million. It was also noted in the fiscal office report that it is assumed that component of the aid formula will increase in the future as more schools become sparse or very sparse. This funding, number two, the funding is being generated at the same time several bills have been introduced to rewrite TEEOSA to cut funding to equalize school districts that are already up against the \$1.05 levy limit and do not have the ability to raise funds to meet their increasing student needs. Thirdly, LB671 does not require the districts receiving additional aid to match the funding increase with a property tax reduction. It is the belief of GNSA that TEEOSA needs to be fully funded according to current law. Additionally, GNSA supports both a thorough study of TEEOSA formula as well as ongoing review processes like the one offered by Senator DeBoer in LB679 and found within Senator Briese's LB314. Then and only then should the formula be modified, adjusted to meet the needs of all Nebraska school children. Thank you for your time in listening and considering our concerns.

**GROENE:** [00:56:33] Any questions? Senator Brewer.

**BREWER:** [00:56:35] Hey, you got me up, I'll ask a question. We had the lunch today and had a chance to, to discuss what folks in my district, of course, the one that kind of fits the category you're talking about is Chadron because they're close on the limit and they just happened to be in a district that, I think, is zero impact aid. So they kind of got limited abilities with where they're at now-- I mean, it-- with that said, is there any options that we need to be thinking about that might help with the ones that are in this fix?

**VIRGIL HARDEN:** [00:57:17] Well, I don't know the particulars of the district that you're talking about but generally speaking for GNSA as a group, we would encourage the committee and the Legislature-- first of all, of course, to study TEEOSA and to really understand the pieces that move the lever as far as how much money gets distributed to who. When you think about the original TEEOSA formula in 1990, and you think about the components-- you know, allocated income tax, funding that at 20 percent versus 2.23 percent would be a big help to all school districts across the state of Nebraska. So there, there are mechanisms that have been there since the beginning. That would do what you want to do. You have to step up and fund them. Special education cost, every school district in the state faces special education cost. Again, if you have the political will to step up and fund that at 80 percent, every school district in the state of Nebraska would benefit. So we would encourage you as a group to look in those areas because everyone will benefit. Equalized, nonequalized, it's a fair distribution of limited scarce resources.

**BREWER:** [00:58:30] All right, thank you.

**GROENE:** [00:58:33] Any other questions? Senator Murman.

**MURMAN:** [00:58:36] Thank you. So if this was part of a total property tax relief package, you would support it?

**VIRGIL HARDEN:** [00:58:44] No. No, sir, not at all.

**MURMAN:** [00:58:48] Because it wouldn't [INAUDIBLE]--

**VIRGIL HARDEN:** [00:58:50] It's "disequalizing." The issue is that a school needs to be funded based on their needs. So if they have low-student enrollment or if they don't have the extreme cost factors like special education or poverty or limited English learners, they don't need state resources in the same capacity as a district like the one I worked for with Grand Island. We have all those extreme cost factors. In fact, our poverty rate is so high that 70 percent of our student body-- 7 out of 10 students qualify for free and reduced price meals. That is an extreme concentration of poverty that needs an extreme dollar amount to help move the needle.

**MURMAN:** [00:59:33] Yes, I think there's many schools in rural Nebraska, not quite that extreme, but in a similar situation.

**VIRGIL HARDEN:** [00:59:40] Correct. And so if you think about the special education dollars, if you could reimburse them at 80 percent, that would free up their General Fund money that they're now paying for that and they could redirect it towards helping the children they do have that are in poverty.

**MURMAN:** [00:59:55] OK, thank you.

**GROENE:** [00:59:56] Any other questions? But you get 50 percent, everybody gets about 50

percent of your special education dollar, right?

**VIRGIL HARDEN:** [01:00:03] Correct.

**GROENE:** [01:00:04] What percent of your budget is state aid? I mean, versus the combination of property taxes and state aid, what percentage of that total is--

**VIRGIL HARDEN:** [01:00:15] As high as 60 percent.

**GROENE:** [01:00:15] There's a lot of school districts that don't get any-- or 2 or 3 percent. So you're way ahead of that in state aid.

**VIRGIL HARDEN:** [01:00:22] Well, it's based on their needs, Senator, as you well know. So they don't need that resource.

**GROENE:** [01:00:25] It's not based on your on need.

**VIRGIL HARDEN:** [01:00:25] I don't, I don't get--

**GROENE:** [01:00:25] It's based on your property tax.

**VIRGIL HARDEN:** [01:00:25] --net option funding.

**GROENE:** [01:00:26] It's based on your property tax base. [INAUDIBLE].

**VIRGIL HARDEN:** [01:00:32] I'm not sure I understand what you're saying now.



**GROENE:** [01:00:34] If your property tax base was larger, you would get less state aid.

**VIRGIL HARDEN:** [01:00:38] Correct. Because we'd have less needs, because we'd have more wealth locally, correct.

**GROENE:** [01:00:42] Not needs, state equalization aid.

**VIRGIL HARDEN:** [01:00:45] Right, because we have more resources locally, so we get less state aid. Correct.

**GROENE:** [01:00:50] State aid based on your lack of resources.

**VIRGIL HARDEN:** [01:00:54] Correct. And our-- in our needs of our students.

**GROENE:** [01:00:57] All right, thank you. Any other questions? Thank you, sir,--

**VIRGIL HARDEN:** [01:01:04] Thank you.

**GROENE:** [01:01:05] --for coming down. Next opponent.

**CONNIE KNOCHE:** [01:01:20] Senator Groene, members of the Education Committee. My name is Connie Knoche, C-o-n-n-i-e K-n-o-c-h-e, and I'm the education policy director at OpenSky Policy Institute. And we are here to testify in opposition to LB671. While we support increasing state aid to districts that are most reliant on property taxes to fund K-12 education, we have concerns that there's no mechanism to pay for this additional cost especially when they're proposing

to cut other parts of TEEOSA funding, and so we would want to see some mechanism to support that. And I think someone had asked how they came up with \$54 million in the, in the fiscal bill, and I did some looking and the last time they used sparsity in the state aid formula was in 2007-08. And at that time districts were classified as sparse and very sparse. So I went back and looked at who was sparse and very sparse, who still exists today, and that's how I arrived at my number and I came to 50-- \$52 million, which is close to what they had. So I'm assuming that's the same thing that they did. And I agree with Senator Linehan, that if this should go forward you need to look at what classifies as a sparse district or a very sparse district. Also one of the concerns I've heard Senator Linehan say before is, at the time when there were sparsity, there were-- they call it games being played about who got to qualify as being sparse or very sparse. So that could become something that would take away from what it is you're actually trying to do. When I looked at that-- what-- who was sparse and very sparse back in 2007 and '08, there were 56 schools that would qualify for this and it would allow their total levies to decrease an average of 18 cents per \$100 of assessed valuation. So the districts that are sparse and very sparse tend to be the ones that have really low levies and this would drop their levies even more creating more disparity between the very low levy and the high levies and so perhaps other options would be better to look at for this type of mechanism to aid schools. And I also agree with the fiscal note saying that there may be more schools becoming sparse and very sparse as population of students decline in rural areas. There could be more qualifying and then it could get more expensive as you go forward. So again, we agree with increasing state aid to the districts that rely on it the most-- rely on property taxes the most. And I would like to thank you for your time and service, and I'd be happy to answer any questions that you have.

**GROENE:** [01:04:23] Any questions? Thank you. Next opponent. Neutral? We received one letter from a proponent [SIC], Nebraska Rural Community Schools Association. Opponents, none. Neutral, none [SIC]. Senator Linehan would you like to close?

**LINEHAN:** [01:04:46] Thank you, Senator Groene, Committee. I want to thank, Miss Knoche, for her comments. That was very helpful. Regarding Mr. Harden's comments, I've just come to the conclusion, and I can't believe I'm gonna say this out loud, but the greater schools are never going to think we have enough money to help the nurse's schools or the little schools. When you get a school that's getting 66 percent of their funding, 66 or 60, I think it's actually 66 percent of their funding from the state of Nebraska, and yet there's no way we can help the littler schools. That's problematic. I, I love the Grand Island school system. My kid-- my grandkids are out there. They're doing a great job. Their superintendent is fantastic, but I, I think most the people in Grand Island area, many of whom probably come from ag background, they would think it's fair if they're getting 66 percent of their bill picked up by state of Nebraska. Let other people in Nebraska get some funding, too. So with that, I'll take any questions.

