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Education Committee  
November 09, 2009

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[LB5]

The Committee on Education met at 1:30 p.m. on Monday, November 9, 2009, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB5. Senators present: Greg Adams, Chairperson; Gwen Howard, Vice Chairperson; Brad Ashford; Bill Avery; Abbie Cornett; Robert Giese; Ken Haar; and Kate Sullivan. Members absent: None.

SENATOR ADAMS: It is time to begin this hearing of the Education Committee and so we will do exactly that. We have with us today, first of all I'll start with Becki Collins, our committee clerk. And for those of you who wish to testify, I would ask that when you come forward to testify, you fill out the registration and hand that to Becki so that we can get your name and all the material that we need clearly in to the record, and be sure that you fill one of those out. Next to her we hope will be Senator Ashford. And we already have Senator Giese here from the South Sioux area. Senator Cornett, I think will be along pretty quick. Next to me is Tammy Barry, the Education legal counsel. And our Vice Chair, Senator Howard, from Omaha; Senator Kate Sullivan; Senator Avery; and Senator Haar; and Kris Valentin, our research analyst today. We will put a five-minute light on, realizing or anticipating there may not be a great deal of testimony today. Nonetheless, in keeping with our established tradition of five minutes and a light, that is what we'll do. I would ask that you turn off your cell phones so that the committee can hear what's going on and so can everyone else; and that when you come to the table to testify, we'll start with proponents and then we'll go to opponents and then neutral testimony; that when you come forward, you spell your last name for the record so that we can get that very clear. And here comes Senator Cornett to join us, and I'm going to turn this over to you now, Senator Howard, for the introduction. And I will introduce LB5. []

SENATOR HOWARD: Very good. Chairman Adams, welcome to the Education Committee. [LB5]

SENATOR ADAMS: (Exhibit 1) And an auspicious group you are, and very attentive today, I can tell. Thank you, Senator Howard. My name is Greg Adams, representing the 24th District. A-d-a-m-s. Committee, I am introducing today LB5, and LB5 is designed to make changes in TEEOSA in order to meet what we believe are our budget situation that we face. Let me give you a little bit of background as to how I arrived at the bill that you have in front of you. First of all, recognize that as we headed into this revenue picture, our goal here...our goal is to get TEEOSA funding for K-12 down to the same level as we had it at last year; to hold it flat. All right? So it's important for you and for all school districts and for the audience to realize, and we need to make this point on the floor, as well, that we are currently still refining projections. And this is not a science. We're still trying to figure out exactly...we know where we were last year. We're trying to see, still, where we are going to be so that we know how much we've got to go to get to

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last year's number. And I hope that that makes sense, and I hope that also you're sympathetic to the fact that we are working... Tammy is working with the Fiscal Office and others, literally every day, as we refine our projections because what we don't want to do is to not do enough, and we certainly don't want to do too much so we need to come as close as we can. And these are big numbers. There's a lot of moving parts in all of this. So with that in mind, let me explain the proposal. The proposal came to me, not just in isolation sitting in the office one day three or four weeks ago. Instead, I had been meeting with the state aid review committee, made up of various size of school districts, periodically, and we had just simply been talking about TEEOSA, with finance people and superintendents saying, all right, what things work, what things don't work, what do we need to fix, what do we maybe need to eliminate, where are we going to be with this thing. And working with that group, and talking with individual superintendents and business managers, people who are not on the state aid review committee, and fielding phone calls in the office. Tammy has been fielding phone calls from superintendents. We do that all the time, about, well, this mechanism isn't working or why didn't do this or why didn't do that. And we were fielding those phone calls long before the revenue forecast, months ago, about things that maybe we need to take a look at. When the revenue forecast came out and we discussed TEEOSA's role in that, in trying to make this biennium budget work, what we did... what I did was to take a look at all of the things that I was hearing about from all sizes of schools dealing with TEEOSA, and looking at those things and saying, all right, I know where we've got to be or where we have to try to get to. Are there things that are already being suggested to us that need fixing, that need smoothing out, that need eliminating, whatever it may be, that we could resort to, to get where we need to go in this revenue picture, and at the same time make the aid formula better? Or in other words, are there some systemic changes that we could make that even if we were in a different revenue picture, they were things that we would probably bring forward to this committee and suggest that we take a look at in an attempt to refine what we do with TEEOSA. Now in light of all of that, then what we came up with in the bill that you have in front of you, works like this. First of all, the cost growth factor. I don't think that there's a school district in the state, whether they receive TEEOSA or not, that doesn't understand the cost growth factor. We are taking two-year-old school data and trying to make it more current. And what in essence we're doing is we are growing the GFOEs, hence if we want to slow down growth, we have that within our control with that cost growth factor. Now, if you'll recall in LB545 last year, we made a decision to move the growth limitation rate, which becomes a portion of the cost growth factor, from 2.5 to 1.5, which was applicable during the school year that we are currently in. What the bill suggests is that for one year we take the growth limitation rate down to one-half of 1 percent, realizing that that then would carry over one more year as we calculate cost growth factor. It simply slows down the spending growth of schools. And if it slows down the spending, it slows down the TEEOSA obligation. All right? That's our goal there. Now inherent within that and as we have kind of discussed in Exec Session, but I want to make it clear for the record, we know that schools are put in a position in terms of their spending growth, where

