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Education Committee  
February 23, 2009

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[LB22 LB387 LB391]

The Committee on Education met at 1:30 p.m. on Monday, February 23, 2009, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB387, LB391, and LB22. Senators present: Greg Adams, Chairperson; Gwen Howard, Vice Chairperson; Brad Ashford; Bill Avery; Abbie Cornett; Robert Giese; Ken Haar; and Kate Sullivan. Senators absent: None. []

SENATOR ADAMS: (Recorder malfunction)...Education Committee hearings. We're missing some members, but I'm confident they're on their way, how about that? We'll start today by asking you to turn off your cell phones so as not to interrupt those who are testifying or keep those in the audience from being able to hear what is being said. As we go, as we begin to move on, and we have three bills that we're going to hear today and we're going to hear them in maybe a slightly different order in order to accommodate a couple of other senators who had bills that they had to introduce, we are going to start today with LB387, then go to LB391, and on to LB22, in that order. As you come up to testify...if you choose to testify, we of course ask you to fill out the appropriate form and hand them to our clerk, Becki Collins. And if you're going to testify on more than one bill, we ask you to fill out the form each time that you choose to testify and hand that over to Becki. Please state your name and spell it clearly for the record so that we have that. Besides Becki today, Senator Ashford will soon be here; Senator Giese from South Sioux City is here; Senator Cornett will be here. Next to me is legal counsel, Tammy Barry. We have the Vice Chair of the Committee, Senator Howard; Senator Sullivan from Cedar Rapids; Senator Avery, I'm sure will soon be here; and Senator Haar from the Malcolm area is here. We will begin the hearing with LB387. Senator Gay. [LB387]

SENATOR GAY: (Exhibit 2) Thank you, Chairman Adams, members of the committee. For the record, my name is Tim Gay. I represent District 14. I am here to introduce LB387. LB387 would amend provisions of the learning community with respect to property taxes and levy authority. One of the biggest concerns of my constituency is expressed with the learning community laws, the way property taxes in a two-county area are to be collected, thrown into one pot, and then distributed based on a formula to the 11 district school districts. Local taxes are not necessarily going to pay for local school districts and that, I think, is the crux of this whole bill. This bill would eliminate the common levy for the general fund budgets and special building funds for the member districts. It puts back into place the \$1.05 maximum levy for each district, and puts the authority to determine the levy back with the locally elected school boards, just as every other school district in the state. The bill does retain the 5 cents levied by the Learning Community Coordinating Council for the purposes of establishing elementary learning centers and helping establish focus schools. It is my understanding that the 5 cent levy based on 2007 valuations would give the learning community nearly \$22 million to establish these centers. This is an issue of fairness for the taxpayers in a two-county

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region. We should not treat them the same because they are not the same. There are a number of questions that need to be asked. Have the different valuation practices between the two counties been considered? Are the property valuations at the same level? Do we know how much in property tax dollars are diverted from public schools in each county because of local TIF projects? Has the administration, teacher pay, and employee benefits of the member districts been compared? The property tax distribution of the learning community law was in part adopted to address issues facing schools with high needs, such as large numbers of poverty students and ESL students. These are statewide issues and not just unique to the metro and surrounding areas. It needs to be solved on a statewide basis. In last year's LB988, we made major changes to TEEOSA and these changes finally begin to address those funding problems. The shared property tax base of the learning community is no longer necessary and should be removed. That's my official statement, because this is a confusing issue to me, so I don't want to...but I wanted to get that on the record. I would like to hand this out to the members if we have a page. There are other people who are going to testify on this and for those senators coming back that have had to deal with the issues, I appreciate all the efforts that went into this, and I know there's concerns. And there are a number of bills I was asked to consider to bring and this is the one that deals with the learning community because I do feel strongly about it. And I have always had an opportunity, good or bad, but for 12 years sitting on the Board of Equalization and dealing with the different tax problems, property tax valuations, all those things that come, and I am convinced that Sarpy County assesses...taxes differently, property taxes...differently than Douglas County. Now people can come behind me and debate that, and that's been an ongoing debate for the last couple of years. But in my heart and just logically talking to our assessor and our treasurer and others who deal with this every day, there is a big difference. So what I am coming to you to today is a complex issue, and you're going to hear other people, pro and con about this, of how this works, and then I'm going to stay around to follow up and see if I can answer any questions. Like I said, we've made a few changes along the way in transportation and other things, and I appreciate those changes. I do think for the long run, for the learning community, and they're just getting off the ground here, but to succeed long term I think we should address the issue before what I believe longer term. And not maybe immediately. Five, six years down this road, somebody will have to deal with these issues. So hopefully you can hear, make some sense of it, and get some information and deal with this issue. You know, I've heard a lot of bills as well in our committee, and sometimes these things on just first blush...ah, I don't want to fool with it. But I would ask if somebody could take a hard, hard look at this, roll up their sleeves, look at the issue, and then say, well, maybe...let's look into this a little more when it's all said and done. So that's ultimately my goal here. So I did hand out though how revenues...and this is just--you could look at this later--but kind of how the revenues come through the learning community. How the taxes go into the community and then they're redistributed along the way. But there will be others following up with me that I think can explain that better than I could, Senator Adams. With that... []

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SENATOR ADAMS: Okay. Thank you. And you are going to stay and close? [LB387]

SENATOR GAY: Yeah, I'll stay and close. You bet. [LB387]

SENATOR ADAMS: Okay. All right. We'll first of all take...or, excuse me, are there questions for Senator Gay? All right. Thank you, Senator. [LB387]

SENATOR GAY: Thank you. [LB387]

SENATOR ADAMS: We'll first of all hear from proponents. [LB387]

RICK BLACK: (Exhibit 1) Good afternoon, Senator Adams and members of the Education Committee. My name is Rick, R-i-c-k, Black, B-l-a-c-k. I'm superintendent of the Papillion-La Vista Public Schools. I'm here today to testify in support of Senator Gay's LB387. The bill asks the Legislature to put aside the general fund portion of the common levy from the learning community districts. It keeps in place the 5 cent common levy which funds the work in the learning community governing council in the creation of focus schools programs. Papillion-La Vista has supported and participated in the legislative process as work on the details of the learning community has evolved. I appreciate the approachability of Senator Adams in listening to our concerns and making the details more workable for the learning community concept. Papillion-La Vista is happy to have been a part of the discussions and hope we've brought an added perspective to the shaping of the learning community to make it an effective approach. All 11 school districts are committed to our present and future students in our community. We all want the best educational opportunities and successes for all learners. Too visibly the discussions so far have appeared to be about finances. Unfortunately that seems to be where agreement on approaches seems to waiver amongst the schools. However, it has overshadowed the work that has been ongoing throughout the metro in providing cooperative programs for students for many years. In addition to approaches previously implemented across the districts, three of the districts are operating an interlocal school that they are finding to be successful this year without the benefit of any kind of additional levies. LB387 asks you to allow the funding of LB988 passed last year to be allowed to work before moving to the implementation of the common levy. For 2008-2009, adjustments to the formula had infused millions of dollars into districts with high needs based upon ELL and concentrations of low socioeconomic students. Papillion-La Vista actively supported this change knowing full well that we would see little infusion ourselves of this money. We have supported the hold harmless pieces being worked upon so the effects of the common levy are not as damaging to other districts in the learning community, again knowing that this support will be reducing our own resources. It is interesting to me that when talking to several superintendents in the learning community, the concerns and the need for a hold harmless component does not exist. It goes away, by these districts, if there is no

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common levy. The districts that are most adamant about the common levy are the very districts benefitting most by the state aid funding formula and its changes. In addition to state aid and a common levy that we must all share, one of these districts receives millions of dollars in federal aid that only they can access. No sharing here with the learning community. In essence, they are being equalized twice but only sharing one portion. This is not sour grapes on our part, only an explanation that some districts desiring the common levy are accessing millions of dollars in other funds, to support or carry out their essential activities, that the rest of us need to get from local taxes. Since the discussions regarding LB988 and finance began and subsequently were passed, I have heard former and current senators say that it needs a chance to work. Beyond the fact that it also needs to be fully funded, I wholeheartedly agree. Give the new formula--the recognition and commitment the state has made to support districts with higher needs at a higher level--the chance to work. Papillion-La Vista is saying the same thing. We're also saying to give the formula a chance to work before you start redistributing the available local tax dollars from local districts to the extreme step of a general fund common levy. Allow the higher needs districts the opportunity to utilize their increased revenue without limiting the development of other districts. LB387 maintains the 5 cent levy for the development of focus schools and programs. This is part of the concept that truly gets to the education and innovation of programs for students. Today, in speaking on behalf of LB387, we see this as our final opportunity to work through the legislative process on our most serious issue with the learning community concept, the common levy. There has been dialogue and some compromise on many other areas to make them workable. However, the discussion on the common levy for the general fund has remained taboo. I have been above board with my fellow superintendents and with both the Legislature and the Governor on our concerns. We ask that you consider maintaining the 5 cent common levy for focus schools and innovative programs, allow the governing board a chance to start work on those focus groups and those programs. Please delay implementation of the common levy until you know it is truly needed. By using it right away, your only fallback is more state aid if schools are severely affected. Allow the state aid revisions in LB988 to work. Thank you for your time, and I apologize for going over my time. [LB387]

SENATOR ADAMS: That's all right. Thank you, Rick. Are there questions for Superintendent Black? Seeing none, thank you, sir. [LB387]

RICK BLACK: Thank you. [LB387]

SENATOR ADAMS: Are there other proponents? [LB387]

BILL MUELLER: Mr. Chairman, members of the committee, my name is Bill Mueller, M-u-e-l-l-e-r. I appear here today on behalf of the Millard Public Schools in support of LB387. Millard does have a board policy that the authority to levy for the general fund should remain with the locally elected school board, thus our support for LB387. Any

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modeling that we have done at Millard with the common levy interestingly shows that Millard does not suffer with a common levy. We believe, however, that it is better policy to have each individual school district levy for their general fund obligation. We do support and are committed to working with and making the learning community work. We believe that LB387 is the best policy. I'd be happy to answer any questions that the committee may have. [LB387]

SENATOR ADAMS: Thank you, Bill. Are there questions for this testifier? Senator Avery. [LB387]

SENATOR AVERY: Thank you, Mr. Chair. Mr. Miller, do you think it's possible for the learning community concept to work without a common levy? [LB387]

BILL MUELLER: Well, again to follow-up on what Dr. Black just testified, we have no objection whatsoever to the 5 cent common levy for the learning community. That is not what we're talking about. We're talking about each individual school district's general fund levy. So I think that it can work with the 5 cent that would go to the learning community. [LB387]

SENATOR AVERY: I'm sorry I was late, so I missed that testimony. Thank you. [LB387]

SENATOR ADAMS: Are there other questions? Senator Ashford. [LB387]

SENATOR ASHFORD: Yeah, I was late too, but is there anything in the needs formula that is used to determine the common levy that you object to...your client objects to? Is there something about the needs formula that is not...in the distribution formula, is there something in the needs formula that is catawampus or? [LB387]

BILL MUELLER: Not that I'm aware of. Our concern is just... [LB387]

SENATOR ASHFORD: No, but I mean if it goes...if the money is distributed pursuant to the needs formula, is there something in the...I mean, there's got to be something wrong with the distribution formula. If there's nothing wrong with the distribution formula, basically, you're saying it's... [LB387]

BILL MUELLER: Well, I don't think that my district would want me to say that. (Laugh) But I think that our concern here is that... [LB387]

SENATOR ASHFORD: Okay. It's just the fact that you're not able to distribute that 95 cents or whatever. [LB387]

BILL MUELLER: Well, I don't even think that it goes to that. I just think that Millard believes that each individual school district should levy what their general fund levy

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needs to be, and that the state aid formula takes into account resources and needs. [LB387]

SENATOR ASHFORD: So, no change basically, except for the 5 cent...just leave it the way it was before we passed the learning community law, except for the 5 cents, is that what you're saying? [LB387]

BILL MUELLER: Well, or I would say...I would say only change the general fund common levy. Leave the remainder of that. [LB387]

SENATOR ASHFORD: But you're saying no general fund common levy. [LB387]

BILL MUELLER: Yes. [LB387]

SENATOR ASHFORD: So basically no...I mean, the essential element of the learning community, I mean to me, was joining the districts together with a common levy. Without that, you really don't have a learning community. I just...I just...so basically we're just going back to...with that theory, we're going back to no...or just a learning community with the 5 cent levy basically? Is that...? [LB387]

BILL MUELLER: I don't think that the purposes behind the learning community would be undermined if you did not have a general fund common levy. [LB387]

SENATOR ASHFORD: You don't. Even though... [LB387]

BILL MUELLER: I don't. [LB387]

SENATOR ASHFORD: Even though the money is distributed per needs, you don't think that somehow that the underlying learning community...the learning community is undermined--not you personally, your district--that the underlying purposes behind the learning community would be in some way thwarted by not having a common levy that's distributed pursuant to a needs formula. [LB387]

BILL MUELLER: We don't believe that they would be undermined and that is certainly not our reason for supporting LB387. We do not mean to undermine the learning community. And as I said when I started, Millard does not suffer with a common levy. [LB387]

SENATOR ASHFORD: I got that point. [LB387]

BILL MUELLER: If anything, we benefit with the common levy. [LB387]

SENATOR ASHFORD: But as needs shift and change...and that's the whole idea of a

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needs formula. As needs shift, that needs are being taken care of. And there still is an 8 cent discretionary levy that you support. [LB387]

BILL MUELLER: We do. [LB387]

SENATOR ASHFORD: Okay. [LB387]

SENATOR ADAMS: Senator Haar. [LB387]

SENATOR HAAR: Thank you. Describe to me, as if I were a taxpayer now in Millard, and what this LB387 is asking for. What kind of difference would I notice between LB387 and the way it's going to happen now? As a taxpayer. [LB387]

BILL MUELLER: In a global sense, if LB387 is not passed and we reach the point where there is a common levy within the learning community, basically every district would submit its needs and they would go into this pot, and then its resources would also go into that pot, and then there would be a common, uniform levy so that Millard's levy would be the same as OPS, Westside, the other 11 districts within the learning community. How you as an individual, if you were a resident of Millard, according to our modeling you might actually pay a lower general fund levy than you would pay if Millard was just establishing its own general fund levy. If you were in another district, you might pay and probably would pay a substantially higher general fund levy than would be required to support your local school district. So you really take these 11 districts and make them into one district when it comes to the general fund levy. I'm not saying that we're creating one district, but when it comes to that general fund operating levy you would have the same levy across the learning community...conceptually. [LB387]

SENATOR HAAR: Yeah, conceptually. As a school board member, what difference would I notice between the way things are headed now and LB387? As a school board member. I mean, you're sort of educating us, so. [LB387]

BILL MUELLER: Which is really scary when I'm educating you on the state aid formula and the learning community, because there are people here who are far better able than I am to talk to you about it. I don't know how it would affect the individual school board, because, as I say in Millard's case, if anything, our levy would be a little smaller with a common levy than it would be without it. Again, there's more impact negatively on other school districts that have greater resources than their needs, and their resources would be shared across the learning community. [LB387]

SENATOR ADAMS: Senator Ashford. [LB387]

SENATOR ASHFORD: You know, I'm a little confused, Bill. Millard was for this last year. [LB387]

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BILL MUELLER: Millard is supportive of the learning community. I don't know that Millard ever... [LB387]

SENATOR ASHFORD: Well, but they didn't object. I don't recall them objecting to the common levy. I mean, was that something that is new? [LB387]

BILL MUELLER: No, we objected to the common levy. [LB387]

SENATOR ASHFORD: How did they do that...how did they object? I don't know how that happened. [LB387]

BILL MUELLER: We lobbied individual senators on the common levy. [LB387]

SENATOR ASHFORD: Did you make it known to the public, to this committee, that the common levy was something that they didn't support? [LB387]

BILL MUELLER: I don't think that that's been a surprise. [LB387]

SENATOR ASHFORD: It's a big surprise to me. I mean, I...it was my understanding that the...and I understand Papillion's concern; they've raised it consistently on the common levy. And I understand Senator Gay's concern because he's been, you know, above board in his concern that he's raised on the floor of the Legislature, and he's done it in an able fashion. I don't agree with him, but he's done it in an able way. I don't recall Millard ever objecting to the common levy at all. But again that's not your...your role is to tell us what Millard now thinks. I just...I'd love to see something that...that where let's go back a year when we did all this and worked for a full 12 months with all of the superintendents, and Millard was on board. So I don't think I ever heard Millard say they opposed the common levy. I think there were always reservations raised about the common levy, but never opposition. [LB387]