**GROENE:** [01:06:03] Any questions? Did you agree with the testifier's comment that it's gonna take a lot of money to get rid of this poverty, that somehow education and results are directly tied to how much money we spend?

**LINEHAN:** [01:06:14] Well, here's, here's what I-- I, I agree that it's, it's harder when a kid comes to school and they don't know their ABCs and they don't know their colors and they don't know their shapes and their-- both their parents work. I, I believe it is harder, but there's no money in the world that can make up for not having a parent. I mean, I don't, I don't know I-- I'm very confused if we spend our basic formula you're gonna-- you can correct me, Senator Groene. But, let's say the basic is \$11,000, and then if you're over 30 percent poverty it's another \$5,000, and it if happens to be an English-language learner it's another \$1,200. That's sixteen thousand twelve hundred dollars [SIC]. And we don't hold anybody really accountable for what they're doing with that extra \$6,200 to help those kids that are in poverty. And I'm sure they are. And I know they reported on the area

[INAUDIBLE] and it goes to this and that, but it's, it's-- they're doing a great job in Grand Island, don't get me wrong. She's doing, she's doing-- you go into those schools, they're paying attention to the little kids, they know that little kids whether they come to school knowing their alphabet or not they need to be reading by the end of 3rd grade. They know that. So do a lot of the other schools. But at some point you got to think, let's just be a little fair. Maybe we can pick up maybe 25 percent of the little school's cost, not 66 percent. But maybe we could figure out a way to pick up 25 percent of them. So--

**GROENE:** [01:07:56] Thank you, appreciate it. That closes the hearing on LB671. Going now to LB534, Senator Cavanaugh.

**CAVANAUGH:** [01:08:22] Good afternoon, Chairman Groene and members of the Education Committee. I am Machaela Cavanaugh, M-a-c-h-a-e-l-a C-a-v-a-n-a-u-g-h, and I have the privilege of representing District 6, West Central Omaha, here in the Nebraska Legislature. I'm here today to introduce LB534 and Erika is passing around a copy of my AM575, which actually will be replacing the green copy entirely. So the white copy is what I'll be discussing here today. This amendment will require biennial report regarding sexual violence to the Legislature from each postsecondary education-- public postsecondary education institution. I want to start off with the fact that I have an amendment. The University of Nebraska and other institutions came to me with concerns and suggestions they had for this bill. And I'm pleased to say we came up with a version everyone can support. And I have been told eliminates the financial burdens present in the original bill's fiscal note. LB534 as amended will ensure that the Legislature has up to date information on sexual, domestic, and dating violence that occurs on Nebraska's college campuses, along with information on the training of Title IX coordinators, investigators, and any decision makers regarding that violence. Campus sexual and dating violence is a crisis that we still struggle to deal with and ensuring lawmakers have the most up to date and accurate information possible can only

help us make better decisions. For those who may not be familiar, campuses already have federally-  
- federal reporting requirements as outlined by the Clery Act. LB534 as amended ensures that this  
report, along with any other surveys done independent of the Clery Act are also provided to the  
Legislature. I urge the committee to advance LB534 with AM575 so we can take another step on  
the path toward ending sexual, domestic, and dating violence on our campuses. I'm happy to answer  
any questions.

**GROENE:** [01:10:34] Any questions? Senator, this would be-- there's a lot of-- there's a program  
in place, and I'm not thinking of the right word already, on the campuses where are they-- where we  
have direct--

**CAVANAUGH:** [01:10:47] Title IX.

**GROENE:** [01:10:47] I know we voted on something in the last four years. Maybe somebody else  
can remember. There's already a program, this would add to that.

**CAVANAUGH:** [01:10:55] So this is just having the postsecondary education institutions, not just  
the University of Nebraska, but all the public institutions report the information that they collect--  
that they currently collect and--

**GROENE:** [01:11:08] They already do, right?

**CAVANAUGH:** [01:11:09] Yes.

**GROENE:** [01:11:09] All right, that's what I thought.

**CAVANAUGH:** [01:11:11] Yeah.

**GROENE:** [01:11:11] Thank you.

**CAVANAUGH:** [01:11:11] That's why it eliminates the fiscal note.

**GROENE:** [01:11:17] Anybody else have a question? Thank you.

**CAVANAUGH:** [01:11:22] Thank you.

**GROENE:** [01:11:23] Proponents.

**SYDNEY BUTLER:** [01:11:43] Good afternoon, Chairman Groene and members of the committee. My name is Sydney Butler, S-y-d-n-e-y B-u-t-l-e-r. I am here today on behalf of Sarah Zulkoski because unfortunately she could not make it to Lincoln to testify today. So this is what she had prepared. My name is Sarah Zulkoski, I'm the director of Grants and Foundations at Doane University. I am not speaking today on behalf of Doane University, but offering my testimony based on my experience in my field of expertise. Thank you for the opportunity to provide my perspective regarding LB534. I am here in support of LB534, that would require public postsecondary educational institutions to conduct a sexual assault climate survey and provide a report to the Legislature. Annually since 2015, Doane University has conducted a campus climate survey based on best practices to confront the issues surrounding sexual violence on college campuses. Among the issues covered in the survey and those facing college communities across the nation are gender and relationship violence including sexual assault. In accordance with Doane's mission and core values of building a better community, Doane shares the results of the annual survey with all members of the Crete campus and the general public through the Doane Web site.

The benefits of conducting a campus climate survey include: obtaining information about community perceptions, knowledge, and attitudes relevant to sexual violence; acquiring sexual misconduct incident rates assessed via the anonymous survey as another source of data about the extent of the problem; providing information about the problem within a particular campus community including underserved groups such as ethnic minorities, LGBTQ students, and international students which enables institutions to tailor prevention and response efforts; demonstrating an institution's commitment to addressing sexual violence and building trust with students, faculty, parents, and others. The first campus climate survey conducted at Doane provided critical local information as opposed to using national trends only that was used to secure a Department of Justice Office of Violence Against Women Campus Program Grant in 2016. The survey not only provided the campus data required by the grant solicitation, but also provided the local context necessary for selecting interventions that had the best likelihood of effecting change. The major goals of the Doane Campus Grant are to develop and enhance college-wide Coordinated Community Response for incidents of sexual and domestic violence recognizing the specific needs and available resources of all campus communities, and adopt a formalized, comprehensive, ongoing sexual and domestic violence Prevention and Education Program for all students, faculty, and staff. The annual administration of the survey at Doane has shown changes that have informed continuous improvement during the grant and the accomplishment of project goals and objectives. As a grant professional associate with the National cohort of colleges and universities in the Campus Grant Program, I have seen the vast majority of institutions committing to conducting campus climate surveys, and not because the program required the surveys as a condition of funding. The awarded institutions, as well as those applicants who were declined funding, saw the absolute benefit of the climate surveys for understanding the scope of the problem for a category of crimes that remain the most underreported in the country and for developing comprehensive, appropriate strategies for prevention and response mechanisms. As a staff member working on this small college campus where every faculty and staff member takes a personal interest in our students

and their experiences while they are here to earn a degree and begin their transition into adult life, I can tell you the reported results of the campus climate surveys have been eye opening and sometimes heartbreaking. Even one rape, one sexual assault, one incident of dating violence on a campus is too many. And finally, as a mother of a talented 15-year-old daughter who has her sights set on attending college, I personally will not consider sending her to an institution that does not conduct a campus climate survey for issues of sexual misconduct. I will not send her to a campus that does not provide sexual misconduct awareness and education programming and bystander intervention training. I will not send her to a school that does not have a comprehensive trauma-informed direct response mechanism to incidents of sexual violence. Incidents of sexual violence are far too prevalent on college campuses for institutions to not have these basic preventative and response measures in place. Any institution that does not step up to fight against this issue is simply not serious about protecting the welfare of its students. I thank the committee for the opportunity to speak today about this very important issue, and I urge you to advance LB534 out of committee.

**GROENE:** [01:16:29] Thank you. Any questions?

**SYDNEY BUTLER:** [01:16:38] Thank you.

**GROENE:** [01:16:39] Thank you. Next proponent. If you plan on testifying, just come on up and the chair's empty. Go ahead, whenever you want to start.

**BILLIE DOUGLASS:** [01:17:08] All right, thank you. Good afternoon, Senators, and I thank you for your time today. My name is Billie Douglass, B-i-l-l-i-e D-o-u-g-l-a-s-s, and I am in favor of LB534. I am an undergraduate enrolled full time in the secondary education program at Nebraska Wesleyan. However, I do not represent Nebraska Wesleyan today. I've taken a half occurrence at my full time job today so I, as a student, can talk to you about the importance of this bill today. As a



student, I'm actively part of Student Senate, the Gender Advocacy Place, and Generation Action.

