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Education Committee
March 09, 2009

[LB235 LB473 LB546]

The Committee on Education met at 1:30 p.m. on Monday, March 9, 2009, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB473, LB546, LB235, and Nebraska Higher Education Progress Reports. 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: So I think we will begin the hearing. We have several things to do this afternoon. I want to welcome everyone to this hearing of the Education Committee. I'd like to start by first of all reminding you to turn your cell phones off so that they not interrupt the testifiers or your ability to hear what the testifiers are having to say today. The next thing I want to do is introduce the people who are here. Our committee clerk today is Becki Collins, over here on my far right. And I would ask that if you decide that you want to testify on one of the bills that we hear today, that you come forward. There is a registration form that you need to fill out. You need to set it right over here in the box. And if you decide you want to testify on more than one bill, you got to fill out more than one registration sheet. And then when you get to the microphone I'd ask that you state your name and spell it for the record so that Becki can clearly get your name into the record. Next to her will be Senator Brad Ashford from Omaha; Senator Bob Giese is introducing a bill in another committee right now. He will be here in just a few minutes. Senator Abbie Cornett from Bellevue; Kris Valentin is our research analyst for the committee; I'm Greg Adams from York; the Vice Chair of the committee is Gwen Howard from Omaha; Kate Sullivan from Cedar Rapids; and Bill Avery from Lincoln representing District 28; and Ken Haar from Malcolm. Our two assistants today, our pages are Sarah McCallister and Brennen Miller. And as we proceed, if you have things that you'd like to hand out to the committee, I'd ask that you draw the attention of one of the pages and they would be glad to hand those things out to you. We do run on a light system so when we finally get into bills today if there's a bill that you want to testify to, we'd ask that you recognize the lights and we would go three minutes per person which is our practice here. So with that, we will open today with a report from the Nebraska Coordinating Commission for Postsecondary Education, the progress report towards the attainment of higher education priorities. Marshall, you want to get it started today? []

MARSHALL HILL: Yes, sir. Marshall Hill, M-a-r-s-h-a-l-l H-i-l-l, I'm executive director of the Coordinating Commission for Postsecondary Education. One of the tasks assigned to the Coordinating Commission is to annually produce a higher education progress report. Every time I've appeared before you I have claimed that we produce lots and lots of data, but this was a significant elevation of the types of data that we do provide. The progress report began as an offshoot of recommendations from the LR174 Task Force, which was jointly chaired by Senator Ron Raikes, the Education Committee, and Senator Don Pederson of the Appropriations Committee at that time. I thought it would

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be helpful for you to understand what their motivations were in asking for this report and so we've asked Senator Don Pederson to come and visit with you a bit and tell you about that. If you don't mind, I'll turn it over to him at this point. []

SENATOR ADAMS: That would be great. Thank you, Marshall. Senator Pederson, welcome. []

DON PEDERSON: (Exhibit 1) Thank you. Good afternoon, Chairman Adams and members of the Education Committee. I'm Don Pederson, P-e-d-e-r-s-o-n. As he said, Marshall has asked me to maybe brief a little bit about the background for this report. It's an annual report required by the Legislature and that's why they're here today. But more than that, it's a review of what they have been finding. Now, you will...I think you've all got a copy of this by now and this is a compilation made each year by the Coordinating Commission and if you would...if you'll see the early pages of it on the executive summary, you will find that there are three basic things that the LR174 Task Force had required that they report on to you. And that's really on page S1 of the report. But essentially, what we are trying to do and what we try to do by the Task Force 174 was to gain sufficient data so that we knew where we were and where we intended to go in the future as far as higher education is concerned. And as a part of that, we have information about the K-12 education which is the pipeline to the higher education in the state. It's an interesting makeup of the Legislative Resolution Committee with three members of the Education Committee, three members of the Appropriations Committee and three members of the Legislature at large. We met across the street during the summer of 2003 and we met during the late summer and early fall of that year, ultimately coming out with our report. I believe that the box full of material is in your office now, Senator Adams. I didn't know what to do with it. (Laughter) []

SENATOR ADAMS: Well, that's all right. []

DON PEDERSON: So it's now in your office since I didn't have an office anymore. But it was really an interesting study that we made because we had the opportunity to call on all of the segments of higher education in the state. We had the university system, the state college system, the community college system, private schools, and the whole gamut and we did the K-12 education as part of our study. So when we completed our study we felt we were in the position to have information to go forward to advise you of any changes that should or may be needed as far as higher education is concerned. The report that we made deals with an evaluation of student enrollment, seeing where those students go after they enroll in the school, if they drop out, whether they transfer, and so forth. We had a lot of trouble with that information initially because it seemed like too many of the entities were reporting to different bodies, and so we had no way to compare apples to apples. And so in a semi-heavy-handed manner, we insisted that all of them report to the National Clearinghouse. So when we get to the National Clearinghouse then we can see exactly if a student enrolls and then drops out but

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enters another school, we will have a way of seeing that they're still in school. But before, all it said was, well, they dropped out, now there's another ruling over here. There was no correlation among them. And we thought that that was very important to really track higher education and it has led to some interesting studies. The reports that we really wanted to focus on were the number of students who enter postsecondary education in Nebraska. And as we all know, there's a diminishing number currently of high school graduates and that's going to impact somewhat the number that are going to be available to enter college. But that's proposed to increase in about 2014 or 2015, in that area, so. And then we want to increase the percentage of students who enroll and successfully complete a degree. You probably saw the article in the paper this last week, Chancellor Perlman was noting that they, you know, they have to work harder to keep these students in school to graduate. And we really wanted them to focus a bit on why do they leave school? What is their intention? Where are they going? So these are items that we try to cover in this report and I have been terribly impressed with the work that the Coordinating Commission has done. How did we decide on the Coordinating Commission to do this? They sat in on all of the hearings that we had. We had consultants, and so forth, and when we finished we said, who is going to compile all this information? Who is going to make this available so that we can meaningfully understand where we're going with higher education in Nebraska and where are we with our K-12 education? And so the Coordinating Commission was particularly well-suited for that because they are not a body that looks over somebody's shoulder and says, do this or do that. They are a body who can report or who can be reported to and who can make actions based upon those reports. So it's really a cooperative venture that they engage in. I know that from time to time there are problems that you have in the Legislature. I know actually the motivation, quite candidly, for LR174 was the fact there was a lot of discontent with Peru. What are we going to do with Peru? Is that costing us money and so forth? So it evolved it. We thought, well, let's don't just talk about Peru, let's talk about all of the higher education and see where we're going. And it has worked out really well, and we've gained great cooperation from all of the parties involved, and I would recommend that you look at this report. It's going to be kind of hard to read the whole thing, to be honest with you, but if you look at the summary and look at what we wanted to have reported to you, I think it will lead you to a further understanding of where we're going with our education system in Nebraska. I appreciate the opportunity to present this to you. If you have any questions, I'd be glad to answer them. []

SENATOR ADAMS: Thank you, Senator Pederson. Are there questions? Senator Sullivan. []

SENATOR SULLIVAN: Thank you. Senator Pederson, how did you arrive at those three priorities? []

DON PEDERSON: Well, we evaluated a lot of different priorities, but we decided that these three would really be at the heart of where we're going. We had to know whose

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going to graduate? Why aren't they graduating and things of that nature and how can we keep them in school? And this was a little bit of pressure to put on various institutions to know that they are doing their job. So we thought that these three would be the means by which we could best assess our needs in education in Nebraska. []

SENATOR SULLIVAN: Thank you. []

DON PEDERSON: Thank you. []

SENATOR ADAMS: Senator Avery. []

SENATOR AVERY: Thank you, Mr. Chair. Welcome, Senator Pederson. []

DON PEDERSON: Thank you. It's my pleasure. []

SENATOR AVERY: I was wondering, I looked at these data and it's impressive, descriptive data. Do you try to explain any of these charts and tables, can you explain why these trends exist in this study? []

DON PEDERSON: Why these tables exist? []

SENATOR AVERY: Yeah, no, why the trends are there. []

DON PEDERSON: Oh, I think that perhaps Marshall would be a little better able to evaluate that and he will, I believe, testify after me and I would really refer to him because they keep track of those things on a day-to-day, week-to-week basis. So I can't answer that question exactly. I do know that they impact a lot of people who operate higher institutions because they see where they fit with other institutions and they see what goals that they should be achieving. []

SENATOR ADAMS: Are there other questions for the Senator? []

DON PEDERSON: Do you have a question Senator Haar. []

SENATOR ADAMS: Did you have a question? All right, I guess not. Hey, thanks for coming in today. Appreciate the background. It's helpful. []

DON PEDERSON: Well, been my pleasure, and best wishes on your efforts. []

SENATOR ADAMS: Thank you. Marshall. []

MARSHALL HILL: (Exhibit 2) I'm, if anything, a realist. And no, I don't expect you to read this entire report. What I hope you would take away from it is the fact that it does

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exist. That there are several levels of information. The executive summary, which is long enough, does go into some detail about the three priorities. I'm going to take for you an even higher level look at this information here quickly. This data is drawn on by the institutions throughout the year. We are always fielding questions from the institutions about how does my data about this stack up to other institutions in the state and so forth. We believe it's useful to the various sectors as they draw on it as well. And frankly, we use it to field questions from legislators and their staff. I'd like to just go quickly through this for you. There's a set of slides there for you. As Senator Pederson indicated, this was required by statute, and we provide it to the Governor, to the Legislature, to the institutions, the media, and other interested parties. I will tell you, we don't print many of these at all any more. We make it available in our Web site. Our commission approved it last Thursday morning, it was on our Web site Thursday afternoon. Senator Pederson indicated it focuses on the three key priorities that were identified. Those are to increase enrollments in higher ed, to increase the percentage of students who complete degrees, and to reverse the net out-migration of Nebraskans with college degrees. So priority one, increasing enrollments in higher ed. Here is a chart which indicates that the state's institutions both public and private are doing just that. We have about a 6.6 percent increase from 2003 and in total fall enrollment and we project that that is likely to be about 132,000 when final enrollment figures for this past fall are validated. The one other thing to note is that this total fall enrollment increase has happened despite a decline in the total fall first-time freshmen enrollment. As Senator Pederson indicated, we're pretty stagnant in the number of high school graduates we are producing in this state and the number of full-time freshmen or first-time freshmen is actually decreasing. So we are getting that increased, total enrollment by doing several things. One, improve retention rates. Second, people coming back after a while out of higher ed. Third, adults joining the system. Next, please. Here's the chart which indicates what the total number of projected high school graduates are to be up through 2018 and 2019. And it's clear that if we want to increase the number of college graduates we have in the state, we're not going to be able to just count on increasing the number of high school students, because that is not going to increase appreciably at all. So a way to do that, a way to increase our overall graduation is to go deeper into the pools of students who don't normally participate all that much. If you see these three charts they refer to three different snapshots. The first on the left, 2002 to 2003, you see the percentages of Nebraska high school graduates by race and ethnicity. And you'll see that white bar, as it goes from right, left to right, decreases. So the percentage of high school graduates that we are anticipating in 2018 to 2019 will have shown an 18 percent decrease of white students in terms of their percentage makeup and a significant increase in the number of, the percentage of those graduates who are Hispanic and who are African-American. Now, this is important because what we are seeing is a decreasing percentage in the type of student that we have been most successful getting into and through higher education, and increasing percentages of the students that we have been least successful in getting into and through higher education. Okay. The LR174 report identified not just these priorities but some

