

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Education Committee
January 29, 2007

[LB590 LB600 LB601 LB602 LB603]

The Committee on Education met at 1:30 p.m. on Monday, January 29, 2007, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB590, LB600, LB601, LB601, and LB603. Senators present: Ron Raikes, Chairman; Gail Kopplin, Vice Chairperson; Greg Adams; Brad Ashford; Bill Avery; Carroll Burling; Gwen Howard; and Joel Johnson. Senators absent: None. []

SENATOR RAIKES: Good afternoon and welcome to this hearing of the Education Committee of the Nebraska Legislature. We're pleased you could be here with us today. We are going to hear five bills, looks to me like four of them are really good ones (laughter). They're listed on the sheet outside the door and we're going to hear them in that order. Our procedure here is, very quickly, the light system, except for the introducer, we'll ask the testifiers to conform their remarks to a five minute limit. The green through four minutes, a yellow for a minute, and then a red designates the end of the five minute period. And for the efficient use of your time and of everyone else, why please do your best to conform to that. We'll have an introduction, proponent testimony, opponent testimony, neutral, followed by a close by the introducer, if so desired. If you wish to testify, please come forward and fill out the little sheet and put it in that box. Also while you're thinking of it, disable, however you choose, your cell phone so that doesn't interrupt the hearing. The other very important initial matter I've got to deal with is introducing you to the committee. Soon, I think, will be Matt Blomstedt, the committee's research analyst; Senator Brad Ashford is from Omaha; as is Senator Gwen Howard, I know she is on her way back quickly; Senator Carroll Burling is from Kenesaw, Nebraska; just sitting down now is Tammy Barry, our legal counsel; I am Ron Raikes, District 25; to my immediate left is our committees Vice Chair, Senator Gail Kopplin, from Gretna; then Senator Greg Adams from York; Senator Joel Johnson from Kearney; Senator Bill Avery from Lincoln; and then Kris Valentin, behind the computer, is our committee clerk. So with those remarks hopefully we can get started, and as a matter of fact, we'll start with Senator Abbie Cornett, who will introduce LB590. Senator Cornett. []

SENATOR CORNETT: (Exhibits 1 & 2) Good afternoon, Chairman Raikes and members of the Education Committee. My name is Abbie Cornett, C-o-r-n-e-t-t, and I represent the 45th Legislative District. Before I get started today, if the page could please hand out. I'm handing out a copy of the original statute that enabled ESUs to form so everyone can refresh their memory as to the purpose, and then I have some technical amendments that we are offering on the guidance of legal counsel. I'm introducing LB590 to aid in the mission set forth by the Legislature to provide better educational opportunities for the students and to provide it as effectively as possible. LB590 will allow for school districts with an enrollment exceeding 8,500 students to form their own in-house educational services or ESUs. There are currently two districts meeting this criteria and several more that could reach it in several years. These districts, because of their size, are already providing many of the services provided by

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their ESU in-house. We don't need the duplication and the taxpayer cost to fund such duplication. LB590 would also allow a procedure for school districts to join either Omaha Public Schools or Lincoln Public school district ESUs. This would go along with Senator Raikes' LB605. All of the steps in this bill for reorganization would have to be approved by the Department of Education. As we, the Legislature, look for ways to improve educational opportunities and reduce taxes, this bill would be a step forward towards our goal. Legal counsel, as I have said earlier, suggested some technical changes for this bill, which I will offer in the amendment that was passed out to the committee for consideration. I want to thank the Education Committee and legal counsel for their time and consideration of this bill, and I will be happy to answer any questions. [LB590]

SENATOR RAIKES: Okay. Thank you, Senator. Questions for Senator Cornett? Senator Johnson has got one. [LB590]

SENATOR JOHNSON: What was the cutoff date for...I mean how many students? [LB590]

SENATOR CORNETT: Eighty-five-hundred. [LB590]

SENATOR RAIKES: Does that have any empirical referent, like for example how many students that particular district has? [LB590]

SENATOR CORNETT: It was a number that was selected, and there is quite a few school districts that are actually approaching that size. There were a couple of other points that I can make to that why that number specifically. When a school district has grown to approximately that size, they have a lot of in-house expenses that they are already handling, such as computer technology, and a lot of times their curriculum is different than the smaller school districts that they are affiliated with, and then they are having to pay for their computer services and input on the other school districts also. [LB590]

SENATOR RAIKES: Senator Johnson go ahead. [LB590]

SENATOR JOHNSON: As a follow-up on that, if we have the maximum number potentially available, how many different ESU units would we have? [LB590]

SENATOR CORNETT: That I do not know the answer to. [LB590]

SENATOR JOHNSON: The reason I ask that is because somewhere along the line, I've been told that we have too many already. Whether that is the case or not, but if we have too many already then we would be compounding the problem. Perhaps other people can answer that. [LB590]

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SENATOR CORNETT: I don't honestly know how many this could create, but it would allow ones to form their own or join with the larger school districts, such as Omaha or Lincoln. [LB590]

SENATOR RAIKES: Yes, Senator Avery. [LB590]

SENATOR AVERY: I was just wondering, Senator Cornett, what problem are you trying to fix? [LB590]

SENATOR CORNETT: Well, a couple of them that I mentioned were, and I'll give you some examples for Bellevue, \$500,000 of Bellevue taxpayer money is spent on ESU 3 overhead, and that could be spent on the technologies for the children inside of ours. Part of that, there is no control over teacher training inside the ESU. The ESU 3 administrator decides on the program and then our school district has to pay for it while it may have no relevance at all to our curriculum that we teach, and currently in our system, we already maintain our own computer system. But then we have to pay into the ESU to maintain other people's computer systems, even though they are not relevant to ours. So there is a duplication of service basically. [LB590]

SENATOR AVERY: Forgive me for asking you to repeat it, but I barely got my seat warm when I realized we're actually doing this already. Sorry. [LB590]

SENATOR CORNETT: Oh, that is fine. [LB590]

SENATOR RAIKES: It is not in statute yet, Senator. Senator Howard. [LB590]

SENATOR HOWARD: Just for some clarification for me, I'm with Bill Avery. I do some things, I'm still wondering about this. Your school membership would choose to withdraw from ESU 3? [LB590]

SENATOR CORNETT: The number would fit our school district. They could either withdraw from ESU 3 and form their own or they could also join with, like Omaha Public Schools or Lincoln Public Schools. [LB590]

SENATOR HOWARD: And the benefit for them would be cost-saving? [LB590]

SENATOR CORNETT: Yes, and there would not be the duplication of service that we currently have. The smaller schools have different curriculum than we do, and then we have to pay for our own curriculum and training for teachers, and then we have to contribute to ESU to do the same thing, even though it is not relevant to our curriculum. [LB590]

SENATOR HOWARD: Okay, so currently you don't see a benefit to your school system

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to being a member to that ESU? [LB590]

SENATOR CORNETT: No we do not. [LB590]

SENATOR HOWARD: Thank you. [LB590]

SENATOR RAIKES: Senator, do you know is it possible for you to just withdraw from ESU and be without? [LB590]

SENATOR CORNETT: That I do not know if that is possible. I know that the school district tried to withdraw from ESU 3 last year. [LB590]

SENATOR RAIKES: I don't remember the circumstance, if it was kind of a combination withdraw from 3 and join 19? [LB590]

SENATOR CORNETT: Yes. [LB590]

SENATOR RAIKES: If it were possible to just withdraw and not be in an ESU at all, would that be something? [LB590]

SENATOR CORNETT: I personally do not see a problem with that, but that would be something that you would also have to speak with a representative from the school district from. [LB590]

SENATOR RAIKES: Okay. Senator Adams has got a question. [LB590]

SENATOR ADAMS: If then you did form your own ESU, that ESU would have the power to levy. How much can an ESU levy? [LB590]

SENATOR CORNETT: I don't know the exact amount on that. I think the person speaking after me can tell you the exact dollar amount. [LB590]

SENATOR ADAMS: Okay. I'll wait then. Thank you. [LB590]

SENATOR RAIKES: Senator Howard. [LB590]

SENATOR HOWARD: This may be a bit of helpful information for you, but I remember talking to the superintendant from the Blair public school last year who felt that is was more beneficial for their school system not to participate in the ESU system, and they had just chosen to do that voluntarily, so for what that information would be worth. [LB590]

SENATOR CORNETT: Okay. Thank you. [LB590]

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SENATOR RAIKES: I don't see any other questions. Thank you, Senator. Are you going to stick around? [LB590]

SENATOR CORNETT: No, I am going to waive closing. I have a couple of other things I have to do. [LB590]

SENATOR RAIKES: All right. Good enough. Thank you. How many do we have to testify as proponents on LB590? Opponents? One of each. Okay. Proponents, please come forward. [LB590]

KYLE FAIRBAIRN: (Exhibit 3) My name is Kyle Fairbairn, I am the director of finance for Bellevue Public Schools. I reside at 412 Ridgewood Drive in Bellevue. I'm handing out an informational packet that I've put together on some things that were in the service unit study that happened this summer. Senator Raikes, members of the Education Committee, I want to thank Senator Cornett for bringing this bill forward. Last year, as she mentioned, we went through all of the steps that the Department of Education required of us to get out of ESU 3 and enter into ESU 19. We went through the petition process, it took about six months to put together. We thought we had things in place. We had a legal opinion from the Department of Education saying that we could do this. We had a hearing at the board level. They had an opposing opinion saying we couldn't do this. They went into executive session and came back and said no. At that point, Dr. Christensen asked us to come to the Legislature to get this fixed, so Senator Cornett has done that with her bill. The handouts that I have, the top page of the handouts, this comes from the study that happened this summer, but in 1986 the Legislature did put in place an opt-out provision within ESU law. That would have allowed us in 1986 to get out of ESU 3. At that time, because of some things with video libraries and filming libraries, we chose to stay in ESU 3 at that time, but the law had been in place in '86 to allow us. The next column, Educational Service Units were originally created to give small school districts some advantages of economies of scale. That was what the original law was put in place for. Whether 8,500 kids is a small school district, in some states it may be, but in this state we're the fourth largest school district in the state. I don't believe that is a small school district, and I don't believe we're getting any economies of scale out of ESU 3. The last piece there is, a question was asked in this survey and it said, should all school districts be required to participate in an ESU. Fifty percent of the respondents said, no. Out of 108 respondents, that is pretty telling to me, I guess, of where we want to go, that 50 percent of the respondents would say no. The second page is a breakdown. This was the ESU 3 budget that was presented to the superintendents last year in April. The ESU 3 budget for overhead is \$1.3 million. Of that portion, \$130,000 of that comes from Bellevue taxpayers. The Bellevue unused port services, they charge us for Internet costs, national training programs, and ESU staff training is another \$76,000. That total comes to \$207,000 that is left on the table at ESU 3. We use absolutely no services at ESU 3. We don't partake in any of their meetings,