Nebraska Wesleyan currently conducts a sexual assault climate survey, and this survey was made possible due to a grant, Nebraska Wesleyan along with, as you just heard, Doane received as well in September of 2016 from the Justice Department Office of Violence Against Women. The most recent survey conducted at Nebraska Wesleyan University as presented to the Nebraska Wesleyan University Student Senate in January of this year by Madeline Walker, the project coordinator on campus, had results that were eye opening to say the least. Madeline Walker informed Student Senate of the survey results and how they revealed a lack of awareness students have on campus regarding Title IX and sexual assault resources. Based on the survey results as shared with me and Student Senate this year there seems to be confusion on who was involved in the process, where to go to report and the rights that students have as a possible victim of sexual assault. Many students on campus reported, according to the survey, that a student organization, GAP, the one I'm actively involved in, was qualified to-- was a qualified place to talk to in regards to Title IX counseling. GAP is not qualified, it is a student-run organization and the students who run this have never made a claim that they provide such resources. The importance of these climate surveys in reporting these surveys is easily recognized with the results of the Nebraska Wesleyan survey. There is a lack of understanding of what resources are available and where these resources can be found on campus. With only a student population of just approximately two thousand dollar-- two thousand students and only fifty acres, I can't imagine just how much confusion there must be on a public campus the size of UNL in regards to sexual assault and Title IX resources. Even though Nebraska Wesleyan is a private institution and will not be affected by this bill, I feel the results of our climate survey conveys a need for stronger growth and awareness on college campuses. Nebraska Wesleyan is working actively to change perceptions of students and Information accessibility. However, we would have never been aware of this without the climate survey. I believe that requiring public institutions in Nebraska to conduct climate surveys and report them would ensure safety, awareness, and overall make our state a better place to receive an education. I thank you for your time, and

would be happy to answer any questions.

**GROENE:** [01:19:44] Any questions? So your organization helps young people who have been assaulted?

**BILLIE DOUGLASS:** [01:19:53] No, GAP does-- I mean, GAP is not a Title IX like counseling center, we are somewhere you can go to if you want to talk with students, but we are not recognized under Title IX. We don't receive any funding. So--

**GROENE:** [01:20:05] You're doing it on your own. I mean,--

**BILLIE DOUGLASS:** [01:20:10] Um-hum.

**GROENE:** [01:20:10] --it's, it's-- you're doing your own--

**BILLIE DOUGLASS:** [01:20:10] Yes.

**GROENE:** [01:20:10] --helping people. Thank you.

**BILLIE DOUGLASS:** [01:20:10] Um-hum.

**GROENE:** [01:20:13] Anybody else have a question? Thank you for coming in.

**BILLIE DOUGLASS:** [01:20:18] Thank you so much.

**GROENE:** [01:20:27] Next proponent. Opponents? Opponents?

**TAMI STRICKMAN:** [01:20:44] May I proceed?

**GROENE:** [01:20:45] Go ahead.

**TAMI STRICKMAN:** [01:20:45] Thank you. Good afternoon, Chairman Groene and members of the Education Committee. My name is Tami Strickman, T-a-m-i S-t-r-i-c-k-m-a-n. I serve as the Title IX Coordinator at the University of Nebraska-Lincoln. On behalf of the University of Nebraska, our four campuses, and 52,000 students, I am here today in opposition to the green copy of LB543 [SIC], and in support of the white copy amendment that Senator Cavanaugh has introduced. While the University of Nebraska supports the underlying concepts of LB534, we are in opposition to the green copy of this legislation due to constitutional questions raised in the Board of Regents vs. Exon Nebraska Supreme Court decision. Even though the subject matter in that case was different from LB534, the Nebraska Supreme Court held that an elected Board of Regents has the responsibility to manage and operate the University of Nebraska while acting independently from government control and political influence. Given the Supreme Court decision, legislation which directs the Board of Regents to adopt a policy conflicts with the court's holding. However, after ongoing discussions with Senator Cavanaugh, the Nebraska State College System and the Nebraska Community College Association about the importance of reporting information of sexual violence related campus climate surveys and Title IX training that is occurring on university and college campuses, the University of Nebraska supports Senator Cavanaugh's white copy amendment to LB534. The white copy amendment, AM575, would require public postsecondary education institutions to issue a biennial report to the Legislature on the results of any campus climate survey that relates to sexual violence and information related to all training programs for Title IX coordinators, investigators, and other key university employees. With the adoption of this amendment, it would also remove any university-related fiscal note with LB534. On behalf of the

University of Nebraska, our four campuses, and 52,000 students, I would like to greatly thank, Senator Cavanaugh, for her leadership in forging a compromise on LB534, and I would urge this committee to adopt the white copy amendment and send LB534 to the full Legislature for their consideration. I would be happy to answer any questions that you may have.

**GROENE:** [01:23:23] Any questions? Senator Pansing Brooks.

**PANSING BROOKS:** [01:23:28] Thank you for coming, Ms. Strickman. Did, did you work with Senator Cavanaugh on this bill?

**TAMI STRICKMAN:** [01:23:33] Yes.

**PANSING BROOKS:** [01:23:34] So how-- so I presume she created the white copy amendment in exact regards to your concerns. Is that correct?

**TAMI STRICKMAN:** [01:23:43] We worked with Senator Cavanaugh in collaboration with also the Nebraska State College System and Nebraska Community College Association.

**PANSING BROOKS:** [01:23:51] OK, so it seems like if she's created work to create that, why wouldn't we come in in positive support. I'm just interested how you decided to come in against a bill because it's gonna show you're against, and no one's going to see the little-- but we really like the white copy, which is what she's now bringing to us. So--

**TAMI STRICKMAN:** [01:24:10] Because our opposition was solely to the green copy primarily based on the constitutional concerns that the green copy had.

**PANSING BROOKS:** [01:24:21] Ok. But if a senator works with you and changes and gets to the-- a new copy. Seems like that might be something we'd come in support of because they've worked hard to try to get to the point, and collaborated, and worked. I'm just interested in that perspective. So my goal is when people come to work with me, I make the changes and then you go off the new changes rather than what previous-- not exactly precise version was. So--

**TAMI STRICKMAN:** [01:24:51] We are in su--

**PANSING BROOKS:** [01:24:51] But, you are in total support?

**TAMI STRICKMAN:** [01:24:53] Yes, of the white copy amendment. Yes, we are.

**PANSING BROOKS:** [01:24:56] OK, thank you.

**GROENE:** [01:25:00] Any questions? I'm, I'm trying to see what the difference is between these-- the green copy and the-- what's the major difference?

**TAMI STRICKMAN:** [01:25:07] So the green copy essentially mandated that the institution create and disseminate a survey to our students. The amended version is essentially a reporting bill which mandates that the university would report back to the Legislature on a biennium basis on statistical information that we currently gather. So it's slightly different information than what a campus--

**GROENE:** [01:25:39] So you do a survey already?

**TAMI STRICKMAN:** [01:25:41] We do not do a campus climate survey where we gather as

broad information as some campus climate surveys do-- have. However, we do gather statistical information already. As some of the previous proponents alluded to earlier, their campus climate surveys really gather information to gauge what students, staff, and faculty know about sexual misconduct in Title IX on college campuses-- reporting options, resource options. Those types of things. The amended version would solely be the statistical information on sexual violence and those types--

**GROENE:** [01:26:18] How many reports have you had?

**TAMI STRICKMAN:** [01:26:19] On the Lincoln Campus-- in last academic school year, so '17-'18, we had approximately 160 reported sexual misconduct cases to the Title IX Office. This academic school year, we have had approximately 119, so far.

**GROENE:** [01:26:38] And that's what you will report to us instead of sitting there and telling me that?

**TAMI STRICKMAN:** [01:26:42] Correct. But, we would break that down into categories of sexual violence-- types of sexual violence.

**GROENE:** [01:26:49] Male/female, male on male, female on male.

**TAMI STRICKMAN:** [01:26:53] We would discuss--

**GROENE:** [01:26:55] Male on female-- the big one that--

**TAMI STRICKMAN:** [01:26:57] It would be more the types of sexual misconduct. So dating

violence, domestic violence, stalking, sexual assault, rape based on incapacitation, age of the victim, that type of cri-- criteria, as opposed to the genders of the parties involved.