BILL MUELLER: And I think one of the realities of it may be that there were and are so many other issues... [LB387]

SENATOR ASHFORD: But that's the central core issue. To me the central core issue of the learning community is the common levy. If you throw the common levy out, then let's just unwind the whole thing. [LB387]

BILL MUELLER: And I don't know that Millard would agree that that is the common element of the learning community. [LB387]

SENATOR ASHFORD: Well, I mean, you can have interlocal agreements and all get together and have a good...you know, get everybody together and have meetings and



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have...but unless you create a...unless you have a common levy, it seems to me that you're just back to interlocal agreements and just stuff that didn't happen, and we let OPS and some of the poorer districts really go down. And I think...and that was the concern we were trying to address. I never heard Millard say...though they raised their...you know, certainly the superintendent...we had many conversations with the superintendent and he did a good job in expressing his concerns, but there was never opposition to the common levy, that I recall. I'm just surprised by this testimony is all. [LB387]

BILL MUELLER: Again though, to be clear, we still support the 5 cent common levy across the 11 districts to fund the learning community. [LB387]

SENATOR ASHFORD: I understand. [LB387]

BILL MUELLER: And I do think that is new. [LB387]

SENATOR ASHFORD: But that isn't just...this isn't just the learning community. This isn't just the... [LB387]

BILL MUELLER: That would not have been possible had it not been for the learning community. [LB387]

SENATOR ASHFORD: Yeah I think it would. It would be very possible without the learning community. [LB387]

BILL MUELLER: The 5 cent...? [LB387]

SENATOR ASHFORD: Sure, to have a 5 cent levy that you fund the learning community with. The common levy is... [LB387]

BILL MUELLER: Not without a change in statute though. [LB387]

SENATOR ASHFORD: Well, you could have done a change in statute, but you didn't need the complete creation, it doesn't seem to me, of the Learning Community Coordinating Council and all of the work that went into this if we weren't going to have a common levy. I think its disruptive at the very first year that we've done this, after two years of incredible amount of work, to now backtrack on the common levy. I can understand some of the issues involved in delaying it and all that sort of thing, and I certainly...again, Papillion has been above board in their opposition. I disagree, but I certainly cannot argue with them being clear. But I guess I am...maybe I should have been not surprised. Maybe Millard sent enough signals that they really don't like the common levy. And it must be for some philosophical reasons, is that...? They don't... [LB387]

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BILL MUELLER: It is. It truly is. [LB387]

SENATOR ASHFORD: So if the needs in OPS or Ralston, let's say, are such that Millard can take care of its needs with the resources it has, but Ralston can't and OPS can't, we shouldn't distribute though. That's the fundamental reason for the learning community. [LB387]

BILL MUELLER: But I think that Millard would say that those needs and resources would be addressed through the state aid formula. [LB387]

SENATOR ASHFORD: Okay. That's fair enough. And it's not your...you're simply relaying the point and I'm not...it's not you. It's just I never heard it... [LB387]

BILL MUELLER: Well, and if we've not been clear the last two years, or three years, I apologize for that. [LB387]

SENATOR ASHFORD: Not only have you not been clear--not you--but not only has Millard not been clear, but Millard has given exactly the opposite. As early as when, I think Senator Raikes' last hearing, when we had an interim hearing here, and all of the superintendents were here, I don't recall Millard saying, we object to the common levy. I know Papillion has an objection and...but I...and again I fully understand their objection. I don't agree with it, but at least they've told us that all the way along. I've never heard Millard say that to me. And I guess maybe I should have had my ears open, but...more. [LB387]

SENATOR ADAMS: Well, and as a...not to join in the argument necessarily, but we were looking back through the records and last year, in the second half of the session, LB970, a bill was introduced to, in effect, do the same thing. And Papillion, again, was a proponent, but we didn't have Millard at the testifying table as you are now, which maybe contributes to part of what Senator Ashford is saying. [LB387]

SENATOR ASHFORD: Well, I think we had a good dialogue with the superintendent, with Keith Lutz, on these issues. And with John Mackiel, with Westside, with everybody, so many meetings...meeting and meeting. It took Greg and I and Senator Raikes and Senator Howard, you know, and Senator Avery, pretty much, and Tammy, pretty much all our lives for two years. And I think I was pretty much involved here. I don't recall Millard ever opposing the common levy. And I was involved with this on a daily basis. And I think we're either together to make Omaha and the learning community a better place or we're not. And, you know, if you want to be...if your client wants to be opposed, that's their right to do. I just think it's counterproductive to the good work that's being done by the Learning Community Council and...and finally...and finally getting going, moving towards helping the kids that need the help. I'm just flabbergasted that Millard

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has changed its position. [LB387]

BILL MUELLER: Again, to be clear, we are supportive of the learning community. We oppose the common levy for general operating. We do not oppose the learning community. [LB387]

SENATOR ADAMS: Are there other questions? Senator Howard. [LB387]

SENATOR HOWARD: Thank you, Mr. Chairman. Well, I'm just...in following up with this, has something changed? Has there been a change from last year to this year, to put Millard in a different position or for them to ask you to come in today? [LB387]

BILL MUELLER: No. I...Millard has never supported the common levy. Were we standing up in front of the committee jumping up and down? No. But we've never philosophically liked a common levy. Our board feels very strongly about their authority as locally elected school board members to establish their general fund budget and levy. So that is not a new position. Have we been as public about it as we are today? Obviously, not. [LB387]

SENATOR ASHFORD: Well, not even private. We haven't been private either, because I haven't heard it in private. [LB387]

BILL MUELLER: Well, and I think there are others in the room who would support the position that I'm here to advocate, but they're not coming to testify, so. [LB387]

SENATOR HOWARD: Well, and I think some of the confusion comes in, is that we did understand clearly where Papillion stood, Papillion-La Vista, and Bellevue was always straightforward. They changed their position a number of times, but they were always very up front with giving us their view. But this is just a shift as far as I would be able to tell. [LB387]

SENATOR ADAMS: Senator Haar. [LB387]

SENATOR HAAR: Thank you. Could you...I want to ask you a question. Again, for those of us who are coming new onto this committee, we're going to need a little more education. Now on this handout here from Senator Gay, it shows 97 cents coming in from OPS, Millard Public Schools, and X...those are the other ones I take it. Are you saying that under LB387 it wouldn't necessarily be 97 cents from all of those? [LB387]

BILL MUELLER: Again, I have not seen this before you handed it to me, and your counsel and your Chair have forgotten more about this than I know and others in the room have. But my understanding is, without a common levy for general operating, each district would have their own general fund levy. So if the 97 cents in the diagram

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represents the general operating levy, you're right; everyone would have the same levy. If LB387 passed, those numbers would be different. [LB387]

SENATOR HAAR: Those would be different. Okay, that's what I was trying to establish, yeah. And...well, we can ask some more of the testifiers as well. Thank you very much. [LB387]

BILL MUELLER: Thank you. [LB387]

SENATOR ADAMS: Other questions for Bill? Thank you, sir. [LB387]

BILL MUELLER: Thank you. [LB387]

SENATOR ADAMS: Other proponents? [LB387]

GEORGE CONRAD: Members of the committee, my name is George Conrad. I am the superintendent at Douglas County West Community Schools and a part of the learning community. And at this point in time I am really simply voicing the concept that, in supporting this bill, the committee might also give itself some additional time to consider some other alternatives which we'll probably be discussing in LB391 regarding the use of funding, both at the state level and within the learning community. I, for one, have also supported the learning community from day one and think the concept is absolutely appropriate. We think that as you look at the complicated bill, over and over again as we have for the last two years, the establishment of the Coordinating Council, the establishment of an additional 5 cent levy to provide those shared opportunities begins to work toward that true concept of a learning community. I, of course, would be faced, potentially speaking, and again based on modeling of numbers at DC West as a nonequalized school district, would have the potential in year five, full implementation, using a modeling device that we've used, using this year's numbers, would need to reduce my general fund budget by \$1.4 million--and I only have \$8 million in budget authority now. So for me, this could definitely have a negative effect. So by considering this bill, the committee might give itself time and us, as school districts, time to really look at some funding approaches which might fit equity for all school districts. And I could go on and on about why we're a high spender and that we're nonequalized and how that fits with general policy throughout the state, but I'd rather just leave it at this and answer any questions that you might have. [LB387]

SENATOR ADAMS: Thank you, George. Are there questions for this testifier? Senator Haar. [LB387]

SENATOR HAAR: Yes, thank you. Again, making sure I understand this, currently OPS and Millard Public Schools would levy the same property tax for the learning community, is that correct? [LB387]

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GEORGE CONRAD: Actually we all would. It would be a prorated figure and all of us would then put in money. Quite simply, as a nonequalized district, for example, when you look at how we fund ourselves, we of course receive no equalization money from the state now, because based upon calculations our student need is less than the amount of money we can generate in taxes based on our property valuation. But as you take the money and put it in the common levy at this level and give it back to us at our student need level, we are then short. And while, yes, we do have the 8 cents to work with, in addition, that reduction is quite significant for us. And as I mentioned, in modeling, \$1.4 million. My understanding and, of course, my support for this bill is the notion that we give students of poverty an opportunity to experience school districts or have the chance to experience school districts which might meet their need. And quite frankly, I would think that there would be a level of understanding here that if DC West would need to reduce its budget by \$1.4 million, the opportunity to invite students to a program with reduced students...or I should say with reduced teachers, reduced budget, begins to eliminate one of those opportunities for poverty students. In addition to that, DC West is a bit unique in that, generally speaking, I think it's fair to say that the higher your poverty students--free and reduced lunch student percentage--generally the lower your overall property value would be. We're in a bit of an anomaly in that regard because while we have high property valuation, generally speaking, we're either in the second position or the third position with Ralston behind OPS for the highest number of poverty students. And so we have spent money locally without the support of the state in equalization. We have spent a lot of money to make sure that we educate our students and to provide for those additional needs. Our scores are second to none in schools in the learning community. This year alone, we have a whopping 43 seniors in our school district, but of those 43, eleven...11 have qualified for full-tuition scholarships based upon their experiences at DC West. And I feel it's safe to say that with a reduction of the amount of teachers I would need to reduce with a \$1.4 million potential projected reduction in year 5 of the learning community, I'm not sure I can provide those numbers because I won't be able to provide that kind of programming. Hopefully that (inaudible). [LB387]

SENATOR HAAR: So your objection isn't so much how much goes into this thing, but what you get out of it. [LB387]

GEORGE CONRAD: I think that's a fair statement. Based on the modeling that we have done--and when I say we, I mean business managers of the learning community--based on the modeling that we've done, if we use this year's numbers and we include that into a model which projects out the potential effects of the budget, \$7.5 million in year five, using today's dollars, would actually be returned to the state equalization money. In other words, we would take on less equalization money as a learning community than we would as individual districts. And quite frankly, that falls, for the majority, on the backs of two school districts: South Sarpy and DC West. In effect, in true effect, you

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would actually be asking the taxpayers of DC West to provide money to a common levy which actually gives money back to or reduces the amount of requirement for equalization. I would suggest that if that's good public policy, then the consideration should be for the other 43 school districts in the state of Nebraska, who are nonequalized districts, and ask them to do the same thing. I guess that would be a comment from me. If that helps. [LB387]

SENATOR HAAR: Thank you. [LB387]

SENATOR ADAMS: Other questions? Senator Howard. [LB387]

SENATOR HOWARD: Thank you, Mr. Chairman. Right now, you're nonequalized? [LB387]

GEORGE CONRAD: Yes, ma'am. [LB387]

SENATOR HOWARD: Are you anticipating that within the next--you mentioned five years--within the next period of time, that you may be in a position to become an equalized school district? [LB387]

GEORGE CONRAD: I think we stand a better chance. My feeling about that, Senator Howard, as a matter of fact, is that if indeed we have that opportunity to be a part of the learning community, which again I want to reinforce I think is a positive thing, I truly believe that we will draw students to our district, which will increase our needs. Not that a funding formula can ever deal with the topography of the state of Nebraska, but the reality is, DC West is in a flood plain. In a flood plain, you dig a hole in the ground for your foundation; you now have lakefront property. So the reality is we're not building homes that attract beginning families with children who are in K-12 settings. We tend to build homes that are far more expensive and of families that are pretty much well established in terms of their life cycle. So our one way of really drawing more students is by really publicizing here's what we can offer a child from any of the other ten school districts in the learning community. And to participate in the concept of a focus school is absolutely on our horizon. I don't know if that...I don't want to belabor. I could go and on, as you can see. [LB387]

SENATOR HOWARD: No, no, I think that's interesting. I've been down to your area when I worked as a social worker, there were some students. And it's a beautiful area. It's many housing...new developments down there. But you're right, these are not starter homes. I guess you could say that. [LB387]

GEORGE CONRAD: Absolutely. And, you know, we have some areas...if you know anything about western Douglas County, one of the main communities that we have, I have children who aren't sure whether they're going to have water or electricity when

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they get home at night, and they sit in the very next seat next to some of the people who live in those homes. So to talk about diversity is, I think, a very sound concept for us, because we only have one elementary, one middle school, one high school, so that diversity happens within the same building and not just within the same district. [LB387]

SENATOR HOWARD: Yeah. Well, and I appreciate that at times it's been a struggle for you in terms of the learning community and how would this all work out. But you've always hung in there, so thank you. [LB387]

GEORGE CONRAD: Absolutely. Thank you, Senator. We think it's a good idea. [LB387]

SENATOR HOWARD: Thank you. [LB387]

SENATOR ADAMS: Other questions? Thank you, sir. [LB387]

GEORGE CONRAD: Thank you very much for your time. [LB387]

SENATOR ADAMS: Other proponents? If there are no other proponents, then we'll begin with opponent testimony. The first opponent. Whenever you're ready. [LB387]

JOHN MACKIEL: Senators, good afternoon. I'm John Mackiel, it's M-a-c-k-i-e-l. I serve as the superintendent of the Omaha Public Schools. And Senators, the eyes of the nation are on you this legislative session. You and others before you worked countless hours over the past three years to arrive at what is being hailed across this country as innovative, enlightened, an equitable approach to educational choice and educational achievement. It's the learning community. You created it. Students need it. And at its very heart is the common levy. The common levy treats taxpayers fairly. We all know that an elementary school, it's going to cost the same whether it's built at 22nd Street, 122nd Street, or 222nd Street in Omaha. The money represented in those addresses comes from three different and unique school districts. We cannot go back to the drawing board and draw arbitrary boundary lines across our city that dictate the opportunities and the resources that will be available to young people on the basis of where they reside within the city. This was precisely the situation that faced the school district of Omaha in 2005. The city was growing. Tax increment financing was impacting the core of the city. The suburban housing market was booming outside the Omaha Public Schools. The school district was becoming a hollowed out, isolated, nonintegrated city core. We have all learned over these past three years, that when resources are not shared, the education that students receive isn't equitable. Without the common levy, the other key learning community commitment also fails and that's integration. It simply will not occur if some school districts have and others have not. When the suburban school districts, which under Nebraska law would have fallen under Nebraska Statute 79-535, one city, one school district; when they were asked by you, this legislative body, what was most important to them, they said: Let us keep our

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boundaries. When you asked the Omaha Public Schools that same question, we replied: Equity of resources and integration. Out of those answers, you crafted the learning community. A learning community with a common levy at its base and diversity through choice as its educational outcome. I recently attended a symposium at Harvard University, and when educational leaders across this country were talking about twenty-first century models to achieve equity of resources and achievement outcomes, they talked about Nebraska. The trade-off for setting aside the one city, one school district law in the metro area was that the city didn't need to grow, if it shared resources and if it collaborated on behalf of all children. And now that boundaries appear to be protected, you're being asked to forget about why the common levy works. You're being asked to eliminate or erode the very ingredient that makes the learning community work. Just as the longstanding, still-ringing debate subsides and progress is underway, the elimination of the common levy will empty the promise, it will unravel the potential of the learning community, and it will reignite the debate over educational equity and opportunities in Nebraska. On behalf of the board of education, we're requesting that you not advance LB387. [LB387]