objectives, strategic objectives to attain them. First was to increase high school graduation rates. There's good news there. You'll see that the high school graduation rates for each ethnic group has increased from 2002, which is the lightest color bar, 2006 to 2007 the sort of buff colored bar, and the red bar from 2007 to 2008. So each ethnic group has increased its higher, its high school graduation rate. This masks some information that I think most people are unaware of. Many people, I believe, would presume that the largest numbers of high school dropouts are African-Americans and Hispanics. That's not the case. We'll see that we have 1,300 white high school dropouts, 37 Asian and Pacific Islanders, 510 Hispanic, 109 Native Americans, 476 black non-Hispanics for almost 2,500 dropouts from the class of 2007 to 2008. Those are not equally spread around the state. Thirty-nine percent of those dropouts occur in the Omaha public schools, 18 percent occur from the Lincoln public schools. Of course, those are our two larger districts. If we look at that high school graduates and dropouts by race and ethnicity, in a flat world, one might expect that the number of graduates, the percentage of graduates and the percentage of dropouts would be the same, but that's not the case. If we look at white non-Hispanic graduates, the taller bar there on the left that says 84.7 percent, that means that the white students made up 84.7 percent of the high schools graduates in 2007 and 2008. And white students accounted for 54 percent of the dropouts. But if we look at the Hispanic students, they accounted for only 7.2 percent of the graduates, high school graduates now, but accounted for almost 21 percent of the dropouts. An even greater disparity between the black students who accounted for only 5 percent of the graduates, but 19 percent of the dropouts. Clearly, if we are going to make some progress we have to reduce these dropout rates, and most especially with Hispanic, Native American and African-American students. The second strategic objective was to increase the percentage of high school students who are adequately prepared to proceed through the postsecondary degree completion. You've heard a lot of talk about the need for remediation. It's a huge problem. The Governor some time ago asked me a question. He said, when I talk to public school people they tell me our graduates are very well prepared to succeed in higher education. When I talk to college people they tell me that the people that they get in as freshmen are not at all well prepared. He asked me who was right. We don't have a data system which allows us to answer that question. This is the closest proxy. ACT can project the likelihood of a student getting a B or better at a 50 percent rate or a C or better at a 75 percent rate. So let's take for a moment, let's presume you've got a son or daughter who is going to go into college and you would, I think, would want them to have at least a 50 percent chance of getting a B or better. You can look at their ACT scores in the various subject areas and see what scores on a national basis equate to that likelihood of success. And that's what we have here for Nebraska students. And unfortunately, if you look at the performance of our white students, Asian Pacifics, Hispanics, Native Americans and black students you get those percentages. What those percentages mean, 29 percent of the white students scored a sufficient level on the tests in English, in mathematics, writing and reading to equate to a 50 percent chance or better of getting a B or better in each of those four basic freshmen level courses. Now as a parent, I think you'd want

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better odds than that. And I think as policymakers you'd want better odds than that. Actually I can't tell you whether they get B's or better because we don't have a data system which will allow us to do that. Okay. The third objective under this first priority was to increase the percentage of high school graduates who enroll in postsecondary education. This is unalloyed good news here. We have increased 4.8 percent from 2002 to 2006 in the number of Nebraska residents who after graduating from high school go on to either a degree granting or a nondegree granting institution within 12 months. So this is definite good news with no equivocation. Thanks. The second objective was to increase the percentage of Nebraska high school graduates who go to a Nebraska institution. And good news there as well. These bars represent...the redder bar represents the number of high school graduates who go to instate colleges in that year. And you'll see that we've remained pretty stable in that. The top part of each column is the number of students that have graduated from the Nebraska high school and then gone to an out-of-state institution within 12 months of graduation. So we are at least holding our own in an overall rate. We've had a slight increase in the numbers and percentages of students that we are keeping in Nebraska. The third objective was to not only keep the ones that we produce here, but to bring in more students from out of the state. And let's see how we've done on that. In fall 2002 we had 3,081 students from out-of-state institutions, from out of state enrolled in our Nebraska institutions. And now we have, fall of 2006, we have about 3,200. I apologize for that 2006 number. In every case we have cited the most recently available good data. So that data update won't be available until sometime this summer. But clearly, we're going in the right direction. In a graphic form, I'm comparing this. Fall 2002, if you look at net migration, that is taking the ones that we get in and subtracting from that the ones that we have here that leave, we had a net migration of 232 students, more students leaving the state than came in. In 2004, 254 more students left the state to go into postsecondary ed than came in, but the bird changes direction in 2006 and we then had 197 more students. We will let you know when we get the updated information. The fourth strategic objective is to increase the number in proportion of Nebraska postsecondary students who have been underrepresented. This is our minority populations. If you look at this data, what this indicates...let's just look at the white students first. The high school graduates in 2005 and 2006, 85.9 percent of them were white, and the college freshmen then that fall were 86 percent white. So the white students are slightly overrepresented as a percentage of their high school graduating class as are the Asian and Pacific Islanders. You see something different here for the Hispanic students who make up 5.8 percent of the graduates, but only 5.1 percent of the college freshmen and similarly for black and non-Hispanic students. This looks at the projected change in or the actual change in, yes, in the number of white students in our various sectors. And we're pointing this out principally to say that these are the populations that we have been most successful at getting through higher education. And yet we are looking at smaller and smaller numbers of those in every sector except for the University of Nebraska, which between 2003 and 2007 increased its, increased its enrollments. We're going to be spending more time looking at the socioeconomic status numbers that underlie these trends and

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the next report we will include that information as well. The fifth objective was to increase need-based financial aid. And remember these were strategic objectives identified by the LR174 Task Force, not by the Coordinating Commission. And there is good news here. These are the various types of need-based financial aid that were awarded by our public Nebraska institutions. And you'll see that in 2003 to 2004 there was \$69.9 million of that; 2007-2008, \$85.3 million dollars, a significant increase in the NSG, that's the Nebraska State Grant, and in other things as well. This is the same picture just looking at percentages. Next. The second priority was to increase the percentage of students who complete degrees. First, the first thing you need to do to increase your graduation rate is to keep your freshmen over into their sophomore year. And that's what this graph looks at. These are the first-time, full-time freshmen retention rates for our institutions. And the news there is mostly good. You'll see that the University of Nebraska increased its fall-to-fall freshmen retention rates a bit. And let's see, the community colleges did as well. The state college system dropped slightly. The independent colleges dropped slightly, and so forth. If someone, if a friend or colleague says, well, my son or daughter is going to start college next year but he doesn't really want to go full-time, he's going to start part-time, what do you think about that? This slide should give you pause. I think mostly, people would tend to say, oh well, you know, that's all right, that's all right, so long as they start. But unfortunately, students who start part-time have a much less likelihood that they're ever going to come back for the second year. And that translates to a much lower graduation rate for part-time students. So it's not just that it takes them longer. It's that they're less likely to graduate, period, if they are part-time. Senator Avery's why questions are the hardest ones to answer for all of this and I think there are a lot of them imbedded by these. Many part-time students are only, are challenged financially and that might be one of the reasons. They're working harder, life intervenes at different rates, and so forth. If you look at the graduation rates overall, you'll see a mixed bag here. The University of Nebraska has increased its graduation rates. The state colleges just a very slight decrease. The same for the community colleges. Independent colleges increased to degree-granting for profits up and so forth. One general comment on this. I think these rates strike most anyone as being low, particularly someone who doesn't follow higher education on a day-to-day kind of basis. Actually when you compare these numbers to the statewide numbers for most states, they are above average in most every sector. Now some things explain that, why the numbers themselves or percentages are fairly low. The cause of the structure of the national data system from which these rates are calculated, they really only address first-time full-time freshmen who eventually graduate from the same school they started. And that's not life anymore. That's not life. We did a study two years ago to see how many of these students that say started UNL and did not graduate from there went somewhere else and then graduated. And we found that you could add about 10 percentage points or so to almost all of these sector rates and find eventual success somewhere. Community colleges, just one word about that. Those quite low numbers reflect a number of things. One, the community colleges tend to get the highest percentage of least prepared students. Second, they have the

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highest percentage of part-time students. And third, they have a lot of students who enroll and never intending to graduate. They want to take two courses in welding or they want to take one course in bookkeeping or something like that. So the graduation rates for the community colleges don't really fully reflect what it is we want them to do. If we look at this by race and ethnicity, these are all graduation rates. You'll see the good news is that mostly there has been some increases. Not so for Hispanics and not so for Asians, but very, very slight difference there. So the trends are mostly in the right direction for all ethnic groups. Priority three, reverse the net out-migration of Nebraskans with college degrees. That is keep them. This is the brain-drain issue. I wish I could give you better information on this. In earlier reports we were drawing on census data, but in 2005 the U.S. Census decided it would change the way it collected data upon which we could draw for this. This, not at all helpful chart, is the best that we can tell you. The only information available from the U.S. Census on this issue is from the American Community Survey data where they sample very small numbers of people and then project from that. The Nebraska numbers for us to ascertain whether we're losing the baccalaureate and other graduates we produce or losing our high school graduates or whatever, the Census Bureau extrapolations are done on the basis of interviewing 21 people who moved to Nebraska in 2007 and 36 who moved out of Nebraska in 2007. So a sample size of 57 gets us zero confidence in whatever they are reporting. All we could tell you is that through a complex statistical analysis, the width of the line as our area of confidence. So for example, we can tell you that baccalaureate graduates, we either had a net loss of something like 800 or a net gain of something like 5,200. (Laughter) I'm sorry, there is no other data. So Senator, we can't help on this one. What we have been doing is looking at these totally nonhelpful reports for the past three years to see if we can discern any patterns. We'll continue to report them to you but we'll also tell you that they don't mean really much at all. And it's not just that...there is no data to answer this question at the moment. And the data that they provide just does not feel right. Do any of us really believe these numbers? No, I don't think we do at all. We see some overall conclusions here. We have some small changes. Progress on most of these issues, to the extent that we can tell, is generally in the right directions. We will continue to face challenges. We can't just keep doing what we are doing. We have to do more of it. We have to reach deeper into pools in all racial and ethnic groups than we have done before. We have to provide additional opportunities for those students and help once we get them in our institutions or they won't graduate without that additional help. We are seeing all the institutions working on these issues and seen some progress. Our institutions are paying more attention to recruiting out of state and our foreign student enrollments are trending back up. We continue to press the case for increasing the state-funded financial aid. We are about 38th in the country in the amount of need-based financial aid that we have per full-time undergraduate student. And we're going to continue to prompt institutions to do what they're doing to increase retention in graduations rates across all sectors for students in all racial and ethnic groups. And that concludes my report. I want to say that I'm sure you realize that I don't do this report. I'd like to recognize our staff members who are most involved, even

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though frankly all of our documents to you and reports to you are corporate, as it will, grants. But Dr. Barb McCuen is the head of our research division. Kermit Spade is our research analyst. Our heavy duty data number crunching person is naturally shy and he is not here this afternoon, Duncan Hsu. (Laughter) []

BARBARA McCUEN: By choice. []

MARSHALL HILL: By choice. []

SENATOR AVERY: He's crunching numbers, so. []

MARSHALL HILL: Yes, he's back home. I told him he could come or not without prejudice. I'd be please to respond to any questions that you have. []

SENATOR ADAMS: What questions do we have for Marshall? Senator Avery. []

SENATOR AVERY: There are statistical techniques for squeezing this data a little bit and finding out why...answering the why question. You could do some cross tabs, you could do some regression. Have you tinkered with any of that? []

MARSHALL HILL: Uh, we have. We have but... []

BARBARA McCUEN: Marshall, do you want me to answer that one. The data on which most of this is based is not cross tabbed. It is not possible. []

SENATOR AVERY: It's not in the right form. []

BARBARA McCUEN: The aggregate data, right, and what you're asking for we would love, and that is why the drive is on nationally for this student reference systems, but the aggregate data is reported to the national clearinghouse as aggregate. In other words, like University of Nebraska will report the total number of black students and that is the data we have, so we can't cross tab it. []

SENATOR ADAMS: Marshall, for the record, could you state... []

MARSHALL HILL: This is Dr. Barbara McCuen. []

SENATOR ADAMS: ...where that came from. Okay. []

MARSHALL HILL: I'm sorry. I apologize for that. []

SENATOR ADAMS: That's all right. We'll work it out. []