**GROENE:** [01:27:15] Do, do you compare yourself to other campuses, like-size campuses, to see how, how you rate or how well you're, you're doing to, to a--

**TAMI STRICKMAN:** [01:27:27] Yes. Primarily--

**GROENE:** [01:27:29] -- [INAUDIBLE] or to educate on the issues?

**TAMI STRICKMAN:** [01:27:33] We do, primarily since I am the Title IX Coordinator for the Lincoln Campus, we do a lot of comparisons across the Big Ten. So the Title IX coordinators from all of the Big Ten campuses meet twice a year to talk about statistics and things that we're doing on our campus that are effective.

**GROENE:** [01:27:49] So we had a testifier earlier say if her daughter went to-- she's gonna investigate that.

**TAMI STRICKMAN:** [01:27:55] Yep.

**GROENE:** [01:27:55] How-- where that's managed-- what the occurrences are-- if her daughter would be safe. Which buildings are more likely to be-- all that type of stuff. If, if she contacted your campus, could she get all that information?

**TAMI STRICKMAN:** [01:28:12] She could get most of that information, yes.

**GROENE:** [01:28:15] Most of it?

**TAMI STRICKMAN:** [01:28:16] Yes. So in the past year, the University of Nebraska system started to utilize a grievance management system called Maxient, and we are able to track the location if reported of the sexual misconduct. So that is a tool that is available to us now. In addition we do publish, both through hard copy and Web site, reporting options, resource options, information about our Title IX offices on each campus.

**GROENE:** [01:28:52] Should we change that to say shall electronically submit a report to, to the Education Committee of the Legislature so somebody knows it even exists, then it just shows up in a letter?

**TAMI STRICKMAN:** [01:29:06] I'm sorry, could we--

**GROENE:** [01:29:08] Well it says on or before September 15, each public postsecondary institution shall electronically submit a report to the Legislature regarding sexual violence. The big post office upstairs where a lot of stuff comes in to. So should, Senator Cavanaugh, maybe consider this reported to the Education Committee, so at least it has a point. Would that be OK with you?

**TAMI STRICKMAN:** [01:29:37] That would be fine.

**GROENE:** [01:29:38] OK, thank you, appreciate it. Any other questions? Next proponent. Opponent, I guess.

**KRISTIN PETERSEN:** [01:29:57] Good afternoon, Senator Groene, and thank you to the Education Committee for the opportunity to speak this afternoon. It is a little bit confusing. We, we



are in support of the amendment that Sen-- Senator Cavanaugh submitted today. So as I looked at my form, I, I--

**GROENE:** [01:30:13] Did you say what-- who you're with?

**KRISTIN PETERSEN:** [01:30:14] Kristin Petersen with the Nebraska State College System.

**GROENE:** [01:30:19] All right, thank you.

**KRISTIN PETERSEN:** [01:30:19] And we did look at the form and, and did have a question how to indicate our support of the amendment that was filed. So as I said, I'm, I'm with the Nebraska State College System. My name is Kristin Petersen, K-r-i-s-t-i-n, Petersen, P-e-t-e-r-s-e-n. I'm general counsel and vice chancellor for Employee Relations. I'm testifying today on behalf of the chancellor and the system in opposition to LB534, but in support of the amendment that, Senator Cavanaugh, brought for AM575, and we appreciate the opportunity to work with her very much. Our primary concern with LB534, was the confidentiality issues that reporting on the Web site. The way the bill was worded, those confidentiality concerns had been alleviated in the amendment to the bill. We appreciate, again, the opportunity to partner with, Senator Cavanaugh, and to, to cooperatively interact with the university system and with the community colleges. So we will continue to be available to, Senator Cavanaugh, for this bill and any other questions she has with higher education. And in regard to, Senator Groene's, question about having the report delivered to the Education Committee, we would have no objection to a change of that nature.

**GROENE:** [01:31:41] Thank you. Any questions? But you are testifying correctly, because if the amendment is not adopted, it's the green copy that would be. [INAUDIBLE].

**KRISTIN PETERSEN:** [01:31:53] Thank you, appreciate the reinforcement for that.

**GROENE:** [01:31:56] Thank you. Next opponent.

**BEV CUMMINS:** [01:32:05] Good afternoon. Thank you for the opportunity to meet with you today. My name is Bev Cummins, B-e-v C-u-m-m-i-n-s, and I'm the vice president of Student Affairs and the Lincoln Campus director at Southeast Community College. And I'm here on behalf of the Nebraska Community College System. And we, too, were a little confused on filling out the form and are in opposition to the original 5-- LB534, but are in full support of the amended version. And as you've heard, at its core, this bill is about keeping students safe on our college campuses which is what we all want. It's what keeps us awake at night sometimes. Research shows that the behaviors and perspectives associated with sexual violence looks different on every single campus and surveys of our climate and culture provide information about our students' behaviors and attitudes as well as the prevalence and the measure of that prevalence of sexual violence. Climate surveys generate data on the nature and the extent of sexual assault attitudes surrounding sexual violence. They inform us of our students' perceptions of the effectiveness of our current strategies. Very vital information. It-- in order for us to keep our colleges safe, we must critically evaluate ourselves to identify gaps in our sexual violence practices, policies, and prevention efforts. And develop an action plan that is evidence based, meets federal mandates, and effectively addresses our particular student needs. And a student's greatest concern whenever they answer a survey, is how is this information going to be used, and the amended version addresses that. Because it's imperative that they know it's going to be confidential so that we can get unbiased and accurate information on these surveys. And so the amended version, not only ensures that confidentiality, but it also enforces the intent of climate surveys that they're a tool for institutional improvement and consumer education and awareness. And the results of a climate survey-- what we learn about ourselves and the action plan, is what needs to go into the report to the Education Committee. So with that, I take

any questions letting you know that, again, we stand in support of the amended version.

**GROENE:** [01:34:41] Any questions? Senator Murman.

**MURMAN:** [01:34:43] Thanks a lot for coming in. So this is a reporting mechanism-- what-- say there's, you know, a problem-- the report shows problems-- too many assaults.

**BEV CUMMINS:** [01:34:57] Right.

**MURMAN:** [01:34:57] What would be the next step?

**BEV CUMMINS:** [01:35:00] I'd be complicated. But if we find that there is a particular increase in incidents in a particular campus, we would address first, what's causing-- what do we know about it? We would look to see what kind of education are we providing to that campus? What's the makeup of students? What occurred, and why did it occur? Do we need more staff? Do we need more safety and security? So it, it would be a very comprehensive approach to the response based upon the data that we collected.

**MURMAN:** [01:35:38] OK, thank you.

**GROENE:** [01:35:39] Senator Brewer.

**BREWER:** [01:35:39] All right. I understand what you just said, but where I'm struggling is, if the idea is to keep the students safe-- but how is this not basically just a paper pushing drill. What do we actually do to make the situation safer for the students other than just collecting information?

**BEV CUMMINS:** [01:36:00] So there are times when-- I mean, these are difficult situations for students-- or even sometimes it's a bystander. And so they might be more willing to tell us what happened on a confidential survey that we can use that information then to come forward on their own. So using that data along with the data we're already collecting and reporting on relative to sexual assault that we are aware of. We can use both. So let's say, for example, the data shows that there's more prevalence of sexual assault that's going unreported on our campuses, but we don't know about it. What are we doing to respond to that-- to get information out to the students to help them to know what are the resources available to them to help them know who to go to who to turn to and what sort of rights and reporting obligations do they have. Those are the sorts of things to compare the difference between the data.

**BREWER:** [01:37:00] OK. Just so I have it correct, the-- what you're describing would be how Southeast Community College would handle it.

**BEV CUMMINS:** [01:37:09] Um-hum.

**BREWER:** [01:37:09] The bill itself doesn't direct-- it, it provides a conduit for you to have information to understand where the problem is. Then it becomes a responsibility to the institution to then how they, they deal with it. Kind of if I'm on track here?

**BEV CUMMINS:** [01:37:22] Yes.

**BREWER:** [01:37:22] OK, thank you.

**GROENE:** [01:37:26] Anybody else? Senator Murman.

**MURMAN:** [01:37:29] It was testified earlier that the gender was not reported. The type of violence was reported but not genders. Do you perceive doing it the same way? I guess one reason I'm asking is, I would think the gender might make a difference on what type of action you might want to take in certain situations-- for education or so forth?