SENATOR ADAMS: Thank you, Dr. Mackiel. Are there questions? Senator Ashford. [LB387]

SENATOR ASHFORD: Just to second what you said, Dr. Mackiel, and I'm aware of many of the...a few of the studies, at least, that have national scope. And also with the passage of the stimulus bill, it is my understanding, on the education side, that there is an effort to look at progressive models for educational opportunity. Isn't that correct? [LB387]

JOHN MACKIEL: Senator Ashford, it would be an opportunity missed if we simply considered the current parameters that exist and did more of the same. I believe this is an opportunity to do what was done by this legislative body--look at a delivery model that best meets the needs of young people. [LB387]

SENATOR ASHFORD: Well, I guess...and what I would say, it was not done solely by this Legislature. It was done by...by yourself, by the other superintendents, even those who had reservations. All 11 who came together, even Papillion, who has always consistently had reservations about the common levy, have come together...came together and did the right thing. Isn't that correct? [LB387]

JOHN MACKIEL: And it is a source of pride, Senator, that we believe that when all of the dynamics are set aside, that there is no disagreement with respect to the importance of an educational model that is equitable and integrated. The common levy is a means. One city was a means. You could find debate on both sides of those means to arrive at an end. We believe that we have a better means before us today with greater potential. [LB387]



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SENATOR ASHFORD: I know when Senator Adams and I came on board, you know, the districts at that time were, as you say, fighting over the border issue. The issue of excellence of education was going to be a secondary issue until that border thing got resolved. It did get resolved, and then we dug in, and you and everyone else and Senator Brashear over there working with the learning community, and lots of others, spent two years, as I recall, of my life at least, and Senator Howard and many others, to get this thing right. And there are tweaks around it. Let me ask you this. When we met in December at the last hearing, interim study hearing that Senator Raikes had, all 11 superintendents I believe were represented at that hearing, were they not? [LB387]

JOHN MACKIEL: I believe so. Or their representative. [LB387]

SENATOR ASHFORD: Or at least they were represented. There were business managers there, and I believe there was a business manager from Millard was there, I believe, and gave some characterization of some of the numbers and some of the tweaks that were needed, as I recall. Do you remember that conversation? [LB387]

JOHN MACKIEL: Senator, there are many, many models that some speculate. But yes, indeed, I do remember specifically the model that you're referring to. [LB387]

SENATOR ASHFORD: Right. And OPS has gone along with those changes with the 11 districts, have you not? I mean, some of those small incremental changes that have...I mean, at least so far. I haven't seen you in opposition. [LB387]

JOHN MACKIEL: Yeah. What I can tell you is that there are two...everything is workable, it truly is. There are two primary ingredients at stake here. One is the common levy; two would be integration. And we are going to stand when we believe that those two essential pillars are compromised in any way. And so the spirit has been, and in direct answer to your question, I don't recall anything as significant as the common levy and integration being challenged. [LB387]

SENATOR ASHFORD: Right. Well, I mean, there are issues about implementation... [LB387]

JOHN MACKIEL: Absolutely. [LB387]

SENATOR ASHFORD: ...and the ESU issue, things like that, that go into the implementation. But as far as attacking the fundamental underpinnings of the learning community, at least I thought we were all on the same page, with some reservation and caveat on the part of Papillion. But other than that, I thought we were pretty much on the same...would that be a fair comment? [LB387]

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JOHN MACKIEL: Senator, what I can speak to directly is I know where the Omaha Public Schools stood and I certainly have my own impressions, as well, based on where efforts and energy has been to seek resolution in those areas that you defined as tweaking some of the primary ingredients. [LB387]

SENATOR ASHFORD: And the other thing, and this is my last...I'm sorry, Mr. Chairman, but this is my last question. But when we first started talking about this, two years ago, there was much discussion about winners or losers. That discussion has sort of gone away, hasn't it? I mean, we're looking at the learning community as one big winner, and the common levy ensures that needs are going to be addressed and that the resources in the learning community will be determined and will be calculated over time. Isn't that correct? [LB387]

JOHN MACKIEL: Senator, I would agree that whenever the educational needs of young people are directly addressed and you interject in that an opportunity of choice which has an integrative ingredient, all...all win. [LB387]

SENATOR ASHFORD: I guess in conclusion there is no, at least in my personal perspective, there is no more, at least on education--and maybe I'm being a little partisan here--there is no more critical issue than the maintenance of the learning community and bringing our school districts together on the issue of learning opportunity and integration. And this is a model for the country, and I, for one, cannot possibly budge on the fundamental underpinnings of the learning community. [LB387]

JOHN MACKIEL: Senator, the concept is the means to arrive at the educational excellence that you're desiring. And we believe that it has been placed in the metro area, the Omaha Public Schools believes that that is indeed an ingredient that will significantly impact student excellence in our community. [LB387]

SENATOR ASHFORD: I'm sorry, Mr. Chairman. [LB387]

SENATOR ADAMS: That's okay. [LB387]

SENATOR ASHFORD: A lot of our lives were involved in that issue. [LB387]

SENATOR ADAMS: Yes, it was. That's for sure. Senator Haar. [LB387]

SENATOR HAAR: Just a matter of information that doesn't really make any difference. I taught at Tech High School for four years during the '60s when it was a tough inner-city school. I had Johnny Rodgers in my chemistry class. Don't remember how he did in chemistry. I take it from some of the proponents of this bill, that they believe the learning community can operate without that common levy, but you don't. Could you explain that to me again? [LB387]

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JOHN MACKIEL: Senator, the learning community was...when the opportunities for young people in the same city are so significantly different based on the resources that are available to their school districts to provide those opportunities, you could not possibly arrive at the goals that were set out in the learning community. And to suggest that a 5 cent partnership program is a substitute for a twenty-first century model to legitimately address the needs of young people, I would respectfully disagree that that could be accomplished. [LB387]

SENATOR HAAR: Okay, thank you. [LB387]

SENATOR ADAMS: Senator Sullivan. [LB387]

SENATOR SULLIVAN: Thank you, Senator Adams. Thank you. And this is maybe not specifically to address this particular bill, but as a new senator I'd like to ask you what aspects of the learning community model are specifically going to address the challenges of integration and diversity. [LB387]

JOHN MACKIEL: Number one, the aspect of integration and diversity, Senator, that is included. It's with pride that I point to this current law that sets out an integrative commitment. I can't point to many other such commitments around this country. So that, in and of itself, where it indicates that if, in fact, the poverty level in Douglas and Sarpy County is 33 percent, it establishes the target of integration for the learning community. The Learning Community Council sits in judgment of whether or not that goal is being realized. So again, it's a very pronounced and a very definite outcome that is expected by the Nebraska Legislature. And I guess I would leave it at that. The rest would be all subsets of that. You accomplish that through the enlightened methodology that's included in there, whether it's the collaboration that was referenced by way of the focus school, whether it's the magnet school pathways that can now extend across a two-county area, whether it's the reinforcement of the transportation variable that recognizes if youngsters don't have access to transportation, they're not going to make those choices; all is contained within this law. [LB387]

SENATOR SULLIVAN: Okay. Thank you. [LB387]

SENATOR ADAMS: Other questions for Dr. Mackiel? Seeing none, thank you, sir. [LB387]

JOHN MACKIEL: Thank you very much. [LB387]

SENATOR ADAMS: Other opponents? [LB387]

KERMIT BRASHEAR: Chairman Adams, members of the Education Committee, my

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name is Kermit Brashear, K-e-r-m-i-t B-r-a-s-h-e-a-r. I'm a member of Brashear LLP, and I appear today as special counsel to Secretary of State John Gale who is by statute the facilitator of the learning community of Douglas and Sarpy Counties. As you may know, the learning community was...and as you do know, the learning community was established by the Legislature with an effective date of January 2009. During its formulative period, the statutes provide for Secretary Gale to act as the facilitator through March 31, and he has asked that we serve as special counsel. The learning community began with no bylaws or rules of procedure nor a means to elect officers. Without such, accordingly the organizational process has taken some time and there has been the necessary deliberation. Just last week, the Learning Community Coordinating Council elected officers. Secretary Gale continues to work with the new leadership, and the appointment of a legislative committee is a matter that is anticipated to occur at the next meeting on March 5. As such, the council has reviewed brief summaries of the legislation that affects the learning community directly or indirectly during this session, but it's not had an opportunity to engage in full deliberation and consideration thereof. Secretary Gale, using his statutory authority as a facilitator, has requested that we appear on behalf of the Learning Community Council because they requested that someone appear and express their opposition to this bill. This is the one exception that the council hurried to appear and to oppose, because, quite frankly, this legislation...the council takes the position that this legislation would undo that which is central and core to the operation of the learning community. Much has been accomplished. Given--this is ultimate justice--given the time constraints of testimony before the committee, I will skip the list of the accomplishments, but the council is proceeding very well with its organizational activity, has its officers, and will be moving forward in order to more fully participate in the process and procedure of the Legislature; but as to this bill, at the direction of the council, we appear in opposition. [LB387]

SENATOR ADAMS: Thank you, Mr. Brashear. Senator Ashford. [LB387]

SENATOR ASHFORD: Yeah, Senator Brashear. Kermit, what is it about the common levy in your words that is critical to the underpinnings of the learning community or the success of the learning community? What is it about the common levy...as someone who worked with all of us in getting this matter resolved, how would you characterize that? [LB387]

KERMIT BRASHEAR: The common levy was certainly one of the major legs of the stool. It was an accommodation to the contention--the natural and normal, understandable contention--where we're preserving the status quo, in many respects, but then joining together commonly in order to allocate resources based on need. [LB387]

SENATOR ASHFORD: And without that? [LB387]

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KERMIT BRASHEAR: It is, in my opinion, it's axiomatic to the undertaking of the totality of the effort. It's how everybody comes together to be one in equalizing this focus upon the things that are adversely impacting education at the early levels and with regard to English as a second language and with regard to poverty and the need for more focused attention in teaching. [LB387]

SENATOR ASHFORD: And in the end, to close the learning gap hopefully over a number of years while this is operating, we're going to bring every...that gap to a closure, which has been an embarrassment to our state, or was an embarrassment to our state prior to this time. Would that be correct? [LB387]

KERMIT BRASHEAR: Yes, sir. [LB387]

SENATOR ASHFORD: Okay. [LB387]

SENATOR ADAMS: Other questions? Seeing none, thank you, Senator. [LB387]

KERMIT BRASHEAR: Thank you. [LB387]

SENATOR ADAMS: Are there other opponents? [LB387]

WALT RADCLIFFE: Senator Adams and members of the committee, my name is Walter Radcliffe, R-a-d-c-l-i-f-f-e, appearing before you today as a registered lobbyist on behalf of Bellevue Public Schools in opposition to LB387. Senator Ashford outlined better than I could the necessity for the common levy. The common levy was the mortar that held the whole learning community bill and concept together. Take that out...just...well, take the mortar out of the tower and it's just going to fall apart. And I don't profess to be an expert on the educational nuances of the learning community, but I will say that from a political standpoint and from a standpoint of getting the necessary votes to pass the bill, it wouldn't happen without the common levy, and to take that out now would be unthinkable. I also have to share with you, it was fun to watch Senator Brashear work with the light system here, since he initiated that. (Laughter) [LB387]

SENATOR ADAMS: (Laugh) I sensed that. Are there questions for Mr. Radcliffe? Thank you, sir. [LB387]

WALTER RADCLIFFE: Thank you. [LB387]

SENATOR ADAMS: Other opponents? [LB387]

JAY SEARS: For the record, I am Jay Sears, J-a-y S-e-a-r-s, and I'm representing the Nebraska State Education Association. Senator Adams, members of the Education

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Committee. A little background for some of you who weren't here for the last few years. The NSEA has 11 local associations in the learning community. Those are the teachers and other educators that work in the classroom every day with the students that are going to have the opportunity to learn in the learning community. Since July 2006, I have been lucky enough to be the facilitator of those 11 leaders and their representatives as we sat around the table to deal with the issues as the Legislature dealt with the learning community. One of the goals that started out in July of 2006 was, as you heard earlier, keep the boundaries. Keep the school districts as school districts. People have great pride in the school districts that they represent and that they come from. Number two was no common levy. That's what we started with. That was our position because everybody believed that they should keep their own dollars. The third thing that was probably the most important principle was students should have opportunities in the Omaha area. And as we worked on that issue and looked at what education is all about, the piece about the common levy went away because we could see, those leaders could see that it was necessary to put the dollars together to make the resources available for all kids in the Omaha metro area. That's not to say that our representatives from Papillion haven't been very strong about their issues in their community. They've been heard. We understand, as 10 other locals in that area, that they have certain pressures that some of the other local leaders don't. We also know that in DC West, as they came in and sat down and talked with us for the first time as a smaller local, that they stood the chance, with the common levy, of losing teachers in that process. And so as you look at this bill, this doesn't do it. There may be some other bills out there that helps the process, making sure that 11 school districts can exist, 11 employee groups can exist, but, more importantly, that the 11 school districts can provide the resources and the education for the children in the Omaha area. And that means a common levy in some form. We have to make sure that we can take care of all those school districts so that they can still exist; that they have those unique opportunities, but they also have opportunity for their children to go to wherever it is they can get the best education. So that's a little background about what I get to do. It's an exciting time, working with the 11 leaders in the Omaha area. I'm an Omaha graduate myself and it's great to work in the two-county area, realizing that there's so many opportunities that are going to come for our children. So I thank you for the opportunity to testify today. [LB387]

SENATOR ADAMS: Thank you, Jay. Senator Howard. [LB387]

SENATOR HOWARD: Thank you, Mr. Chairman. Jay, as a senator that was here for LB1024, I appreciate your reflection on that. That was tough. That was a very tough session. And I think there were so many different positions that people started out on, and they wanted to really hold the line on those things. And for people to gradually, gradually come together and really address the problem, the bigger problem that we were facing, I think speaks well of everyone, frankly. And it's troublesome to think that there's an attempted erosion of that. We've worked too hard, spent too many years on

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it, and I for one...that was tough. So thanks for being here today and thanks for working to make everything come together for the teachers. [LB387]

JAY SEARS: Thank you. And those teachers will be there for you, so. [LB387]

SENATOR HOWARD: Thank you. [LB387]

SENATOR ADAMS: Senator Ashford. [LB387]

SENATOR ASHFORD: And I would like to also commend Senator Howard and Senator Cornett who both were here, Senator Howard on this committee, in 2006, who...and I had many conversations with both of them. Certainly Senator Howard, whom I've known for 30 years as we reflect once in a while, she's indicated how difficult that was. It was heartrending, it was emotional. And as I recall, the teachers themselves were distracted by the border disputes, were they not? [LB387]

JAY SEARS: Yes, they were. [LB387]

SENATOR ASHFORD: I mean, it was a difficult, difficult time, and to have gone through that legislatively like Senator Howard and Senator Cornett did, they should be given great praise for sticking through that. And then the last two years, for this Legislature, under Senator Raikes' leadership and with Senator Adams, I mean, I...and with the teachers' support and with the superintendents' support. I mean, in my career, there can be nothing that parallels it. It was one of the greatest collaborations of coming together I've ever seen, and I commend the teachers for this. How do the teachers view this now? [LB387]

JAY SEARS: It kind of plays day by day, but as we meet...we usually meet once a month. And as I say, the teacher leaders play together very well now. What they do is they focus on kids. And when you focus on the education of children in any community, it helps you get over some of the issues. That's not to say that it's very tough on some of our members to realize they go back to a community where if the common levy would go away, things would be better for them. And it's very difficult for a teacher leader to face ten other local leaders and say, I need help. [LB387]

SENATOR ASHFORD: Well, South Sarpy has been in a difficult position, and they have stuck in there, amazingly. And I shouldn't fail to mention Senator Avery, who represents Lincoln and had to sit through two years of literally 90 percent of our time dealing with Omaha. So he should be greatly commended for his leadership on getting this done. Thanks, Jay, very much. [LB387]

JAY SEARS: Right. Senator Avery, when we get this all fixed, then you won't have to listen to us anymore, right? [LB387]

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SENATOR ADAMS: Senator Haar. [LB387]

SENATOR HAAR: Thank you very much. In this new learning community environment, what are some of the things that will be uncommon? I take it that teachers' contracts are different. [LB387]