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MARSHALL HILL: I'll ask her to fill out a testifier form, yes. But just to build on that we draw virtually all of this information not from our institutions themselves. They are required to provide a significant amount of information to the U.S. Department of Education Center for Education statistics. They have to do that in order to participate in the federal financial aid programs and we mind the data and analyze it. So what you're seeing here is not...it doesn't reflect massive amounts of time on the institution's part submitting data to us. Frankly, they don't provide any to us really except for isolated surveys. []

SENATOR ADAMS: Other questions for Marshall? Yes, Senator Howard. []

SENATOR HOWARD: Thank you, Mr. Chairman. I'm looking at page 7, I was really interested when you talked about the percentage of ACT tests of high school students who scored in all four common areas in entry level college, English, algebra, biology and social studies. You know you'd look at that and you'd expect some pretty good performance from those students. The problem is we don't have any way to measure their maturity so when they get to college, you know, they may have different agendas rather than earning all A's. []

MARSHALL HILL: That's right, indeed. That's correct. They're...I was a faculty member for 20 years and I can attest to that from personal experience, yes. []

SENATOR HOWARD: Well, and I know it's one thing to be smart but it's another thing to be willing to do the work. []

MARSHALL HILL: Right. []

SENATOR ADAMS: Other questions? Marshall, may I ask, and I know this is beyond the realm of this report, and you've done a nice job as usual with the numbers. So as we look at these numbers and we have these strategic objectives, and the numbers tell us not the why but at least give us the picture, what have we done, do you know, as a state to address these things? Organizationally, what kind of discussions are going on? I mean, I've been to more than one P-16 meeting. I see Marty in the audience. But I guess for instance, at what point do we take K-12 and postsecondary and sit down and look at this and say, here's the deal and if we're going to attack it, we obviously can see some improvement but not enough. Do you understand what I'm asking? I mean, what kind of communication do we have and cohesiveness in attacking these things? []

MARSHALL HILL: I'd say we have fairly good communication about it. But it's my personal view that we've not made nearly enough progress about doing that. For a whole host of reasons, I guess, traditional FOSI on, I'm concerned about K-12 and I'm concerned about higher ed. We have a...we've had activity in our P-16 initiatives but not a great deal of product. In a meeting last week a number of us who were very actively

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involved in that were very honest about that and realized we need to make some changes. I think there are going to be some governance changes for the P-16 initiative which will force some progress. We need to ensure that high school faculty and college faculty have the same understanding of what it means to be ready to go into college algebra, for example, what it means to be able to reason and problem solve. And we have made some efforts toward that in years past but it's been a long time, a long time coming. We have had...we have good personal relationships in this state among the various sectors. We don't have any intrasector squabbles. This is not a blood sport here like it was in Texas for 11 years. We have people across sectors who honestly like one another. But my personal belief as to why we've not made greater progress is because Nebraskans are comfortable with always having done well. We think we're always doing pretty well in education and we are when compared to other states. But we have some challenges now facing us that haven't been there in the past and I think we've got to do better. I think we will. []

SENATOR ADAMS: The portion of that, a couple of things there that you jogged my memory. In 31 years as a high school teacher there was always that, doggone those professors that sit there in their high and mighty institutions that want the perfect kid to come walking in. It isn't going to happen and I'm sure the higher education looked across or down or whatever direction of K-12 and say, doggone those guys are not getting the job done. It just looks like the very thing you're saying. We've got to be clearer in what our common goals are. []

MARSHALL HILL: We do and frankly we need a better data system. And it's my professional judgment that we do not have a good P-16 data system in this state and we cannot answer questions that are reasonable questions. If you ask me, well, what about those part-time college students, what is their graduation rate? I can't tell you. What about those students who start at Metro and then transfer to UNO? You know, what...I can't tell you. We do not have a good data system. []

SENATOR ADAMS: Do we know about students taking on-line courses, for instance, high school students taking on-line courses and taking college courses during their senior year. Do we have that kind of data? []

MARSHALL HILL: We have very limited information about that. We presented a report last week which was borderline, not let out, because we just...if we look at dual enrollment courses for example, you know, nobody is really keeping track of that across the spectrum. There are many holes in our data system and this is not conscious. This is just...Nebraska has a long history of very strong local control and so there are fears of comparisons and so consequently, again, I'm speaking for myself now, we cannot answer questions that we would like to be able to answer. I think we will have to do better on this. At the present time there were only three states in the union that are not really actively working on developing a strong P-16 data system. And although I've been

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chairing a statewide P-16 data committee for about the past year, and we have been working at it, we're still a long way. But we're one of those three or four states. []

SENATOR ADAMS: I was afraid you were going to say that. []

MARSHALL HILL: Yes. And but...everyone reading the current stimulus language, I think notices that one of the preconditions for receiving stimulus funds is a reporting function. I honestly don't know, you know, whether we're going to be able to satisfy that or not. It might just be the opportunity which finally pushes us ahead to do what we want. []

SENATOR ADAMS: Other questions for Marshall? If not, thank you sir for your work. Appreciate it. []

MARSHALL HILL: Thank you. []

TIP O'NEILL: Senator Adams and members of the Education Committee, I'm Tip O'Neill. That's O-'-N-e-i-l-l. And I think the only reason that I'm coming forward today is to talk first of all, that just to say that the improvement in data collection at the postsecondary Coordinating Commission has been profound since Dr. Hill and Dr. McCuen came on board, and I appreciate that. I'm a data user as you probably know by seeing the materials that I provide you. In fact, some of the data that I've used in the handouts that I gave some of you today were from this progress report that just came out last Thursday. It's important for those of us in higher education to understand higher education, to have data that's available, and to have data that's useful, and to have a staff at the Coordinating Commission that actually will spend time with you. I didn't know you could teach an old dog new tricks but, in fact, you can. Because when they sat down with me and explained what they have collected and how I can utilize that information, how I can get the data, it's very, very helpful, and I appreciate that. We may disagree on policy from time to time but I have been treated with professionalism and respect at that Commission and I appreciate their work. []

SENATOR ADAMS: Thank you, Tip. That's helpful. Is there anyone else who wants to testify at all on this? Well, if not, thank you again, Marshall, for all your good work. And I won't say, see you next year because we have other things for you to do. (Laughter) Thank you everyone. And we will now move on to the bills that we need to hear today. And Senator Loudon we will begin with LB473. And whenever you're ready, Senator Loudon. []

SENATOR LOUDEN: (Exhibit 3) Okay. Well, thank you, Senator Adams and members of the Education Committee. My name is LeRoy Loudon and I represent District 49 and the last name is spelled L-o-u-d-e-n. And today I bring before you LB473, a bill that creates a Nebraska Elementary Attendance Region Act. I brought LB473 forward as a

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means to address a serious issue since implementation of LB126 in 2005. Now that we have all schools in K-12 school districts, the elementary schools in remote locations are being closed at an enormous rate. We are now busing elementary children at an all time high. We have closed local school sites, reduced the teacher force in many instances, and proceeded to spend money for transportation, and in most cases, acquire buses and bus drivers. We are literally trading instruction for trucking. Children in some instances have to meet a bus at 6:45 a.m. to be transported 30 miles and then to meet this bus. Can you imagine the time these children have to be awakened in the morning to be able to eat and get ready for school. These young children tire quickly and do not possess the stamina that a 15-year-old in this situation would have. To me such a situation is intolerable. Put into the mix, that the state has mandated all day kindergarten. Such an issue will require people in sparsely populated areas to home school or move a parent and children into town for the duration of the school year. This actually puts education back in the 1940's. When I was in grade school this was the instance in many cases, and if these families didn't own substantial property, they eventually moved out of the country in rural areas. Hence, it created somewhat of an exodus of people from the rural community. I don't know if LB473 is a complete answer, but is the first legislation that I know of to try and address this problem and it's the first legislation I know of that hasn't been mandated. The site allowance is the key to the whole idea. Schools that aren't equalized don't receive that site allowance. At the present time there's three huge districts in Legislative District 49 that aren't equalized and therefore, don't receive any elementary site allowance. This does not mean that these districts have the funds on hand to create and fund elementary only sites. If portions of this bill are problematic, at least allow all districts to be eligible for an elementary site allowance. If you have to reinstate a very sparse category or for that matter perhaps a percentage of the students being bused, a number of miles or just...or even just allow the district to receive the site allowance funding and this could provide some relief for this dilemma that the state has caused by the destroying of the Class VI school system. I thank you again, Senator Adams and members of the Education Committee. I appreciate your time and I would ask that you take a good look at this issue, and I truly believe that the future of some of our youth depend on it. I'd also be happy to answer any questions that you may have. And also, I don't know if you received a letter from Jack Andersen. I would like to enter that into the record in support of LB473. [LB473]

SENATOR ADAMS: Okay. Let's begin with questions for Senator Louden. Well, I'll initiate them. Senator, first of all, let's go to District 49 because you know it better than probably anybody in this room, I'm guessing. Do you...the problem that you are trying to address in this bill, do you think it's, at this point in time, more unique to your district than other parts of the state? [LB473]

SENATOR LOUDEN: Well, I...I'm not familiar with some of those down there in the south side of Nebraska, a long ways off. I am familiar with most of the Sandhill regions

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in which would be Cherry County and Sheridan County and those counties in my district. It probably is...it is an issue in our area. Now, it depends on how some of the school boards are handling it. My understanding is that probably that in Cherry County they haven't closed that many of those sites, elementary sites. [LB473]

SENATOR ADAMS: Do we know why that is, or can you speculate as to why that is? [LB473]

SENATOR LOUDEN: They always give the answer out there is they're closing them, that they can't afford it. Scottsbluff has put in the paper the other day that they're closing what they call their Lake Alice School. And there was, I don't know, maybe 17 or 18 students or whatever there was there and they figured on busing them over to Lake Minatare which is a matter of miles. Well, that's fine when you look at Lake Alice School and Lake Manitare School is maybe 10 miles apart and you say, well, why can't we bus these, you know, across there 10 miles. The fact is, how far do some of those kids come to Lake Alice in order to get loaded up on the bus to go on over to Lake Minatare. And I haven't talked to the people in Scottsbluff. That isn't in my district, but...or that part that they're closing. But I don't know if they realize they're going to lose their elementary site allowance. Now in the Gordon, Rushville district, the Hyannis district, and also the Sioux County, see they're not equalized and with them it's a dollar and cent issue, as simple as that. I think Gordon is, I think they had six elementary sites and they closed one because it was costing them about a, I forget, hundred and some thousand dollars for each elementary site, which I thought was high. Since you've had LB126 put into force and a K-12 system, they told us we were going to save \$12 million by doing that, and I pointed out at the time that you don't realize how much free administration you're getting by having these Class I districts. And that's what's happened now. The Lake Side district went from operating at \$50,000 a year to \$130,000 a year operation of that same school house and everybody is wondering why the operation went so high, and that, of course, when you don't have local people. Now the Ashby School there by Hyannis just got closed and those people offered to do some of the janitor work like they always did. I mean, this is how you run these Class I schools out there. You usually hired somebody in there to come in and clean the place up twice a year, Christmas time or something like that. And then the teacher and the kids did a lot of the minor janitor work. If there was major work done and either somebody around did it or else you had hired someone come in and do it. But the cost of operation went up considerably. Part of that was as I think some of these school superintendents, you know, I mean most all of them have Ph.D's so they get quite...they can come up with some very good reasons, but I think they probably included all of their operations in the whole system and then they would prorate it out to these Class VI schools and that would, of course, raise the price up whether there was that need or not. [LB473]

SENATOR ADAMS: How much, how much fluctuation in elementary school population do we see in those areas, Senator? Particularly where you're from. [LB473]