**BEV CUMMINS:** [01:37:59] You know, our-- we don't currently ask that in our climate survey, but it, it brings up an excellent point to that, it really should be asked. I could see that in a climate survey. We're not required by Clery or Title IX to report the gender involved in those sexual assaults. So, you know, certainly we could absolutely add that to our-- informing ourselves of what's going on and what's happening on our campuses.

**MURMAN:** [01:38:27] Thank you.

**BEV CUMMINS:** [01:38:27] Yeah.

**GROENE:** [01:38:33] One could look at this, too, and say, this is a Tech School. You don't want the survey reported because you don't want people to see that you have a bad climate-- a sexual climate that kids believe there's a problem. That-- what you report is actual incidents might not even come close to what the perception is on campus. The survey gives you information with what the students perceive as the climate on campus.

**BEV CUMMINS:** [01:39:13] Correct.

**GROENE:** [01:39:13] And you, institutions, don't want me to see that or the public to see that.

**BEV CUMMINS:** [01:39:18] Actually, from the perspective of a informed student and the Student

Right-to-Know Act, we want the students to know this information.

**GROENE:** [01:39:27] This is me--

**BEV CUMMINS:** [01:39:29] Yeah, and everyone else. I would, I would want to know. I'm a parent. I would want to know as well.

**GROENE:** [01:39:34] So I could call up and want to know the results of your survey?

**BEV CUMMINS:** [01:39:37] Oh, yeah, yeah. We would--

**GROENE:** [01:39:38] OK, but you just don't want it published.

**BEV CUMMINS:** [01:39:40] Right. Because it's--

**GROENE:** [01:39:42] That's the only difference. So it is public information?

**BEV CUMMINS:** [01:39:44] It's public to the extent that we're required to report per Clery, and we worry about the specifics. So let's say, for example, one of our small campuses-- if any of the community colleges-- you know, I think in Beatrice maybe had one or two in the last two years of sexual assault claims. If we report that, that campus had a particular type of assault report and met-- and explained what the outcome was, that a-- I mean, you could probably figure it out. It's a small town, and it's a small college community.

**GROENE:** [01:40:24] Right.

**BEV CUMMINS:** [01:40:24] So they would be able to figure it out. That worries us, because I think when-- at that point the student's gonna go, boy, if somebody can figure out who I am, I don't want them to know that, and I'm not going to be forthright on this survey. So that's, that's where our concerns come from relative to confidentiality. I want to protect the students. I mean, we want everybody to know.

**GROENE:** [01:40:48] That's fine. I appreciate that you answered it.

**BEV CUMMINS:** [01:40:51] You bet.

**GROENE:** [01:40:51] Cleared it up. Any other questions? Thank you.

**BEV CUMMINS:** [01:40:57] Thank you.

**GROENE:** [01:40:58] Any other opponents? Neutral? Do you want to close, Senator Cavanaugh?

**CAVANAUGH:** [01:41:15] Thank you again, Chairman Groene, and committee for your time today, and for your thoughtful questions. I'd just like to address some of the questions that were brought up. Senator Brewer, the idea with this piece of legislation is really to inform us as a, as a governing body, because as, as was stated this is something that, currently they do collect this information which is why we eliminated the fiscal note as a result of our amendment. But it's not proactively reported to us. And I think especially with these extremely sensitive issues that we're facing in public university settings, making sure that moving forward the Legislature has data informed-- inform-- data for our information for legislating, I think, is really important to know what the needs exactly are on campus. I will be in front of this committee next week with an additional bill relating to this topic, which will be a little bit more to-- in line with, I think, what,

what you're thinking of so this is for-- just for us to get more information. Senator Groene, your question about where the report goes to. I would be happy to make an amendment so that it doesn't just sit in a vacant warehouse or mailroom. So with that, I will just say that I really appreciate your time and your thoughtfulness on this. This is an issue that is near and dear to my heart. As a parent, as a woman who went to college and experienced some various unpleasanties we'll say, I think it's really important for our young people to know that the Legislature cares and wants to be informed about what's happening there so thank you for your time today.

**GROENE:** [01:43:18] Any questions? Senator Brewer.

**BREWER:** [01:43:20] Thank you, Mr. Chairman. All right, so currently we're not collecting the data that you specifically want.

**CAVANAUGH:** [01:43:25] The Legislature is not.

**BREWER:** [01:43:25] OK, so if it-- the, the part where I'm not connecting is, OK, we get the data and we're not happy with college X or university Y, do we then use that to-- what I'm saying is, we're kind of micromanaging whether it be the chancellor or the president-- I mean, there's-- if, if we're gonna have this information and we're going to use it, then do we use it to make them comply with what we want or we cut their budget? I mean, I'm not tracking exactly what the end state is with this.

**CAVANAUGH:** [01:44:02] There isn't an end goal to this. It's more than just maintain information. But let's say that we see an uptick in campus assaults around binge drinking, so we would maybe want to address underage bin drinking-- binge drinking. And not necessarily through legislation, but it, it is our responsibility to ask questions especially of public entities that are getting public funds



to make sure that they're doing things. So it's not to hold people's funding hostage, it's just to make sure that we're informed of what's happening in the largest institutions that we are funding. So that if there is a problem, we can work with those institutions to find a solution. There currently-- I have no agenda other than to be informed.

**BREWER:** [01:44:58] Can you see how, though, if you were the president of the college or, or the president of the university, there's a point if there's enough fingers in their operations-- now I understand that what we're saying is, their system degrades the point it's not doing what it's supposed to do. And, and we are saying that we're going to have oversight on this aspect or whatever-- you know, our first amendment-- first amendment option of two, but I think there's also a point you kind of have to step back and, and entrust them to do what we're paying them to do. I mean-- I guess it doesn't hurt to collect the data, but you know that's one of the things we used to hate, was is if you're pushing paperwork, and there's not a end product that makes the world a better place. So-- I mean, I'm not opposed to collecting the data. I'd just like to use it for something if we collect it, so that, you know, we, we make a change that gives the end result that you want.

**CAVANAUGH:** [01:46:03] Well, I suppose the subconscious, hopefully consequence of this, will be that all of the institutions that are providing us with the data will, if they aren't already, and I hate to assume that they aren't, and hopefully they are doing everything in their power to minimize and mitigate these types of incidences on campus, if they're not already doing that knowing that they have to report it to us, will in affect nudge them to work harder.

**BREWER:** [01:46:35] All right, thank you.

**GROENE:** [01:46:36] Any other questions? To clarify what I was saying,--

**CAVANAUGH:** [01:46:42] Yes.

**GROENE:** [01:46:42] -- they're, they're-- going to the last testifier-- they're still gonna give us the report. They're, they're just not gonna have to put it on the Internet and broadcast it across the country.

**CAVANAUGH:** [01:46:51] Right. So we still have to get the report and it's still public information. It's just we're not requiring them to put it somewhere other than giving it to us.

**GROENE:** [01:47:01] And to-- as, Senator Brewer said, complement the university-- they'd probably just fall down, but it's a-- we can't blame them for sexual assault.

**CAVANAUGH:** [01:47:12] No.

**GROENE:** [01:47:12] It's between two individuals.

**CAVANAUGH:** [01:47:14] Yes.

**GROENE:** [01:47:14] They're providing an education and a place for them to live. They, they need to make sure there's, there's staff--

**CAVANAUGH:** [01:47:20] Yes.

**GROENE:** [01:47:21] I mean, when you're 20 years old-- 21-- you can be at-- in Iraq or you can be in the university-- it's not-- they're not kids anymore. They're hot blooded adults, but it's not, it's not the schools-- they're not promoting it in no way. You're trying to get them to get people--

**CAVANAUGH:** [01:47:44] We're not trying to hold anybody accountable for other people's actions, no. But--

**GROENE:** [01:47:48] Yeah, there you go, thank you.

**CAVANAUGH:** [01:47:49] --it's the handling or the, you know, the process-- just making sure that they're doing what they can.