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they, in effect, have two alternatives: either growth in needs and meeting that up to 116 percent of needs, or they're capped at the half-percent of spending growth. In the bill, for schools districts that are capped at the half-percent and are not getting the needs, we would add one-half of 1 percent of additional spending authority. Now that would not figure into cost growth factor. We use half a percent in cost growth, but those school districts would, in effect, have 1 percent. I was trying to be empathetic to collective bargaining agreements in those school districts. I was trying to be empathetic to nondiscretionary insurance increases, fuel costs, those kinds of things dealt into that little extra spending authority. And that cost growth factor is one of the areas that is across the board. Everybody feels it, and it slows down spending. On the other side of it, the other things--and we've talked about this--that the bill did, the bill in its original form eliminates the instructional time allowance. Now the reason that I put that in the bill originally was we were hearing from all sizes of school districts that it's not working, it's not working, it's not working. And hence, in the original bill I took the instructional time allowance out. An amendment is sitting in front of you which puts the instructional time allowance back in, and my thought pattern is this: The instructional time allowance is really a redistribution within cost groups of dollars. So it's not really a savings to the state by taking it out. And the reason that I took it out in the first place was the trouble we were having defining instructional time. And if we were hearing from all sizes of schools, from small to large, that it isn't working, it isn't working, my reaction was, well, let's take it out of there. But I wasn't taking it out to save the state money. It was to correct what we perceived to be a problem. In the meantime, as a matter of fact since we last met last week, the amendment puts the instructional time allowance back in. But here's the good news. We have been in contact with the Department of Ed, and you'll recall when we last spoke, one of our issues here as a committee, well, when are we going to get a definition? How definitive will that be? When can we put it in place? Here's what we know after our discussions with the Department of Ed. Not for this next school year, but the following, we will have data from every school district in the state on what courses they offer, how many students are in those courses, and how many minutes long those courses are. That's what we need. With that data quickly becoming available to us, coming available to use more quickly than we anticipated, we think we can have a clearer definition of instructional time and a more workable one across the state for school districts of all sizes that wish to extend the school time, the instructional time. And it should clear up the problems that we're having of how this school is interpreting it versus how this school is interpreting it. But as long as we're going to have the data and we can have a clear definition, I think there's some viability in keeping instructional time allowance in there. And from an educational standpoint, for me, it does make sense. The more time you're in the classroom, the more time you're in school, the better chance you have of learning more. And we have, in a sense, said that's a good educational policy, so let's create an allowance for that purpose. So that's what the amendment is. The teacher education adjustment: This was another one that we were hearing a lot from business managers and superintendents on. Not so much that want to eliminate it, not that we're having problems with it. But take it from being an