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SENATOR LOUDEN: Well, uh, here's what usually happens is you'll have...like when I had kids, we had 17 or 18 kids going to school. Well, as those kids grew up and some stayed, some left, and then about the next generation's coming along now, we got about 10 or 12 or 15 kids coming in again. And it goes in cycles like that. And I understand that there's no point in having a school there year in and year out because you will get to where there aren't very many kids. As my kids, I think, the youngest one was about 15 years younger than the oldest one. When the oldest one went to school, there was quite a few kids. When the youngest one went to school there for a little while, there were only 2 kids in school for about one year, I think, when he was a kindergartner in the first grade or some place in there. Then we had a bunch more come in and then all of a sudden we were up and going with oh, 10 or 12 kids. Most of the time, most of those schools don't have over maybe 10 kids at the most. For the most part that's the reason in that near deal we mentioned it seven or five or something like that. You're going to have to have some number. You can't go back like we did. I don't know if you can remember back there in the '60s when we used to hire those teachers out in the middle of Cherry County and you'd pay them \$20,000 to come there and there would be one or two kids. Well, I mean, yeah, when there weren't any roads at that time so that was the way it was done. But you were, you're out there where the coyotes howl. (Laughter) [LB473]

SENATOR ADAMS: Is that the only thing that howls out there, huh? (Laughter) So if...I don't mean to be asking all the questions, committee do you have questions of Senator Louden? Let me go back a year to the bill that is similar to this. So we have a school district and you're proposing in this legislation that an elementary attendance area could be carved out of an existing, not removed from but simply identified maybe is a better way, within a K-12 district. And could you go on and just briefly explain what you... [LB473]

SENATOR LOUDEN: Well, I guess the idea if you're familiar with a Class VI operation, it would be the same thing as what a Class VI school district was before. You had your major high school district that had the budget authority over everybody. The difference is with this near deal the one district would hire the teachers and have...and pay the teachers and that sort of thing instead of like our Class I's where each individual school did their own hiring and set up their budget for the teachers. This way it would all be one...the teachers would all be under one school district. That would be the difference. If that... [LB473]

SENATOR ADAMS: So curriculum would be under one school system, under one school board. [LB473]

SENATOR LOUDEN: Yeah. And see it was under a Class VI if you worked it right. That Class VI was in progress for about 20 years and I think we went 15 years before we

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finally got it across to all of those districts that if they would use their one major high school, school there to have their library and all of that, it took them I don't know how many years for those people to understand that they could have their own district library and use these books whereas as your kids moved, you'd have, oh, three or four site out there and as those kids moved through the grades you didn't have to move books every time. You could come back to your library. In fact, Sheridan County had their county textbook library for years and years and years. And each school district contributed a certain amount of money into it every year. And then they would be, oh, they'd set up a committee of teachers every year to go and order the books that were necessary and then you'd traded the books around through the district. And about the time we were starting to get that all organized in your Class VI districts, then was when they come along with LB126 and pretty well did away with all of it. And some people even said, well, what's the difference between what we're doing and K-12 district, you know, when they implemented LB126. And I told them, there was no difference. The Class VI district was in fact a K-12 district other than you had your local attendance centers under your jurisdiction. What really sold all of that was the fact that you had these affiliated school districts with a K-12 and that was where all the trouble was. The affiliated districts was able to get their own budget authority and they would bring in their budget authority and then this K-12 district was under this levy lid and then they had to make room for that budget authority that this affiliated district had. In a Class VI district the Class I's brought in their budget and then the K-12 district... [LB473]

SENATOR ADAMS: Controlled that budget ultimately, didn't they? [LB473]

SENATOR LOUDEN: ...controlled the budget for everybody and made everybody divide it up equally and then went from there. [LB473]

SENATOR ADAMS: Okay. Are there questions for Senator Louden? Hearing none, we'll let you off the hook for a minute. [LB473]

SENATOR LOUDEN: Okay. I will close if there's anybody that decides to testify. [LB473]

SENATOR ADAMS: All right. All right. We'd open with proponents, first of all. Are there any proponents? Seeing none, are there opponents to the bill? Any opponents? [LB473]

JOHN BONAIUTO: Senator Adams and members of the Education Committee, John Bonaiuto. J-o-h-n B-o-n-a-i-u-t-o, executive director of Nebraska Association of School Boards. You know, a lot of what Senator Louden was saying is absolutely right as far as the Class VI, Class I organization. And our school board association had recognized that as a K-12 system or K-12 organization and the affiliated districts were a part of the problem and where all of the land was being affiliated and what have you. My opposition is that I'm not so sure right now that there's a need for this type of an organization or an

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option, that the boards are really trying to work with parents. And that if sites need to be kept open they're working to keep those sites open. Transportation is an issue and how far do you want kids to travel and I think some of the discussions, especially in greater Nebraska, is, you know, even with these rural or remote sites, if there becomes room, if there's empty class space in the main school building, how long can you keep those sites open. And I think there are boards that are talking to parents and saying, as long as the students that are attending those sites are present and they're resident students, not option students, that they'll keep those sites open. But when those students are done, I think that the boards...you're trying to be efficient and get as many students into the main school site as possible. Another issue, we're not so sure that this isn't going to become a broader challenge or problem to solve in greater Nebraska. And the districts are going to start having to look at the learning community concept in a different way than in the metro area, but how many districts can work together to provide a viable education for the students that are in a broader geographic area. And I think that's the bigger challenge because the population is continuing to shift. And if a school district isn't on the interstate or in the eastern part of the state, they're feeling that pressure. So with that, I will end my testimony and say that I think the need right now may be greater than...as we look to the future, than this bill really provides as far as options to those remote districts, the rural districts. [LB473]

SENATOR ADAMS: All right. Thank you, John. Are there questions for John? Senator Sullivan. [LB473]

SENATOR SULLIVAN: Thank you. John, do you think that boards and school district, particularly in rural Nebraska, are looking at distance learning and technology as a way to deal with some of these concerns? [LB473]

JOHN BONAIUTO: I do, Senator. And I think that that's been an area that we've had some challenges or difficulties where there have been some pods or some groups that have been created where there's a number of schools that would participate but the pods cannot communicate with each other. And I think that's the area that is being concentrated on is, how do we do a better job of making electronic communication and interactive learning opportunities available to a wider range of school districts. And so as the need arises, that is going to be one of the areas that we'll have to concentrate on. [LB473]

SENATOR SULLIVAN: So you mean they can't communicate because technology doesn't allow that? [LB473]

JOHN BONAIUTO: Exactly. I'm sorry, I wasn't... [LB473]

SENATOR SULLIVAN: Broadband or whatever. [LB473]

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JOHN BONAIUTO: Yes, you're absolutely right. We had a number of these pods created over the years where they can communicate with the schools within their group but it was not...the technology was not designed in a way that they could communicate amongst the groups that were doing this. And I think that that is going to be the area that we'll see more activity in and it's just going to have to happen. As we have a harder time attracting teachers, I think getting good teachers and attracting teachers as people retire will be a challenge to many of these school districts. [LB473]

SENATOR ADAMS: Other questions for John? Thank you, sir. [LB473]

JOHN BONAIUTO: Thank you. [LB473]

SENATOR ADAMS: Is there other opposition testimony? Is there neutral testimony? Senator Louden. [LB473]

SENATOR LOUDEN: Thank you, Senator Adams and members of the committee. You want to remember we're losing population in rural areas at an alarming rate. And people with school age children are hard pressed to decide whether to move into areas where school attendance requires two hours or more of travel time. As John testified, you know, that they're trying to put as many students in a school as possible, and by doing this, they're hauling them to those distances. At the present time, why, as he said, they don't close those schools unless there aren't any children there. Well, we just got done closing Ashby School there and as I say, there was 12 or 14 students, whatever there was there. But those people probably come in from about 15 miles each direction from Ashby because Ashby sits on Highway 2 and then you have your oil strips that come in from the distances. And then they load them up and take them to Hyannis. It sounds like a good idea but nonetheless, you've got the distance involved there. And sure, it's a matter of trying to have more students in a school but you've got to remember there comes a time when you can only haul them about so far and get them up so early in the morning in order to get to school. And this is what I'm talking about is the fact that you've got kindergartners, as you say now, you have to have all day kindergarten. When I was on school board we had kindergarten the last semester and even when my oldest kid started to school we had kindergarten the last 12 weeks, 3 days a week. So I don't know how important kindergarten is in some of these rural areas but it makes it quite a hardship now because somebody's going to load up and haul that kid. You can't send that kid to school on a four-wheeler or you can't send him in the pickup. You're going to have to take him up and back both ways. And then whether you have him on a school bus or at school all day long, you can imagine what a 5-year-old kid that's rode that distance. Right now we have one school left between Hyannis and Alliance. That's a distance of 60 miles. We have one grade school left in there. They were trying to close that last year. Decided to keep it open one more year. From there you go about 25 miles north of Ellsworth to Gordon. If you want to have a triangle of about 120 miles or so to make the circle, then you have one grade school out in the middle of it. The rest of

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it is all at least 60 miles, on up to 80 miles, between schools. This is what we're looking at out there if don't have some type of elementary education in these areas. And sure, it's only going to be five, six, seven students or something but this is something that we probably have to contend with. So as I've said, if nothing else comes of it, I would like to see at least advance something that these districts would be entitled to that site allowance. That would probably help the argument to keep these sites open a little bit longer if they had some kind of allowance in there. But as some of the, like the Gordon school district with their five sites that they have left, why they just figure it's going to cost them too much and they close them. That's what Hyannis did. And those in the...as I mentioned to the teacher association, you know, we're getting rid of teachers and hiring truck drivers. If this is where you want it to go, why then do we start putting them in on the teacher retirement system if they're going to be hauling school buses. So this is some of the problems we have. The technology is, been pretty much there. When we had our schools in Ellsworth and even out in Cherry County what they called Red Mill and places like that, we had...they had their internet and computer system. It was, most of it was satellite in some of the areas where we are. If you want to get any kind of internet reception you use satellite. Some of it if you're on with some of the consolidated telephone they did put in a lot of fiberoptics so that there was satellite available. That type of technology is available. Whether there's a seeing room teaching stuff that will be, remains to be seen. If it can't come over the television or something, they used to do a lot with ETV at the times, year, from time to time but that was problematic and time if there was anything to be learned that much, so. The technology is some available there and it was always used because a lot of those kids knew more about the computers than their parents did at home out in that ranch country. So with that, I would ask that if anything, at least consider the site allowance way of funding that or putting it in there, which probably wouldn't cost that much more than what's already spent for site allowance. It's all been that paper we got last fall that showed how much, I think \$12 million was spent for site allowance but that was the ones that were eligible for site allowance, and then come to find out a lot of those school districts weren't receiving it anyway. So the money was evidently set aside for it but it was not used. So with that, I would thank you any consideration you have, and this is a problem that the Legislature created and Legislature will...what is it? The Legislature giveth and they taketh away both I guess. (Laughter) But I would hope that it would be a time for giveth. (Laughter) [LB473]

SENATOR ADAMS: Senator Haar. [LB473]

SENATOR HAAR: Thank you. Being a new person, again I don't know a lot of this background. The site allowance, what is that? [LB473]

SENATOR LOUDEN: Uh, Senator Adams could probably explain it better, but the way it is, is if you will have this elementary site allowance and you were equalized district, you got what, \$42,000, I think, for the first child and then you had to divide up the number by

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eight and then anything over that, why you got \$42,000 for each student over eight, is that close enough? [LB473]

SENATOR ADAMS: I don't remember the exact formulation, but the essence of it was that if you met certain criteria in terms of distance and so forth, there was some incentive within the aid formula to keep attendance centers open. [LB473]

SENATOR LOUDEN: Yeah, and it was enough that it would...some of those were entitled to about \$84,000 which was enough to, certainly something to consider on that, so. And this is what I would hope. I think when, was it in the last bill, they took out that very sparse category? At one time we had a sparse and a very sparse and those that out in our area were all very sparse, of course. And then I don't remember what all the gist was of it but when the process...when the dust all settled, why they didn't come out, didn't fare quite as well. And I'm wondering if you can justify a very sparse district again if they would be eligible for the site allowance, I guess. Somewhere along in there. But I appreciate whatever you can do for us out there and I'm sure the people will too. [LB473]

SENATOR ADAMS: Well, Senator Louden, thanks for bringing the problem to our attention again. [LB473]

SENATOR LOUDEN: Okay. Thank you. [LB473]