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and it is Bellevue taxpayer money that is sitting on the table. If we had that \$207,000 each year, that is 1,660 basically teacher substitute days that we can use for training that now is left on the table of ESU 3 to support other districts. We could provide our kids with 275 more computers each year. That is a tremendous amount of computers. We could have 170 more T1 data lines to support our Internet activities and some distance learning activities that we can't do currently. The last page in the section, there has been a lot of talk about if we left ESU 3 how that would effect other districts within ESU 3. As of the end of 2005, ESU 3 had \$9.3 million in cash. They could survive quite substantially for years without ever missing us a beat. The process that we went through to get in with Omaha last year would involve a straight pass through of funds coming from Omaha school district paying checks that are involved in teacher training in computers, so that that \$207,000 of overhead is not put on our taxpayers. I would be happy to answer any questions. [LB590]

SENATOR RAIKES: Okay. Thank you. Questions for Kyle? Senator Adams has got one. [LB590]

SENATOR ADAMS: So if you went out and you created your own ESU, the idea is that you would be able to focus your dollars on what Bellevue needs? [LB590]

KYLE FAIRBAIRN: We do it now, Senator Adams. We do not use ESU 3 services for anything. We do all of our own professional development. I have all of my own computer systems. We do not use them. [LB590]

SENATOR ADAMS: But if you would form your own? [LB590]

KYLE FAIRBAIRN: Yes, then we would have those funds to do the same things that we're doing now instead of spending Bellevue Public Schools' dollars. [LB590]

SENATOR ADAMS: And you would have a 1.5 additional levy, correct? [LB590]

KYLE FAIRBAIRN: A dollar and five cents, yes. [LB590]

SENATOR ADAMS: So then hypothetically, let's say a small school no where near the size of Bellevue says, you know we're close enough, maybe it's a Plattsmouth or I don't know who it might be, says we want to hook up with you and become part of that Bellevue Educational Service Unit. Would that be through an interlocal agreement, or how would that occur? [LB590]

KYLE FAIRBAIRN: Hopefully under this law they could join us in another ESU, just like this law would allow us to go to ESU 19 and be part of Omaha's ESU. [LB590]

SENATOR ADAMS: So it wouldn't have to be an interlocal agreement? [LB590]

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KYLE FAIRBAIRN: No, sir. [LB590]

SENATOR ADAMS: Okay. Because if it was an interlocal agreement, then you gain additional taxing authority. [LB590]

KYLE FAIRBAIRN: No, because ESUs a separate entity than Bellevue Public Schools would be. [LB590]

SENATOR ADAMS: Okay. [LB590]

KYLE FAIRBAIRN: It is separate entity is what it is. [LB590]

SENATOR RAIKES: Senator Johnson has got a question. [LB590]

SENATOR JOHNSON: Can you give me a map? Oh, here is the map, thank you. That is the levy. [LB590]

SENATOR RAIKES: That was the question. Okay. Senator Howard has got a question. [LB590]

SENATOR HOWARD: I'm wondering, it sounds like in 1996 that you were still utilizing the ESU 3 for some of your needs, some services from them. Why did you decide to back away from them and no longer use them? [LB590]

KYLE FAIRBAIRN: Well, it is a combination of things. The thing in '86 that we were really using was the film library and things like that, because at that time you still got all of your films in films and you couldn't get them unless...so the cooperative was useful. At this point that is really not an issue for us anymore with the DVDs and VCRs, you don't have to have the big film library storage. Some of the things that have happened since I've been at Bellevue Public Schools, when the Internet first came to broadband our board of education was very concerned about fire walls and protecting our kids, and initially ESU 3 was more to the wide open. So that was one of the reasons that we went away. Now they have a fire wall, but we have a very good fire wall, and that is one of the things that when I have a teacher that has a site, we block all sites that have to do with cults. If we have a teacher that is doing a day section on cults, I can open that site up, let them use it and close it back down the next day. Going through the ESU process is not that easy, because they've got to have 19 other schools decide if they want that site open for the day or blocked for the day. So there is a lot of control issues that with a district our size we can handle right now. [LB590]

SENATOR HOWARD: So it sounds like with the advances in technology you just don't really need to utilize that service. [LB590]

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KYLE FAIRBAIRN: That is basically where we are at, Senator. Yes. [LB590]

SENATOR HOWARD: That is interesting. Thank you. [LB590]

SENATOR RAIKES: Kyle, you don't use the services from ESU 3, but my understanding may be incorrect was that you do in fact get monetary allocations from them? [LB590]

KYLE FAIRBAIRN: Yeah, we get about \$300,000 of the \$580,000 that we contribute. We get about half of our money back. The sheet I gave you is just what we do not get back. [LB590]

SENATOR RAIKES: Okay. So their arrangement is that they offer you services which you choose not to use, but then you do receive a financial, I guess, just a check. [LB590]

KYLE FAIRBAIRN: Yes, they pay for some of our technology. They pay for some of our professional development that comes to town. That is correct. [LB590]

SENATOR RAIKES: Okay. Well let me ask you this, would it work for you just to be without an ESU? You don't have the 1.5 cent levy, you don't have the core services, but you're a big enough school that you can provide those services in-house, just save your taxpayers and the state the money. [LB590]

KYLE FAIRBAIRN: At this point we wouldn't have a problem with that, Senator Raikes. [LB590]

SENATOR RAIKES: Okay. Senator Johnson. [LB590]

SENATOR JOHNSON: I guess you might have been able to tell by the questions I've asked at this point and time is I'm kind of concerned about who you leave behind and in what financial shape that ESU would be without your kind support. [LB590]

KYLE FAIRBAIRN: If ourselves and Millard and Papillion, and Papillion will reach the student number this year, all dropped out, that ESU would be cut in about half, but it would still be the second largest ESU to Omaha in the state. [LB590]

SENATOR JOHNSON: If we had a place, however, where it wasn't, and I can see where you might have a situation where you have an ESU if three members dropped out that you left only 20 percent of the kids in that ESU with essentially 20 percent of the funding, and what would happen to those? [LB590]

KYLE FAIRBAIRN: Well, obviously with less schools you have less things you have to

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provide. In our case, you know, we're not receiving any services but Millard Public Schools, I believe, still is on ESU's financial package, so they would have less people on their financial package, or yes, less people on their student information system, or they might have to get rid of a program or, you know, yes, they would downsize, but they also lose the kids with that downsize. [LB590]

SENATOR JOHNSON: But you know Millard's...when I was in high school Axtell played Millard in the state tournament. Now what I'm concerned about is if we end up with the small schools that are left without the funding, what happens to those? [LB590]

KYLE FAIRBAIRN: Well and that is one of the reasons we put \$8,500 on it, Senator. There is only three school districts that qualify that qualify in the state for that. So that would limit some, say, Grand Island or Kearney pulling out of their ESUs because they're not that size. This would basically effect three school districts within the Metro area. [LB590]

SENATOR RAIKES: Senator Ashford. [LB590]

SENATOR ASHFORD: Following up with Senator Johnson's questions, what would happen to the \$9 million or a portion of the \$9 million? [LB590]

KYLE FAIRBAIRN: We would sure like our ten percent back. [LB590]

SENATOR ASHFORD: Well, do you know what the bylaws or the underlined documentation would say regarding that? [LB590]

KYLE FAIRBAIRN: I don't, Senator. Basically, we contribute about 10 percent to the ESU, so we would sure like our \$930,000 for our taxpayers. [LB590]

SENATOR ASHFORD: But that is in cash and that is a reserve. Is it an operating reserve? [LB590]

KYLE FAIRBAIRN: It is their reserve. That is correct. [LB590]

SENATOR ASHFORD: And the operating budget for ESU 3, is that... [LB590]

KYLE FAIRBAIRN: Well they had \$17 million expenses last year, and \$9 million in cash. [LB590]

SENATOR ASHFORD: And the \$9 million cash is on top of the \$9 million that you're talking about? [LB590]

KYLE FAIRBAIRN: No, that is just their cash position at the end of 2005, Senator.

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[LB590]

SENATOR ASHFORD: Okay. Okay. Has that been somewhat of a consistent, do you know? [LB590]

KYLE FAIRBAIRN: I've got a three year table in there and it went from 6.5, I think, to 9.5 in the last three years. [LB590]

SENATOR ASHFORD: Okay. Thank you. Thank you. [LB590]

SENATOR RAIKES: Thank you, Kyle. [LB590]

KYLE FAIRBAIRN: Thanks. [LB590]

SENATOR ASHFORD: Who won? (Laughter). [LB590]

SENATOR JOHNSON: Millard, 42-37 (laughter). [LB590]

SENATOR RAIKES: Are there other proponents? Please come up. [LB590]

NYDRA KARLEN: I think I'm a proponent if you eliminate issue, which is what you were talking about. [LB590]

SENATOR RAIKES: Okay. [LB590]

NYDRA KARLEN: My name is Nydra Karlen, K-a-r-l-e-n, and I live in Bellevue, Nebraska. I believe I sent Senator Howard a document the other day. Abbie and the prior speaker covered why we have the issues pretty well, and also the point out that Bellevue has outgrown their ESU. It seems like once a governmental body is created, an ESU, a Learning Community, or a district like OPS or Elkhorn, overtime the stated goals become secondary. It is understandable and it is universal that all organizations' and organisms' primary goal is to stay alive. Any governmental body created in this Unicameral becomes intertwined with the lives of our fellow Nebraskans. ESUs employ staff and provide contracts with firms that now depend on the structure of the ESU, and removing that structure cause real pain. However, if you're goal is to lower property taxes, why create additional ESUs for districts of large numbers of student body? So I'm very much in favor of what Senator Raikes is talking about. Since the ESU functions no longer meets the criteria for these districts, you could incorporate any required services into the district and dissolve the ESU, but you could also dissolve 18 and 19. Let's see, I lived south of Dodge, near UNO for almost 30 years. My kids attended OPS, and I graduated from Benson in 1960. I'm a long time OPS person. Several years ago I corresponded with the Attorney General asking how it was possible to have two taxing authorities, ESU 19 and OPS on my tax statement, without finding them separately

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elected on the ballot. Correct me if I'm wrong, but are there any other taxing authorities where they're combined and you only get to elect one board? [LB590]

SENATOR RAIKES: You know our rules are, unfortunately, you don't get to ask us questions (laughter). We just ask you. [LB590]