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adjustment to an allowance so that it better reflects, comes closer to reflecting the cost of having teachers with advanced degrees to those districts that have teachers with advanced degrees, above the threshold that currently exists in statute. So we would move the adjustment to an allowance. The recognition is still there in that mechanism. The last thing that this bill has in it really again has nothing to do with a dismal revenue picture and trying to save the state a buck. Again, it's a matter of definition. It's a bit like the instructional time allowance, and that is the remote elementary site allowance. There are some cases, we believe, where we have misguided interpretation of what that language is, and so we merely add another clause to the definition that further defines what remote elementary site is. And, in effect, those are the major mechanisms that you see in the bill, and you have the amendment in front of you, as well. Now, keep in mind, as we work on this, we're trying to bring aid down to the level that it was last year, and we are still doing these projections. And until we have something as close as we believe that we can get it right now, you know, we may have to come in and make a little more adjustment someplace. But right now we think that we're awfully close to where we need to be. [LB5]

SENATOR HOWARD: All right. Thank you, Chairman Adams. Very comprehensive. We've been joined also by Senator Ashford. Welcome. Are there any questions? Yes, Senator Avery. [LB5]

SENATOR AVERY: Thank you. Mr. Chair, I have a couple questions. Let me start with this one. Approximately how much does it cost us to make this amendment on the instructional time allowance? [LB5]

SENATOR ADAMS: Well, as I was saying, it's a redistribution of money, in essence. You know, as we run our projections, there could be a small bump up because of something else being affected in the formula. That's why we need to continue to run our projections, to see. But I'm confident that it won't amount to much. [LB5]

SENATOR AVERY: So we're not going to save anything, but... [LB5]

SENATOR ADAMS: No. [LB5]

SENATOR AVERY: ...but it's not going to cost us anything. [LB5]

SENATOR ADAMS: Well, we hope it doesn't cost us anything. It shouldn't. It shouldn't, but there may be something else in the formula. Senator, you understand, there's a lot of moving parts to this, and so that's why we've got to run this out, to see exactly where we're going to be. [LB5]

SENATOR AVERY: Fast moving parts, too. [LB5]

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SENATOR ADAMS: In theory, of course, it's meant to be, in effect, a kind of wash or redistribution. So we don't see it as a big addition of dollars. [LB5]

SENATOR AVERY: With respect to the teacher education adjustment allowance, we are going to change it from an adjustment to an allowance? [LB5]

SENATOR ADAMS: Correct. [LB5]

SENATOR AVERY: Doesn't this have an impact on the averaging adjustment? [LB5]

SENATOR ADAMS: Yes, because you are, in effect, when you are no longer...when you are no longer...when it's an adjustment, then the money spent is included in the averaging within the array, and can affect that out there. As an allowance, we're getting it out of that averaging mechanism, to some extent. [LB5]

SENATOR AVERY: So this could lead to a cost saving? [LB5]

SENATOR ADAMS: Well, there again, our projections...I suppose that potentially could. I don't know. [LB5]

SENATOR AVERY: I was looking at the numbers here for 2010-2011. We're projecting a savings of \$33.9 million. [LB5]

SENATOR ADAMS: Right. [LB5]

SENATOR AVERY: Is that where we...was that our target, or is that a little bit low? [LB5]

SENATOR ADAMS: It originally was not our target. When we started with this, before we had done a single projection, we started with 47. Forty-seven was the number. And the reason that it has come down is that as we run models of where we think...as we project where aid would have been this year, we think that that--we think--that that number is less than where we started out a month ago. [LB5]

SENATOR AVERY: So we may need another \$13 million? [LB5]

SENATOR ADAMS: No. No. What we're saying is, that...you know, we originally started out, here's where we thought aid was going to be for this next year, and we needed to get back to where we were at this last year. So originally we were looking at \$47 million to get it down there too. As we continue to do projections about where aid was going to be this next year, we're saying it may not have been as high. [LB5]