JAY SEARS: I can give you an example. Before the learning community came together in January as an official government body, the Westside Community Schools, the OPS Community Schools, and the Elkhorn Community Schools went together to form a focus school. And what was different about that, and I know Senator Ashford has a bill tomorrow we'll talk about, is the interlocal agreement that was formed to bring together the local leaders, the community, the administrators, the school boards, around what should this focus school at the elementary be about. How do we get everyone involved in it? How do we go through the lottery of who gets to attend it? But the focus was still back on, what can we do that's best for students through an elementary learning place at Underwood Hills that provides for kids of all types to be successful in school. And so that's probably the different piece is what you're going to see is communication among 11 districts of the professionals that are in those school districts, looking at what's best for kids and how we get those resources together. What they agreed to in the interlocal agreement was, we'll keep separate salary contracts for the three different teacher groups. We have to adjust days for teachers because Westside had 205 teacher days; OPS had 180-some days; Elkhorn had 190-some days. And so you have to adjust those. But those things happen because they came together and talked about it and looked at everyone's interest in the process and came out with a great product. So I think they gave us a very good model. So those are some of the things that we'll see different. [LB387]

SENATOR HAAR: And teachers' salaries, for example, would be different in all 11 districts, even though we have the learning community? [LB387]

JAY SEARS: Yes, they are. Yes. [LB387]

SENATOR ADAMS: Senator Sullivan. [LB387]

SENATOR SULLIVAN: Thank you, Senator Adams. So in this whole process, are we looking at new brick and mortar? Are we looking at teachers moving? Are we looking at students moving? I'm trying to get a handle on it. [LB387]

JAY SEARS: The answer is yes and no and maybe. Whatever works to best use the resources that are in the Omaha area is what's going to happen. It may be a new building, it may be an old building, it may be some other building. That's one of the things the achievement councils are having discussions with right now is where do we



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put elementary learning centers? Where will they best serve the most number of children and families, and what will they look like? How do we extend the learning for every student? We don't need new buildings to do that because there are programs in many of those buildings. So what you have coming together are 11 communities of educators, people, taxpayers, experts in the education field talking about how do we put together the best plan for individual students; how do we get the resources to make sure our children are learning. [LB387]

SENATOR SULLIVAN: And so I assume there, in this whole process, there's not only a time line, but some benchmarks for accountability? [LB387]

JAY SEARS: Yes. And we are hoping that in some other, the other bills that are coming up, you move those time lines a little bit further so they can work out those issues. [LB387]

SENATOR ADAMS: Senator Ashford. [LB387]

SENATOR ASHFORD: And just one last question. And then the excitement of this, to see UNMC suggesting that we do a healthcare focus school. I mean, to those who say we could have all done this without the learning community, well, it didn't happen without the...these kinds of things didn't happen before the learning community to the extent they are now. I'm not suggesting that the school districts didn't cooperate. But to have this, to talk to UNMC about a focus school--this is a twenty-first century world we're living in. [LB387]

JAY SEARS: Right. It's powerful. When you put together 11 school districts and communities to do something for kids, what you see--the wrong term--but "come out of the woodwork" is not the right term, but people from all over that have other resources to help kids come together, because it's powerful when you have that many people in a two-county area working for kids, so. I'm excited. You couldn't tell, right? [LB387]

SENATOR ADAMS: Other questions? Thank you, Jay. [LB387]

JAY SEARS: Thank you. [LB387]

SENATOR ADAMS: Are there other opponents to the bill? [LB387]

VIRGINIA MOON: Good afternoon, I'm Virginia Moon, M-o-o-n, from Ralston Public Schools. I'm the superintendent there. I'm here to testify in opposition to LB387, cautiously. One of the things that I think is important to know is that Ralston is a district with a lot of poverty, over 40, probably 42, 45 percent, depending on the time of year that we have the common levy. And we are increasingly strapped for resources. We are probably one of the two or three school districts, two in particular, that are actually

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landlocked with no additional building. We measure our ability to increase businesses and homes in our area by square feet, not by square miles. There's just no more space to develop, so our tax base will continue to be stagnant, at the very best. The common levy, in terms of what is the future of Ralston Public Schools, in terms of providing resources for our students is probably more core than the learning community activities themselves. So in thinking about my district and the future of our district in terms of resources, the common levy is a very important component of all of the bills that are here. I think it is important to know that Ralston does not want the common levy at the expense of other districts, and there are winners and losers in the common levy and some of those losers are extremely hurt. South Sarpy, DC West. They have some very difficult decisions to make if somehow legislation isn't brought forward that will protect them at least in the initial first five years. So I'm here to testify against LB387, but for my colleagues in the learning community that are hurt by this bill. [LB387]

SENATOR ADAMS: Thank you, Dr. Moon. Are there questions? Senator Ashford. [LB387]

SENATOR ASHFORD: And I think that's the point I think we're trying to make and we've all been talking together, is that there are ways of looking at the common levy differently, but not throwing it out. And I think that's the point. And thank you for your incredible leadership, by the way. [LB387]

VIRGINIA MOON: Thank you. Appreciate it. [LB387]

SENATOR ADAMS: Other questions? Thank you, then. [LB387]

VIRGINIA MOON: Thank you. [LB387]

SENATOR ADAMS: Are there other opponents? Is there neutral testimony? Seeing none, Senator Gay to close. [LB387]

SENATOR GAY: Thank you, Senator Adams. And I'll repeat: We've heard a lot of good things going on. I'm not going to argue that. But I do want to repeat, because I know my friends, Senator Avery and Ashford were a little late getting here, but when I opened, I said, hey, you know, there's some good things happening. I'm willing to work with you. I'm looking at a positive...just some constructive opportunities I wanted the committee to look at. And I was hearing...I always like listening in because then you do hear a lot of good things. And I think there is some great things that can happen with a learning community. I'm not saying that it isn't. I think every taxpayer would appreciate, you know, some of the poverty plans, school districts working together. All those things are fine. The question was asked, can it survive without the common levy? This is to change how we look at which part of the common levy. Do we need all of it coming into a pool? If you were all different school districts, coming to me, blending it up, and then I

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give it back according to the needs, I don't...that's what the learning community is to do. To pull people together, find areas where resources need to go, and then move those resources to that area. But a couple of questions, when I heard, I think, how does this affect a local school board member? It is, if you've been a school board member or any local official, you're in the grocery store and someone's coming up to you, and you have no control over 90-some percent of your budget, that's how it affects the local school board member. When we discussed this, that was always the big deal. Yeah, they still have to negotiate contracts, do some of these things locally, but yet, if the money is not there, what do they do? So these are the things I think we need to look into. Another thing that I wanted to get into, I guess, we...you know, when I had heard, I think LB970 was my bill last year, the same thing. But the reason I bring this again this year, this is not always fun, you know, coming up and being one of the lone wolves out there, I guess. There's a few others here at your hearing. But I spent a lot of time as well on this thing, and I never would have thought...and I do appreciate. I know everyone's heart is in the right mode here, and we all want to do what's best for kids, especially kids in poverty. But, you know, my argument has always been a poverty kid is no matter where they're at in the state, and I think we addressed some of that last year in a positive way. Now, learning community. Take another look at how we're going to fund it and distribute the funds. Long term, I think this will good long term for the learning community. The reason why is if you had solved what I believe will be a potential problem. I don't know if this will go away long term. Maybe it will, and you're the experts on this, and I trust that you're going to take a hard look at it. But if it doesn't work and we don't fix it, we could solve 95 percent of a lot of concerns, because I know that we assess property differently in our county than Douglas County. That's all there is to it. When I looked at our districts, you know, just the five...we've got Papillion, Bellevue, we've got parts of OPS in Sarpy County, we have Platteview, and we have Gretna, and they're all very different. They just are. They're very different. Their funding is different. So you know, you take, like I say, I was counting, I think there's 10 people here. Add one more. This is how it works. That's a lot of districts, a lot of uniqueness there that I think we need to make sure, so, that we look at. I believe there's room for some disagreement on this. I don't mean it...I know a lot of time has been put into this and say, well, we've got it, it's done. I believe this is ongoing. Just this year we're saying, hey, hold off on the state aid because we don't know where we're at. I mean, every year is different, and I've only been here three years. Most of us have been new. Every year it's a new adventure, I think. So when we say, this is going to work and we can't change it ever, I don't know if that's the situation because, you know, the state aid is changing, how will the...the taxing methods we're using are changing. So I do believe what we're offering is constructive comments, and we hope you take them that way, and not criticism of all the hard work that's been put in because I know everybody even behind me, and I respect them, been a ton of hard work put into this thing. I did hear from others, if there's other bills that may be out there that are coming, and I would just offer this. If there's anything, another vehicle that can address some of these fairness issues, I'd be more than...I'd love to work with you in any way I could. But you've got a hard challenge ahead of you.

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This is, I guess, one last thing, and say, hey, would you consider? Again, just look into it and if we can help there, so. Thank you, Senator. [LB387]

SENATOR ADAMS: Thank you, Senator Gay. Are there questions for the senator? Senator Ashford. [LB387]

SENATOR ASHFORD: Just for the record. And I don't...your position has been consistent, Tim, and no one is suggesting that you're overly critical, but I...you know, just for the record, just to make sure we all understand, it isn't the Learning Community Coordinating Council that determines how that money is going to be spent. It's the state aid formula. And the state aid formula doesn't include only poverty students. It includes lots of different needs, many of which apply to growth and advanced degree teachers and other things that are important for the quality of education. But just so, I mean, you know that. I mean, it's not the Learning Community Council that says we're not going to give money to Papillion because we don't like Tim or something. [LB387]

SENATOR GAY: Yeah. No, I understand that, and I agree with Bill Mueller. You guys probably forgot more than I'll ever know on this, so. [LB387]

SENATOR ADAMS: Senator Haar. [LB387]

SENATOR HAAR: Senator Gay, thank you. I like pictures, so I'm going to ask you a couple of questions about this so, again, so I can understand. [LB387]

SENATOR GAY: And I'll try to answer them. Yeah, okay. [LB387]

SENATOR HAAR: Okay, sure. What you have illustrated on your diagram here is the current situation, is that correct, where everybody puts the same amount into what you call the learning community money blender? [LB387]

SENATOR GAY: Um-hum. Yeah. [LB387]

SENATOR HAAR: Okay. And under LB387, if it were to pass then these amounts would be different, probably? [LB387]

SENATOR GAY: Yeah, it wouldn't be as great. It would be a smaller portion--5 cents. Of what they need, a smaller portion going into the blender; not as much. But it would still go to the learning...what they need to fund themselves. [LB387]

SENATOR HAAR: Okay. So within each community though, would people still be putting in the \$1.05 even though under LB387 more of it would go directly to the school district instead of...would that probably be the case? [LB387]

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SENATOR GAY: I guess I'm not understanding your question. They'd still have their levy authority. [LB387]

SENATOR HAAR: I'm kind of trying to look at this again as a taxpayer. [LB387]

SENATOR GAY: It'd be a smaller...well, it'd be a smaller portion going to that common fund to operate. But the school districts would get to keep a majority of what they raise in their county. So if I'm in Papillion and you're in Millard, your valuation is different than mine, in my head, and others may disagree. But your valuation, how they're coming to your place about once every five years; they're coming to mine every year. [LB387]

SENATOR HAAR: Okay. [LB387]

SENATOR GAY: So I'm getting assessed more now. They may catch up at some point, but for four years you didn't get looked at, whereas I'm getting looked at every year. So right there is unfair in my mind. [LB387]

SENATOR HAAR: So as a taxpayer who doesn't understand where all this money goes, just that it shows up on my tax bill, would that change for me under the way it currently is or LB387, what I see as a taxpayer? [LB387]

SENATOR GAY: Well, it could. And what we're saying now, the way I understand this, is immediately it hasn't, but that one gentleman from, oh, I forget which district he was from, he was telling you I've got X amount to operate. Now five years from now, I don't know what that situation is going to be. I don't even know three years from now because, what the formula, how that's going to change. But yeah, they could come back and say, you know what? I've given so much money; I need more to operate my own local district. Because I don't know what their contracts are going to say on their teachers and other things going on. They're still going to need to operate, but they may not have as much is the way I understand it. [LB387]

SENATOR HAAR: Now from a school board level though, things would look quite differently, wouldn't they, than under LB387, because under the current one it seems that there isn't as much discretion maybe as there would be under LB387...is that fair to say? [LB387]

SENATOR GAY: The way I understand it. I've never been on a school board, so I don't know the day-to-day activities of what they do. But yeah, you'd have...I would think it would hinder you as a policymaker. You'd still have the authority on contracts and teachers and some of those things, but I think you're going to look at it differently because your resources would be different, so. [LB387]

SENATOR HAAR: Thank you. [LB387]

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SENATOR GAY: Um-hum. [LB387]

SENATOR ADAMS: Are there other questions? Thank you, Senator. [LB387]

SENATOR GAY: Okay. Thank you all for your time. I appreciate it. [LB387]

SENATOR ADAMS: That will close the hearing on LB387, and we'll move on to LB391. Senator Howard. [LB387]

SENATOR HOWARD: Thank you. Senator Adams. [LB391]

SENATOR ADAMS: Senator Howard and members of the Education Committee, I'm Greg Adams representing the 24th Legislative District, here to introduce LB391. I certainly don't want to insult the committee in any way in this introduction or in my conclusion by leaving details out. But I want to speak with you in very general terms about what this bill is intended to do. The bill has two components. Let me first of all deal with the technical one and then probably the more substantive one. When the metro superintendents came to us in December, they had a list of things that they wanted the Legislature to take a look at to smooth the road to the implementation of the learning community. A list of those you will hear tomorrow in a bill that I introduced. One of them you have in front of you right now. And that is that in the existing statute, we need to clarify when the common levy is implemented, the levy number is set by the learning community board. The money is collected. There is some question about the collection of those property taxes, whether it's to be the learning community board that collects and then redistributes to the school districts. Part of what LB391 does, very simply, is to clarify that even though it is the Learning Community Council that sets the levy, the county assessors, the county treasurers will distribute that money directly to the school districts. It doesn't go to the learning community board. It goes directly to those school districts. It's in direct response to what the 11 superintendents have asked for. It's a reasonable request. I don't know that we ever intended to do otherwise in the statute. That's part one. Part two is more substantive. When you have a common levy, you are, in effect, asking, in this case, 11 school districts to pool their needs, to pool their resources. And resources include their allocation and equalization aid if they get any and their ability to levy property tax. And you're putting that over here in a bucket, and over here you have needs, and you're proportionately distributing the resources you have to the needs. Even more simplified, when you take the 11 districts that we have and you put them together, you have districts that have had more opportunity, given the small number of students they've had relative to a broad tax base, to spend more dollars per student than other school districts who have a large number of students and not as much tax base. So in essence, when you fold all of that together, you have districts that come out of it saying, thank goodness for the common levy because now there is a sharing of that value. And then you also have some districts that are sitting on

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the edge that are saying, whoa, we don't have nearly the students and we have had a large valuation for a long time, so we've been able to spend a lot per student. And I'm not sitting here telling you they were spendthrifts. They simply had a different valuation environment and a different enrollment number to deal with. Their school boards made educational decisions based on that. The learning community puts them into a different financial environment where they're sharing. So if you're a district, like a South Sarpy or a DC West, and you don't have as many students and you have value and you've been spending a lot per student, and now within the learning community environment with a common levy, you will be asked to give up some of your wealth, if you will, or some of your valuation and share it with other districts. Financially, that's pretty traumatic. I've never felt like it was the intention of this Legislature or certainly of this committee all the way through our learning community negotiations and development to cause any school district to come to an end because of the learning community. We knew there were going to be hardships, but I don't think it was ever our intention to push anybody off the edge of the cliff because of the implementation of a learning community. Last year, in a bill, we implemented a three-year hold harmless, so as the learning community common levy goes into place and we're starting to share, what we have, in effect, said for the school districts that were out there on the edge that give a lot of wealth but they've been spending more per student--and this is a traumatic time for them--we have said that over the next three years what we're going to do, we're going to hold you harmless in that we're not going to make you give up quite so much of your property tax base to the learning community for a three-year period. What LB391 does is to push that out two more years. It extends that hold harmless for two more years. Now, I'm not going to sit here and suggest to you that we extend that hold harmless forever. There are some realities that have to be dealt with here on the part of those school districts. Growth patterns that have to be absorbed. School boards that probably need to make decisions about where they need to go and where they want to go. But what this bill does is to offer another two years of help. Now you will hear school districts that say, yeah, but wait a minute, we don't want to go out two more years because in essence what we're doing, we're having to give up resources. If we didn't have the hold harmless, we would get. That's right. That's absolutely right. What they are in essence saying is the learning community allows us to reach over here and to take some of that property tax base away from some of these school districts, and we're willing to go along with three years of giving some of that back, but there may be opponents today that say, but we don't want to go along with five years of giving any of that back. That's in essence what LB391 does. Now I would tell you this. What you see in the green copy is a 100 percent hold harmless--aid hold harmless. I'm prepared, during Exec Session, to offer you an amendment to that, that reformulates. Here's why. We do have schools out there that I am very concerned about. The South Sarpys, the DC Wests, and others, and I don't want them to be hurt any more than necessary because of this. We also have schools that under the common levy are anticipating additional tax base, and trying to weld that together has been difficult and they're worried. The schools have worked together to bring together to me a compromise. We've looked at that. I've looked at that and had