SENATOR AVERY: Even if we had the answer. [LB590]

NYDRA KARLEN: Well, when Dr. Deegan attempted to join ESU 19, I asked, now will I still be allowed to vote for representation on the ESU 19 board, because it kind of bothered me that I didn't get to vote on ESU 19 board. And that is kind of a small grain of sand, but that was one of the reasons I left OPS to get away from that, and so when he wanted to join ESU 19, it somewhat concerned me. Having two taxing authorities under the control of the same board means some of their decisions may not pass the sniff test, you know. Just as when he said, oh with this found money we're going to buy, we can buy more computers, we can spend more, but isn't our goal to only spend on what is working for us? The same idea appears to be woven into the superintendents' bill for a revision of the Learning Community to appoint a board, rather than allow elections. When the Learning Community was being proposed, I tried to point out the similarities in goals with the ESU and ask why ESU 19's geographic area could not be expanded, rather than create a new governing body. Let me restate the bottom line, resources are limited in Nebraska, should be evident that if a district is large enough to stand alone in an ESU, it doesn't need one. And the Unicameral, when they passed the Learning Community bill, verified for me that captive ESUs were not doing their job in the Metro area. I'm not nave about how the Unicameral works. I know. I ran for office. I know the NEA and other special interest groups invest heavily in these campaigns, but I believe that senators (1) understand that resources are limited, (2) want good results from our public schools for all our kids, and (3) attempt to add to the success of students by the laws introduced and passed here. What works best in education as in any endeavour is accountability. If you want results, examine every penny spent based on what results are accomplished. Studies show accountability inside the classroom, inside the school, and close to the parents quickly determines what works and what doesn't. But most of the Unicameral's bills seem to move in the other direction, away from parental control into even greater hierarchy. Can I continue on? [LB590]

SENATOR RAIKES: No you can't, but do you have anything else to say? That will be my first question to you? [LB590]

NYDRA KARLEN: An additional hierarchy, especially handpicked from existing sources, like the Learning Community, does not guarantee results. Exactly why I want to select an ESU representative rather than have that taxing authority in hands of an existing board like ESU 19 is. With this in mind, I ask you what benefits result from captive ESUs for large school districts, and are ESU expenditures inside these large metro areas

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linked to increased outcomes? [LB590]

SENATOR RAIKES: So when you say captive ESU... [LB590]

NYDRA KARLEN: That is the term I heard when I talked to the Attorney General. We don't need to elect a board for ESU 19 because they're captive of OPS. [LB590]

SENATOR RAIKES: So it would be the single district ESU, which is what is being proposed in LB590. [LB590]

NYDRA KARLEN: Yes. [LB590]

SENATOR RAIKES: Or at least that possibility is expanded. [LB590]

NYDRA KARLEN: Yes. [LB590]

SENATOR RAIKES: So that part of it, I take it... [LB590]

NYDRA KARLEN: I would be against that part. [LB590]

SENATOR RAIKES: Okay. Okay. [LB590]

NYDRA KARLEN: But I definitely be a proponent of getting out of ESU 3. [LB590]

SENATOR RAIKES: Okay. Thank you, Nydra. Are there questions for Nydra? Thank you for being here today. We appreciate it. [LB590]

NYDRA KARLEN: I can't come because I work, so I can't come to all the hearings, but I printed up some stuff on some other issues that are before you. [LB590]

SENATOR RAIKES: Okay, we'll pass that around. Again, thank you. [LB590]

NYDRA KARLEN: Okay. Thank you. [LB590]

SENATOR RAIKES: Are there other proponents for LB590? Are there opponents for LB590? Brian. [LB590]

BRIAN HALSTEAD: (Exhibit 5) Senator Raikes, members of the Education Committee, for the record, my name is Brian Halstead, H-a-l-s-t-e-a-d. I am here on behalf of the Nebraska Department of Education. First of all I want to begin by pointing out to the committee, the State Board of Education's position, the department's position that educational service units are critical for us to carry out our education mission in this state. We have a great working relationship with the educational service units that exist

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today, their board members, their administrators, and their staff. And a large part of what we have been able to do in the last ten years has been because of that great relationship with the educational service units. I am here in opposition to LB590 because the board felt that creating more single school district educational service units was not an appropriate way to address the needs that Bellevue seems to have with their situation. What has been handed to you is a copy of the state board order from last March that address the Bellevue petition to join ESU 19, and I will leave it for you to read. But one of the issues that was there was the current conflict in the statutes where this Legislature specifically provided that ESU 18 and 19 are Lancaster County school district 1, Lincoln Public Schools, and Douglas County School District 1, OPS, and you were very specific in the legislation when you wrote that. And with that specific inclusion, you excluded, it appeared to the state board, the ability for anybody to add themselves to either ESU 18 or 19, and it is clearly within your province to decide if, in fact, they are going to remain a single school district educational service units or whether more districts can join them, and if so, make it clear the process that goes through and who is going to be on those ESU boards if you add more than one school district to either ESU 18 or 19. And that was the conflict that the state board had when the petition was presented to it, and that is clearly something you can clarify. And I know that is what Senator Cornett was attempting to do in this bill with some of the language was make if possible for someone to, in fact, join ESU 19, Omaha Public Schools, and if that is what Bellevue wants to do and you believe that is appropriate, then make it clear as to how that is done, who is going to be on that board that is elected, or who is going to see that new Educational Service Unit. With that, I would be more than happy to answer any questions you might have. [LB590]

SENATOR RAIKES: Thank you, Brian. Senator Burling has got a question. [LB590]

SENATOR BURLING: Thank you, Brian. You talked about districts joining existing ESUs, but how about a district just withdrawing and not being affiliated with any ESU, what are the ramifications of that in your opinion? [LB590]

BRIAN HALSTEAD: Well, I believe the law would permit a school district to dropout of an educational service unit in its entirety. I think the law does permit that. That was not the issue that was presented to the state board last year by Bellevue. They wanted to become part of ESU 19. I believe right now the law would permit that to occur, provided certain things are met in the statutes and everything else. So it is possible if somebody wants to dropout that they could do so. That is an issue that this Legislature has addressed in the 42 years now that educational service units have been around. Initially, everybody was in, then you could get out, then everybody was back in, then you could get out. It kind of seems to be in cycles as to what it is, and obviously that is for the Legislature to decide. You're responsible for how schools are organized, educational service units are organized, the procedures which you can get in or out of an educational service unit. [LB590]

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SENATOR RAIKES: But in representing the state board, you did say that it is the boards position that they don't want to see more single district ESUs created. [LB590]

BRIAN HALSTEAD: They didn't believe that that was the right direction to be going. [LB590]

SENATOR RAIKES: They didn't say that they want to see fewer single districts ESUs? [LB590]

BRIAN HALSTEAD: No. They just didn't see the need for more single district ESUs in the state of Nebraska. [LB590]

SENATOR RAIKES: Do they have a position, do you think, on whether of not every school district should be a part of an ESU? [LB590]

BRIAN HALSTEAD: They didn't address that issue or discuss that last Monday, Senator. [LB590]

SENATOR RAIKES: Okay. Don't see any other questions. Thank you, Brian. Are there other opponents, LB590? Is there neutral testimony, LB590? Okay. Well Senator Cornett has waived closing, so I'm going to turn this over to Senator Gail Kopplin and we'll move forward. [LB590]

SENATOR KOPPLIN: Okay, we will open the hearing on LB600. I would remind you to sign in if you are going to testify, remember the light system, and please spell your names when you do testify. And with that, Senator Raikes, would you like to open? [LB600]

SENATOR RAIKES: I would, thank you. Senator Kopplin, members of the Education Committee, Ron Raikes, District 25, here to introduce LB600. Let me just mention to begin with, and some of you are new enough to the committee you weren't involved in this, but the committee did an interim study this past interim on ESU, educational service units, the Legislative Resolution inspiring the effort was LR336. I think all of you have a copy, and no doubt you've already found it is some of the most exciting reading you're ever going to come across, but it is well written, I think, and it was well prepared. I want to thank, not only the Education staff but several other staff people around the capitol, that did the work. There was a lot of legwork done, a lot of interview conducted, and I think all in all it is a very good piece of work and something that we, as a committee, can use as a base for looking at a number of ESU issues. LB600 brings a specific one. It deals with adjusting ESU boundaries. Even though, what, it sort of seemed like happened in the past, there is not a clear procedure in statute for making adjustments to ESU boundaries, and the kind of adjustments I'm talking about are

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mergers of two school districts, LB126, which merged Class I Districts into K-12, and those kinds of organizational issues. So this provides a specific procedure whereby those boundaries will be adjusted to reflect...the ESU boundary then would reflect the boundaries of the member school districts. There is also a provision in here dealing with a hearing officer and a public hearing. It makes it clear in statute that the hearing officer can make a recommendation to the State Board of Education on the boundary if, in fact, the state board wishes such a recommendation, and it also makes it clear that if such recommendation is given, there is not a requirement on the part of the board to follow that recommendation. So I'm interested in the comments on this, but it is intended to be more or less a technical, but it is probably substantive too, but a clarification of the procedures required to do the important and necessary job of adjusting ESU boundaries. So I will stop there, Senator. [LB600]

SENATOR KOPPLIN: Are there questions for Senator Raikes? Senator Howard. [LB600]

SENATOR HOWARD: I know I'm getting on some slippery ice here. I did begin to read this last night and gripping is the word I would use here for this. But I'm wondering do you see any of these ESUs, especially in the formerly Class I school districts that have now merged, any of the ESUs merging together so that there would be fewer or do you see the number remaining the same, but simply a boundary adjustment? [LB600]

SENATOR RAIKES: It is a good question. The last time I remember of a ESU merger, I think, was a couple of then Panhandle ESUs merged to form a single ESU, and actually there was a question, the reason I was made aware of it was in the funding formula at that time, you got so much money for being an ESU in the funding formula, and if you two became one, you lost half of your money. So we had to make an adjustment to correct that. As far as I know, Senator, there isn't a plan in the works at the moment to merge ESUs. [LB600]

SENATOR HOWARD: And I do remember reading about that merger. I think it was 13 and 14, wasn't it? ESUs 13 and 14, and 13 they referred to as 13. [LB600]

SENATOR RAIKES: Um hum. [LB600]

SENATOR HOWARD: Thank you. [LB600]

SENATOR KOPPLIN: Other questions? Seeing none, we will move on to proponent testimony. [LB600]

MIKE OUGH: Senator Kopplin, members of the Education Committee, my name is Mike Ough, spelled O-u-g-h. I represent Educational Service Unit 2 out of Fremont, Nebraska, serving the students and schools in Burt, Cuming, Dodge and Saunders