SENATOR AVERY: Okay. That's all. Thank you. [LB5]

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SENATOR HOWARD: Thank you. Senator Sullivan. [LB5]

SENATOR SULLIVAN: Thank you, Senator Howard. A few questions, Senator Adams. Thanks for the explanation. First of all, any indications of when we might get some of the modeling? Granted, it's... [LB5]

SENATOR ADAMS: It's happening literally every day. [LB5]

SENATOR SULLIVAN: Okay. [LB5]

SENATOR ADAMS: And I would...I should defer to legal counsel, but I'm going to speculate, maybe--maybe tomorrow. [LB5]

SENATOR SULLIVAN: Okay. You mentioned earlier the state aid review committee being made up of administrators from all sizes of schools. Is that correct? [LB5]

SENATOR ADAMS: Um-hum. [LB5]

SENATOR SULLIVAN: Does that include some very small schools in rural areas? [LB5]

SENATOR ADAMS: Yes, it does. We've got, on that state aid review committee...and let me, before I start naming schools or people, add a footnote. This is not their plan and I wouldn't put that burden on them. They merely have come in, at my request, and we have talked about all facets of state aid, and they laid a lot of things out on the table and I put them in a priority and picked and chose those things. But, yes, Dallas Watkins, superintendent of Dundy County; Max Kroeger from a school district in your area, from Ord; and all the way up to Elkhorn. [LB5]

SENATOR SULLIVAN: Okay. Now you mentioned in that when you first started your comments, the cost growth factor and limiting that. And that applies to all equalized districts. [LB5]

SENATOR ADAMS: Um-hum. Well, and the growth limitation rate will apply to everybody. [LB5]

SENATOR SULLIVAN: Okay. All right. But then you mentioned the base limitation rate. [LB5]

SENATOR ADAMS: Right. Cost limitation...yep. [LB5]

SENATOR SULLIVAN: Okay. As applying to some districts that for a variety of reasons. What are some of those variety of reasons? [LB5]

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SENATOR ADAMS: Well, if they're not seeing the needs growth, that would be one. Our nonequalized districts typically it's not 116 percent of needs that they're looking at. It's simply pure budget authority, spending authority, and that's where the half a percent figures in. And by getting them an additional half, it gives them some more spending capability. Whereas, most districts are probably going to be looking at needs growth instead. [LB5]

SENATOR SULLIVAN: Now the one area--and maybe I missed it--but that you didn't talk about was the allocated income tax. [LB5]

SENATOR ADAMS: Oh, I apologize. Yes. The allocated income tax, we are reducing that--that allocated income tax. And I believe that most of you realize that the allocated income tax, is we take and we look at the proportioned amount that each school district has contributed to income tax. We distribute, first of all, that money comes back in the form of net option funding. And once we're through with that, then we look at the pot and we redistribute what we have, in effect, in allocated income tax back on a proportionate level to each school district. We are reducing that amount and there will be less going out. We're not zeroing it out but we are reducing it down, and very simply for this reason: If equalized districts are going to see less revenue from the state, then our nonequalized districts, at least on allocated income tax, will see less revenue from the state. Special ed still goes their way. Apportionment dollars still goes their way. But in terms of income tax rebate, there will be less going their way. It's kind of sharing the pain. [LB5]

SENATOR SULLIVAN: Okay. [LB5]

SENATOR HOWARD: Are there any other questions? Yes, Senator. [LB5]

SENATOR GIESE: Thank you, Senator Howard. Senator Adams, just for clarification, then on the cost growth, reducing that by a half-percent, we're still... [LB5]

SENATOR ADAMS: Down to a half a percent. [LB5]

SENATOR GIESE: Down to a half percent. We're still in the 20...so that would be a \$20 million savings, roughly? [LB5]

SENATOR ADAMS: That's what we're "ballparking." [LB5]

SENATOR GIESE: And instructional time allowance is a no savings, correct? [LB5]

SENATOR ADAMS: Right. Right. [LB5]