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some problems with it, and I told them that. We've come back at it from another angle. And so I have an amendment here and we'll see how people respond to it and how you respond to it. It's the same scenario, but very simply what it does, it gives a bit of state aid to those schools that are on the edge, so that we don't have to take away quite as much tax from the Omahas and the others who were anticipating getting some of that. So the state becomes a player in what I'm about to offer you as an amendment to this, with some additional state aid, rather than just us sitting back and letting the 11 schools work this out. Now there's a lot of technical details and I'd be more than willing to try to go over those with you, and some of you have that...might have that glazed look in your eye and... but, in general, that's what we're talking about. And I'll try to answer questions at this point. [LB391]

SENATOR HOWARD: Thank you, Senator. I don't see a fiscal note on that yet though. [LB391]

SENATOR ADAMS: We wouldn't have one because we just worked it out. [LB391]

SENATOR HOWARD: I see. So you're anticipating the amendment could involve...probably would. [LB391]

SENATOR ADAMS: I don't think it will be very much, but yes. [LB391]

SENATOR HOWARD: Other questions? Yes. Yes, Senator Ashford. [LB391]

SENATOR ASHFORD: Yes. And thank you, Senator Adams, for spending all this time. But what strikes me about this discussion that you're having and the suggestions you're giving us is, why this works? Is that...when Senator Howard and Senator Cornett had to deal with 11 feuding school districts on every issue, and when it was mayhem and everybody had a lobbyist and everybody was fighting everybody, and the Legislature was being asked to solve the problems of the Omaha community and its schools, now what we have are, for the most part, 11 school districts working together, coming to you with ideas and you coming back. It seems to me that that's the essence of why the learning community works and the essence of collaboration. Wouldn't you suggest? [LB391]

SENATOR ADAMS: You know, when we met last week with several of the superintendents and their business managers, I was, you know, I was disappointed that I couldn't necessarily agree where they wanted to go, but I was pleased with the fact that what they did was to come in and to bring in possible solutions. And they were working together to do that. And I hope that we have found something here that we can all agree to. [LB391]

SENATOR ASHFORD: I think it's incredible work and it's going to--by you and by all the



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districts--and it's going to move the ball forward into the future, because this will be the standard of how we operate. [LB391]

SENATOR ADAMS: I hope that truly becomes the standard. I think you're right about that. [LB391]

SENATOR HOWARD: Yes, Senator. [LB391]

SENATOR HAAR: Thank you. Do you see, Senator Adams, that a little bit of the problem may be county assessors not playing the same in each county or? [LB391]

SENATOR ADAMS: Well, you know, that could be a problem, and we talked about that in great detail as we formulated the common levy. We discussed that so many times in committee. But, you know, we have NRDs, we have school districts that cross over county lines and school district lines, and so there's differences all over the state in those kinds of valuation adjustments. [LB391]

SENATOR HAAR: Okay, thank you. [LB391]

SENATOR HOWARD: Yes, Senator Avery. [LB391]

SENATOR AVERY: Senator Adams, it's been said many times today that we worked very hard on this learning community concept and the legislation, and I take a great deal of pride in what we did. I think it was innovative. And are you worried that we might be pushing this back so far that we aren't going to actually get to see the results of this? I mean, five years, and then maybe I can...it wouldn't surprise me if somebody comes back next year and says, we'd like to extend that a little bit more. And after awhile, you don't have anything left, and all the work that we've put in is for naught. [LB391]

SENATOR ADAMS: Senator, I have given that more consideration than one human being maybe ought to. Yes, I have. And I worry about the last bill that was just up and I worry about this. And I've had conversations with those superintendents who most directly would benefit from the extension of this hold harmless, and there's no question in my mind they also know that this cannot go on and on. I just think it's a reasonable thing to do. I would not see us going any farther than what this asks for: those five years. [LB391]

SENATOR AVERY: Nobody said this would be painless. [LB391]

SENATOR ADAMS: That's right. [LB391]

SENATOR AVERY: And it seems to me that when we did the first hold harmless at three years, we were saying, okay, so it's too painful or we're going to make it less

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painful, but you're still going to have some pain, just not right away. And now if we come back and we do this to five years, we are...the message might be, well, you really don't have to worry about the pain, because we're never going to make you take it. [LB391]

SENATOR ADAMS: I suspect that one could say that about anything the Legislature does. There has to be an end. [LB391]

SENATOR AVERY: Yeah. [LB391]

SENATOR ADAMS: Yes. [LB391]

SENATOR HOWARD: Any other questions? Yes. [LB391]

SENATOR GIESE: Thank you, Senator Howard. Senator Adams, then so what happens if we don't pass LB391? [LB391]

SENATOR ADAMS: If we don't...well, first of all, the first section, the Learning Community Council will be collecting all those property taxes and divvying them up, and I...that's not a good procedure. But I think probably what you're really questioning is the extension of the hold harmless. What happens if we don't? Then over the next three years, the other school districts will, in effect, give up some of the property tax that they had anticipated getting under the common levy, and schools such as DC West and South Sarpy will be able to hold on to it for three more years. And in that three years--I can only speculate--and in that three-year period, they're going to have to hope to experience growth, student growth, which means housing growth, which means infrastructure growth. They're going to have to--and they can and will but we need to be reasonable--they're going to have to reevaluate how they have been spending their money. They've had opportunity to spend more money per student than other school districts, and again I'm not saying that they have been spendthrifts; they just simply have been in a different property/student ratio environment than other school districts and they're going to have to make adjustments. Can they make them in three years? Maybe they can. Maybe they can. I'm saying that we give them five. [LB391]

SENATOR HOWARD: Senator Ashford. [LB391]

SENATOR ASHFORD: And we did discuss five, as I recall, Senator Howard...and Senator Adams, I mean. Five was a number...it was three and then five. I mean, it wasn't...I think we talked about five at one point in our discussions. [LB391]

SENATOR ADAMS: We did. And to answer your question, too, Senator Giese, I suspect there will be some superintendents coming up here who can speak more specifically to what their issues are and where they see their school districts going over the next three, four, five years. [LB391]

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SENATOR HOWARD: Any other questions? Yes, Senator Haar. [LB391]

SENATOR HAAR: When is year one? Is this, 2009, year one for the time to adjust or? [LB391]

SENATOR ADAMS: It would go into effect the next school year, would be year one. [LB391]

SENATOR HAAR: So some of us will still be here and some won't. [LB391]

SENATOR ADAMS: For whatever reason. (Laughter) [LB391]

SENATOR HOWARD: I was going to comment on that, as well. When we get into these lengthy projects that are so difficult, I think it's a shame to lose some of the expertise over the course of time, people that have worked on this. But thank you. Proponents, the people that are going to speak in support. Welcome. [LB391]

CHUCK CHEVALIER: (Exhibit 3) Senator Howard and members of the Education Committee, I appreciate you allowing me to represent the school board of South Sarpy School District 46 today, and I share with your their support of LB391. My last name is spelled C-h-e-v-a-l-i-e-r, Chuck is the first name. I am excited to be here today but I'm also highly concerned about my testimony today. And the reason that I am kind of concerned is my hope is that I can get across to you the passion that we have in our district for student learning. I hope that I can get across to you the spirit that we have in our school district about all the kids in the learning community, and I hope I can get across to you the deep history and traditions that we have at South Sarpy. And I don't know if I can do that in five minutes. So what I said to some of my staff is I've heard it said that a picture paints a thousand words, so let's try to put some of that in pictures. But we've attached some of the statistics and ways that we've spent some of that money that we've spent over the years to keep class sizes down, as well as have support staff and paras. But as you look at those pictures, our school board has sent me to report their support of LB391, and we certainly appreciate Senator Adams and all of you listening to our concern and bringing forth this bill. I won't necessarily review how we got here, but please review my written testimony to maybe kind of go through some of that history. Without LB391, the opportunities in those pictures might be gone in three years. Our board supports the learning community. They have always said, we support this as long as it doesn't hurt us at home. And yet we're in a position where in three years what you see in those pictures may be gone. We see ourselves that we as a district are in the ocean and we're treading water right now, and LB391 is the only lifeboat out there. If there are other lifeboats that are out there later as amendments are put down, we will consider swimming to those. But hopefully you see our position that our toes are on the line. We are at a point of, where the projections of how this finance

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system works are more visible now than they were at the end of last session. We didn't lose too much ability to produce revenue as it relates to funding our resources. Recently, other proposals have been thrown out there, and we're certainly going to look at those if they are new lifeboats. And certainly we're going to continue to work on this. Your lives have been spent on this, mine has too, for the last three years. And we certainly will continue to work on the overall goals of the learning community. In the past, you have definitely been considerate of our needs and our thoughts on this issue, and keeping us...and we very much appreciate Senator Adams talking about keeping us as a school district. I don't think we need to go away to make this work. Thank you for allowing me to testify on this bill, and I'd be glad to answer any questions that you have. [LB391]

SENATOR HOWARD: Good enthusiasm. I thought you were going to say, give me an S. (Laughter) [LB391]

CHUCK CHEVALIER: If you'll respond, I'll sure do that. [LB391]

SENATOR HOWARD: Thank you. Thank you. Do we have questions? Thank you. Senator Ashford. [LB391]

SENATOR ASHFORD: Chuck, and you have been enthusiastic and always behind this, and that's much appreciated. I think your positive nature and the way you address problems is infectious and helpful. But let me ask you this, do you see...in five years, do you see Springfield's growth increasing as far as people moving into the district? Are there other factors that you can think about, focus schools, other things that could enhance Springfield's ability to maintain class size and some of those things that you hold dear out there? [LB391]

CHUCK CHEVALIER: Well, we recognize a couple of changes that have taken place in answering that question. First of all, is the freezing of the boundaries will make a difference as to our growth. If our growth...if our original boundaries, which for the most part were Highway 370 over the last 15 years, been in place, we would have been a big enough school district right now. So as those boundaries remain stable, that's a possibility for more growth. We recognize the onus is on us as far as developing ideas for focus schools, looking at different ways that we can participate. Even though we're pretty far away, just mileswise, we're going to have to come up with very creative ideas to make this work. It's a crapshoot even at five years, Senator, to be flat honest with you. But we feel like we can do that in five years and get up there to about 1,500 kids. [LB391]

SENATOR ASHFORD: And is that what you need to do? How many do you have now? [LB391]

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CHUCK CHEVALIER: You know, we have about 1,050, K-12, and so we have to grow about 500 kids. [LB391]

SENATOR ASHFORD: And you can do that through growth and through recruitment and other mechanisms? Focus schools? [LB391]

CHUCK CHEVALIER: I think we'll have to come up with all kinds of creative ideas to do that. [LB391]

SENATOR ASHFORD: If there's anybody that can do it... [LB391]

CHUCK CHEVALIER: We may need anybody's help. [LB391]

SENATOR ASHFORD: Even though he went to Rummel, which was always...thank you. [LB391]

CHUCK CHEVALIER: I knew you'd throw that in sooner or later. [LB391]

SENATOR CORNETT: Have you given thought to reopening this school that you closed and you have the 300 students that are now going to Bellevue Public Schools? [LB391]

CHUCK CHEVALIER: We certainly think that we...our board recognizes and I certainly recognize by closing the LaPlatte Elementary School, we walked away from delivering service to those students. We either have to come up with a way to deliver those services again to those students, bringing them back to us, or work on some kind of focus school down there, perhaps with Bellevue, and get involved in a creative way to serve those students. Absolutely, I would say to you, Senator, that we were certainly at fault in doing that. We had to do that for the times, but certainly a lot of our students left us because of that. [LB391]

SENATOR CORNETT: Thank you. [LB391]

SENATOR HOWARD: Yes, Senator Avery. [LB391]

SENATOR AVERY: I'm looking at your Executive Summary, under II(b). Is that final loss to South Sarpy School District, is that...I believe you say here that that's the amount, almost \$2.8 million, that you would lose in funding if you didn't have any changes, any hold harmless? [LB391]

CHUCK CHEVALIER: That is correct if you use 2008-2009 finance figures. And the reason that the 11 districts have continued to do that is we know those to be true. So if we use 2008-2009, if we were to levy our own 95 cents on our taxpayers and keep all of that money, it would equate to \$9.6 million. We would receive, in the redistribution of the

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common levy, only \$4.137 million. So the loss would be \$5.4 million. We are not...we don't receive much state aid. Because we're a part of the learning community, state aid is also redistributed and we would get \$2.7 million. So we kind of subtract that off the loss. And if there is no hold harmless...and on year four, the way it sits right now, \$2.7 million is our loss. Our budget this year is \$11.9 million. And if you've seen any of what is typically referred to as the pain chart, that's basically the loss to our budget. The total budget would be about 25 percent. [LB391]

SENATOR AVERY: But we did pass LB1154, last year, that gave you three years adjustment period. [LB391]

CHUCK CHEVALIER: Correct. Correct. [LB391]

SENATOR AVERY: We call it hold harmless. You probably wouldn't call it hold harmless... [LB391]

CHUCK CHEVALIER: No. [LB391]

SENATOR AVERY: ...but an adjustment period. You don't show any numbers here for what that adjustment period would do to your loss. Would it just take this \$2.8 million and essentially push it into the next...three years down the road? [LB391]

CHUCK CHEVALIER: No. Based on what would happen in the first three years of this, and I don't have the numbers exactly in front of me, but we would still have a loss in excess of \$1 million. A little bit over \$1 million, the way it sits, from our current budget. [LB391]

SENATOR AVERY: With the three-year hold harmless. [LB391]

CHUCK CHEVALIER: Um-hum. [LB391]

SENATOR AVERY: So you're really talking about your pain being not \$2.8 million, but your pain being somewhere around a million? [LB391]

CHUCK CHEVALIER: That's correct. This would equate to year four as we sit here right now. [LB391]

SENATOR AVERY: It would be nice to see those numbers. Now what...if we pass LB391, what will be your pain in year five? [LB391]

CHUCK CHEVALIER: In year five, we would be about in the same. I haven't looked at how the growth part of LB391. What the hold harmless is right now is you take our property taxes that we've levied, which for us are just at barely over a dollar, is our

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general fund levy...and our state aid. And that's the figure that we're held harmless to basically across the way. Now, as we get new state aid and our state aid is redistributed, then we begin to need less of the common levy as we get more state aid. But that's the number that we're held harmless to, and that's about \$10.1 million. And you also bring in your other accountable receipts into that calculation. So as that grows in LB391, there's a growth pattern to that, as well, and so that would actually be, you know, as you increase that out four or five years. One of the issues that has been brought forward is that LB391, actually in year six, if it were to pass, becomes a steeper drop-off. And there's truth to that. [LB391]

SENATOR AVERY: So you'll come back in five years and ask us to do this again. [LB391]

CHUCK CHEVALIER: Well, I'll do what my school board asks me to do, Senator, but I would tell you that I know that I've said to our school board, and I've said to Senator Adams that the onus is on us. And there is nobody in my school district that doesn't understand that this might be the end for us; that as a school district, we might go...we might be collateral damage to forming the learning community. And we recognize to get out to year six we have some work to do. And we at this point have taken responsibility to do that work. That being said, I might be back in year five and asking for some more years to do that, because if we're making progress and we're almost there, I wouldn't feel bad about coming back and saying, we've worked on this and we're making progress and we're almost there. [LB391]

SENATOR AVERY: Well, we love you and we don't want to see you collapse. But there is something called tough love. [LB391]

CHUCK CHEVALIER: Yep. [LB391]