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County. We appreciate Senator Raikes introducing this bill, and we are in support of that. Any questions? [LB600]

SENATOR KOPPLIN: Questions for Dr. Ough? Senator Johnson. [LB600]

SENATOR JOHNSON: I guess I was thinking a little bit like what Senator Howard suggested, is it time to revisit the whole issue and back what was put into effect, what 30-35 years ago, something like that? Should we revisit the whole issue rather than looking at it in a piecemeal fashion? [LB600]

MIKE OUGH: You're discussing merger of a couple of ESUs as opposed to... [LB600]

SENATOR JOHNSON: No, I'm not talking merger at all. I'm talking starting from scratch as far as how you put it together, their duties, you know. There have been a few things happened since then, the Internet, a couple of other things. Does it now make sense to completely revisit...one of the things that was mentioned by one of the first speakers was this was film library when it was started. That was one of their major things. You don't have film libraries anymore, or not very many anyhow. So is it the time to really look at restructuring this? [LB600]

MIKE OUGH: I think we tend to look at it every two years. We do a statewide survey of our schools and services. We focus on those services in statutes specifically dealing with the core services of staff development, structural materials, technology. We are currently, probably in the month of February, doing the survey for these past two years and we're including special education into that, too. What we've tried to do is on a regular basis, examine ourselves, put together data, seeing primarily what the schools want, because we consider school services our main focus. Finding out what the schools want and go from their to provide those services. So I think we have the data and we do that survey ourselves, that study ourselves to find out exactly what schools want. We have quite an array of needs across the state between the eastern end of the state where the growth seems to be going in leaps and bounds, and then the western part of the state where we seem to have families leaving and enrollments dropping and schools concerned about how they're going to meet the standards and their Rule 10 requirements and so forth. So to answer your question, I think we do that study. I think we examine it. I think we try to provide what the schools want and at the same time be responsive at what is in statute that we're suppose to deliver. [LB600]

SENATOR KOPPLIN: Senator Johnson. [LB600]

SENATOR JOHNSON: To follow up on that, with our first bill that was presented to us today. Is that part of what you found? Where does that fit in to the picture that here's a school district that doesn't participate? See what I'm trying to do is look at it from the big picture, not just the structure that we have. [LB600]

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MIKE OUGH: In ESU 2 we have 18 K-12 school districts. Many of them are the same size. But we do have Fremont Public Schools, which is quite a bit larger, in fact, has one third of our total enrollment. We find that what Fremont needs or doesn't need is quite a bit different than our other schools. So what we've been able to do is to adapt and focus in terms of what Fremont wants from us in terms of staff development, technology, or special education help, and at the same time work in a more cooperative manner with the smaller schools to provide them the same service. Now the smaller schools may not have a SPED director, may not have a technology director, may not have that staff development director as Fremont Public Schools does. But by working with each individual school with their school improvement plan and their needs, we're able to provide what they want. So at the bottom line is some schools choose not to use all of our services, because their focus is different and what they happen to have in staff may be different. So I think we provide those services to our schools without rechanging the plumbing on everything. My dad had a thing, he says, you don't change the plumbing unless you really know what you're wanting to change. [LB600]

SENATOR KOPPLIN: Senator Adams. [LB600]

SENATOR ADAMS: Back to your opening statement, you described the counties that are part of your ESU and you made the statement that you supported this bill, and maybe I missed something, but why? What is the connective one, what does this do for your ESU, this particular bill? [LB600]

MIKE OUGH: In terms of my particular ESU, we may lose a little valuation, but it defines the boundaries of those Class Is or previous Class Is that merge with a school district in a different ESU. I believe in Saunders County, I had two of them where part of the land went to Butler County, and that is over in ESU 7. But it defines where that land goes instead of being in the ESU here, but in the school district there. [LB600]

SENATOR ADAMS: Thank you. [LB600]

SENATOR KOPPLIN: Other questions? Thank you, Dr. Ough. Are there other proponents? [LB600]

BRIAN HALSTEAD: Senator Kopplin, members of the Education Committee, for the record my name is Brian Halstead, H-a-l-s-t-e-a-d. I am here on behalf of the Department of Education. We're here in support of LB600. The reality is, I think, as Senator Raikes explained and as Mr. Ough just explained, with the implementation of LB126, what happened was there were several Class I school districts who belonged to a different educational service unit than the K-12 district in which they were merged into. So today there are a number of K-12 districts who are in, in this case ESU 2, even though some of their territory is in an entirely different educational service unit and the

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property tax dollars are going to a different service unit, even though, in Mr. Ough's case, ESU 2 is the one providing the services to that K-12 district. So this would allow us to adjust the boundaries of the educational service units so that the K-12 districts are wholly within that service unit, and that is primarily what this will do. The other piece would allow the state board if they're having a hearing, just ask the hearing officer to provide it with findings of fact without necessarily recommending what the ultimate decision should be, but that would be up to the state board as to whether they wanted to choose that option or not. But we do support the bill. I would be more than happy to answer any questions you might have. [LB600]

SENATOR KOPPLIN: Questions for Brian? Senator Avery. [LB600]

SENATOR AVERY: Would it be a fair characterization of this bill to label it just a nuts and bolts piece of legislation that has no major implications for anybody? Anybody going to get hurt by this? Whether it be unintended... [LB600]

BRIAN HALSTEAD: I don't believe in the big picture anybody is going to get hurt by it. I think what it will do is looking back when you look at the educational service units, when they were first created they were done on a countywide basis. Well over the years, the boundaries of the educational services units have changes such that they are virtually the K-12 school district boundaries today. So a number of the bills you've got before you are still dealing with the old county concept, even though the reality of today is K-12 district. I mean, Mr. Ough indicated he is going to lose a little bit of valuation, but in the big scheme of things that is not a bit issue to him. So in that regard, I don't think anyone is going to be hurt by it. There will be some minor changes, but in the big picture, I don't think there will be any. It is more technical in that regard. [LB600]

SENATOR AVERY: Thank you. [LB600]

SENATOR KOPPLIN: Other questions? Okay. Thank you, Brian. Are there other proponents? Any opponents? Any neutral? Senator Raikes, would you like to close? Senator Raikes waives closing. So that ends the hearing on LB600, and we will move onto the hearing on LB601. Senator Raikes, you're opening. [LB600]

SENATOR RAIKES: (Exhibits 6 & 7) Thank you. Senator Kopplin, members of the committee, Ron Raikes, District 25, here to introduce LB601. I would like to follow up a little bit on the question asked by Senator Johnson, because certainly part of what we're about based on the good work, I think, that was done on the interim study is to look both at...and I think you were right, Senator Avery, too that the last one was a technical adjustment, but are there broader more substantive changes we need to make in the organizational structure in order to make the thing work better, fit the times, and so on and so forth. LB601 is a relatively modest suggestion in that direction. This would say that there is going to be an Educational Service Unit Coordinating Council, a statewide

platform from which these services can be provided. This little handout I gave you is one that I used in talking to some groups during the interim, and the second point there I would call your attention to. There is not a formal structure for coordination and collaboration between ESUs, and to ground that a little bit, Mike Ough mentioned that, well, they got a large school district in their ESU, and then they've got a number of smaller school districts, probably with a size variation in them, amongst those smaller districts. My question is, are there services that they provide in dealing with any particular size group, but say the smaller school districts that are similar to what every other ESU in the state has to deliver to similarly sized school districts in other places. I see I've got an amendment in the folder. The next question is to find the folder. I think this is it, thanks. So my bias, I guess, on that issue is that at least for those services where there is by modern technology or other phenomena that has occurred over the years, you can provide more efficiently on a statewide basis, there ought to be a statewide platform from which to do this. Now we sort of broke that ice a little bit in LB1208, the distance education bill that we did last year, I think is when we finished it. That bill created a Distance Education Council to deal with providing distance education services, and that council is made up ESU administrators. The sense behind that was that we wanted to go away from the regional, compartmentalized distance education opportunities to a system whereby if we made the state flat, you could see from one end of the state to the other in terms of providing these opportunities. In order to do, we needed an entity, a platform that dealt on a statewide basis. This really is a proposal to expand that base to include more things than just distance education. Distance education would be included, but there would also be, three points in your summary, preparation of strategic plans to assure cost efficient, equitable delivery of services across the state, administration of statewide initiatives and provision of statewide services, and in addition to coordination of distance education. So this is, if you will, a foot in the door. The amendment that I was reminded of is the bill calls for the establishment of an executive director of this council, and the amendment would make that optional so that it is not a required activity of the council. I would also mention that this clarifies an issue that has been raised by some, the council would be conducted in accordance with the Open Meetings Act. So that is clearly specified in here. But again, back to, I think, the point that is appropriately raised by Senator Johnson, do we need to take another look at how we do all these things, try to find out if there are better ways to organize and if so, do those organizational changes involve just moving boundary lines or do they involve setting up structures that sort or reach across these boundary lines, whatever they happen to be, and deal with issues on a statewide basis. And this approach is the latter. [LB601]

SENATOR KOPPLIN: Questions for Senator Raikes? [LB601]

SENATOR HOWARD: Are you setting up a Learning Community for the ESUs? [LB601]

SENATOR RAIKES: Boy, there is an idea. Where did you come up with that? [LB601]

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SENATOR HOWARD: Well, it is very much the same concept. [LB601]

SENATOR RAIKES: See, no, we would have to split each one into three, and then we (laughter)... [LB601]

SENATOR KOPPLIN: Other questions? Senator Avery. [LB601]

SENATOR AVERY: I like this. I was wondering though, does this achieve your ultimate objective when it comes to ESUs? Or this something that you think would just improve on it, but not solve the problems that we've seen? [LB601]

SENATOR RAIKES: I would say it is my ultimate objective for the next 30 seconds or so, and then after that, why were back in the open. [LB601]

SENATOR AVERY: A while ago I thought maybe... [LB601]

SENATOR RAIKES: It is a good serious question and, no, I think that...we've got four bills here today and there were three bills dealing with ESUs that ended up in other committees, and I will promise you I will keep you informed of how that progress goes. But as you can tell by today, I think that this is certainly an important step, but I also think we need to take a look at the funding formula, and I also think, it was brought up I think very effectively by one of the testifiers, I think we need to take a look at the role of an ESU in a Learning Community environment, and how we make that a central part of the administration of a Learning Community. [LB601]

SENATOR AVERY: So you're not actually planning to amend your reputation as a proposer of controversial bills? [LB601]

SENATOR RAIKES: You might want to hold off on that prediction here for another... [LB601]

SENATOR HOWARD: It is a good question. [LB601]