SENATOR ADAMS: Appreciate that. You bet. That will close the hearing on LB473. And Senator Howard will now move on to LB546. [LB473]

SENATOR HOWARD: Senator Adams, welcome. [LB546]

SENATOR ADAMS: Thank you, Senator Howard and members of the Education Committee. This bill number LB546, if you will tolerate for just a moment, let me give you some of the background on it. As I was traveling the state during the interim listening to school officials from Scottsbluff to Omaha, when you get outside of the metropolitan areas, and again, here we're talking about some of these areas where the population is not very great, we have school districts that as time goes on and their enrollment declines and their costs increase, they realize the necessity of having to consolidate. And what I heard in several different locations across the state is, will the state of Nebraska, the Legislature, ever come up again with some incentive monies to help us in that two-year transition to consolidation. There had been some monies. Those monies were phased out and the essence of this bill is to ask you to reconsider reinstating those monies for consolidation. The plan would be this. Those monies are already within the lottery funds so it would not be a General Fund appropriation. That's where the money has originated in the first place and when the consolidation monies, the incentive monies that we had phased away, they rolled back into the lottery money

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and into a fund that was used for, I believe it was for some technology reasons. And what I would ask you to do is let us pull some of that money back again into a consolidation incentive fund. There would be about, I think the fiscal note says about \$456,000 that would come into this fund. It could be applied for by schools under 390 students, and there would be a formula, \$125,000 up front, and then a multiplier given the number of students that you have. And it would be a phasing over two years. And basically what the money does is to pay some of those up-front costs that it takes to consolidate. And there's an additional \$200,000 there that's sitting in a Network Nebraska Fund. It's not part of this bill right now, but if the committee had some interest we could add an amendment that could get at that \$200,000 as well. It would not be forever. There would be a time line on it where it would again sunset and any lottery monies would roll back again. But the essence of it is, I want to reach back, grab those incentive monies that are in the lottery, pull them out again as incentive monies to see if we don't have some school districts out there that wouldn't want to take advantage of that. And I'd try to answer some questions. [LB546]

SENATOR HOWARD: Do we have any questions, committee? Yes. [LB546]

SENATOR SULLIVAN: So does that mean that if there are like two school districts wanting to consolidate, that each district would get that money based on the formula? [LB546]

SENATOR ADAMS: Right. If there's...yes. If there's, if I understand the way we have this formulated, if we had two school districts, one of them was...let's say one of them is the larger school district and it's over 390. They wouldn't be able to get the funding. But the school that is consolidating with them that is at or below the 390 would get it. If we had two school districts wanting to join this larger one, both of those small school districts, if they're at 390 or below, would get the incentive money. If we had just two small districts wanting to go together, they each could get. [LB546]

SENATOR HOWARD: Do we have other questions? It sounds to me like this is really to provide more of an incentive for them to consider consolidating. Is that how you see it? [LB546]

SENATOR ADAMS: Yeah, exactly. And it's not really so much...maybe I would couch that differently. It's certainly not my intention to force consolidation any way, but what I heard was that we do have schools out there now that, you know, we did away with that program that are in a position now where they realize that the day is coming very soon. They're in discussions with other neighboring school districts about consolidation and what they were saying to me is, it would be nice if there was, again, some front money to help them make the move. So I look at it less as incentive than help. [LB546]

SENATOR HOWARD: So it wouldn't probably use a consolidation process. Maybe

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that's a better summation. [LB546]

SENATOR ADAMS: Right. They're already realize that the consolidation probably would have to occur. [LB546]

SENATOR SULLIVAN: Okay. Yes, thank you. I haven't done the math, but how much does that help? Like say, two districts that are under the 390 threshold and how far will this go? [LB546]

SENATOR ADAMS: Well, it's not going to help a lot, I wouldn't think, \$456,000. But I don't know how many school districts we have at this point. And, you know, this may be one of those things where we look and say, you know, we've had this program, we put it in place this session, nobody's used it, maybe it needs to float back again, or maybe we need to reinstate it again. Maybe we continue to have school districts. I don't think we'll have a mass number of school districts making application for this, but we're going to have some isolated cases, I believe. [LB546]

SENATOR HOWARD: Any other questions? All right, looks good. [LB546]

SENATOR ADAMS: Okay. [LB546]

SENATOR HOWARD: Proponents to LB546. [LB546]

JOHN BONAIUTO: Senator Howard and members of the committee. John Bonaiuto, J-o-h-n B-o-n-a-i-u-t-o, and we would support having this option and opportunity for schools. And there is always a, I think a positive look when you provide incentives for local school boards to get together with other boards to make these decisions themselves. And there are folks in the field talking about this right now. I can assure you. Whether there will be a large number that will come forward right away, I think this helps to deal with the up-front costs. There is a certain cost when you're looking at consolidation and so the incentives are a positive thing. And if this would benefit a handful of school districts that, I think, would really make a difference. I'm hearing districts that are talking where there were three districts that probably should have gone together several years ago and only two went because the third felt that they could hang out on their own and make it okay. And now that third district would probably take a more serious look at getting together. It's again that snowball effect. When a community starts losing population, it's a continuation, it's a continual process over the years, and some of these communities just can't bounce back and haven't been able to hang on to the number of families with children that they need to continue to be on their own. So we appreciate having this opportunity and then we'll review it and see where we need to go with this. I had someone mention to me that by supporting this bill we're probably going to be losing some membership as these districts go away or consolidate it. We can appreciate that. We've experienced this the same way that the communities do. We

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hate to see these districts go away but it's...with our population shift, it's inevitable, so. With that, I'll conclude my testimony. [LB546]

SENATOR HOWARD: Thank you, Mr. Bonaiuto. Do we have questions for...oops, stay, stay. Too quick. (Laughter) [LB546]

JOHN BONAIUTO: I almost got away. (Laughter) I was going to turn it over to Alan. [LB546]

SENATOR HOWARD: Yeah. You're moving fast there. Do we have questions? Yes, Senator Haar. [LB546]

SENATOR HAAR: Thank you. This is maybe almost going back to the last bill, but what do we do with four children that have to go these huge long distances and so on? [LB546]

JOHN BONAIUTO: Senator, that is...that really, and Senator Louden alluded to it and it is a struggle, how long do you want to put these young kids on a school bus. It is not...there's not an easy solution to this. And having...you know when he talked about continuing the site incentive, that may be for some of these remote or rural areas a good option to keep sites open as long as they have resident students. And I would make the distinction between resident students and option students because when the Education Committee took a look at many of these rural sites or the Class I sites, they found that there were fewer resident students and more option students, and these students were leaving another area for whatever reason to come to these remote or rural sites. And so if there were resident students that needed some assistance, that would be an important thing for that community to be able to deal with. And I don't know if an hour or if an hour and a half what the magic time limit is on a school bus. You know if these little kids that go to school and it's dark and if they don't get home until it's dark, that's pretty tough. [LB546]

SENATOR HOWARD: Any other questions? Thank you. [LB546]

JOHN BONAIUTO: Thank you. [LB546]

SENATOR HOWARD: Welcome. [LB546]

ALAN KATZBERG: Good afternoon, Senator Howard and members of the Education Committee. I'm Alan Katzberg, A-l-a-n K-a-t-z-b-e-r-g. I'm executive director of the Nebraska Rural Community Schools Association here to voice our support for LB546. Senator Adams has more than adequately described the provisions in the bill so I will not reiterate those. But most...I would add to that, most, if not all, school districts that have been through a merger can testify there are increased costs for at least two years

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after going through a merger. Providing incentive might help cover these increased costs as needed. Doing so removes one reason to not merge or reorganize sometimes offered by residents. We certainly support transferring the \$457,000 back to the School District Reorganization Fund. And matter of fact, we would encourage the Senators to look for additional funds, because I would certainly concur with Senator Adams that it's not a lot of incentive money but it certainly does help offset the increased costs that districts incur the first couple of years or more for a merger. That concludes my testimony. I'd be happy to answer questions. [LB546]

SENATOR HOWARD: I like how you slipped that in there. (Laughter) Do we have questions for this testifier? Yes, Senator Haar. [LB546]

SENATOR HAAR: Yes, thank you. Same question as I asked a minute ago. When you get together and talk as rural schools, what do you talk about as some thinking outside the box things for these kids that have to go such great distances? [LB546]

ALAN KATZBERG: I guess I would answer that based on my experience as a superintendent of a small district in western Nebraska where we did bus students 20, 25 miles each way. And anyone on the bus, perhaps up to an hour, going each direction. It's not easy, but it's doable. Again, I think local boards of education need to look at that as far as setting the hours of school, that schools operate, taking transportation into consideration in some cases. The problem I see with...one, I think we ought to let the local boards because there are unique circumstances in the districts that need to be factored into a decision. The reason we didn't offer testimony on the previous bill was because, although we recognize there may be some issues out there, I think there's some unintended consequences of that bill and we testified previously in years past on that bill that, in opposition to it. One, just on a fundamental difference of who decides when we establish an elementary attendance region, how that works. It's obviously inefficient in time lost and instruction, that sort of thing. But there may be a need in some certain cases. In Senator Louden's area, I suspect there's a need for some attendance area. Perhaps we could use regional educational agencies to address those issues in some fashion. I think there are things that need to be explored, but I do not have an answer specifically for a district where elementary students are required to travel great distances. I say, the fewer stops that bus makes, the quicker those kids can get there. You can be stopping that bus too often. They can travel quite a distance in an hour. [LB546]

SENATOR HOWARD: Thank you. Do we have any other questions? Yes, Senator Sullivan. [LB546]

SENATOR SULLIVAN: Thank you, Senator Howard. A couple of questions. First of all, in the fiscal note on this bill it says with respect to the additional cost, it says, I think that school districts opting to consolidate may initially have increased expenditures relating

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to consolidation such as retirement incentives and staff development. Could you elaborate on that? I don't quite understand where those additional costs would come from. [LB546]

ALAN KATZBERG: Oftentimes, the school districts that are considering consolidation can reduce the number of staff members needed to fully staff a reorganized district. For example, if you're having elementary classes of say, 7 to 8 to 10 to 15 in a class in each of the smaller districts, you bring those two...you only need one section of second grade perhaps instead of two. So you have an additional staff member there. How you deal with those staff members that are no longer needed in that reduction was, is a transition period. And there are requirements and statutes as how that's to be handled. I can't articulate those exactly to you right now, but there are additional costs. It takes time to implement that reduction and that transition phase. There may be a facility issue where it's required that you keep a facility open for another year or two before you get the transition or the merger completed. And that is an additional cost. So you can experience those kind of costs. Those two come to mind, Senator. [LB546]

SENATOR SULLIVAN: Okay. Secondly, it's again a question that I raised in the earlier testimony with respect to the use of technology in dealing with the decline in enrollment. And I know at least one administrator in my district is...she administers a district that has an enrollment of under 300. And she made the visionary comment to me once that she fully expected that in that building, one day there would be more educators than there would be more students. And that she really fully wants to utilize technology in reaching out. So could it go both ways, I guess, is that you take the...you leave the student where he or she is in a sparsely located populated area and take the education to them. Is that a possibility? [LB546]

ALAN KATZBERG: It's always a possibility. I'm not sure in lower elementary or elementary grades, the use of technology, I would suggest to you that may be limited. I think that it's still very important to have a teacher in the classroom with those students of elementary age. There are certain options and technology can certainly assist, but I don't think that technology will ever replace the teacher in the classroom, especially with the elementary grades. I think it would be very difficult to teach some of those areas, reading, for example, and some of the other areas, and do what we need to do with students of elementary age through, totally through technology. [LB546]

SENATOR HOWARD: Any other questions? Looks like you've answered them. Thank you. [LB546]

ALAN KATZBERG: Thank you. [LB546]

RUSS INBODY: Good afternoon, Senator Howard and members of the Education Committee. I am Russ Inbody, R-u-s-s I-n-b-o-d-y. I'm with the Nebraska Department of