SENATOR AVERY: And I'm thinking that maybe that's what we need to be looking at here, because this \$2.8 million, that's the worst-case possibility or likelihood. With the three-year adjustment to your implementation or the hold harmless, that drops down significantly, and then with another two years it ought to drop even more. So I'm a little bit concerned about setting a precedent for, okay, we were going to have to bite the bullet last year, now we don't have to because we got you to give us a little time. So we give you that time and now you come back and say, well, we haven't even found out how we're going to do under the bill that you passed last year, LB1154, but we still want more time. And I'm afraid you're going to be coming back next year and say, you know what, you know, that five years is not enough, we need another two. And then pretty soon...the point is, pretty soon, you don't have a learning community because you guys aren't participating fully. [LB391]

CHUCK CHEVALIER: I think though, that even in the last week and a half, several

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ideas have surfaced to handle this problem, you know, in a different manner that may be better than what's written in LB391 right now. And each day there can be new ideas that come up to help solve this problem. I just can't sit here, Senator, and agree with you that our district has to go away to make this work or we have to cut... [LB391]

SENATOR AVERY: I don't think you do. [LB391]

CHUCK CHEVALIER: ...28 percent of our budget to make this work. I think there's things that we can get done, and the more time that we have to do that, the better we can. I do...I understand exactly what you're saying. There has to be a cutoff point. I wouldn't disagree with that at all, personally. [LB391]

SENATOR AVERY: No, I don't want to see you guys collapse at all. I think you do a fine job. But I want to see the learning community succeed. And I'm afraid that if we start down this path and continue down this path, then we undermine the learning community. And then more people suffer--the people who are already been suffering that led to this creation of the learning community in the first place. I think it's destructive that...well, I don't need to preach here. I'm going to shut up. I'm supposed to be asking questions. [LB391]

SENATOR HOWARD: Senator Haar. [LB391]

SENATOR HAAR: Thank you. Could you just, for my information, describe kind of what you're...where your district is, what the demographic makeup, and why the learning community creates this financial problem for you? [LB391]

CHUCK CHEVALIER: Our district is essentially kind of the south side of Sarpy County. Our southern border is the Platte River, our eastern border is the Missouri River, and we actually go out west, past...in some parts, past the interstate. So our land mass equals Omaha Public Schools or roughly the same size in land mass. Right now, we're probably more of a rural school district than we are an urban district. However, we're in the midst of that change and that growth. The major pockets of population are Springfield, as a city. The second one would be Westmont which is an SID on 132nd Street and Highway 370. Our northern border is Papillion, our western border is Gretna. There are actually parts of Millard that is our northern border as well. And then Bellevue is our northern border on the eastern end of our district. So quite a land mass. We have about 17 percent poverty. We're a low poverty district, and much of that is...well, that's really actually all around our district in different pockets. But overall, we're low poverty compared to others. We have maintained our enrollment over the last several years, but actually we've trended down over the last 15 years. I think part of that is probably the closing of LaPlatte and that our eastern residents have to either go to 144th or 132nd or 108th if they want to attend school in our district. So our...what we are, we are a nonequalized district. This year we get \$120,000 in state aid. And that's the income tax.



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I call it a rebate--that's not the official term--but all that is, is the income tax money that comes back to us. Our assessed value per student is the highest of the 11 districts. In one of the calculations this past week, I think it had it at \$900,000 per student. I don't think it's quite that high, but it's quite high. And in comparison with Auburn, where I was also the superintendent, in Auburn the assessed value is about \$250,000 per student. I think Bellevue is in about that range, \$250,000 to maybe \$290,000 per student. Therefore, we are...we can spend a lot more on students because our ability to property tax is available. Our wealth is in our property and that's how we fund. There are two redistributions that take place: one that's kind of a plus for our district in the learning community and the other is a negative. However, in both redistributions, calculated need--and I think the real term is formula need but I call it calculated need--is the driving force behind how this funding mechanism works for the learning community. The drive is to get your resources to match the calculated need. That dollar amount comes out of the state aid formula. And I can go through some of that, but bottom line is, there are many different ways that your need is changed into or quantified into a dollar number as that develops, and you come up with a number that says here is your need. In the learning community...typically, any other school district then, they look at your resources as a single district and decide whether you need state aid. And in that case, we haven't needed state aid because we've had the wealth in the property tax. In the learning community, the state aid first is redistributed based on your percent of the calculated need as a total. Now our district, in the first study or the only study that we've done, for '08-09 is .98 of 1 percent. So we're less than 1 percent of the total needs of the entire learning community. And state aid is redistributed, so we get about 1 percent of the state aid. So for us, we actually...a plus is in the state aid. Then the second factor happens is that everybody throws in their own accountable receipts. Now those are things such as the motor vehicle taxes that I think is being heard over at the Transportation Committee, the different fees that you get, all kinds of different income. For us, that's about \$1.8 million of different income, and quite honestly, the biggest chunk of that would be motor vehicle taxes. They subtract the state aid that you've been redistributed and those other accountable receipts from your calculated need, and then they figure out how much of the common levy, which is maximized at 95 cents is the levy, how much of those common levy taxes then do you need to equal your calculated need for your district. And so, you know, that will change every year because calculated need, as that changes. Schools will change in their calculated need as you change things in LB545 as it relates will change that calculated need, and therefore the redistribution of the property taxes takes place. Now, I would tell you the problem that we've had is the 95 cents doesn't pay for what everybody needs, you know. So it is then brought down, and I think the last calculation was everybody got 96 percent of what they needed in the common levy receipts. After that, then you still have to fund your district. You have the 8 cents that's left from \$0.95 to \$1.03. You get money back from the 2 cents. Now here's an example of how the redistribution works to the negative for us. In the building fund 2 cents, that 2 cents for us will be about \$220,000. We'll get back \$85,000 of that. So that's redistributed to other districts. But you still have that, and

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then you also have your federal aid on top of that, that a district might get as well. So those...the problem is the redistribution. In my mind, the problem for us is the redistribution of the common levy took too much as it relates to how much state aid we got back to cover that. I mean, the bottom line is, you know, the loss in common levy is \$5.4 million. We get \$2.7 million back to cover that. You've been asking the question, what's that mean to a taxpayer? They're still going to pay the 95 cents, but in the case with the learning community, their 95 cents in the old ways would have all gone to South Sarpy School District 46. And the learning community, as it starts, relatively half of that will go to other districts in the learning community. So that's a long answer to your question, but I guess I want to make sure you understand why this has happened to us. The other part of that has to do with the amount that we're spending. And I do believe we're spending money for the right reasons, I honestly believe that, and hopefully some of those pictures and statistics tell you. My office is in a metal building, you guys. I mean, we...our buildings aren't brand new for the most part. We've got a couple additions, but, you know, we are spending money on teachers and paras and on, you know, getting teachers to professional growth things. We're spending money for the right reasons. But we do spend more. The other part of LB988 that will affect us is the fact that the budget limits have been changed in LB988 and that has actually caused us...our budget went up about 2 percent this year from '07-08 to '08-09. That had nothing to do with the amount of revenue. It had the fact that our heads are up against the budget limit. So that budget limit will continually bring our spending down as it relates. And that's part of the adjustments that we talk about over five years that we can make. If your calculated need and your real budget, the closer those get together, the better off you are going to be in the learning community finance system. It's going to work for you, and my guess is around that 1,500-, 1,600-kid mark is when those two begin to come closer together. [LB391]

SENATOR HAAR: Well, and I noticed your...you know, as a compliment, your class sizes are really good. Yeah, thank you. [LB391]

SENATOR CORNETT: Senator Ashford. [LB391]

SENATOR ASHFORD: Just so I...we have about 100,000 students in the learning community or something, and you have 1,000 students, so that 1 percent is kind of consistent. Now that doesn't necessarily equate to funding one on one. I understand that. But I mean, you...and I haven't seen exactly...studied Senator Adams' proposal, but he suggests that it might involve some state aid adjustment. Might that not be the best way to go? Because, in effect, what we're really...we've got a thousand students out there that, in a way, they're different. That school district is different. Similar maybe to Douglas County West, but they have a higher poverty, but a small school district that has been brought into a learning community. And what we've done in LB988 is it sort of adjusts state aid, kind of, to deal with some of these exigencies. Doesn't that...wouldn't that...without...(inaudible) changing the levy, and I know you need some kind of hold

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harmless, but wouldn't the state aid adjustment over time be the best way to deal with that? [LB391]

CHUCK CHEVALIER: To be very honest, additional state aid to solve this problem has always been Plan A, I think, to everybody in the learning community. I guess I'll speak for us. It's been Plan A for us, definitely. But our point at this... [LB391]

SENATOR ASHFORD: Right. Because you will be equalized and the state aid will come into play. [LB391]

CHUCK CHEVALIER: Right. But our point right now is there's one lifeboat out there for us right now and... [LB391]

SENATOR ASHFORD: You need to get from A to B, I understand that. [LB391]

CHUCK CHEVALIER: We've got to make sure whatever lifeboat is out there is a viable, political lifeboat as well. [LB391]

SENATOR ASHFORD: But as you suggested, there may be a hundred other options out there, and if you have some time to do it and there's a thousand students out there, you've done a great job with them. There's, to me, it seems like the Learning Community Coordinating Council and the superintendents, everybody should be able to figure this out, and you're coming a long ways towards that. But that's all I have. [LB391]

SENATOR CORNETT: Seeing no further questions, thank you. [LB391]

CHUCK CHEVALIER: Thank you. [LB391]

SENATOR CORNETT: Proponents? [LB391]

ANDREW RIKLI: (Exhibit 4) Senator Cornett, members of the committee, my name is Andrew Rikli. Last name is spelled R-i-k-l-i. I'm an administrator with the Westside Community Schools. I'd like to start by saying, first and foremost, the Westside Community Schools fully supports implementation of the learning community, as a whole, and certainly the common levy in particular. The reason why we testify in front of you today is some of the cleanup that's contained that Senator Adams alluded to. We'll speak specifically to the technicality, the portion of the revenue distribution that Senator Adams discussed. The more substantive part of the issue, that is the hold harmless, extending that from three years to five years, we're currently looking at the data. We have some of the preliminary numbers in front of us. I suspect that's something all the superintendents and business officers will be looking at very closely, but at this point we're still studying it, so we're not going to offer any specific recommendations at this point. Regarding the revenue distribution, however, as Senator Adams pointed out in his

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opening, by some of the changes that are outlined in LB391, we feel that they're a tremendous remedy to what was outlined previously in LB1154. As most of you know, the way it works under the current model, property taxes are collected by the county treasurer, who then redistributes them to the respective school districts. Under LB1154, that would change slightly in that the revenue would go to the Learning Community Coordinating Council. We're against that for a couple of reasons. First and foremost, is we don't necessarily see where the utility lays in that model. In other words, what's the value added in having another bureaucratic arm basically serve as a flow-through. The other is more pragmatic for each of the 11 districts. I can't speak for the other 10 districts in the learning community, but it does create some practical concerns for all the districts, Westside most notably, in that the funds are being held, and in the short term, since they're not flowing to us on a continual basis as it is with the current model, we may be forced to look at short-term financing. That's going to cost school districts potentially to incur some financing charges. So for that reason we would ask that you support LB391 for purposes of the technical language; that is, having the revenue go directly to the school district rather than the LCCC. And as I said, if you do look at the three- to five-year extension, that's something we would happily work with the committee on. And with that, I'll close my testimony. [LB391]

SENATOR CORNETT: Thank you. Questions from the committee? Seeing none, thank you. [LB391]

ANDREW RIKLI: Thank you, Senator. [LB391]

SENATOR CORNETT: Next proponent. [LB391]

KEVIN RILEY: Hi, my name is Kevin Riley. I'm the superintendent of the Gretna Public Schools. That's R-i-l-e-y. In principle, I'm testifying in support of LB391. As Andy said, we need to review today's amendment and the data it's based on. Tammy has worked hard on it over the weekend, and we need to take a look at it. I think most everything has already been said, and I don't want to repeat what's already been shared. But I do want to say that in regards to the first piece, the technical cleanup regarding tax receipts, I want to make sure that everyone knows that at no time, as the superintendents have worked together, did we try to usurp any authority of the Learning Community Coordinating Council. In fact, we've stayed so far away from that just to make sure that we did not conflict with them in any way. And as Andy so aptly put it, regarding the problems it would cause for the school districts, if the remaining statute stays in place there's also problems for the Learning Community Coordinating Council regarding their bank depository. If you can imagine, when we receive our large tax draws in April, May, August, and September, the learning community's bank depository would need pledged securities of hundreds of millions of dollars during that time. So that also is beneficial to the Learning Community Coordinating Council to make this technical change. The second piece that has been discussed regarding, in essence,

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South Sarpy and DC West, I don't think anyone intended to close them. But if you're a school district administrator or superintendent and you have to cut 20 percent to 25 percent of your budget after three years, to get there would require huge problems for that district. Moving it to five years is important and I'd ask you to seriously consider this. Solving this issue is critical for the learning community concept to become a model for other districts in the state. And if they look at it and see a couple of them are going to drop off the cliff in three years, they're never going to do it. And so I think that's very important, because other districts are looking at this concept. We need to get the finances behind us and focus on the needs of the children in the metro area. Again, thank you, and I ask that you advance LB391 with the amendments that properly address these unintended consequences. [LB391]

SENATOR CORNETT: Thank you, Mr. Riley. Questions from the committee? [LB391]

SENATOR ASHFORD: Just very, very briefly, and I would just say, Kevin, that again as I've said to everybody else, you guys have done a phenomenal job. I mean, we're talking about three to five years on changing the financing model. And we're not talking about dissolving school districts and we're not talking about integration and we're not talking about kids being disadvantaged. We're talking about ways to advantage children and students as a team. I mean, I think it's historic what you've accomplished, and with the Learning Community Council. And clearly, it's not only districts in the state; there are school districts around the country that are looking at what we're doing. So if we get the financing model right, they're going to look at that, too, wouldn't you think? [LB391]

KEVIN RILEY: Yeah. And remember, after every session of the last three sessions, the business officials, along with Tammy, along with the members of NDE, would then take the data and work it through. Then we'd... [LB391]

SENATOR ASHFORD: Well, I think you've done a great job. [LB391]

KEVIN RILEY: ...then we'd have an idea of the problems, and then we'd come back to you and ask you to address them. This is just one of the ones we found after things were passed last year. [LB391]

SENATOR ASHFORD: This doesn't even get the little conflict meter to go past maybe one out of ten, you know. We were at 10 or 20 or a hundred. [LB391]

KEVIN RILEY: Yeah. The 11 of us agree that we need to deal with this issue. There's no doubt about that. [LB391]

SENATOR ASHFORD: Okay. Thanks, Kevin. [LB391]

KEVIN RILEY: Okay. [LB391]

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SENATOR CORNETT: Seeing no further questions, thank you. Further proponents? [LB391]

JAY SEARS: Senator Cornett and members of the Education Committee, I'm Jay Sears, J-a-y S-e-a-r-s, representing the Nebraska State Education Association. We are in support of the technical part of the amendment and also are appreciative of Senator Adams and the Education Committee working with the 11 superintendents in the school districts to find a way to make sure that all school districts are viable in the learning community and that the process of the learning community can go on. So we stand ready to help you in any manner we can. That concludes my testimony. [LB391]

SENATOR CORNETT: Thank you. Questions from the committee? Seeing none, thank you. Next proponent. [LB391]

BILL MUELLER: Senator Cornett and members of the committee, my name is Bill Mueller, M-u-e-l-l-e-r. I appear here today on behalf of the Millard Public Schools in support of LB391. We do wish to thank Senator Adams for sitting down with our superintendents and agreeing to introduce the changes that he is proposing in LB391, and Millard does support both those changes. I'd be happy to answer any questions the committee may have. [LB391]

SENATOR CORNETT: Seeing none, thanks. [LB391]

BILL MUELLER: Thank you. [LB391]

SENATOR CORNETT: Are there any further proponents? Any opponents to the bill? [LB391]