SENATOR KOPPLIN: Senator Adams. [LB601]

SENATOR ADAMS: What has been the role of the State Board of Education in coordinating these ESUs, or have they had a role at all? [LB601]

SENATOR RAIKES: It is a good question. I think the state board and the commissioner and the department have had a, as Brian explained, a close working relationship with the ESU, and they have counted on ESUs to help them deliver services to individual schools. But I think that as a practical matter, it is up to us to talk about, sort of, the

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broader organizational issues, and they are required to operate within the framework that the Legislature establishes. [LB601]

SENATOR KOPPLIN: Senator Howard. [LB601]

SENATOR HOWARD: Thank you, Senator Kopplin. Let me ask my question in another way that possibly will lend itself more to an answer, are you setting up another bureaucratic structure here? Is this going to be another layer, and is it going to be another layer that is going to cost? [LB601]

SENATOR RAIKES: Actually that is a good question, because what this effort really is is to displace some, I wouldn't call them bureaucratic, but I would call them administrative levels that have been formed out of need, and due to the lack of organizational structure. I'll give one example and maybe somebody behind me will shoot it down, and if they do so, that is fine. Mye-learning is an effort that, I think, largely originated and is being sustained or pushed forward by ESUs. They had to do that with an interlocal among ESUs, and I think their vision at the outset was, okay, this involved some of the classroom management software, Angel, Blackboard, that sort of thing. Well, I've told you more than I know already. But at any rate, I think the vision was that these could be provided statewide, and there would be at least a couple of significant advantages. One of them would certainly be the cost, the bargaining for the software. The other would be the compatibility between school districts using them in different parts of the state. So it just makes good sense that we try to do this over a broad reach, rather than just ESU to ESU; ESU 1 has their own, ESU 2 has their own, and so on and so forth. So because there is not a statewide structure, you've had initiatives like that, which have kind of been carried on under separate administrative structures to overcome the lack of a statewide platform. My hope is this could provide an umbrella or a platform or a base from which those and more statewide ESU initiatives could come forth. [LB601]

SENATOR HOWARD: What is going to be the cost of this good idea? [LB601]

SENATOR RAIKES: What is proposed in here is that one percent, I think I've got that right, of the core service funding would be directed to this council for its operation. [LB601]

SENATOR HOWARD: Thank you. [LB601]

SENATOR KOPPLIN: Other questions? Senator Ashford. [LB601]

SENATOR ASHFORD: I'm sorry, Senator Kopplin. I was asking Senator Howard, I suppose I could ask...that is one percent of the total appropriation? [LB601]

SENATOR RAIKES: It is of the state appropriation, not the property tax. [LB601]

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SENATOR ASHFORD: Right, just of the state appropriation, one percent of the state aid. [LB601]

SENATOR RAIKES: Yeah. Right. [LB601]

SENATOR ASHFORD: Okay. [LB601]

SENATOR KOPPLIN: Other questions? Okay. Thank you, Senator Raikes. We will move to proponents. Are there proponents for this bill? [LB601]

WAYNE BELL: Senators and staff of the Education Committee, my name is Wayne Bell. I am the administrator of educational service unit 10, located in Kearney, Nebraska, and I am here to wholeheartedly support LB601 and the amendment that has been forthcoming today. I'm glad that I could be able to do that. Senator Raikes has already referred to this document that has taken place this summer, work prepared, disseminated of 2006 interim study by the LR336 staff. Much is being done, as you can see here, regionally and statewide through the cooperative efforts of this states educational service unit system. We are proud of the many and varied services that we provide to school districts through our collaborative efforts. Senator Howard, what this bill does is it formalizes a structure that provides those services. We've had an informal group that sort of supervised the distribution of services statewide to this point, and this gives us a formal structure. We appreciate the inclusion of the Distance Education Council duties as part of the coordinating council. We also embrace the inclusion of language that activities be conducted in accordance with the Open Meetings Act. That should help alleviate recent confusion that has been addressed about ESU statewide activities. All in all, the actuation of this bill should give ESUs the means to make their programs and services even more dynamic, effective, and efficient than they already are. So we thank you for this legislation that has a positive impact on the statewide educational system. Are there any questions? [LB601]

SENATOR KOPPLIN: Okay. Thank you, Dr. Bell. Are there questions? I don't believe there are. Are there other proponents? [LB601]

MIKE DULANEY: Senator Kopplin, my name is Mike Dulaney, D-u-l-a-n-e-y, and I represent the Nebraska Council of School Administrators, and we, too, are in favor of this legislation. We feel it is a good idea, and we know that the ESU representatives do get together and meet frequently to discuss ideas and issues going on. So we feel this would be a continuation of that process. That would conclude my remarks. [LB601]

SENATOR KOPPLIN: Thank you, Mike. Are there questions? Seeing none, other proponents? Are there opponents to LB601? Neutral testimony? Then that will conclude the hearing on...no it does not. Senator Raikes, would you like to close? [LB601]

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SENATOR RAIKES: Well as a matter of fact I would, thank you, Senator. Just to say that I appreciate the reminder from Wayne Bell that there is a less formal structure now in place among ESU administrators, which I consider an advantage for this sort of a bill because there is some operation there now from which to base future activities. So that is all I've got to say. [LB601]

SENATOR KOPPLIN: Any last questions on LB601? All right, then we'll open the hearing on LB602. Senator Raikes. [LB601]

SENATOR RAIKES: (Exhibit 8) Thank you. Senator Kopplin, members of the committee, Ron Raikes, District 25, here to introduce LB602. This goes back a little bit to the more technical. This deals with election boundaries for educational service units. And let me do it this way, I guess before I forget it, there are two amendments to this. I'll pass those around and then...there are two amendments, which I'll get to in just a moment. What I would like to do at the outset is contrast the proposed elections procedure for ESUs with what is the current procedure. Basically the proposed procedure is that the ESU board would divide the ESU territory into, with the amendment, anywhere from 5-12 numbered election districts by December 2007, and then after each decennial census they would do the same. So that the election districts, there would be from 5-12 in an ESU, and they would be a one-person one-vote type district. Contrast that if you will with the current procedure, and if you look on your interim study report, page 13, except for ESUs 18 and 19, which we've heard some about, each elected board is composed of one member from each county and four members at large. All members are required to reside in the boundaries of the ESU, and no more than two of the members at large may be from the same county, unless any county in the ESU has a population over 150,000 or there is only one county in the ESU. The difficulties you run into, and again on page 15, there are counties within an ESU, there are the counties within an ESU will generally vary in population, which gives a different weight to votes in each county. Furthermore, there are instances where only a part of a county is in an ESU. There are also instances where some of the territory in the ESU is in a county that is not represented by a counter representative on the ESU board, and so on and so forth. So this is intended to be a simplification, clarification, which is also consistent with the one-person one-vote notion that has come forth several times from the court system. [LB602]

SENATOR KOPPLIN: Questions for Senator Raikes? Senator Burling. [LB602]

SENATOR BURLING: Thank you, Ron. Did I miss in your explanation five or more board members, how would they be chosen? Who would decide that? [LB602]

SENATOR RAIKES: Okay. The ESU boards, between now and December 31, 2007 would, I guess, decide both the number of districts that they wanted to have, that is with

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the amendment. The bill itself calls for 12. With the amendment, they would decide the number of districts they want and they would draw the district lines in such a way that the districts were equally populated, more or less. [LB602]

SENATOR BURLING: So if we throw in this idea of changing ESU boundary lines to comply with school district lines now, this all becomes a part of this then, doesn't it? [LB602]

SENATOR RAIKES: Yes, it would, Senator. [LB602]

SENATOR BURLING: So we have to coordinate all of that. [LB602]

SENATOR RAIKES: Right. [LB602]

SENATOR BURLING: Okay. [LB602]

SENATOR RAIKES: That is why we have the state one though. [LB602]

SENATOR KOPPLIN: Other questions? Senator Avery. [LB602]

SENATOR AVERY: I'm just curious, why didn't you fold all of these into one omnibus bill? [LB602]

SENATOR RAIKES: I was shooting to introduce 50 bills this session, and that would have worked against...it is a good question, Senator, but generally speaking it is a substantive question. This gives an opportunity for people to comment specifically on individual proposals to change statute. If you make a big, comprehensive, omnibus bill, than those who want to express an opinion on various provisions might not have time to cover all the points, or they may simply miss points. So you're right, it is a bit of a price to pay in terms of separate hearings. On the other hand, you do get testimony that is directed specifically to the proposal that you're dealing with. [LB602]

SENATOR AVERY: But wouldn't you want at some point to be able to talk about these all together as part of an overall package? [LB602]

SENATOR RAIKES: Another good and substantive point. That is very much consistent with my notion of how the committee should operate, and I would say has operated in the past. We take a topic area, for example ESU organization or possibly ESU funding, and then whatever ideas we find among all of these that are offered that we agree with, we put those in a proposal and send that forward, if that is the decision for the Legislature to consider. [LB602]

SENATOR AVERY: Thank you. [LB602]

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SENATOR KOPPLIN: Anyone else? Okay, then we would move to proponent testimony for LB602. [LB602]

BRIAN HALSTEAD: Senator Kopplin and members of the Education Committee, for the record, my name is Brian Halstead, H-a-l-s-t-e-a-d. I am with the Nebraska Department of Education. The state board and the department support LB602, think it is a step in the right direction. As to how many board members each educational service unit should have, that is clearly something for you to decide, but I think it better clarifies who exactly is elected to the ESU board, how many board members there are, and makes the process a little more clearer considering the changes that have gone on in educational service units of the past 40 years. We support the bill and we would be more than happy to answer any questions you might have. [LB602]

SENATOR KOPPLIN: Any questions? Okay. Thank you, Brian. Other proponents? Are there opponents to LB602? [LB602]

WILLIAM RAGAN: Senator Kopplin, members of the committee, I feel like an old hand here. I've been here before, and I don't think that Senator Johnson has his scalpel out, he has cut on me a couple of times, so I hope he left that at home today. I want to thank Senator Raikes, because that was one of the reasons I came to oppose was because of your number. And when you went from 5-12, why that became a little more palatable. [LB602]

SENATOR KOPPLIN: Would you spell your name for the record? [LB602]

WILLIAM RAGAN: R-a-g-a-n. [LB602]

SENATOR KOPPLIN: Okay, thank you. [LB602]