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SENATOR GIESE: So teacher education adjustment, how much will that save? [LB5]

SENATOR ADAMS: We were thinking somewhere in the \$20 million to \$25 million category. But there again, until we run all of these models, Senator, we don't really know the impact of each one of them. We may have to step back and say we overdid it, or we haven't done enough. [LB5]

SENATOR GIESE: And lastly, the remote elementary site allowance. [LB5]

SENATOR ADAMS: Correct. [LB5]

SENATOR GIESE: How much is that, in that...? [LB5]

SENATOR ADAMS: I don't have that number. I'm sorry. [LB5]

SENATOR GIESE: Thank you. [LB5]

SENATOR HOWARD: Other questions? Thank you. We have proponents. [LB5]

SENATOR ADAMS: Go right ahead. I've decided to shift seats for this one. [LB5]

MARK SHEPARD: (Exhibit 2) Very good. Senator Adams, Senator Howard, and members of the Education Committee, for the record my name is Mark Shepard, S-h-e-p-a-r-d. I am the associate superintendent for business affairs for the Lincoln Public Schools. I testify today in support of LB5. Lincoln Public Schools supports the principle of reducing state aid to K-12 education, utilizing the funding formula provided for in TEEOSA as outlined in this bill. Lincoln Public Schools recognizes that we are in difficult economic times, difficult times for individuals and difficult times for the state of Nebraska. We also recognize our school district must deal with these financial realities and challenges. We further recognize everyone must do their part. We must do our part, as well. We appreciate that the Governor and the Legislature understand that it would be very difficult for a school district to make budget cuts during the current school year, and we appreciate that the Governor's recommendations do not include cuts in state aid for this year. We have teachers and students in classrooms. Contracts are signed and they are binding. We also appreciate the recognition by Senator Adams and the Education Committee, that the most equitable way to pursue reductions in K-12 education is by adjusting the funding formula provided for in TEEOSA. This methodology maintains the basic formula of needs minus resources equals state aid, and affects districts on an equalized basis. Lincoln Public Schools is a growing school district with nearly a thousand more students this year than we had last. We are projecting additional growth for 2010-11. We believe our school district must begin now to prepare for what we will likely need to do next year. Once we know what the reductions will be and fully understand our budget challenges, the LPS administration,



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working with our board of education, will develop a budget that recognizes the reality of our district and the state's finances. At the same time, we will work hard to make any potential cuts as far away from the classroom as possible. That's what we've always done and that's what we plan to continue to do. Thank you for the opportunity to offer some comments on LB5 and thank you for your time and commitment to the children of the K-12 schools in Lincoln and across the state. [LB5]

SENATOR ADAMS: Thank you, Mark. Are there questions for this testifier? Yes, Senator Haar. [LB5]

SENATOR HAAR: Yes, thanks, Senator Adams. Mark, thanks for coming today. What really worries me is the cliff at the end of the stimulus money. Can you talk just briefly--it's not really the topic here today--but how schools are preparing for that or looking at that? I mean, if it weren't for the stimulus money, we would already be in deep trouble. [LB5]

MARK SHEPARD: Well, I think a couple things, Senator Haar, and I appreciate that question. Obviously, the stimulus money is there to get us through this low financial time, and so I think we look optimistically, like I believe everybody should, that we're going to come a little bit out of this recession by the time we get to the end of the stimulus money being available. I think the other thing that school districts have done to prepare for that cliff effect, in all areas with the exception of maybe the state aid, is we've really concentrated those dollars on one-time-type expenditures, or short-term expenditures. You know, our district has utilized those funds for a variety of one-time-type purposes or short-term purposes, including hiring coaches, hiring people to work--and when I say coaches, I'm talking about academic coaches--to work with staff to better prepare them for delivery of the curriculum. When we look at, from the state aid perspective, I think this is probably one of those first steps of further limiting the impact of TEEOSA. And I think some of the things that are in this bill, dealing with the growth factor, for example, will have that effect. And as I understand it, because of the data sources that are used, that growth factor, alone, will take 2-3 years for us to work out of that, out of the formula. [LB5]