TERRY HAACK: Senator Cornett, Senator Adams. Terry Haack, Bennington Public Schools. Haack, H-a-a-c-k. We're here kind of twofold. We certainly support the technical cleanup side of LB391, but we disagree with the hold harmless, the second component of it. Bennington Public Schools is a district that not only gives in the common levy, but also gives in the hold harmless as it's proposed. We certainly recognize that Senator Adams and his office staff have helped, and Tammy as well, to develop a new amendment. We look forward to looking deeper into that new amendment. As we understand it, it would take away some of the bite from Bennington. But just to give you an example. As one of my colleagues has suggested, we are high valuation compared to some of the others, but not the highest. And we spend \$8.8 million for about the same amount of student population as South Sarpy spends in the \$11.9 million. However, we are ones that are contributing to a hold harmless, not receiving from a hold harmless. Therefore, it makes it difficult for Bennington to support any hold harmless with that knowledge. We certainly support the common levy. We

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certainly support the learning community as a whole. However, it is difficult for us to support a hold harmless, when we are one that contributes and then, in a hold harmless, contributes again. Thank you very much, and I also again want to thank Senator Adams and legal counsel, Tammy, for writing a new amendment. We look forward to looking through that. [LB391]

SENATOR CORNETT: Thank you. Any questions from the committee? Seeing none, thank you. [LB391]

WALT RADCLIFFE: Senator Cornett and member of the committee, my name is Walter Radcliffe and I am appearing here...members. Members--I'm sorry--of the committee. I'm appearing here as a registered lobbyist on behalf of Bellevue Public Schools in opposition to the bill. However, I may have missed an audible or been left out of the huddle because Senator Adams and I were talking this morning, and I understand that the business people from the districts are working on the amendment and, frankly, I anticipate that they'll probably come up with something, but the opposition testimony is based upon the bill as it was introduced. It was simply an extension of the hold harmless. I want to make that very clear. And our business manager in Bellevue was very ill today, so we haven't had a chance to hear anything else. And a lot of caveats, but I still thought it would be better to be on the opposition side than come up and kind of be the loathing neutral testifier. [LB391]

SENATOR CORNETT: Thank you, Mr. Radcliffe. [LB391]

WALT RADCLIFFE: Thank you. [LB391]

SENATOR CORNETT: Any questions from the committee? Seeing none. Are there any further opponents? Is there anyone here in a neutral capacity? [LB391]

ELIZABETH STANDISH: (Exhibit 5) Senator Cornett and members of the committee, good afternoon. My name is Liz Standish, spelled S-t-a-n-d-i-s-h. I'm controller for the Omaha Public School District, and I appreciate the opportunity to speak before you today on one of the most critical elements of the learning community: the common levy. I am here today on behalf of the Omaha Public Schools to testify in a neutral capacity to express concerns about LB391 as written, and to highlight how essential it is that any approaches to the transition towards the common levy remain within the TEEOSA formula. The formula needs to be an authentic representation of school district formula need which we believe Senator Adams is moving towards in his amendment. We sought out input on that perspective and are very hopeful in reviewing the amendment and reviewing the supporting documentation we just received this morning. One of the handouts we did want to make sure to continue to bring to your attention would be that our concerns really rested with the growth away from the common levy. If you look at the documents being distributed, on page...it's page 2, pulled from a presentation, and

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this really talks about the idea that school districts would be held at a property tax level constant for the next three years. LB391, as written, would add growth. And as a school district, we believed that growth would be problematic because, just as referenced earlier in testimony today, school districts would move away from, not towards the common levy. So five years from now, we could have been in a situation where we were sitting here talking about how do we transition into the common levy. The perspectives that were shared on what OPS has at stake and how interested we are in the common levy are very true. But OPS does understand the need for a transition and looks forward to the amended transition with the fact that it is focused on school district formula need and within the TEEOSA formula. We've also had a great deal of reference today about the varying property values within the Omaha metro area, so we did provide a map that we happen to have with the 11 school districts and their property value divided by 100 divided by their students, just to highlight the real need for the common levy, but understanding that a transition plan is in place and notably a transition plan that focuses on the needs formula. I'd be happy to answer any questions at this time. [LB391]

SENATOR CORNETT: Thank you. Questions from the committee? Seeing none, thank you. [LB391]

ELIZABETH STANDISH: Thank you. [LB391]

SENATOR CORNETT: Is there anyone else to testify in the neutral capacity? Seeing none, Senator Adams. [LB391]

SENATOR ADAMS: Thank you, Senator Cornett, committee. I'll keep my closing very short. We have a lot of work to do in Exec on this. But to me, it's a matter of principle here as well. And the question will come down to this committee, in part: How long do you want to get a school district to make adjustments and how much should they have to give up in that process, and potentially, what roles should the state play in letting this happen? And again, I know I said it in my opening, but I want to say it again. It's been good to have the school districts coming forward with possible solutions that Tammy and I can work with and bring to you. It's been constructive and I'm confident it's going to continue to be constructive. With that, I'll end. [LB391]

SENATOR CORNETT: Thank you. [LB391]

SENATOR ADAMS: And that will conclude the hearing on LB391, and we will move on to the last hearing of the day which is LB22. Senator Friend. [LB391]

SENATOR FRIEND: (Exhibit 6) Thank you, Chairman Adams and members of the Education Committee. For the record, my name is Mike Friend, F-r-i-e-n-d, and I represent the 10th Legislative District in northwest Omaha. I'm here to introduce LB22. Simply, the bill redirects an educational service unit's penny and a half of levying



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authority to the member school districts it serves if the ESU has member school districts belonging to a learning community. Thus the scope of LB22 is limited to ESU 19 and ESU 3 only. That's the intent. Last session, I introduced a similar bill; it was LB1023. I believe LB22 addresses concerns raised last year. Also based on differing interpretations received in the green copy, I am offering AM174 to clarify my intent. I want to thank Tammy Barry, the committee counsel, for her assistance in drafting it and helping to capture the intent that I sought. It's here somewhere. I'll distribute it to the committee in a second, if I can. A couple of years ago, I had the privilege of serving on a special education services task force with Senator Ron Raikes and also Senator Adams, along with other stakeholders from across our state. During the meetings, one of the other task force members, a gentleman named Steve Curtiss--Steve is here today--he and I saw an opportunity to possibly promote some efficiencies in the delivery of our educational services, and I'm referring to the multiple layers of governance in the educational community existing in the greater Omaha metropolitan area. Simply put, what's the role of an ESU in a metropolitan area where its member schools participate in a learning community now? And efficiencies certainly can and should be made here, if we can do it, moreover in our current economic environment. I think the Nebraska taxpayers expect it from us. I'm not here to bash ESUs. Just like, you know, last year, I think I said that on the record as well. We all know they do good work and I believe transferring a penny and a half of levying authority from the aforementioned ESUs to individual member school districts will serve to promote those efficiencies and the fiscal responsibility that I talked about earlier. Also I look at LB22 as a vehicle for enhancing an educational opportunity and local control. With the advent of the learning community a few years ago, it's time to examine the role of the two ESUs in the metropolitan area and ultimately determine the appropriate amount of governance necessary in the educational community in that area. Other states around us and other entities are dealing with the funding mechanisms in a different manner, and under our current economic environment I believe it would be prudent for us to analyze these matters now and promote efficiencies wherever possible. I think that that's all I have. I know there's some folks behind me that are interested in the issue. They can answer some questions as well. I'd like to reserve the opportunity to close if I can, but I'm going to be bouncing around this building, so thank you. [LB22]

SENATOR ADAMS: We understand. Are there questions for Senator Friend? Senator Haar. [LB22]

SENATOR HAAR: Yes, thank you. So you are just saying instead of having a separate ESU, just roll that into the...? [LB22]

SENATOR FRIEND: Yes and no. The ESU doesn't have to go away. It would be...the penny and a half levying authority would actually just go to the district. So if the district needs that ESU, the ESU is going to be necessary. So. [LB22]

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SENATOR ADAMS: Other questions? Senator Friend, may I ask you because there has been confusion. I have been grabbed in the hallway and the office and everything else about this, your amendment that's coming forward. And correct me if I'm wrong here. Is the intention of the amendment to drill this down so what we're really talking about is one thing, which is giving OPS, i.e., Educational Service Unit 19, the authority to levy the penny and a half, without any other impact? Is that the essence of it? [LB22]

SENATOR FRIEND: I don't think that that was the original intent of us creating the amendment. The amendment was to clarify what we thought we wanted to do, and that was in my testimony, to affect only 3 and 19. Now I think it's been drafted in a manner now that we...that it reflects that. So I don't know if I'm answering your question appropriately. It's not my understanding that the amendment was created to only affect Omaha. That was not my understanding. But to make the...and maybe I'm just thick, because you were at the meeting as well, so maybe we didn't have enough meetings. I don't really know. But my intent when I left was...that's not what I...that wasn't the assumption I was under. [LB22]

SENATOR ADAMS: Okay. We'll study it. Are there other questions for Senator Friend? Seeing none, we'll reserve your right to close if you're back here. [LB22]

SENATOR FRIEND: Thank you. [LB22]

SENATOR ADAMS Yes. We'll begin with proponent testimony. [LB22]

STEPHEN CURTISS: (Exhibit 7) Good afternoon, Senator Adams and members of the Education Committee, I am Steve Curtiss, C-u-r-t-i-s-s, and I live in Gretna, Nebraska. I'm the president of MatrixPointe. MatrixPointe is a consulting firm that works on school funding and Medicaid issues for a number of states. Prior to this, I was the director of Health and Human Services here in Nebraska for Governor Johanns. And I was appointed by Governor Heineman to serve on the Special Education Task Force along with Senator Adams, Senator Friend, and Senator Raikes. I'm going to divert a little bit from the notes you got, but it is packed with a lot of great information, and if you have trouble sleeping it would be great to keep that by your bedside table. I think it would be a good insomnia tool. I am here to testify in support of LB22. The bill attempts to address a question that many taxpayers have, and that question is: What is the most accountable and tax efficient funding mechanism for ESUs in urban and suburban districts? LR366, which was completed in 2006, and I won't go into great detail, but I'm sure Tammy could get more detail on that later if somebody wants it. But it basically spoke about the creation of ESUs and talked about the fact that they were supposed to be cooperatives for small rural districts. So that theme kind of permeated that early work that was used to put those together in the '60s. The challenge in the rural districts has not changed much since the creation of ESUs, but the use of ESUs with separate taxing authority in large urban and suburban districts, I think, is worth further review. What the

legislators were contemplating at the time they instituted ESUs was based on the cooperative model. And the cooperative model places the accountability and control of special education-related services with the local school boards and taxpayers. I first became acquainted with the cooperative model in South Dakota where I have a contract. My firm has a contract with the state, and we secure public funding, through the Medicaid program, for all school districts across the state of South Dakota. Cooperatives up there were not granted taxing authority because the taxpayers wanted a simple, tax efficient, and locally accountable system. So the structure has helped to limit expenses for items like lobbyists and boards, excess administration, and focus their precious tax dollars on special education. Also, interestingly enough, based on what I've seen, the need for those seemed to cap out at about 2,000. Also in ESU 3, we've learned last year by Kyle Fairbairn who is the finance director of the Bellevue Public Schools that there is a shifting of funds that often occurs in some of the ESUs, and in the case of Bellevue I think he documented it to be about \$331,000. They didn't really use the ESU, he claimed, but that money was collected from them and it went on through there anyway. And I think Steve Shanahan from the Blair Schools confirmed that they do use that money out in the community schools, out in the rural areas. So that money does shift out there. So it kind of points out the obvious question: Do we really need three separate and autonomous educational entities in the same jurisdiction with taxing authority, publicly elected boards, and lobbyists all vying for and spending our scarce educational tax dollars? LB22 simply puts the special education funding back in the hands of the local districts that are ultimately responsible to see that the service is provided. Under LB22 any district can choose to continue their use of ESUs exactly as they do today. So since my light's up, I'll stop there. [LB22]

SENATOR ADAMS: Thank you, Steve. Are there questions? Senator Haar. [LB22]

SENATOR HAAR: Yes. Would that raise the \$1.05 cap then by that amount? [LB22]

STEPHEN CURTISS: Yes. [LB22]

SENATOR HAAR: Okay. [LB22]

STEPHEN CURTISS: So basically it just says the ESUs no longer collect it. The schools collect it and then they can choose to fund the ESUs exactly as they do today if they wish to. [LB22]

SENATOR HAAR: And again, I kind of see then the ESU is merged into the school district basically. Or not necessarily. [LB22]

STEPHEN CURTISS: The ESUs, as you may remember, can be fairly large, can serve many, many districts. And so those schools will then work cooperatively to still continue to fund those, just like they do with a lot of the rural areas where a lot of school districts

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work together and cooperatively decide what they're going to do, and fund it. [LB22]

SENATOR HAAR: Okay, thanks. [LB22]

SENATOR ADAMS: Other questions for Steve? Thank you, sir. Next proponent. [LB22]

JOHN LINDSAY: Thank you, Senator Adams and members of the committee. For the record, my name is John Lindsay, L-i-n-d-s-a-y, appearing as a registered lobbyist on behalf of the Omaha Public Schools, appearing in support of one of the concepts in LB22. I believe there has been some confusion, at least about what the thrust of the bill is, and that's certainly Senator Friend's call as the introducer of the bill. But there is a portion of it, Senator Adams, as you have identified, that OPS does support, and that is that concept that as a single district ESU, in 2013, if we are a single district ESU, that we would lose that penny and a half of property tax revenue, of that property tax authority. What LB22 would do, at least in part, would be to restore that penny and a half to Omaha Public Schools, thus allowing OPS the revenue to purchase those services that now are provided by the ESU...to purchase those services from the ESU and put us, at least to some extent, back to where we were prior to that change in the law. To that extent, whether we are a single district ESU or a multi-district ESU, the required services are still going to be required. The governance structure of an ESU or the structure of an ESU is not going to impact whether kids out there still need some of those services that are provided. And so whether we are structured as a single or multi-district ESU should not be the driving factor in whether those funds are received. So to the extent that LB22 addresses that issue, we are supportive of that. I know there are some other concepts in the bill. OPS does not take a position on those other concepts, but at least with respect to that restoration of the revenue, albeit indirectly to the ESU, we are supportive. With that, Senator Adams, I'd be happy to try to answer any questions. [LB22]

SENATOR ADAMS: All right. Thank you, John. Are there questions for John? Senator Haar. [LB22]

SENATOR HAAR: Thank you. It just keeps occurring to me, if it's not a separate taxing authority do we really even need that level called an ESU in some of these learning communities? Or does that just get absorbed into the school district? [LB22]

JOHN LINDSAY: Well, I think that may be part of the issue that...and again, I would leave that up to Senator Friend. But some of the issue that Senator Friend is driving in this legislation is, what should be the structure of provision of educational services in the Omaha area. A different policy question. The concern actually, on a prior bill--I'm drawing a blank on the number--but a bill that dealt with governance of OPS...excuse me, ESU 19, and whether Bellevue would be...the governance structure would be changed to allow Bellevue to become part of 19. The issue did come up a little bit about

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having three different levels of educational governance in a learning community, especially if they're not coordinated. If they're three separate elected bodies that may not agree on overall educational policy, it may be an issue. But that is, of course, a policy decision for the Legislature. [LB22]

SENATOR HAAR: Thanks. [LB22]

SENATOR ADAMS: Other questions for John? John, just speculating, as the bill has been introduced and described by Senator Friend and other testimony, the concept as I heard you describe it would be then OPS could then contract for services with ESU 3 as they deemed appropriate? [LB22]

JOHN LINDSAY: ESU 19. [LB22]

SENATOR ADAMS: Right. I guess there would be no requirement that they do that. [LB22]

JOHN LINDSAY: That's true. [LB22]

SENATOR ADAMS: So then it just becomes additional money. [LB22]

JOHN LINDSAY: Well, it would be additional money with services still required by the kids, whether the services would be provided directly by the district or contracted to be provided by the ESU. [LB22]

SENATOR ADAMS: Right. You have to provide the service one way or the other is what you're saying. [LB22]

JOHN LINDSAY: Exactly. The service requirement does not go away based upon the structure or the funding sources. [LB22]

SENATOR ADAMS: And I don't mean to pin you down, but another thought that I had--and if you don't want to respond I'll let you off the hook--but if we were to say to OPS, all right, we're going to let you do this. And then I realize that the bill is crafted so it is OPS. Then next year, potentially we have LPS saying, if it's good for one, it's good for the other. Then one of the things I worry about is then do we have Norfolk someday and Kearney someday and Scottsbluff someday, and do we erode conceptually the whole ESU structure? [LB22]