WILLIAM RAGAN: As I have said before before this committee the ESUs have been the most studied group in 42 years of all of the agencies of state government, and I contend that ESUs, if all agencies in the state would govern themselves as efficiently and effectively as ESUs have over those years, then the state itself would be in a much better shape. Senator Raikes came a little late with his bills when some of us are busy and then he has a hearing that is a little early, so it makes it difficult to digest everything. But basically, over the years I personally have supported the idea of a different method of electing service unit people and this would sort of fall in line, so I guess in that sense I am a proponent. I do oppose the idea that ESU boards, you may have to give me an escort out, that ESU boards draw the boundaries, and I would submit to you that the Legislature itself or the Secretary of State should be responsible for drawing those boundaries. That way we make sure there is a little fairness there, because I can see that there might be some conflict and say, well, you should have drawn my line over

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here, this line over there, and so I would like to put that back on the Legislature or the Secretary of States' office that they do that. The other thing I think that should be considered rather than, because I said that, drawing boundaries, and this is actually where I had come down on this side for years, that all members should be elected at large. And you can still have a cap on the number of people that are from a certain district or a county, so that they aren't overloaded. In other words, Hall or Buffalo County could wind up with all of the representatives if you went without a cap. But I still think that to get to your one-man one-vote, the best thing is to do it at large, and then, like I say, you would get away from that drawing of boundaries, etcetera, etcetera. But do something, do something. Any questions? [LB602]

SENATOR KOPPLIN: Are there questions for Mr. Ragan? Senator Adams. [LB602]

SENATOR ADAMS: Obviously you've had some experience with this. Why do you advocate changing it? [LB602]

WILLIAM RAGAN: Why do I advocate changing it? [LB602]

SENATOR ADAMS: However it gets changed. Why do you advocate? [LB602]

WILLIAM RAGAN: However it gets changed. Because over the years as I have studied and been a member of an ESU board, past president of a state organization, I have felt like there was not enough of representations from some of those districts. I think you will find, and maybe I'm wrong, that some districts who have come into the units really have not had a vote, now I may be wrong. But it seems like the more fair way to have those people elected at large, or if you feel, by districts. Anymore with the way the reorganization has been, it doesn't really make sense to do it by county. It really doesn't. [LB602]

SENATOR ADAMS: Thank you. [LB602]

SENATOR KOPPLIN: Senator Johnson. [LB602]

SENATOR JOHNSON: I am a little bit intrigued by your idea of the Secretary of State drawing the boundary lines or so instead of board members. Would a reasonable compromise be something like that the boundary lines be drawn by board members with the approval of the Secretary? [LB602]

WILLIAM RAGAN: That would be a step in the right direction, Senator. [LB602]

SENATOR JOHNSON: Then theoretically he would pick up on any monkey business that gerrymandering, I think is the old word. [LB602]

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WILLIAM RAGAN: Yes, that is it. [LB602]

SENATOR KOPPLIN: Anyone else with question for Mr. Ragan? Okay. Thank you, sir. Other opponents? [LB602]

BRIAN HALE: Good afternoon, my name is Brian Hale, H-a-l-e, I represent the Nebraska Association of School Boards. Like Mr. Ragan, the amendment let the air out of some of our opposition. The Nebraska Association of School Boards' delegate assembly in November met, talked about the issue of ESU governance. Their position was that NASB supports the governance of ESUs by elected boards supports local determination of the specific mechanisms of that governance, and certainly this does give some local ability. Sticking with the number 12 certainly was a problem and making everybody fit into that size shoe. Now they have given us a range in the size of shoes we can fit in, but certainly as we look at the future of where the Metro area may be going, that provides some question into equal representation of the various school districts that are involved in that. And so we believe that this is something that we need to continue to look at to give the local communities the opportunities to represent that. The representation now is really a part. Local communities decide for the most part, you know, who in each ESU district has the desires to run for that sort of thing, and now even still, there are some opportunities to carve up your property mass in certain ways, and so that is something we desire in. And I think in some respects though, I think some approval perhaps isn't completely out of line either, responding to you. So as I say, most of our opposition is somewhat muted, but we certainly still want to make sure whatever results from this gives the local communities opportunities to govern the affairs of this important resource in the ways that they see fit, and that may be different in Alliance than it is in Omaha. [LB602]

SENATOR KOPPLIN: Okay. Questions for Brian? Thank you, Brian. [LB602]

BRIAN HALE: Thanks. [LB602]

SENATOR KOPPLIN: Other opponents? [LB602]

JIM STOCK: I am Jim Stock from, my address is 28220 Bluff Road, Murdock, Nebraska, that is S-t-o-c-k. I am a board member from ESU 3, representing Cass County on the ESU 3 board. I am also the director for the Nebraska Association of School Boards, and I am here to speak in opposition to LB602. Appreciate Senator Raikes' amendment. That was part of my argument to say the number could be from 5-12. There is already ESU boards that have from 7-15 members. I guess my biggest argument, I know what you're driving at is a one-man one-vote and I know there is a push to do that, but as a farmer and as a member of the rural community, this bothers me a little bit. I am also a representative of a county that has a number of small schools. It bothers me to see continued voting power move towards the urban areas and kind of removes some of the

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voting authority from those of us in the rural areas, especially when it is the smaller schools that really understand the benefits of ESUs. I've had a number of the superintendents from the small schools say the ESU is our lifeline, and we can't function without it. And as we've heard before earlier this afternoon, some of the bigger schools as they get larger think they can provide their own services or think they should be their own ESUs. The small rural schools don't feel that way. We want the ESU to be there. I'm from Elmwood/Murdock district, has about 400 students from K-12. I understand your comments there, Senator Johnson. When I was a freshman in high school, we played Millard also, 1960 or '61 and Elmwood/Murdock, combined with Elmwood with 400 and Millards' 22,000. I guess we didn't have enough kids, I guess, so here we are. So anyway in closing, I want to say that ESUs are one place where all 93 counties have representation. Everything else has kind of gone to the district system; and so I don't want to stand in the way of progress, but I would like to see you vote against this. If you have any questions, I would make an attempt at answering them. [LB602]

SENATOR KOPPLIN: Are there questions for Mr. Stock? Senator Avery. [LB602]

SENATOR AVERY: If you create 12 districts, Omaha might get one, Lincoln might get one, and the other 10 would be in the rest of the state, right? [LB602]

JIM STOCK: No, sir. This would divide each ESU into 12 districts, the way I understand it, and then the size of those districts would depend on the census. So supposedly each district... [LB602]

SENATOR AVERY: So you would have to have equal number of, the population would have to be equal in all of these, right? [LB602]

JIM STOCK: Exactly. [LB602]

SENATOR AVERY: So how does that dilute the vote in the western rural area? [LB602]

JIM STOCK: Well, in my case, I am from a rural county, Cass County. I represent about 25,000 people in my county. I sit next to a man at ESU 3 who represents Sarpy County and represents about 100,000 people. But when an issue comes before us to vote, I consider is this going to be good for the Plattsmouth Public Schools, which is the largest school in my district, as well as the Elmwood/Murdock, Weeping Water, and Louisville, which are 400. He sits there, he has just to consider how is this going to effect Bellevue/Papillion, but he also has to think of south Sarpy 46 at Springfield, which is a smaller district. Then to me, you know, if we redistrict and our service unit, for example, there would be a number of people on that board who would be from the Sarpy and western Douglas County area, and so I am opposed to it. [LB602]

SENATOR AVERY: Thank you. [LB602]

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JIM STOCK: Any other questions? [LB602]

SENATOR KOPPLIN: Other questions? Okay. Thank you, Mr. Stock. Is there further opposition? Than we'll move to neutral testimony. Seeing none, Senator Raikes would you like to close? Senator Raikes waives closing and we will move on to opening for LB603. Senator Raikes. [LB602]

SENATOR RAIKES: (Exhibits 9-13) Thank you. Senator Kopplin, members of the Education Committee, Ron Raikes, District 25, here to introduce LB603. Senator Avery in following up on what you said earlier, I get really nervous when there are more proponents for my bills than opponents, so I am starting to feel more comfortable and maybe I'll get even more comfortable after this one. This one deals, I've got a couple of handouts coming around which, again, are slides, in effect, I used in visiting with some groups during the interim. This bill proposes a revision to the funding formula for ESUs, and I think I'll call your attention to the bill summary, which I think you have, and in fact, in a moment I'm just going to try to take you through that, sort of blow by blow. I think there are 13 different points that outline the proposed funding formula, and I think it is much better organized than I could be by just rambling on. But let me begin by describing the current funding formula, and again, using the interim report, on page 205 it says, the current ESU formula for both core services and technology infrastructure funds is appropriation divided by all students times the students in the ESU, except that every ESU receives at least 2.5 percent of the appropriation. So you've got a base or fixed amount of funding that, and I've forgotten now roughly what the number amounts to in the current scheme of things, but each ESU for being an ESU is credited with a certain amount of funding. Then after that, all the rest of the appropriations is distributed strictly on a per student basis. Now that brings me to these two handouts, which...first off, the statistical one describes 17 ESUs, the \$10.5 million of state funding that goes to ESUs, along with the 1.5 cent levy, and describes the characteristics of those ESUs, and this just emphasizes what you've heard already in terms of the variability. Students range from 1,800-62,000; square miles, 110-13,500; students per square mile, .26-335, valuation per student, \$338,000-682,000, aid in taxes, it has got a total number, but the aid in taxes per student ranges from \$88 per student to \$248 per student. So there is a tremendous variability in the amount of funding that these ESUs have access to provide these services across the state. So in looking at the funding formula and what to do about it, we've come up with what Tammy has outlined here in the bill summary, and by the way, I'll give her...well it is probably not right for me to give her total credit for this because there might be something wrong with it, in which case that would be my part. But she has been very, very helpful on this. First off, the first point, distance education and telecommunications allowance, this is a new feature that was introduced last year after LB1208, and was specifically included to help defray the cost disadvantage that ESUs that are located away from the trunk line of communications, the Network Nebraska main pipeline, or whatever you call it, the farther they are away, the greater