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Education and I'm here representing the department and the State Board of Education. The State Board is in support of this legislation I think for all the reasons the people, the previous testifiers and Senator Adams has talked about. Just as a matter of history, the last time these incentives, and I think it was two years ago they were discontinued, about 40 school districts, 40, approximately 40 Class II through III school districts took advantage of this program in consolidation. And with that I'd be glad to respond to any questions. [LB546]

SENATOR HOWARD: Do we have questions? You're getting off easy. (Laughter)
Thank you. [LB546]

RUSS INBODY: Thank you. [LB546]

SENATOR HOWARD: Do we have any other proponents? Do we have opponents?
Neutral? I think it's back to you. [LB546]

SENATOR ADAMS: I'll waive closing. [LB546]

SENATOR HOWARD: You're waiving, all right. [LB546]

SENATOR ADAMS: We'll go right on to the next one. [LB546]

SENATOR HOWARD: Senator Adams with LB235. [LB235]

SENATOR ADAMS: Thank you, Senator Howard and members of the Education Committee. This is LB235 and I'm not going to be able to give you the background that, or the details of this that you might like, but there will be testifiers following me who, I'm very comfortable, can. But let me tell you basically what this is about, and it's origin. As you all know, because we've kind of had this discussion, we have educational lands in trust. And in the temporary fund we're generating about twenty-five to thirty million dollars annually and those monies are currently being divided up on a census basis to every public school district in the state. We call that apportionment. It is nonequalized money that goes out to school districts. I was approached during the interim by the new executive director of the Educational Lands and Trust, or Lands and Funds, and he came to me with ideas. Ideas about how he thought we might be able to actually increase that temporary fund, get that twenty-five or thirty million dollars to increase. And I gave it some thought and maybe not all the thought that's necessary. I mean I still have some questions about this, but I think that his ideas were worthy of bringing to you, because they were out of the box, they were new, they were intended to try to increase that fund. And the essence of LB235 is this, it is to give the statutory authority to the executive director in the Educational Lands and Funds group to do two different things, to issue leases on educational lands for solar and wind generation, and to be able to go into lease arrangements for the creation of carbon sequestration units. That

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we can market and generate additional monies off of this land. And it, again it sounded a bit out of the box to me. I don't know how all the details about lease arrangements and how all of this might work, but the executive director is here today and I'm confident that he can answer many of those questions. But it seemed like a new idea. One that enlightened the environmental situations that we face today, and the kinds of lands that we have and our desire to increase the fund, that it was worth looking at. And with that, I'll end. [LB235]

SENATOR HOWARD: Questions? You've taken them by storm. [LB235]

SENATOR ADAMS: Well, I doubt that. [LB235]

SENATOR HOWARD: Thank you. [LB235]

SENATOR SULLIVAN: You know, it just occurs to me we're just talking about lease arrangements for solar and wind power, right? [LB235]

SENATOR ADAMS: Correct. [LB235]

SENATOR SULLIVAN: Because right now, we've got this proposal for a big oil pipeline to go through the state and there will be some possibilities of going through maybe some school lands. I wonder if that should include that as well. [LB235]

SENATOR ADAMS: I, I think, if your referring to the TransCanada and having dealt with that situation in my district now for the second time, those kinds of things, I think, basically it will be an easement arrangement with the state of Nebraska to give easement for that pipeline to come across. I don't know that it would really fit into this context. [LB235]

SENATOR SULLIVAN: Okay. Okay. [LB235]

SENATOR HOWARD: Thank you. Proponents. [LB235]

RICHARD ENDACOTT: (Exhibit 4) My name is Richard Endacott, E-n-d-a-c-o-t-t, and I'm the executive secretary of the Board of Educational Lands and Funds. Our primary mission, as Senator Adams mentioned, is to maximize the income of this fund for the benefit of education in Nebraska. And we feel that this bill and the issues that this addresses are a great opportunity to do so to maximize the income for education. We favor LB235 because it gives to the Board of Education, who are controlled by a fiduciary duty, clear authority to enter into some new types of arrangements that were not really anticipated when the statutes involving ag leases were drafted, when the statutes involving gravel and sand leases were passed, when the statutes for oil and gas were passed. So the people who will be dealing with the farmers and ranchers in

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the state on these issues are different people than we've dealt with before. They may be foreign corporations, they may be out-of-state corporations, and they're going to want to make sure that the Board of Education has clear authority to enter into this type of arrangement. So we think it's a great opportunity, the three areas of what we feel are huge income potential and I stress the word potential because this is in the infancy. The President even spoke about this in his address and there are lots of different things happening. It's kind of a moving target so it's a little bit difficult to understand exactly what kind of income will be there, but I would stress the fact that potentially the income is huge. And we would like to capture, just like we're talking about carbon capturing, we would like to capture that income for education in Nebraska. So this bill is designed to, hopefully, put us in that best position to do so. We have been contacted...I have been contacted as a representative of the board by various people, for example, in the wind industry. A gentleman contacted me who is backed by a company who is on the New York Stock Exchange wanting to put in 1,000 towers in Banner County. It's south of Scottsbluff, as you know. We have proposals in Holt County. We have...we've gone quite a ways on a proposal in Richardson County. So these things are happening and the question is, are we going to be in a position to take advantage of them. And we really want to be in that position. In order to do so, we need some flexibility because if companies come in and say, well, in your ag lease arrangements you can't deal with nonresidents. In your ag lease arrangements you can't deal with more than 640 acres. In your ag lease arrangements you must have public auctions. That just doesn't fit very well in the carbon sequestration situation where we're trying to sell credits to an aggregator who is then selling those credits on the Chicago Climate Exchange or to an international exchange. So we need flexibility and we really need simplicity, which I would stress is what this bill does. It gives the Board of Education the power to enter into leases or to sell carbon offsets in the manner that has been done, being done in the area around it. For example, if somebody comes in with a wind power lease and says, we have to have a 25 or 30 year term on this lease, if other farmers and ranchers in the community are doing so, then the Board of Education should also have that authority to enter into those kind of long-term leases. So by giving the board that discretion, but limiting it to what's going on in the area around it and in the business here in the state, it gives us maximum flexibility, but we can't go out and enter into a 200-year leases because that just won't happen. So we really feel that with this amendment that I gave to Mr. Valentin which says that carbon credits and wind power and solar shall be controlled only by this section, that we get the maximum flexibility to enter into these leases and maximize the income. I really feel strongly that this is a bill that's good for agricultural in Nebraska generally. It's good for education in Nebraska, and it's very good for the overall state of Nebraska. Do you have questions? [LB235]

SENATOR HOWARD: Committee, do we have questions? Yes, Senator Avery. [LB235]

SENATOR AVERY: You know, I've been looking at the Board of Educational Lands and Funds for two or three years now. It's a fascinating program. How much land do you

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now lease? [LB235]

RICHARD ENDACOTT: We lease 1.34 million acres of land in Nebraska and it's roughly 1/36 of the total land surface in the state. [LB235]

SENATOR AVERY: And that brings in about \$25 million, probably more. You have administrative costs. [LB235]

RICHARD ENDACOTT: Well, we pay the taxes out of that so that's, yeah, that's...it's roughly around \$28 million up and down from year to year and we want to take it up considerably. [LB235]

SENATOR AVERY: And you use some of that income to fund your operations, right, and staff? [LB235]

RICHARD ENDACOTT: Yes. We're self-funded. We're not, we're not funded by the Legislature. [LB235]

SENATOR AVERY: How much do you expect that you could in the best possible outcome for you, how much do you think you might be able to generate in new money under this proposal? [LB235]

RICHARD ENDACOTT: Well, that's a really difficult question. I can give you best case scenarios, if you'd like. Currently, we are not...the United States is not covered by the Kyoto Treaty which means that we can't trade carbon units outside of the United States. There's a tremendous market across the world for carbon units. Currently carbon credit units are selling for about \$2 in the United States on the Chicago Climate Exchange. In Europe, last year they were selling from \$20 to \$30, and they're currently about \$15. So the market generally is depressed because of the world economic situation. But I can foresee that if certain things happen right, that credits that are now worth \$2 could be worth \$30. And if you multiply that times a percentage of the 1.3 million acres that we have, you know, let's say we could only do 800,000, multiply 800,000 times \$30, discounted by a percentage because you don't get a full \$1 for every acre but, you know, it's up in the fifteen, twenty million dollars area, I'd guess, without doing the math, sir. It's huge. [LB235]

SENATOR AVERY: So you anticipate that we'll be joining Kyoto protocol? [LB235]

RICHARD ENDACOTT: Well, both presidential candidates were in favor of that and certainly President O'Bama is pushing very hard in that area. And that's just in the area of carbon sequestration. That's not including wind power, which Senator Haar is very interested in. And as I say, you know, if you get 1,000 towers in Banner County, the general going rate is 2 1/2 percent of the net, of the gross income from that particular

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tower if you have that lease. So you know, over a period of years, that gets into the millions of dollars as well. And in the proposals that come in where they're securing thousands of acres for these wind towers, the Board of Education sections are all through there. So these developers are interested in coming to us and dealing with them in regard to wind power as well. Solar power lags behind. Who knows what's going to be the result of solar power. We just threw that in there so that we would be in a position to take advantage of that if appropriate, sir. [LB235]

SENATOR AVERY: The money that you give to schools, are there strings attached? Do schools have to spend that money for any particular programs or is it just given to them that they use for General Fund expenditures? [LB235]

RICHARD ENDACOTT: Once it goes into the temporary fund, it goes to the schools. We don't have anything to do with how it's used or how it's distributed and that's not our function. We try to maximize the income and then give it to the schools for their use. [LB235]

SENATOR AVERY: Are there any limitations on what we as the Legislature might be able to do to earmark these additional revenues for say, teacher pay enhancement? [LB235]

RICHARD ENDACOTT: Not that I know of. I mean, there was a provision...there was talk about say, earmarking some of this for teacher salaries. I would be reluctant to suggest that the Legislature should earmark these incomes at this time, because I would hate to disappoint you if things don't fall just right. You know, it's kind of like a football team at the early part of it before the season starts. You don't know how tough the other teams are going to be, you don't know what the injuries are going to be so there's lots of improbables here. But I think there's tremendous upside potential. [LB235]

SENATOR AVERY: They could be bonuses for teachers, you know that they don't necessarily budget for but it comes at maybe at the end of the year when they need it most. [LB235]

RICHARD ENDACOTT: Exactly. So it's an income source that frankly I don't think we can afford to pass up. [LB235]

SENATOR AVERY: Yeah, I agree with you. Thank you. [LB235]

SENATOR HOWARD: Yes, Senator Sullivan. [LB235]

SENATOR SULLIVAN: Thank you. Do you think your, you currently have the staffing with the manpower and the expertise to manage these things, like seeking out the

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contracts for carbon credits and reviewing the leases for wind turbines and that sort of thing? [LB235]

RICHARD ENDACOTT: I think we do. We have been dealing with a company here which is called an aggregator. They go out and maybe get a 100 acres here, a 1,000 acres here, 1,500 acres here and they combine those and then they sell those aggregated units to, for example, the Chicago Carbon Climate Exchange. They will assist in that process. They would come into our office, and we have all of the material that they would need for every lease that we have. And we can provide that to them and then contact our lessees and work with them. So, you know, maybe it would take...if it got to be a huge thing, it might take, say one other staff person. But we're confident that we have the records, and with the aggregators assistance, and they're interested in dealing with us and facilitating this because we have a huge chunk of land. And so the larger amount of land that they can aggregate, the larger percentage, not percentage, but total amount they get. They get 10 percent by aggregating and that would be true whether it was a Board of Education or a rancher in the Sandhills or whatever. So I think, I feel confident, Senator, that we could do that. [LB235]

SENATOR SULLIVAN: Okay. Thank you. [LB235]

SENATOR HOWARD: Yes, Senator Haar. [LB235]

SENATOR HAAR: Um, thank you. Um, the fraction you gave, what percent of the land mass is it? [LB235]

RICHARD ENDACOTT: Of Nebraska? [LB235]