**GROENE:** [01:47:54] [INAUDIBLE] the city making sure there's a cop on the corner--

**CAVANAUGH:** [01:47:56] Yeah.

**GROENE:** [01:47:56] --when somebody's being assaulted. Thank you.

**CAVANAUGH:** [01:47:59] Thank you.

**GROENE:** [01:48:03] Any other questions? Thank you, Senator Cavanaugh.

**CAVANAUGH:** [01:48:06] Thank you very much.

**GROENE:** [01:48:57] Go ahead Senator Linehan.

**LINEHAN:** [01:49:00] Thank you, Chairman Groene and members of the Education Committee. My name is Lou Ann Linehan, that is L-o-u A-n-n L-i-n-e-h-a-n. I represent District 39, which includes Elkhorn Valley and Waterloo in western Douglas County. And I'm here today to introduce

LB674. LB674 changes the TEEOSA, Tax Equity and Educational Opportunity Support Act, formula by altering the base limitation cost growth factor portion of the formula beginning in the year 2021 and each year thereafter. LB674 changes the base limitation rate to the inflation rate as certified by the Tax Commissioner and the student growth rate as certified by the State Department of Education on or before November 1, 2019. And every year thereafter the inflation rate shall, shall be certified by the Tax Commissioner as equal to the percentage change for the most recent Consumer Price Index for all urban consumers published by the Federal Bureau of Labor Statistics as of August 31 of the previous year. On or before December 1, 2019, and every year thereafter the State Department of Education shall certify to each school district and the Auditor of Public Accounts the student growth rate and the base limitation for the school district for the immediately following school fiscal year. The student growth rate for each school district for the immediately following school fiscal year shall be equal to the percentage change from all the fall membership reported in October of the previous year. The student growth rate shall not be less than zero. I introduced this bill because Nebraskans are demanding relief from high taxes, property taxes. Tax relief will never occur if we can't figure out a way to hold the line on spending. Some districts such as Elkhorn in my district are experiencing tremendous growth, 10 percent a year. I mean real growth, like 800 to 900 kids in one year. TEEOSA formula must take into consideration the differences in the growth rate of various school districts experience throughout our state as well as inflation rate. That's why I introduced LB674. Thank you very much for your consideration, and I'm happy to take any questions.

**GROENE:** [01:51:31] Any questions? Senator Kolowski.

**KOLOWSKI:** [01:51:31] Thank you, Mr. Chairman. Senator, how does that percentage you're talking about also carry into the base of what the district is doing as far as curriculum improvements and X, Y, or Z areas of K-12 that they might be working on. How does that factor in that you, you

can do both-- that you have to go through a process of improving your, your curriculum and instructional behaviors of your teachers and also your being limited by what you're talking about here?

**LINEHAN:** [01:52:09] So in 1990, and I've talked to the people that worked on LB1059 when the state decided to pick up a larger percent or some percentage of the cost of public education. We were one of the lower states in the union in teacher pay and spending per student. So they put an automatic inflation factor in the formula. I had-- one of the writers of the bill say it was 6 percent. I think it's more like 5 percent, but it's, it's high. So we've been on that, and that's why [INAUDIBLE] is never fully funded. Because that's still the law, that it goes up 5 percent a year. Inflation has been more like 1 or 2 percent-- or one less-- in one year in the last 10 years, it was negative 4.4 percent. I think one year out of the last 10 we hit 3. So when you have the public sector schools spending at 5 percent increase a year, but the private sector is only increasing their income at 1 or 2 percent a year you get a gap in what the private sector is able to pay for and what the public sector is spending. And that's where we are right now and that's why we have a crisis. So there is no way really to fix our school funding, and I don't think we can probably come up with more funding from the Legislature unless we figure out a way to slow down the spending. They would have to go hand in hand because you cannot-- which we have been doing thus far, and there will be people saying this won't work. We had hearings last week and the week before. We had multiple school districts here, whether it be school board members or superintendents, who said they can't control their spending. Well, you can't be in business paying 60 percent or 50 percent of the bill with people who tell you they can't control the spending. Everyone will go broke. We have to have some spending controls.

**KOLOWSKI:** [01:54:17] You had superintendents that said they couldn't control the spending within their own districts?

**LINEHAN:** [01:54:22] Oh, yeah. We had-- we've had several witnesses sit here at the table and say they couldn't control it. I think we've only had two that have come up and said they do control it. Dave Welch from Milford said he could. But almost everybody else that testified that day from a school said it was out of their, out of their ability to control spending. It's hard to control spending. You can ask every business owner, every rancher, every farmer in Nebraska how hard it is to control spending, but people go broke when they don't control spending.

**KOLOWSKI:** [01:54:56] Where do you factor in the number of students you're talking about like 900 in Elkhorn on a yearly basis?

**LINEHAN:** [01:55:04] It's written to adjust for the growth. So if they grow 10 percent, that's 10 percent more they've got in cost.

**KOLOWSKI:** [01:55:14] Have we looked at all the options to what-- what's available to be able to do? When I think back on the last 10 years and the \$800 million, probably that we lost to tax relief that we gave back to various companies--

**LINEHAN:** [01:55:29] We don't give it back-- I'm sorry, I'm sorry, sir. It's their money, we take it from them. I mean, taxes aren't our money, it's people's money who-- because they believe in what we do. They pay us. It's not our money, it's their money.

**KOLOWSKI:** [01:55:48] It's taxes we received, and then we rescinded it.

**LINEHAN:** [01:55:54] OK. But, it's the people's money, and they control their government. And I assume that some of those people thought their taxes were too high, and they wanted some of their money back. Here-- here's what another number I do know that is really kind of frightening. So in

1990, again we were not spending enough, that seemed to be the general consensus that we needed to increase our spending on schools. But 30 years later we're spending a billion. One billion dollars more in real money than we were in 1990 adjusted for inflation. That's our whole TEEOSA aid formula. So one could argue, and I have had people argue this, that aid has not done anything to really control property taxes. It's only increased our spending by a billion dollars.

**GROENE:** [01:56:56] Any other questions? Are you done, Senator Kolowski?

**KOLOWSKI:** [01:56:56] Yes.

**GROENE:** [01:56:56] Any other questions? Senator Murman.

**MURMAN:** [01:57:05] And for agriculture in the last 10 years, property taxes have increased 143 percent in the last 10 years. So I do appreciate you bringing this forward. We need to control spending in order to control property tax increase or the property tax relief I should say.

**LINEHAN:** [01:57:26] The other-- and we can-- there's several, there's several, and one of our problems here and I don't know how to address this and I look forward to working with the committee to do this. We, we have some schools out there that are those ag schools, or some of them not ag, they have done an incredible job at keeping their costs down. And the one concern I have about this bill is how do you not hurt those schools. I sat-- today I went to the lunch for the smaller schools and I sat by Johnson-Brock superintendent, and Johnson-Brock's got 352 kids, and their, their cost per student is less than \$10,000 a kid. That is miraculous when you compare it across the board. Our friend from Milford has become our favorite guy. He's got his below, I think it's \$9,900 a student and he's only got 750 kids. But they don't have as superintendent-- not those two, so I won't say who told me. They don't have like three different band instructors in things that

other schools that are larger and getting significant state aid have. They managed to educate their children and they come to college and they graduate from college. But they have to make sure that they're keeping it within their ability to spend.

**MURMAN:** [01:58:59] I appreciate the comments.

**LINEHAN:** [01:59:00] Thank you.

**GROENE:** [01:59:03] Senator Kolowski.

**KOLOWSKI:** [01:59:05] Ma'am, do you know how much the Johnson-Brock per student allocation was they were spending?

**LINEHAN:** [01:59:12] Per student, they get no equalization if that's what you're asking.

**KOLOWSKI:** [01:59:14] No, I'm asking you how much they spend per student.

**LINEHAN:** [01:59:17] It was less than \$10,000.

**KOLOWSKI:** [01:59:21] On the state-- they're on the state--

**LINEHAN:** [01:59:23] Right, 352 kids.

**KOLOWSKI:** [01:59:27] There aren't many that are under \$10,000,--

**LINEHAN:** [01:59:31] I know, but there are some.



**KOLOWSKI:** [01:59:32] --and Millard is one of three that is.

**LINEHAN:** [01:59:36] Well, Millard is-- they do a good job, but they also have a huge number of kids. We all know if you look at the rate-- well, it's in the state formula. The more children you have, the more students you have, the lower your cost per child should be. I mean, it's, it's what-- that's part of the State Department-- I mean, the Department of Ed. They probably are in a way where they their basic funding off of the state was probably more like \$18,000 a kid is what they probably would figure they need, but they've kept it below \$10,000.

**GROENE:** [02:00:19] Any other questions?

**KOLOWSKI:** [02:00:20] No.

**GROENE:** [02:00:20] I'm trying to delay here until my information comes that I've been trying to get, but I think Milford is-- their basic funding is fourteen four, but they spend \$9,800, that's amazing. Because most people sit closer to their basic funding number, but Grand Island's one of those I know that's under and they're landlocked. But the other deal is, we, we, we, we have to look at economy of sizes, too.