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the transport cost, so this defrays that. Again, we're sticking with the base allocation of being 2.5 percent of the funds appropriated, so we do in fact have a base that goes to each ESU, but we're supplementing that by an appropriation for satellite locations, so that if you're located in a particularly sparse area where in order to serve the school districts, you need to have more than one, sort of, main location. This formulation allows you 4,000 square miles divided by 4,000 minus one, so there is a maximum number of satellite operations. But in determining that base appropriation, you take into account not only the existence of the ESU, but also the satellite operation. We go to an equalization framework which is not in the formula now, so we've got statewide adjusted valuation defined, and also the adjusted valuation for each school district. We do, as you would in equalization, come up with a local effort rate. The lid is 1.5 cent, the local effort rate is 1.35 cents to allow some flexibility in differences and assessment and so on. We come up then with a statewide student allocation which equals the appropriation plus the statewide valuation times that local effort rate, then subtract off the distance education allowance, the base allocation, and the satellite, so that we end up with a net student allocation. There is a sparsity adjustment that comes in at this point, again, to take into account for ESUs that serves districts where students are very sparsely distributed. You come up then once you do the sparsity with an adjusted student number which is the actual student count plus the sparsity adjustment. The per student amount then is that statewide student allocation divided by the adjusted students. You then multiply for an ESU allocation. You take the per student allocation divided in that previous step ten and multiply it times each ESU's adjusted students. Okay. Each ESU is then calculated as shown in 12. In 13, the distribution, you take the needs minus the local resource available. You've heard that before, that is the way we do it in the K-12 distribution formula, and you have the final distribution to the ESUs. I would mention to you that in addition, if there are two or more ESUs that merge, the last paragraph there is a narrative there, the merged ESU would receive core services and technology infrastructure funds in the amount not less than the core services and technology for each of the mergers for the preceding year. So there is a protection in there so that you're not financially discouraged from merging. So that is the formula. If you would like to see how it plays out, I think you have a handout, maybe, and on the second line, the second tier down there of that handout, you've got a heading the third or fourth column over that says current aid per student, and then you've also got one that says model aid per student. So if you're looking at me and if I have the same sheet you do, number one, Wakefield, current aid per student is 37.22, model aid student is 55.64, if you're following me. So you can follow down the list for each of the ESU, each of the 17, and see how each one of them comes out in terms of aid per student. The change per student is the next column to the right, totals to zero. You can see that there are some ESUs that under this model would receive more aid per student. There are other ESUs that would receive less aid per student. Finally, if you go over to the third column from the right, this is a model aid and taxes per student, this is a reminder that what we're talking about in the columns on the left is simple the aid per student, not the total. If you add in the property tax plus the aid, you come up with the amount per student over in

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the right hand column, averages for state about a \$100.67. So there are some, obviously, many variations that you can on this, but hopefully this is a model that we will find useful as a committee to look at the issue of ESU funding and some of the what seem to be discrepancies in allocation of funds toward where they're needed the most. [LB603]

SENATOR KOPPLIN: Are there questions? Senator Ashford. [LB603]

SENATOR ASHFORD: Will they all do the same thing then? Would their functions... [LB603]

SENATOR RAIKES: That is a very good question, and this funding formula takes into account the needed functions in different places to some extent, because you've got satellites and you've got sparsity. But probably what you're saying does that really fully reflect the differences in functions that need to be performed? [LB603]

SENATOR ASHFORD: Right. [LB603]

SENATOR RAIKES: And I think it would be an overstatement to say that it does. [LB603]

SENATOR ASHFORD: Okay, so we would have to drill down just a little bit more possibly. [LB603]

SENATOR RAIKES: May have to do that. [LB603]

SENATOR ASHFORD: But the framework is here. But to equalize the function as well as to equalize the cost per student and the amount of available funds per student, we might have to look at... [LB603]

SENATOR RAIKES: Right, some modifications maybe. Senator Howard. [LB603]

SENATOR HOWARD: When I look down here on these columns that you refer to, it looks more like in Omaha with ESU 3 that would be a change of -7.53 for that ESU and the second one, 19, for Omaha would be a -2.98, and Lincoln another large school district, obviously, would have a -11.68. So what I'm wondering is... [LB603]

SENATOR RAIKES: You're right, that is a problem. [LB603]

SENATOR HOWARD: Got that. Would the dollars be going to the, as you put them, the more deserving ESUs, or would it be a property tax reduction? Would be a cost savings to the taxpayer. How does the dollar translate back out? [LB603]

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SENATOR RAIKES: No, this is taking the levy and the valuations in the state appropriations as givens and simply saying, well, if you allocated according to this formula, which seemingly takes in more appropriately the characteristics faced by different ESUs, this is how you would come out. This is the changes that would be made. [LB603]

SENATOR HOWARD: With the same amount of money. [LB603]

SENATOR RAIKES: And you're right, if you look at the, again, I guess we don't have a change per student in total taxes and aid, but if you look at just the aid column, Auburn, Beatrice, for example, are a couple that are on the plus side, as is Wakefield. Fremont, Omaha, ESU 3 on the negative side. Lincoln is the largest negative at -\$11. [LB603]

SENATOR HOWARD: This one right here. [LB603]

SENATOR ASHFORD: You're all looking at variation one, right? [LB603]

SENATOR RAIKES: Yes. Yes, I am. [LB603]

SENATOR HOWARD: You've got a choice here. [LB603]

SENATOR RAIKES: Well, Okay. Fair enough, because variation two you'll notice up at the top includes a bigger base appropriation, and I'm not sure how that base appropriation was arrived at, but I'll find out for you. [LB603]

SENATOR KOPPLIN: Other questions? Senator Adams. [LB603]

SENATOR ADAMS: I don't know that you have the data, but as you were going through that list, I look at Milford and comparing that with Omaha, Fremont, and Lincoln. What about this formula would, I don't want to use the word attack, but in essence decrease the amount of money for a smaller ESU like Milford? Do you have any idea what would do that? [LB603]

SENATOR RAIKES: I don't right off, Senator. As I think about what's in the...Milford probably would not get any kind of a sparsity adjustment. And keep in mind, too, valuation is very important. So it may be that Milford has a lot of property valuation. I'm not sure that that is true, but I just suggest that as a possibility. If you go over and look at the taxes plus aid, you'll find that Omaha ends up with \$86, whereas Milford is \$106, as compared to Beatrice, \$131. You've got one of them here, Trenton \$162. Trenton is in a very sparsely populated part of the state. [LB603]

SENATOR KOPPLIN: Senator Burling. [LB603]

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SENATOR BURLING: Ron, did you address the distance education allowance in this anywhere? [LB603]

SENATOR RAIKES: Well, I sort of skipped over it at the outset, Senator. But in LB1208 the committee and the Legislature had to consider do we want to try to provide state funding for, I can't say the phrase now, the main transport line, whatever that is, kind of the main Internet connection. Or do we want to allow individual school districts to pretty much have control over that, and decide when and if and how much they need, knowing that if they want more there will be more cost. And the option was to go in the second direction. Let's allow the school districts to have control locally over how much and all that sort of thing. Well, the question then, as a matter of fairness. Well, okay, you've got Lincoln Public Schools that basically sits right on the transport line, so their transportation costs are really minimal. Where you would get Crawford or maybe another school system that is a long ways off, and their costs would be a lot higher. So it is not really equalizing to put them on a strictly equal basis. So what we did was said, okay, in terms of calculating the needs, so to speak, in the formula we would include 85 percent of that allowance in the needs calculations. So that if you're a long ways away, you are reimbursed 85 percent of the extra cost you incur because you're a long ways away. Not 100 percent, because we want you to have an incentive to do the best you can, but we don't want it to be such a burden that you are disadvantaged compared to schools located differently or ESUs, in this case, located differently. [LB603]

SENATOR KOPPLIN: Other questions? I would have one. [LB603]

SENATOR RAIKES: Senator. [LB603]

SENATOR KOPPLIN: In looking at your formula, and this is a major shift in state aid, it would appear that it would leave some ESUs with lesser funding than they now have. [LB603]

SENATOR RAIKES: It would. [LB603]

SENATOR KOPPLIN: Which would make you conclude, well, they have to cut services. Is that the end here? [LB603]

SENATOR RAIKES: I wouldn't rule that out, frankly, Senator Kopplin. I wouldn't rule out that you could come up with circumstances where for one reason or another it would make sense to reduce some services offered where funding, according to this formula, is very high. Of course you always have the other option. You could say, well, if we're going to change the formula, we can add enough funding to the pot so that nobody gets hurt, and then anywhere in between. [LB603]

SENATOR KOPPLIN: Yes, you made my next question was, without a large amount of

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new appropriation, some ESUs will get hurt, or you could give them greater authority to tax. Would that be correct? [LB603]

SENATOR HOWARD: Raise (inaudible). [LB603]

SENATOR RAIKES: You have some cheers over here on the... [LB603]

SENATOR KOPPLIN: Well, I'm not used to being the Chairperson. I should have called her down. (Laughter) but wouldn't that be true? Okay. I appreciate your work myself. [LB603]

SENATOR RAIKES: Yeah, You learn that. I'll tell you, you do learn that, yes. [LB603]

SENATOR KOPPLIN: Okay. I appreciate your work myself. I have a lot of studying to do before I ever understand this, but that is not new. We'll get it done. [LB603]

SENATOR RAIKES: Okay. Thank you. [LB603]

SENATOR KOPPLIN: Other questions? Then we'll move to proponent testimony. [LB603]

RANDY PECK: (Exhibit 14) Senator Kopplin and members of the Education Committee, my name is Randy Peck, spelled P-e-c-k. I the administrator at ESU 8, for those of you that have the map out there. We serve seven counties in northeast, north central Nebraska. The seven counties are Madison, Pierce, Stanton, Antelope, Wheeler, Holt, and Boyd, and our office is located in Neligh. And I am here today to voice my support for LB603 and commend Senator Raikes for recognizing a need to address changes in the core service funding formula. As he explained to you, the current formula that has been in place for approximately, whatever it is, eight to ten years is based on enrollment. And I put in the handout that I asked to have handed out to you, just a history of what the core service funding looks like in our area. This includes the core service funding for staff development, instructional media, and also technology to infrastructure, so I combined those numbers. And you can see how that has gone down based on enrollment declines in our area which is not unusual as you look across the state. As you can see, the core service funding for ESU 8 has declined since its inception, and we've been forced to supplement core service programs with our local tax levy. The cost for us to provide staff development, instructional media, and technology is approximately double the funding we receive from core dollars from the state. I know that our situation is not unique and would be echoed by those units that are losing enrollments across the state. I know the ESU administrators have discussed the need to adjust this formula, and I know that it was discussed with the legislative staff who worked on the interim study this past summer. The need to include other variables besides enrollment in the distribution formula is extremely important. And if the formula

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is fully funded, I would encourage your committee to advance this bill. Thank you.
[LB603]

SENATOR KOPPLIN: Any questions for Dr. Peck? Senator Howard. [LB603]

SENATOR HOWARD: Well, I'm still trying to puzzle through this, but I heard you say that your enrollment is decreasing and I can appreciate that, but does that equate to we should be providing more funding to ESUs that have fewer students? [LB603]