SENATOR HAAR: Yeah. [LB235]

RICHARD ENDACOTT: Well, there was originally 2,800,000 acres and in the early days, a lot of that was sold off. We got one, we got two sections in every township, 16 and 36. So basically, it's been cut in half and so it used to be 1/18 and now it's, you know, give or take, in the range of 1/36 of the total state land. [LB235]

SENATOR HAAR: So you're kind of a bigger land baron than Ted Turner even? (Laughter) [LB235]

RICHARD ENDACOTT: I don't know how much Mr. Turner owns. (Laughter) But I'm certainly not the baron. It belongs to the state of Nebraska and is held in trust for education. [LB235]

SENATOR HAAR: Right. Right. Um, the aggregation for carbon sequestration, hard word to say, that's kind of a simple process. Now we've been hearing quite a bit from

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Senator Dubas and Natural Resources in particular about how you go about leasing land for the wind power and so on. And so I'm wondering if you have plans on how you would do that or... [LB235]

RICHARD ENDACOTT: Well, we have had some experience in that area. What happens is that a company with a proposal, and this is the company that I'm referring to which is a New York Stock Exchange company dealing with Banner County. They will come in and have meetings with landowners in the whole area, and they've already had some of those meetings. And what they like to do first of all, is get merely a commitment that for a period of time the landowners will not lease to anyone else. They encourage the landowners to get together and organize, and hire an attorney for which this company will pay, to negotiate then with the wind power company what kind of arrangement there will be. So that's kind of the way it's done. You don't want to have too long a period where you're saying, we'll tie our land up for a long period, but if it's reasonable and the company that you're dealing with is reputable, then that's the way it starts out. And then there's the negotiation period where you detail how much is being paid. And that's where you come into that roughly range of 2 1/2 to 3 1/2 percent of gross income. They'll also pay per tower. It's kind of like a gas lease in that if they don't...haven't done anything yet, they pay you some rent until they do, and then the maximum amount you get whether that's just from leasing the towers or the right to lease the towers or actually how many kilowatts they're actually producing. [LB235]

SENATOR HAAR: Have you worked with NPPD yet on this stuff or... [LB235]

RICHARD ENDACOTT: Well, I have dealt with NPPD but right now I can't really say whether we have anything going with them. But the big problem is the ability to transmit the electrical energy from wind power to other areas, and that's something that if the O'Obama proposals come to fruition could certainly blossom and make this very attractive. [LB235]

SENATOR HAAR: Okay, well, I'm not sure exactly either how all that works at present, but that whole thing of signing leases and then there's the whole concept of C-BED perhaps owning the towers instead of just, you know, renting the land. I expect that that's something you guys would look into and... [LB235]

RICHARD ENDACOTT: That's right. That's right. [LB235]

SENATOR HAAR: Okay. Okay. [LB235]

RICHARD ENDACOTT: We have entered into one potential lease that's subject to one of the power company's approving the particular developer that we have dealt with. So we are familiar with how these leases are done and what is contained in them, generally. [LB235]

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SENATOR HAAR: Okay. Good. Well, thanks for your creative thinking. [LB235]

RICHARD ENDACOTT: Thank you for your interest. [LB235]

SENATOR HOWARD: Just one other comment. I'm just wondering if everything would go smoothly with this bill and it would go into effect, how long would you project that it would be until you saw any revenue from it? [LB235]

RICHARD ENDACOTT: How much revenue? [LB235]

SENATOR HOWARD: No, no, how long down the road, how far down the road would it be until you saw any revenue? [LB235]

RICHARD ENDACOTT: In regard to carbon credits, I would think that the revenue is probably...the large amounts of revenue are probably two to four years away. As I say, the carbon credits are currently marketing for \$2 right now in just the United States. If we pass Kyoto II and we get into an international market, they're going to zoom up to \$15. When that happens, I would guess would be, at the earliest, the end of this year and probably in 2010. So that's...that would be the situation in regard to carbon credit. In regard to wind power, I think those towers are going in now from time to time. As I say, we've got this one proposal in Richardson County and if we're the successful landowner and power company on that, the income will begin to flow probably about that same time, the end of 2009-2010. [LB235]

SENATOR HOWARD: Well, thank you for looking down the road for us. [LB235]

RICHARD ENDACOTT: Thank you. [LB235]

SENATOR HOWARD: Thank you. Oh, Senator Giese. [LB235]

SENATOR GIESE: Thank you, Senator Howard. Mr. Endacott, can you tell me currently then with these funds from the school lands, how are those disbursed? Is that on money made and then we... [LB235]

RICHARD ENDACOTT: How are the funds disbursed? [LB235]

SENATOR GIESE: Yes. [LB235]

RICHARD ENDACOTT: Well, any income, for example, on our agricultural leases goes into what's called the temporary fund which is then immediately, the income is immediately distributed to the schools on a prorata basis. [LB235]

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SENATOR GIESE: Is that yearly? [LB235]

RICHARD ENDACOTT: Yes. [LB235]

SENATOR GIESE: Okay. [LB235]

RICHARD ENDACOTT: Yes. If we sell land, then that goes into what's called the permanent fund and that is the fund which is invested by the Nebraska Investment Council and once we sell that land and distribute those proceeds to them, they invest it in stocks, bonds, and other assets and we have no control over that, and then they distribute the income also to schools from that fund. So this, we feel that this income would go into the temporary fund which would go directly to schools. [LB235]

SENATOR GIESE: Thank you. [LB235]

SENATOR HOWARD: Any other questions? Looks good. Thank you. [LB235]

RICHARD ENDACOTT: Thank you. [LB235]

SENATOR HOWARD: Welcome. [LB235]

JESS WOLF: (Exhibit 5) Thank you, Senator Howard and members of the committee. I am Jess Wolf, president of the NSEA, J-e-s-s W-o-l-f, and we're here to speak in support of LB235. Actually my comments have been directed by most of the other testimony, and thanks to Senator Avery from his questions about teacher salary, those have been covered as well. We believe that what's being proposed here is very environmentally sound and also it's very sound economically. And when I was here a couple of weeks ago speaking to Senator Nantkes' bill about the \$30 million in educational lands and funds going to teachers salaries, I believe I heard Dr. Endacott at that time mention that the land leases were returning about 12 percent, which in this current economic crisis is astronomical, and one of the good reasons why we want to keep some of those lands generating those funds. I do want you, to just reemphasize, it's the same song, second verse, that we do rank 45 in the country in terms of teacher salaries. One of the things we've heard from you and other members of the Legislature is that we need to look at a new source of revenue, perhaps to alleviate that problem. This obviously is a new source. And we would hope that the committee would at least look at the opportunity of directing at some of those funds, would in fact would go to alleviating the teacher shortage problem, and the potential problems we're going to have down the road due to that ranking. By the way, we rank...we're \$9,100 below the national average and when I started coming to this committee four years ago as the state president, I was telling you that figure was \$8,000 so we, in fact, have slipped nationally in terms of those percentages. We know that these particular funds would not be available as Dr. Endacott just indicated, that it would be two to four years down the

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road, but we need to start somewhere and we think this is one of the ways you could start. Thank you. I do have what I was going to say in formal copies here I'll leave for you. [LB235]

SENATOR HOWARD: I think you summed it up well. Do you have questions? Yes, Senator Haar. [LB235]

SENATOR HAAR: Well, I will propose an amendment to this bill to do that. And again, the money wouldn't be there for a while and it's kind of a gamble. We don't know where things are going but... [LB235]

JESS WOLF: May I stand and applaud? (Laughter) Thank you very much. We do appreciate that. [LB235]

SENATOR HAAR: Well, we've got so much wind that we're just going to have to develop it and this looks like a really good source of new money in terms of not just we'd spend money but there's a new source for the money, so. [LB235]

JESS WOLF: Thank you very much, Senator. [LB235]

SENATOR HAAR: Yeah. Thank you. [LB235]

SENATOR HOWARD: Other questions? I remember, was it August that T. Boone Pickens came and presented and talked about the...I think he referred to it as the Nebraska wind fields, which I thought was kind of good if we could harness that and use it. So thanks for coming in with some good ideas. Thank you. [LB235]

JESS WOLF: Okay. You bet. Thank you. [LB235]

SENATOR HOWARD: Come on down. [LB235]

KENNETH WINSTON: Thank you. Good afternoon, Senator Howard and members of the Education Committee. My name is Ken Winston, last name is spelled W-i-n-s-t-o-n. I'm appearing on behalf of the Nebraska Chapter of the Sierra Club in support of LB235. I was just thinking, it's kind of interesting, I think this is the fifth committee that I've been in front of talking about renewable energy so far this session. So there's a lot of interest in renewable energy. I think there's 16 different senators that have introduced bills related to renewable energy. So there's a lot of interest in renewable energy and the Sierra Club is strongly in support of renewable energy development. I've heard it said that energy is the currency of the 21st century. The O'Bama administration has made renewable energy one of its priorities for its...for the...and part of, one of the keys for the nation's economic recovery. Nebraska has great potential for renewable energy development. We're considered to be the sixth best in wind potential, ninth best in solar

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potential. And, of course, as to kind of follow up with what the representative of the NSEA indicated, we're 24th in wind development. And a few years ago we were 18th. So we're slipping in that regard. And there was a national renewable energy laboratory study that found that wind development alone could create thousands of jobs and billions of dollars in economic development in the state of Nebraska. LB235 would provide another opportunity for renewable energy development and so we're asking that LB235 be advanced. [LB235]

SENATOR HOWARD: Do we have questions for Mr. Winston? Good job. Thank you. [LB235]

KENNETH WINSTON: Thank you. [LB235]

JACE NORE: Good afternoon. My name is Jace Nore, J-a-c-e N-o-r-e. I'm with SunOne Solutions here in Lincoln and we are a carbon credit aggregator. And I'm here to voice my support for LB235. As heard earlier, this truly is a revenue opportunity for the land trust. As Mr. Endacott mentioned earlier, the lands around the school trust lands are being registered and the primary reason they're being registered is because of the conversation practices that they're using on their land, either no-till farming or rotational grazing. So besides the income opportunity that you've heard a little bit about, and that I can testify, is genuine today. I'd also like to add that it's not necessarily a mineral right that carbon credit looks like, but more is earned through a conservation practice. And so it encourages a conservation practice which actually sustains the ground and makes it more nutritious, if you will, for either ranch land or for farming, and also sort of protects that land for future use. I'll give you an example of that. If a rancher is using rotational grazing, they are actually moving their cattle on regular basis from pasture to pasture and allowing the other pastures to recover. It's in that recovery process that carbon is sequestered in the root system, but it also sustains that land for additional grazing. If you overgraze and take the grass to a point where it has troubles recovering, you effectively have lost an opportunity on that land to graze until that grass can recover. So conservation practices that earn the carbons credits actually benefit the land because of the conservation practice itself. The other side that your lands would qualify for would be no-till farming. And no-till farming does a lot of things in terms of absorbing moisture, increasing the nutrient content of the root system, and increasing yields actually. So again, there's a benefit there. Because the objective of the committee is to see if there is revenue opportunity, I did want to mention that. It has been outlined that carbon currently is trading at about \$2 per metric ton and last year we saw a high of \$7.50 and a low of \$1.50. But one option that would be possible is to, first of all, get the conservation practices recognized, get the carbon credits registered on these lands, and then the board could then decide if they want to hold the credits for a future market event or sell the credits for recognizing the revenue right away. So there is an opportunity to register carbon credits and then decide when, in fact, you want to take those to market. The market that has been referenced earlier is the Chicago Climate