**LINEHAN:** [02:00:47] Right. I, I know we have to look at economy of sizes, and I know it-- this goes back to the first bill I had today. There are some schools out there, they can't do anything about how small they are. They're 50 miles from the next school, and they got to have a high school math teacher, and a science teacher, and a social studies teacher, they cannot do anything about their cost. There's others that could do something, other littler schools. I mean, there's-- there is-- this is very, very-- as we all know, it's very hard. If it was easy, we'd have done it already.

**GROENE:** [02:01:21] Thank you. Any other questions?

**LINEHAN:** [02:01:29] Thank you.

**GROENE:** [02:01:29] Proponents? Opponents?

**VIRGIL HARDEN:** [02:01:56] Good afternoon again, Senators. My name is Virgil Harden, V-i-r-g-i-l H-a-r-d-e-n, CFO for Grand Island Public Schools. Again, thank you for the opportunity to testify on behalf of the 24 member schools that comprise the Greater Nebraska Schools Association. While GNSA supports reasonable guardrails on all the Nebraska Public School spending, we can't support LB 674 for the following reasons: One, simply put the Consumer Price Index is a poor measure of inflation for Nebraska school districts. First, at its simplest definition, inflation is a measure of how quickly prices increase and conversely how quickly the value of the dollar falls. Second, to estimate CPI statisticians choose what they believe to be a representative basket of goods and services consumed by the population. Third, there is the question of what to put in the basket. Consumption habits change all the time and estimates must be made as to what to put in the basket through surveys of household spending. Fourth, updating the basket of goods and services is only done once every two years, and actually used to be 10 years, so the data is not likely to be very fairly representative as it's already outdated. Additionally, at the same time statisticians must account for the fact that the quality of the basket often improved. Last year's cell phone might cost more than-- or this year's cell phone might cost more than last year but it also does more. If all that sounds simple, it's not. The cost, quality, and productivity of items measured by the CPI simply does not measure the cost drivers of Nebraska schools. Second, the Nebraska school districts on average spend 85 percent of their entire General Fund spending on salaries and benefits in instructional, support, and administrative staff. In addition many, if not all, Nebraska Public

Schools systems are faced with extreme cost drivers of special education, English-language learners, and at-risk students living in poverty. Compounding those costs drivers are both the shifting demographics of students with these extreme cost drivers and the overwhelming concentration of these needs in the numbers as high as 70 to 80 percent of the entire student body being in one or more of these categories, i.e. poverty. Therefore, the cost of hiring staff and the growing impact of extreme cost drivers already mentioned of what drives increases in spending for Nebraska schools, not the consumer basket of goods and services as measured by the CPI. Three, LB674 allows for student growth which is good, but problematic at both ends of the spectrum. Please see the attached chart at your convenience. High growth systems would be able to access a very robust growth in spending and budget authority while low or flat growth districts regardless of the real spending drivers would be too severely limited in both spending and budget growth. In closing, GNSA supports a stable base limitation as originally envisioned in the TEEOSA formula. The lid consisted of a 4 percent base limitation with a maximum range of 6.5 per LB1059 in 1990, Section 16, page 23 to be very specific. Nebraska school finance is complex for many reasons. It is the belief of GNSA that TEEOSA, as originally envisioned, should be the basis of our current statute. Additionally, GNSA supports both a thorough study of TEEOSA formula as well as ongoing review processes like the one offered in the Senator DeBoer's LB679 and found within Senator Briese's LB314. Then and only then should the TEEOSA formula be modified or adjusted to meet the needs of all Nebraska schoolchildren. Thank you for taking time to listen and consider our concerns.

**GROENE:** [02:05:50] Questions? Seventy percent, you say poverty.

**VIRGIL HARDEN:** [02:05:58] Yes, sir.

**GROENE:** [02:05:59] Can you give me a background why is it, you have packing plants, right, and

they're landlocked?

**VIRGIL HARDEN:** [02:06:05] We are landlocked. We're a city school district, so as the city of Grand Island grows, we grow and we can't go beyond those boundaries.

**GROENE:** [02:06:12] Unless they--

**VIRGIL HARDEN:** [02:06:13] There's a few variations but, yes.

**GROENE:** [02:06:15] Unless they [INAUDIBLE].

**VIRGIL HARDEN:** [02:06:16] You know, I-- it's, it's the makeup of our demographics of our student body and the community. And, you know, they're there and they're working, so--

**GROENE:** [02:06:25] Yeah, but the part of public education is supposed to be the great equalizer, your school district's been there 120 years, I wouldn't be bragging that my alumni, that 70 percent of them are in poverty.

**VIRGIL HARDEN:** [02:06:37] Well, I'm not bragging, I'm telling you the facts.

**GROENE:** [02:06:38] But, why didn't the school raise their position in life by giving them a public education. Are they immigrants? Then I can understand that.

**VIRGIL HARDEN:** [02:06:46] Correct. Some of them are literally in the country--

**GROENE:** [02:06:50] First generation, second generation.

**VIRGIL HARDEN:** [02:06:51] Some of them are-- a vast majority of them are newly immigrated to the United States. The parents don't speak English. The children don't speak English.

**GROENE:** [02:06:59] What's the makeup ethnic of your school district?

**VIRGIL HARDEN:** [02:07:02] Well, I can get that for you. I don't have it off the top of my head as far as the varying-- the nuances. But, we do have that information.

**GROENE:** [02:07:08] [INAUDIBLE] and how many do you lose?

**VIRGIL HARDEN:** [02:07:10] About 390 net.

**GROENE:** [02:07:14] To Grand Island and Northwest.

**VIRGIL HARDEN:** [02:07:16] To Northwest mainly, yeah. Some to Central Catholic, some to Heartland Lutheran, yep. We have four great school systems in Grand Island.

**GROENE:** [02:07:21] Yes. Well, I will compliment you, I got this-- your adjusted General Fund spending is \$8,500 with 23,000 students. Millard, who everybody brags about, has 40,000 students and they spend more than you do.

**KOLOWSKI:** [02:07:37] We don't have 40,000 students.

**VIRGIL HARDEN:** [02:07:39] Yeah, we, we have-- we don't-- we have like 10,000 students so it'd be just under-- just be under 10,000.

**GROENE:** [02:07:45] Excuse me, Millard has 23,000. You have-- I read the wrong number. But I read the right number about how much.

**VIRGIL HARDEN:** [02:07:53] Yeah.

**GROENE:** [02:07:54] Anyway you do a good job--

**VIRGIL HARDEN:** [02:07:56] Well--

**GROENE:** [02:07:56] --spending per student, \$8,100 is yours and you got 9,300 students.

**VIRGIL HARDEN:** [02:08:03] Um-hum. We're very fiscally conservative and we can control our spending. We do control our spending. We've been in the black every year that I've been there.

**GROENE:** [02:08:10] What's your levy?

**VIRGIL HARDEN:** [02:08:11] We're at the maximum \$1.05 between the special billing fund and the General Fund. The total levy's \$1.27 and some change.

**GROENE:** [02:08:17] And you have a brand new school, too. Right?

**VIRGIL HARDEN:** [02:08:20] We're working on bringing in two new elementary buildings on board next school year, yes.

**GROENE:** [02:08:23] Don't you have a newer high school, too?

**VIRGIL HARDEN:** [02:08:25] Oh no, that's Kearney.

**GROENE:** [02:08:28] That's Kearney.

**VIRGIL HARDEN:** [02:08:28] Yeah, Kearney spent \$80 million on a new high school. We, we spent \$69 million on 7 different projects.

**GROENE:** [02:08:38] But you, you do understand that we do spend a-- per student, we rate pretty high in the nation.

**VIRGIL HARDEN:** [02:08:44] Well, yes I do understand that but you do, I guess, on the flip side of that understand that you're 49 out of 50 in state support for school funding.

**GROENE:** [02:08:54] And that we'll agree on and that's what we're trying to fix.

**VIRGIL HARDEN:** [02:08:57] Well, Senator, at, at, at the cost of being redundant, I'm going to call this a plea from GNSA to seriously consider a serious study of TEEOSA across all segments of the school population, looking at the history of where we've been, where we're at now, and what things we can do to make it better for all schoolchildren. You know, my personal career, I've spent 10 years in small school systems, 400 or 500 students. I care about the students in Nebraska. I care about all the schools' children in Nebraska as I know you do. You have a very, very tough job. And so without concerted joint effort--

**GROENE:** [02:09:43] I sat on a study my first two years here, Senator Sullivan did, an extensive study. They did another one in 1990, they did one in, in between there.