RANDY PECK: Not necessarily, but the services that we provide we're still required to provide those services across the state even though the enrollment is going down. Kind of related to your question, I believe is the sparsity issue that we deal with, and I'll use our service unit as an example. Our board increased the reimbursement for millage for employees January 1st to comply with the IRS and state rate. That increased four cents per mile, and in our service unit, that increased our expenditures per month by \$1,500. So we have a lot of traveling that is involved in this too. [LB603]

SENATOR HOWARD: Wouldn't that require an adjustment then in the sparsity formula? Wouldn't that? [LB603]

RANDY PECK: That is what I'm saying. That is one of the reasons why we support this bill is... [LB603]

SENATOR HOWARD: So you see this as offsetting that? [LB603]

RANDY PECK: Yes. When you look just strictly at enrollment, you know, that is it. This gives some other variables to that formula that we think are more equitable. [LB603]

SENATOR HOWARD: Okay. Thank you. [LB603]

RANDY PECK: You're welcome. [LB603]

SENATOR KOPPLIN: Senator Ashford. [LB603]

SENATOR ASHFORD: Thanks, Senator. Just following up on the...maybe I'm reading this incorrectly, but the charts and the study here. The property tax revenue, that would be money that you are receiving I assume. [LB603]

RANDY PECK: Yes. [LB603]

SENATOR ASHFORD: Is 11.7 percent of the budget in ESU 8, and it is 18.9 percent in ESU 3. So property taxes make up 18.9 percent, but that gets into the equalization. That is your point. [LB603]

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RANDY PECK: Yes, and property valuations too. You know, the property valuations are considerably higher in the Metro area than they are where I live. [LB603]

SENATOR ASHFORD: So that would be the difference. You can't derive the same revenue from your property tax base. [LB603]

RANDY PECK: That is correct. [LB603]

SENATOR ASHFORD: And that is where the equalization comes in. [LB603]

RANDY PECK: Yes. I believe so, yes. [LB603]

SENATOR ASHFORD: But that seems like it is right, but sometimes I just in looking at this I'm not...that would make sense... [LB603]

RANDY PECK: Yes, and part of my rationale for putting that what has happened with the core service funding in our specific service unit is to show you the decline in what happens, I put an asterisk in whatever year it was that there was some significant cuts made at the Legislature. And everybody had to share in that, and we did... [LB603]

SENATOR ASHFORD: Right, and your levy is the same? [LB603]

RANDY PECK: One and a half cents. [LB603]

SENATOR ASHFORD: And I think they're all the same. [LB603]

RANDY PECK: That is the levy limit. You can go less, but you can't go more. [LB603]

SENATOR ASHFORD: Most of these ESUs are at the levy limit. [LB603]

RANDY PECK: I can't answer that for sure, sir. [LB603]

SENATOR ASHFORD: Okay, but yours is. [LB603]

RANDY PECK: Yes. [LB603]

SENATOR ASHFORD: Okay. Thanks, Senator. [LB603]

SENATOR KOPPLIN: Other questions? Okay. Thank you, Randy. [LB603]

RANDY PECK: Thank you. [LB603]

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SENATOR KOPPLIN: Other proponents? Are there any opponents? Anyone neutral?
[LB603]

VIRGIL HORNE: (Exhibit 15) Senator Kopplin, members of the committee, my name is Virgil Horne, and I'm representing the board of ESU 18 in Lincoln, Nebraska. The board supports the concept of equalized distribution of state funds. The concern of the board lie with the fact that LB603 is a drastic change in the allocation of funds in critical areas of instruction. I don't use that word lightly. It is 33 percent of the funds coming to the Lincoln ESU 18 currently that would be lost with this bill. The fact that the funds are referred to as core by the Legislature indicates the purpose of and the importance of the legislation placed on these funds. The board of ESU 18 requests that this committee and the Legislature remember that historically when a major change has been made in the distribution of funds, school districts have been given ample opportunity to make adjustments to the expenditure patterns. When previous change have been made in funding, even hold harmless has been offered and provided by this legislature. Provisions were included to allow ESUs and school districts the opportunity to adjust. When levy lids were passed in 1996, they went into effect two years later in 1998, and then later lowered to the desired level, so as even a longer period of time. The board realizes that this bill does not take effect until 2008-09, but in reality in the scheme of long-range planning, that is a short period of time. Programs supported by core and infrastructure funding are critical in nature to the students who are provided instruction by this funding. In the case of ESU 18, the core dollars lost in this extreme change of distribution will require funds form the general fund budget of the Lincoln Public Schools to be transferred to the different purposes. Earlier conversation between a testifier and one member of the this committee reflects a little bit on that fact, that when these are, I remind you again, core types of activities, staff development, they things dealing with media, they are designed to be things that are essential. So when they are lost from that funding purpose if it is provided by the ESU, it then means it reflects on the general fund of the school district or districts that are impacted by it. In the case of the Lincoln Public Schools because we're a single ESU, it directly impacts on the Lincoln Public Schools' general fund. Since the ESU funds were being spent on core instructional needs, there will be little choice for the Board of Education but to cut some other opportunities for students in the Lincoln Public Schools' general fund to continue the types of core services provided in the ESU budget. Regarding the infrastructure funding, many boards have many long-range contract with service providers and equipment suppliers. These contracts may, by statute, be seven years in duration. The sudden reduction of funds will drastically limit the options that boards will have in attempting to deal with such contracts. Contracts with staff members also have been in place for many years and may involve tenured individuals, making it difficult for the board to make rapid changes or reductions. The board of ESU 18 is requesting that the Education Committee extend the implementation period of this bill so that the redistribution of core dollars would occur over a three-year period of time, and the infrastructure funds be redistributed over a five-year period of time. Our request is simply to give us time to

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make the adjustments, in not just the ESU budget, but also our general fund budget, because these are things that we don't have a lot of option on. I would also add that as we approach these types of equalization fundings, a matter of assessment practices become even more critical than they are now with the major dollars that we have in TEEOSA. And we have to address whether those assessment practices are being carried out in the manner that they should be across the state, because this is one more item for distribution across this state in what may be considered somewhat less than standard assessment practices across the state. My conclusion, I would say that fully funding of the core dollars by this Legislature, it has been estimated it would run anywhere from \$1.5 to 3 million. If that were to occur, to give you some idea, I think now it is estimated, in the current funding, the Lincoln Public Schools will need something in the neighborhood of \$385,000. If you fully funded it, we would lose something in the neighborhood, I think, I'm rough on this, of about \$86,000. That concludes my remarks. Thank you. I would like to, if I may, pass out a sheet, it is called the Lincoln Public Schools fact sheet for 2007. I would draw your attention to the bottom of page 1 and into the top of page 2. It shows what has happened to the percentage of property taxes in Lincoln as compared to state aid since 2001. It does that for the general fund, it also does it for special education reimbursement, and for special education early childhood transportation. [LB603]

SENATOR KOPPLIN: Are there questions? Senator Ashford. [LB603]

SENATOR ASHFORD: Thank you, Senator Kopplin. Virgil, would you be willing to get me a list of the contracts that the ESU has that exceed two years in duration? [LB603]

VIRGIL HORNE: Sure. [LB603]

SENATOR ASHFORD: And I'm going to ask the other districts the same question. Your testimony in effect is that there are a number or significant number of contracts that exceed, that are long-term contracts that extend beyond. [LB603]

VIRGIL HORNE: For infrastructure and supplies, yes, sir. [LB603]

SENATOR ASHFORD: For supplies and infrastructure. They can't be renegotiated? [LB603]

VIRGIL HORNE: I can not (inaudible) that. [LB603]

SENATOR ASHFORD: That is fair. If I could see the amounts of those contracts and the length of time that they...and including service contracts as well. Thanks. [LB603]

SENATOR KOPPLIN: Other questions? Senator Howard. [LB603]

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SENATOR HOWARD: Thank you, sir. Along the same lines, these are contracts that you made a long-term commitment to already, you're obligated to these even if you have this money taken away or reallocated to another area or another ESU, you're still committed? Is that true? [LB603]

VIRGIL HORNE: Yes. [LB603]

SENATOR HOWARD: So I appreciate your concerns. Thank you. [LB603]

SENATOR KOPPLIN: Other questions? Thank you, Virgil. [LB603]

VIRGIL HORNE: Thank you. [LB603]

SENATOR KOPPLIN: Anyone else wishing to testify in the neutral? Senator Raikes to close. [LB603]

SENATOR RAIKES: Thank you. A couple of points, the increased appropriation from the first page to the second page, from \$10,696,000 to \$14,320,000. I'm told that \$14,320,000 is what it would have been if the Legislature had followed its intent. Imagine the Legislature not doing that. Although I will tell you, I was there. We didn't have any money. We went through quite a ringer in terms of funding. So at least that is what that is, and I think as Virgil mentioned, that is \$3 or 4 million on a statewide basis. I think we hit the points on Milford. There is no sparsity. There is high valuation, and that same set of circumstances affects Lincoln. The other things is, I led you to believe that distance education is in the model in terms of the numbers, and that is not the case. The provision is there to include it, but because it is such a new phenomena, we don't have those allowances, so that is not reflected in the comparisons. The other thing I would mention quickly is Virgil mentioned that Lincoln's funds would be reduced by 33 percent, and that is true if you look at only state aid. But if you look at the combination of state aid and property taxes, it is still a reduction, but it is about 12 percent rather than 33 percent. And let's see if there is full funding, there is still some reduction but it is not, you know, as much of a reduction. [LB603]

SENATOR KOPPLIN: Okay. Questions? Senator Burling. [LB603]

SENATOR BURLING: You said that the \$14 million represents intent. Does that also represent full funding in the minds of some people? [LB603]

SENATOR RAIKES: I think that is what full funding refers to. Yes, Senator. Maybe somebody will correct that, but I think that is right. [LB603]

SENATOR KOPPLIN: Senator Avery. [LB603]

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SENATOR AVERY: Where do you stand on the waiting period for implementation that Mr. Horne talked about? [LB603]

SENATOR RAIKES: Well, I think he is absolutely correct in the way he described efforts of the Legislature to accommodate school districts in terms of adjustment, and so waiting might, or an extended a phase-in period, might be a possibility, and there may be some other things you would like to consider as well. I think he also did mention that if the Legislature were to increase the funding or go to full funding on a statewide basis, then there would be less need or maybe no need for a waiting period. [LB603]

SENATOR KOPPLIN: Anyone else? That ends the hearing on LB603. [LB603]

SENATOR RAIKES: That will close the hearings for today. Thank you all for being here. [LB603]

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Disposition of Bills:

LB590 - Indefinitely postponed.
LB600 - Indefinitely postponed.
LB601 - Indefinitely postponed.
LB602 - Indefinitely postponed.
LB603 - Advanced to General File, as amended.

Chairperson

Committee Clerk