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Exchange where those currently are being registered and traded. I also wanted to let you know that Nebraska is a very successful state in terms of registering conservation practices, the carbon credits. We have well over several million acres of ranch land and no-till farming already registered on the Chicago Climate Exchange. And in that process, I can tell you that we have to pull out the state land because it is not qualified today. And although the practice is taking place and the potential for income is there, it is not allowed to be registered. So already I think I could tell you that at least a third, maybe more, of the land that you have in the trust is using a practice that would qualify today and hasn't been able to register. And finally, I just want to clarify that carbon credits are earned on a yearly basis. Again, it's the practice that earns the credit, not the land. So after a growing season has occurred or a grazing season has occurred, those carbon credits can be recognized from that season. So currently, you are allowed to register carbon credits backward for one year if the practice was in place at that time. And so, literally, carbon credits have a year associated with them. There's '03 credits, there's '04 credits and '05 credits, so I just want you aware of that because you could move forward and get credits registered and recognized backward credits, one year back, without necessarily taking a market position. [LB235]

SENATOR HOWARD: Thank you, Mr. Nore. Yes, Senator Haar. [LB235]

SENATOR HAAR: How do we get that changed so that educational lands could earn carbon credits? [LB235]

JACE NORE: It's not too difficult. They have to be recognized by the Chicago Climate Exchange, a process that I believe has been explored to some extent. There is some precedent here in a couple of other states where land trusts are registering carbon credits, so we know there's a path to get that approval done at the Chicago Climate Exchange. The argument about registering state land is that it's exempt. And we have helped, sort of demonstrate that in this particular case, it's not necessarily state land as much as it's a public trust that's subject to taxes and has an objective to recognize revenue from the agricultural lands that it holds. [LB235]

SENATOR HAAR: Is there something Legislature needs to do on that or is there anything we could do, it's just that? [LB235]

JACE NORE: No, sir. Well, no that's really a process of getting in the voluntary cap and trade market. [LB235]

SENATOR HAAR: Now my understanding there's what, maybe a million dollars, almost a million dollars coming into the state now for these programs? Talking to people at the Farmers Union and they've been some of the leaders in this. [LB235]

JACE NORE: If you, if you're referring to checks that producers have received? [LB235]

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SENATOR HAAR: Yeah. [LB235]

JACE NORE: Yeah, there's been quite a bit of press. We did a really good job, the state of Nebraska producers did a really good job registering no-till farmland in primarily the eastern side of Nebraska. And actually got a lot of support through the UNL Ag Extension offices because they had been advocating no-till farming for all the other reasons besides carbon credits. Carbon credits came along in '03 through the Chicago Climate Exchange, and so it was really just a bonus for adopting the conservation practice. They have made some press out of those producers receiving their checks as they have went to market with their carbon credits and yes, you are correct, it does represent millions of dollars. [LB235]

SENATOR HAAR: Thank you. [LB235]

SENATOR HOWARD: Do we have any...yes, Senator Giese. [LB235]

SENATOR GIESE: Thank you, Senator Howard. You mentioned the credits that we can get and also go back a year. What kind of credits? Any idea what we would be able to get retroactive back a year? [LB235]

JACE NORE: Well, um, I just was listening to some of the basic numbers and out of 1.3 million acres I would guesstimate that nearly two-thirds of those acres are being used for either no-till farming or rotational ranch land grazing. So I would guess, just on a very basic guesstimation, I would say there's approximately 500,000 carbon credits available annually based on some quick math. And so you've heard reference to the price of carbon because it does trade like a commodity and it's sensitive to market conditions and does fluctuate. But those half a million credits could be associated with the year 2008 and then 2009 would have another half a million credits. And then those credits you can sort of go to the market and look at the math or do the math and see the value if carbon was at a high last year of \$7.50 and you had sold at that point or carbon was at a low at \$1.40 a ton, you may not have sold but you would certainly have those credits registered, which means that you could take them to market at any point. So you do not have to sell them. [LB235]

SENATOR GIESE: So then you'd...when you do that then, so we, the state, would own the credits, is that how that works? [LB235]

JACE NORE: Yes. Yes. [LB235]

SENATOR GIESE: And then we'd get...explain that a little bit. [LB235]

JACE NORE: Oh, sure. We would...you would, in fact, go through the verification

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process that's necessary to get them registered. Once they were registered, the state or the trust would then be holding these credits and could say, sell them all right now, or hang on to them. So I guess the point I'm trying to stress is there's an opportunity to get the credits registered without necessarily taking a stance in the market and taking them to market. Mr. Endacott referred to some future events that we can all read about in the news. Currently, Kyoto II is coming up. The O'Bama administration is already looking for an appropriate form of a carbon cap and trade process that will become mandatory. We're not sure what form that's going to take but the very reason a voluntary market exists today is in anticipation of that mandate. And the reason that entities have been purchasing and selling carbon credits since 2003, is to get what is referred to as early action credits in place for when mandates take over. So with that thought in mind, it points to the fact that there's going to be a pretty good upward pressure on the price of carbon. So as a carbon credit aggregator, we encourage folks to recognize the credits. Get them acknowledged and registered on the climate exchange. Then decide at what point you want to participate in the market. So it really becomes sort of a process of booking an asset, if you will, without actually cashing it in. My point is that if...a wait and see attitude can cost you potentially a half a million credits per year that could be put in the bin, if you will, and held and decided what you wanted to do with them. You could literally tear them up if you just decided that you didn't want to go forward. There is some expense in getting them registered but that's pretty much from the verification process that's necessary. So by the date...I just want to encourage everyone to recognize this as a date related opportunity. Carbon credits for '07 could have been recognized last year, but this particular climate exchange is only allowing one year back. So each year sort of costs a producer the opportunity to register credits if they wait. [LB235]

SENATOR HOWARD: Senator Haar. [LB235]

SENATOR HAAR: Thank you. And your role in all of this is...tell me that again. [LB235]

JACE NORE: SunOne Solutions is a carbon credit aggregator so we work with ranchers and farmers and we help them get their carbon credits enrolled. We are a broker, if you will, but as an aggregator we are collecting a variety of large and small contracts and pooling them together and taking them to the climate exchange. The climate exchange is geared to deal in hundreds of thousands of tons of carbon dioxide transactions where we might have a hundred acre producer that has earned credits and wants them. We represent all those parties as they come together. [LB235]

SENATOR HAAR: So have you been working with Dick Endacott then on... [LB235]

JACE NORE: I have...I was a guest at one of their meetings to give them a overview of the industry in terms of carbon dioxide sequestration in agriculture and also some guidance on where the market is and where them market might be going. [LB235]

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SENATOR HAAR: Okay. Have you been working with Farmers Union then as well or is that a different group working it? [LB235]

JACE NORE: They would be considered a competitor of ours. [LB235]

SENATOR HAAR: Thank you. [LB235]

SENATOR HOWARD: Senator Giese. [LB235]

SENATOR GIESE: Thank you. So then if it sounds too good to be true, (laughter) then what is the potential or is there a downside in the long-term or...I mean if we do this and move on, then what's the future? [LB235]

JACE NORE: Well, um, as I understand your arrangement with agricultural leases, you can in fact stipulate how you want your land used. And so this is, I think, a great opportunity to continue to encourage conservation practices take place on the land that you own and are leasing out to folks. Quite frankly, in ranching, rotational grazing is necessary to survive so I can attest there's a lot of rotational grazing land out there already that's ready to be registered. It's qualified. The conservation practice is being used. But not only are you seeking revenue opportunities, which this is a revenue opportunity to that parcel, provided that conservation practices have taken place, but you're also being more of a steward of the land. So if for some reason, the carbon market just blew up and went away and was never to be talked about again, you really haven't lost anything. And what I think you have gained is preservation of your asset. If your renting ranch land in western Nebraska that you own, you certainly want to make sure that rancher doesn't come in and stick all their cattle on your piece of land and eat all of your grass to the point it's dead for the next three years. So I think you can be terrific stewards of the land. Conservation practices really don't have to be argued. They're proven to increase yields and be more advantageous to your operations and your income itself. So I don't think you'll get much push back. So the down side is perhaps going through what I would estimate, maybe six to eight weeks of pulling documentation that's necessary to register carbon credits, getting those registered, having the expense of some verification, and the whole thing just going away. And so I don't see a tremendous amount of down side risk. There's not much revenue required to get carbon credits registered and our role as an aggregator, we're really a third-party outsourcer to help you get that done. [LB235]

SENATOR GIESE: Thank you. [LB235]

SENATOR HOWARD: How long have you been here in Nebraska or did your company originate here? [LB235]

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JACE NORE: We opened an office in Lincoln last April. So we are the only Nebraska based carbon aggregator. As one referenced, one of our competitors is the Farmers Union of North Dakota and another is the Farm Bureau of Iowa. The Farm Bureau of Iowa simply uses their member network to get their message out but then it's all administered by a third party just like us by the name of Aggregate, and with the play on agriculture, Aggregate. So those are the two primary competitors. You, A, first of all, must be registered on the Chicago Climate Exchange to be an aggregator and that's not easy to do. So there aren't a tremendous amount of aggregators out there yet. And B, you have to follow a very strict process of verification, because if you've tracked any of the press on Kyoto and the European markets, the integrity of a project is key to the carbon credit industries. So, the Chicago Climate Exchange built a voluntary cap and trade process starting in 2003 with an emphasis on making all credits that come through their exchange third-party verified and validated so that when the world opens up to our market, those credits will be tradeable. [LB235]

SENATOR HOWARD: Thank you. All right. It looks like it's all good. Thank you. [LB235]

JACE NORE: All right. Thank you. [LB235]

SENATOR HOWARD: Other proponents? [LB235]

ED GEORGE: (Exhibit 6) Good afternoon, Senators. My name is Ed, E-d, George, G-e-o-r-g-e. I want to share with you some things about this whole deal. I'm a former county extension educator in Clay County from '86 to '91. I worked with hundred of farmers and agricultural conservation practices. And I'm one of the cofounders of the Nebraska Renewable Energy Association, and I'm very interested in the expansion of energy and renewable energy in Nebraska. So I spent about the last five years looking at this whole thing. One of the things that I found of great interest from a legislative process, as you might want take this as kind of a reminder of what history has happened. The carbon sequestering and green house gas emissions and the Nebraska agriculture backgrounds and potential and report relating to the requirements of LB959 of the 2000 session of the Nebraska Unicameral and containing the recommendations of the carbon sequestering advisory committee. And in there I found some very interesting things. Being a conservationist, I realized that we need to take care of our soil and land resources. And as we heard testimony, we have about a million acres of land that's under the educational guidance, but of that we have probably 40-some million acres of land in Nebraska. So that represents 2 1/2 percent of our land. The question was asked about the state level to the global level. And as we look at Nebraska agriculture, I think water and soil conservation is very important. My brother is very involved in soil conservation, using no-till, ridge-till, reduced tillage. And he's found some tremendous benefits from that. Thinking about on the global level, Europe has been very instrumental in trying to deal with carbon emissions. And we're being forced in the United States to be thinking about the carbon emissions problems. I think that this

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is going to become a very important consideration when we think about the future expansion in carbon sequestration. But on the LB957 bill, there was several things that came out that really struck me strong. Conservation tillage buffers and conservation reserve was one major area. Conservation of marginal agricultural land to grassland, of course, wetlands, irrigation, elimination of summer fallow, so that we had income coming in from some of that land every year in continuous production. The use of biogas for liquid manures to substitute for fossil fuels, improve fertilizer use and efficiency. Range land and pasture land management. And so when I was hearing the testimony just now, I felt like I should come forward to discuss some ideas with you. Thinking about how you do best management practices. And farmers are just constantly thinking about how they're doing range land management and looking at different ways that they can do that. Conservation. And so I strongly recommend you to consider endorsing this bill. I think it has a lot of potential. We got to be thinking to the future for not only the educational needs for our youth but the conservation aspect of this whole bill. Thank you very much. Any questions? [LB235]

SENATOR HOWARD: Thank you, Mr. George. Do we have questions? Good job. Thank you. Other proponents? Opponents? Neutral? It looks like the coast is clear and you're waiving off. All right. [LB235]

SENATOR ADAMS: Committee, we need to Exec. [LB235]

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Disposition of Bills:

LB473 - Held in committee.

LB546 - Held in committee.

LB235 - Placed on General File with amendments.

Chairperson

Committee Clerk