**VIRGIL HARDEN:** [02:09:53] Um-hum.

**GROENE:** [02:09:53] We have studied this issue to death, and more studies aren't gonna find an answer. I think we know what the problems are.

**VIRGIL HARDEN:** [02:10:02] Thanks for listening.

**GROENE:** [02:10:03] Yeah, thank you. Thanks for coming down. Any-- next opponent.

**CONNIE KNOCHE:** [02:10:24] Senator Groene and members of the committee. My name is Connie Knoche, C-o-n-n-i-e K-n-o-c-h-e, and I'm the education policy director at OpenSky Policy Institute. And we're here today to testify in opposition of LB674 because it proposes to limit school spending based on the Consumer Price Index. The CPI is used to make inflation adjustments to household incomes based on an index that measures inflation and the types of goods and services typically purchased by households. The CPI is derived from surveys of expenditures by consumers of everyday goods. The components measured by the CPI such as food and beverages, housing, apparel, transportation, medical care, recreation, and communication are very different from the mix of inputs that typically go into the operation of a school district. The production of everyday goods can often be automated or mechanized, thus, keeping prices for those sorts of things relatively lower. The costs for school districts include things like labor, fuel, construction materials, vehicles, buses, computer services. The cost of providing health care coverage is not captured in the CPI. Education is becoming more labor intensive as we give more efforts to using the-- to be used for things like incorporating special education students into the classrooms and for English-language learners, etcetera, and kids who might have been just pushed out of the system altogether in the past are now being included into the classrooms. The closest thing to an inflation measure for local



governments that is like CPI that's based on the sorts of things that governments buy like health care that don't show up in the CPI is the implicit price deflator for state and local government purchases. The state and local price index has been growing annually at a rate of 4.5 percent since 2000, while the CPI grew at an annual rate of 2.4 percent. The growth rate has been driven by increases in investments in infrastructure due to increased construction costs, fuel, industrial chemicals, all the things that schools have to purchase to run the school building. And it's important to keep the Nebraska's public investment in education in perspective and create funding mechanisms to provide additional funding to K-12 districts. I guess that's-- you know, CPI is a measure for household goods and we think that this other measure may be something you want to look at. And I am happy to answer any questions that you have, and I also thank you for your time and your service.

**GROENE:** [02:13:24] Any questions? CPI, I believe, works better for what we are doing here because you heard 85 percent of the cost is wages. I know that number you quoted but that's concrete steel. We bond that in public education. It's separate. Those costs are paid for separately then operations. When you look at employees, CPI is used quite often in pay negotiations and, and salary increases when 85 percent a year cost is salary. And we are giving raises of 4 to 5 percent, 3 to-- 3 percent across the board with the bigger school districts. Maybe some administrators ought to start looking at the CPI before they offer wages, increases on packages and increases in insurance and packages and benefits.

**CONNIE KNOCHE:** [02:14:19] Yeah. What I've read on the research on this is that health care costs are the primary driver for this. It costs so much more to provide insurance benefits for employees and typically with the CPI those employees are hourly wage earners. Where in a school district they're typically professional employees, and so you have to offer a benefit package to them and those are costs that can be very volatile especially what they've been in the last few years.

**GROENE:** [02:14:51] Have you-- your OpenSky ever done a study from the crisis we've had in health care cost and insurance? How many school districts like free enterprise has had to change their benefit package?

**CONNIE KNOCHE:** [02:15:10] No, we haven't--

**GROENE:** [02:15:10] That, that they raised the-- that they kept their costs down. Or did they just pay for the same package with no deductibles, co-pays, while free enterprise has done that and raised deductibles to four or five thousand dollars a--maybe if we did CPI, that might become a factor next time they negotiated benefits.

**CONNIE KNOCHE:** [02:15:32] I'm not sure they have the luxury of doing that but I'm, I'm not-- I don't do the negotiations for a school district.

**GROENE:** [02:15:41] You didn't when you were in OPS?

**CONNIE KNOCHE:** [02:15:41] No, I didn't.

**GROENE:** [02:15:41] All right, thank you.

**CONNIE KNOCHE:** [02:15:41] I know they did look at doing privatization and I think in Nebraska there are a couple of schools that have their own insurance and don't use the--

**GROENE:** [02:15:52] And I don't mean to throw all schools into the same bucket because a lot of them have. Smaller schools have really changed their packages. The employees want to keep the school open, their community members, and they have negotiated down their health care benefits.

**CONNIE KNOCHE:** [02:16:05] I am aware that in smaller school districts their cost of health care, if they wouldn't be part of an alliance where they all pool in together, would be much higher than what they are when they're pooling together.

**GROENE:** [02:16:18] You're right most of them do and it's a, it's a very nice package.

**CONNIE KNOCHE:** [02:16:22] Yeah. So I think they do try to control costs with an economy of scale that way as well.

**GROENE:** [02:16:37] Thank you.

**CONNIE KNOCHE:** [02:16:37] Um-hum.

**GROENE:** [02:16:37] Next opponent. Neutral? Senator Linehan. Well, let me read-- I'm gonna correct-- I don't think I read for Senator Cavanaugh's bill so make sure it's in the record. I forgot to read those for back to LB534 so it's in the record, American Civil Liberties Union was a proponent for her bill; Nebraska State Education Association; and Women's Fund of Omaha; Nebraska Coalition to End Sexual Violence. Opponents, none. Neutral, none. Now I will catch up and get to LB674, proponents was Dr. Terry Haack, Superintendent, Bennington Public Schools; Bary Habrock, Superintendent, Elkhorn Public School. Opponents, none. Neutral, none. Go ahead and close, Senator Linehan.

**LINEHAN:** [02:17:38] I don't think it's a surprise to anybody that if you're talk about limiting somebody's spending they're not gonna be for it. I'm not surprised. I'm actually surprised there's not more people here. And it's good because it's told to me that we get to go home early. On the CPI,

that's what everybody else gets. That's what people on social security who are trying to pay their property tax get that's why their social security check goes up. Our state employees, that's what they get. It, it just again the public sector can't be this disconnected from the private sector [INAUDIBLE] has got to pay the bill. So if our state employees get CPI, and everybody on social security gets a social security bump, and I think you know this, I don't think this federal employees get a bump CPI. How are you gonna allow the people who are paying the bill to get less of a bump than you're giving everybody they're paying for. It won't work. The inflation rate-- when they wrote the original as originally envisioned but TEEOSA is so far off from as originally envisioned it's almost laughable. There was no equalization aid in the original TEEOSA bill, none. It was created in 1997. The inflation rate when they wrote LB1059 in 1989 was 4.82 percent. In 1990, it was 5.4 percent. That's the growth factor that's written in LB1090, it's inflation. And all I'm suggesting here is we go back-- and they should have done it in 1990-- I'm sure if they knew that inflation was never again going to be 5.4 percent they wouldn't have written in the bill. So we need to connect-- I'm all for connecting the original envision of TEEOSA as written in 1989. I'm all for that because they connected it to inflation and equalization. It wasn't about equalization. It was about being fair to kids all across the state of Nebraska. So just one last thing, because I want to say this again and again, Iowa has [INAUDIBLE] schools. They spend \$1,000 less per student than we do. South Dakota spends \$3,000 less per student than we do and so does Colorado. Three thousand dollars-- well, let's forget about \$3,000, let's just to say \$1,000 more per student than we spend. That's \$300 million dollars. That's a third, almost a third of our whole TEEOSA funding. So nobody that I know of in the Legislature is talking about cutting any school giving them less money or not figuring out a way to make sure that we hold everybody whole. But we have to put. If we're going to pick up half the bill which is where we're heading, we're gonna, we the Legislature, we're gonna tax Nebraskans income tax and sales tax. And we're gonna take that money and we're in pay half the bill. We have-- is only responsible to have some control on the cost. So I'll take any questions.

**GROENE:** [02:20:58] Any questions? I think you were misquoted in the paper this morning.

**LINEHAN:** [02:21:03] Probably, that happens.

**GROENE:** [02:21:06] They [INAUDIBLE] said--

**LINEHAN:** [02:21:06] I know they turned the numbers upside down. I know, but we'll have plenty of other times to straighten it out.

**GROENE:** [02:21:12] Thank you. Any other questions?

**LINEHAN:** [02:21:18] Thank you.

**GROENE:** [02:21:18] That closes the hearings for the day. Thank you all for coming.