JOHN LINDSAY: That's a legitimate concern. The OPS interest in it is the replacement of that funding stream. If it's replaced to the ESU or to the district, I don't know that it matters to us which direction that goes. LPS and OPS are unique, and actually they're unique, apart, as well as they are together. OPS is, of course, the only single district

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ESU within the learning community; LPS is the only single district ESU outside of a learning community, so they're unique in that manner. They are also both, each district is large enough on their own that some of the underlying concepts, some of the things that you might need in Norfolk or in York or in some of the smaller communities where you really need to share some of those services, may not be required. We may have the efficiencies of size that would...the economies of scale that would allow...that make it so that a single district ESU operates well. That doesn't mean the needs aren't there. Our needs, even though we are...we also have unique needs that you may not see in some of those smaller communities with the high poverty, high ELL. It might be specific training for teachers in operating in a high poverty area, some types of services that simply wouldn't be required elsewhere. So they are unique and I think it provides a basis for the Legislature in treating the districts a little bit differently. So the bottom line is, yes, I think it's a concern that it could be an erosion of the ESU structure, as you mentioned, or it could be one of those where there is a specific finding by the Legislature that these districts have unique needs. [LB22]

SENATOR ADAMS: As you described it, that's part of what I struggle with conceptually with this, is that in rural Nebraska schools group together to provide efficiencies and services that they simply could not do on their own. It would make no sense to do it. They couldn't handle it financially. And then we look at the other end of the spectrum, and probably the Omahas and the LPSs could, which then begs the question, do they need the penny and a half if within their existing structure right now they can do these things without the ESU? That's what I have to resolve in my mind. [LB22]

JOHN LINDSAY: And that's the...and the question would be back to those unique problems that confront OPS, in that you're not going to, in a York or a Norfolk or some of the other districts that would benefit from combining some of those core services within an ESU as occurs right now, and I think that's beneficial and I think it's efficient. But those districts also don't face having to speak 88 different languages in one district as OPS does, which provides its own...the approach to ELL is completely different within OPS than it is in any other district in the state, just because of the size of the issue. A district that has 65 percent of its kids living in poverty, as OPS does, faces unique issues in such concentration of poverty and oftentimes no way to reduce how that poverty is spread out across the district, that again requires that specialized training in how do you approach...how does a teacher handle the unique issues that poverty presents. Again, those types of things that may not be confronted in some of the smaller districts. So there's no question that the penny and a half is needed. Now whether it's needed at an ESU level or a district level, I think is another question. But there's no question that it's necessary. [LB22]

SENATOR ADAMS: Senator Haar. [LB22]

SENATOR HAAR: Thank you. Well, I'm trying to think of myself as being an elected

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ESU board member and no tax levy, and yet I have staff and I have facilities and, you know, I was elected to do certain things. And that's...it seems to me that if we do this, then we just merge...in some unique cases, merge the ESUs into the school district. Otherwise, you have a level of government that's not necessarily funded, because as we all know, you know, boards where citizens are elected, like the OPS board, could all of a sudden change its mind from one year to the next...and aren't there problems that way? [LB22]

JOHN LINDSAY: There may be. The OPS...in ESU 19, which is OPS, the OPS ESU, it is a single district ESU, and by law the ESU board is the OPS board because it is a single district ESU. [LB22]

SENATOR HAAR: Oh, okay. [LB22]

JOHN LINDSAY: So it would, in this unique circumstance, that problem wouldn't be there because of the fact that the same people are elected by the people of OPS to serve as its ESU. So I don't think that issue is a problem within that limited scope of restoring the OPS ESU funding. It may very well be an issue maybe in the second question of the bill, or second part of the bill, but that's an issue to which OPS is not taking a position. [LB22]

SENATOR ADAMS: Other questions? Thank you, John. [LB22]

JOHN LINDSAY: Thank you. [LB22]

SENATOR ADAMS: Next proponent. If not, then we'll move to opponent testimony. The first opponent. [LB22]

JERRY BEACH: Good afternoon, Senator Adams, members of the committee. My name is Jerry Beach, J-e-r-r-y B-e-a-c-h. I'm superintendent of the Fort Calhoun Community Schools. I thank you for the opportunity to address this committee. I'm speaking to LB22 regarding the tax levy for educational service units. The educational service unit property tax levy in its present form supports services beneficial to Fort Calhoun staff and students. Passage of this bill will negatively impact Fort Calhoun's efforts to serve students and the school community. Fort Calhoun students and staff benefit from access to services provided by the ESU through cooperative purchasing. To identify a few of those services, there is special education staffing and programming, professional staff development, cooperating purchase of supplies and technology services, and payroll and accounting. If the ESU levy is removed and transferred to individual school districts, I believe school districts would see increased cost for services as the cost efficiencies available through group purchases diminish. This bill could negatively impact all ESU member school districts, but would be most damaging to school districts in the lower half of the ESU enrollment array, as they would be forced

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to buy services from vendors on an individual basis as opposed to shared cooperative purchasing. In a time of financial challenge, eroding the purchasing power of school districts would not be in the best interest of students, staff, and communities. I do not believe this bill is a learning community issue alone, as ESU 3 serves school districts and counties both inside and outside of the learning community. I appreciate your efforts on behalf of Nebraska students and your willingness to hear my testimony. Thank you. [LB22]

SENATOR ADAMS: Thank you, sir. Are there questions for this testifier? So you're a member of ESU 3? [LB22]

JERRY BEACH: Yes, sir. [LB22]

SENATOR ADAMS: Okay. Seeing none, thank you. [LB22]

JERRY BEACH: Okay, thank you. [LB22]

SENATOR ADAMS: Next opponent. [LB22]

STEVE SHANAHAN: (Exhibit 8) Senator Adams and members of the committee, my name is Steve Shanahan, S-h-a-n-a-h-a-n. I'm superintendent of the Blair Community Schools. I am here representing not only Blair, but as Mr. Beach said, many of the schools that are not members of the learning community but part of ESU 3. I'm going to try not to repeat what Mr. Beach said and I won't read directly from my testimony, but I came here last year to testify in front of you in opposition to LB1023. LB1023, much like this bill, would have presented an extreme hardship to our district and to many districts in the ESU. The 1.5 cent levy that the ESUs are able to obtain, provide for us a lot of services that we would not normally be able to get. Mr. Beach mentioned those a few minutes ago. One and a half cents, if it were to come back to our district, based on our valuation would generate somewhere between \$150,000 and \$170,000. We probably get, now, somewhere around \$500,000 worth of services from the service unit. That economy of scale that everybody has talked about so far provides us with services from bookkeeping, staff development, Internet services, parents' access to student grades on the Web, purchasing power by way of cooperative purchasing, bookkeeping services, substitute teacher services. All of those things, because of the economy of scale, provide us with those programs and services at a much lesser cost. If districts were allowed to--and I think Senator Adams referred to this earlier--if districts were allowed to pull out of the ESU or pull out of a unit on an individual basis, that economy of scale, that purchasing power would be eliminated. It would go down. It would cost us much more to purchase services than we have to pay right now. I guess, in conclusion, I think that it would be a costly endeavor for us as a district. Financially, we would not be able to sustain it. We would have to give up some services. We would have to take away services that our parents and our students are used to getting. We'd have to make



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some decisions about what services to offer. I think it also would be costly, though, in staff time for us to add things that we haven't done or try and find ways to do them. It would also be costly in effort and morale of staff. The financial equity, not to mention the sweat equity that we've given to the ESU over 40 years that we've been part of the ESU in developing the programs that they've had, would really be thrown away. I urge you to consider the impact that LB22 would have on schools, on schools that use those services, and I would urge you to oppose it and not advance it. Thank you very much. [LB22]

SENATOR ADAMS: Thank you, sir. Are there questions for this testifier? Senator Haar. [LB22]

SENATOR HAAR: Thank you. Again to educate some of us new folks, is it ever the case when ESU boundaries are withdrawn so that if something like this happened, that you'd be merged into another ESU, they'd give you the same economy of scale? [LB22]

STEVE SHANAHAN: Certainly, you could redraw the boundaries of ESUs and we could go to another ESU. I think just like school districts, we've heard all throughout today, not created equal or not equal; neither are ESUs. The demand for services in one service unit may not be the same as the demand in another service unit. So really over that 40-year period we have demanded student information services, transcripts, grades, reporting. We've demanded parents be able to access students' grades via the Internet. Other ESUs may not have had that demand. Now we could go to that service unit and say, we're here now and we want that, and over time we may be able to get it. But our parents are used to it now. If there's a five- or six- or seven-year development period to get it, you're going to have kind of a real credibility problem, I think, in the district, so. So I hope that answers your question. [LB22]

SENATOR HAAR: Thanks. Point well taken. Yeah, it did. Thank you. [LB22]

SENATOR ADAMS: Other questions? Guess not. Thank you. [LB22]

STEVE SHANAHAN: Thank you very much. [LB22]

SENATOR ADAMS: Next opponent. [LB22]

GIL KETTELHUT: Chairman, Senators, my name is Gil Kettelhut, K-e-t-t-e-l-h-u-t, and actually I'm representing two organizations today. I'm representing the Nebraska Council of School Administrators as a member of their legislative committee, and as the administrator of ESU 3. What I don't wish to do is repeat what you just heard from Dr. Shanahan and Mr. Beach. We told other superintendents, there's no need to have six, seven, eight superintendents tell you the same thing. But I am going to veer off, for a second though, from my original testimony because I've been sitting here, as you have

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too, listening for the last three hours about the need for school districts to share services, work in cooperative programs, be together as one learning community. This is exactly what ESU 3 has been doing for 40 years. We take the funds from our school districts, and only with the approval of our school districts by two-thirds of our school districts, representing 50 percent of the students, do we offer the services and programs that these school districts request of us. It's always been in a cooperative manner, exactly what I've been hearing for the last three hours. The reality is that if this bill is passed, I believe it does not hurt the ESU; I believe it hurts the school districts. Because whenever a school district decides that they're going to take their 1.5 cent levy that they may need for some operational funds or their own districts--and we heard from two districts this afternoon talking about how in their future they're concerned about their general fund operation--what that does is that erodes the economy of scales to all of the other school districts that need those services. So if and when a school district says, I need those funds right now, it's going to increase the cost and services for everybody else. So rather than repeat other items that we've heard previously, that's my testimony. Thank you. [LB22]

SENATOR ADAMS: Thank you, Gil. Are there questions? Seeing none, thank you. Other opponents? [LB22]

MATT BLOOMSTED: Hi, Senator Adams, members of the committee. I'm Matt Bloomsted. I'm the executive director of the Educational Service Unit Coordinating Council, and I think I described myself as wet behind the ears, last time, indicating I was new. Now I'm wet behind the ears because I'm into it, you know, up to here, trying to keep my head above water I suppose. Actually I tried to present maybe a little bit different picture of this particular issue as I look at it from my role at the Educational Service Unit Coordinating Council. We did have the conversation about...our legislative committee had a conversation about, well, it's philosophically bad to take property tax levy away from a political subdivision and turn it over to someone else for somewhat a different purpose. What I think as I sit and listen and watch what ESUs do, I think that philosophical position is probably going to stand with us. It also would probably include the levy authority of single district ESUs, at least to be part of that conversation on how we might remedy that in the future. But I also look at what ESUs do and what the challenge, I think, is to school districts as far as sharing services and coming up with ways to address problems that might affect their district. And, you know, I think as we look at what this potentially could be doing is kind of a "take your ball and go home" type of mentality with school districts. I think there's a responsibility now. I think it's becoming more and more clear that there's a school district-to-school district responsibility to make sure that their neighbors are doing all right, to make sure that we're looking at the issues and addressing the issues. Special ed came up. I think that's a very important type of issue that ESUs have addressed over the years and tried to address. On occasion, we have certain districts that say, hey, we don't need that service, we're big enough. I don't believe that that can be the right answer anymore, and

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I think I somewhat lay out a challenge there to school districts and to our ESUs that we've got to find ways to improve those services for kids. When I look, overall, about...I was going to ask if the confrontation meter was up. (Laugh) Anyway, as I look at what we might do in the future from the coordinating council, we're doing distance education. OPS is delivering distance or will be delivering distance ed courses across the state. I was absolutely pleased with that coming out. I look at other, you know, in the case of LPS, they've been a great help on providing the assessment expertise for us at a statewide level. There's participation of these places all over. And I think, I guess I look at it as the ESU Coordinating Council role to go ahead and challenge our ESUs to find ways to serve that; challenge our ESUs to serve learning communities, to find a way to serve the learning community. And I guess that's what I'm interested in. And I appreciate the challenge that's presented with Senator Friend's bill. I mean, I actually do believe that we have to be very aware of what school districts need and try to be responsive to that, and I think previous testifiers have alluded to that so I'll stop. [LB22]

SENATOR ADAMS: Thank you, Matt. Are there questions for Matt? I guess not. [LB22]

MATT BLOOMSTED: I think you're worn down. [LB22]

SENATOR ADAMS: (Laugh) That could be it. Are there other opponents? Is there neutral testimony? [LB22]

BRIAN HALE: Senator Adams, members of the committee, my name is Brian Hale, H-a-l-e. I represent the Nebraska Association of School Boards. I have heard a lot of talk today about this being specifically drafted to deal with a specific issue in the Omaha metropolitan area. I just want to chime in with some of the concern that I think I heard Senator Adams touching on earlier, that if you believe the method by which ESUs are run for 100,000 schoolchildren in the Omaha metro area, it won't set precedent and encourage folks in other parts of the state to change the way they run their and provide their education services. I think that may be a little shortsighted for the balance of the other 180,000 kids throughout the rest of the state. An a la carte process is something that I think, unless specifically you want to address policy direction to say, okay, one ESU should serve 100,000 kids and their needs, what the alternative is, is some a la carte program where districts pick and choose. There is discussion about learning communities in other parts of the state. And so this language would be, it would have an impact on some of those discussions if something like this should crop up in Grand Island, Kearney, or anywhere else. So I encourage you, if you want to address this specific issue in the Omaha area, to try to make sure the language addresses the specific issue in that area, and try to the extent you can to keep the door closed for other people outstate who may feel this is a great idea. And obviously, in Lincoln, this is another consideration that you're providing them with an opportunity to say, yeah, but you did this in Omaha. So we just want to make sure that you understand that precedent is important, and this is certainly a case in which you're proposing to set

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some. So thank you. [LB22]

SENATOR ADAMS: Thank you, Brian. Are there questions? Thank you then. Is there other neutral testimony? Senator Friend to close then. [LB22]

SENATOR FRIEND: Thank you, Chairman Adams, members of the Education Committee. The neutral testimony put it pretty well. Precedent is important, and we've set precedent in the last three years--I've been here for every one of them--by creating a learning community. And now we have it. I find that pretty ironic that we have to be really, really careful with an issue of this nature when we pretty much changed, over the last two years, everything that we can think of in the metropolitan area of Omaha as far as educational funding. Rural superintendents, to a degree, are acknowledging that they are getting funds from metro districts. I'm wondering if this is a tax-shifting role of the ESU 3. I'm just curious about that. All of the sudden, funds are there to fund all of the same services. Why can't ESU 3 still be funded? I didn't hear a real good answer for that, other than the fact that everybody's going to take off. If there's a great fear that districts are going to pull out of this whole arrangement, that signals to me that the ESUs are not a good value in that area because the schools retain the obligation to address special education would be saying that they can do it better and cheaper. That's why they would be pulling out of the situation. Final point. The language, the way I understand it--and we had this back-and-forth a little earlier--is not defunding the ESU; it's changing the way it's funded in that area. If the ESU exists...in 19 it exists. If OPS wants the ESU, then funnel the money over there and use it. If 3 is utilized, it's utilized. This isn't...we're not pulling money away from the situation. We're changing the way these particular organizations, because of the situation that the learning communities have created for us, we're changing the way they're doing business. I think that's pretty appropriate at this point. Thank you, Mr. Chair. [LB22]

SENATOR ADAMS: Thank you, Senator Friend. Are there questions? If not, thank you, sir. [LB22]

SENATOR FRIEND: Thank you. [LB22]

SENATOR ADAMS: And that will end the hearings for today. Committee, originally I thought we'd have a few moments to Exec today. It's late. Tomorrow we are going to Exec. [LB22]

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Disposition of Bills:

LB22 - Indefinitely postponed.  
LB387 - Indefinitely postponed.  
LB391 - Held in committee.

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Chairperson

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Committee Clerk