SENATOR HAAR: Okay. Thank you. [LB5]

SENATOR ADAMS: Are there other questions? Anyone? If not, thank you, sir, for your testimony. Appreciate it. [LB5]

MARK SHEPARD: You bet. [LB5]

SENATOR ADAMS: Whenever you're ready. [LB5]

STEVE BAKER: (Exhibit 3) Senator Adams and members of the Education Committee,

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my name is Steve Baker, B-a-k-e-r, and I'm the superintendent of the Elkhorn Public School District. I'm here today to offer my testimony supporting the Education Committee's LB5. As a state, we are faced with economic challenges that require difficult and unpleasant decisions. While the most desirable recommendation from this committee might have been to tell the full Legislature to find some place else to cut other than K-12 education, or to consider raising taxes, I believe most of us understand those suggestions are not going to take place. I would like to thank you for acknowledging the severe hardship it would create for school districts to make adjustments in the '09-10 budget, especially since approximately 80 percent of our budgets are people, with the majority of those individuals under contract. I would also like to thank Senator Adams for working with the business officials and superintendents and seeking their input. The components in LB5 aimed at reducing approximately \$47 million will hurt, but the pain is shared. These are tough times and our district is prepared to share in the pain. However, when economic times change I encourage the committee to remember that just restoring what was lost is not enough, but a continued growing investment in our greatest resources, the children of Nebraska, must be a priority. Thank you for your hard work and dedication to the children of Nebraska. [LB5]

SENATOR ADAMS: Thank you, Steve. Are there questions? We appreciate you coming all the way from Elkhorn. Thank you, sir. Other testimony? [LB5]

ALAN KATZBERG: Good afternoon, Senator Adams, members of the Education Committee. I am Alan Katzberg, K-a-t-z-b-e-r-g, executive director for the Nebraska Rural Community School Association. I'm here today to testify in support of LB5. First of all, let me say I never thought in my wildest dreams that I would be here to testify in support of any legislation that reduced state aid--but I am. [LB5]

SENATOR ADAMS: I thought you were going to say you wouldn't be here to testify in support of legislation of me, yeah? (Laughter) All right. Go right ahead. Give him a few seconds back. [LB5]

ALAN KATZBERG: Given the circumstances we as a state find ourselves in, we certainly, as members of our association, feel a need to participate in solving the problems. We are also appreciative that LB5 leaves state aid at the current level for the 2009-10 school year. The problems that we would encounter by reducing state aid this year have already been mentioned. We are also very appreciative that the Legislature is addressing the proposed reduction of \$47 million in the special session, and not delaying that decision until the regular session. Waiting until the regular session would not make those decisions any easier. Delaying the decision would not give school boards and administrators the time needed to plan for that kind of a reduction. As an association that represents approximately 175 school districts, we certainly may not all agree on the best approach, however we certainly agree that the approach that Senator Adams has developed, with input from some of our members and others, is a

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reasonable approach to solving the problem and we urge your support. Thank you. That concludes my remarks. [LB5]

SENATOR ADAMS: Thank you, Alan. Yes, Senator Sullivan. [LB5]

SENATOR SULLIVAN: Thank you, Senator Adams. Thank you very much for your comments. In visiting with some of your member school districts, what have you heard as far as the potential they are looking at for impact of LB5? [LB5]

ALAN KATZBERG: That would vary significantly with the district, and dependent on how they are, whether they are an equalized district or a nonequalized district. I think they are prepared, as has been mentioned. They see this coming. They have taken the stimulus money and used it prudently, and the one-time expenses, maybe maintenance issues, those kinds of things. So they are trying to save money, as I am sure most school districts and tax-supported organizations are. So I think that's the best way they're preparing. They're not looking forward to any reductions, but understand the problems we face. [LB5]

SENATOR SULLIVAN: Do you think this will ultimately impact on reductions in staff in some of the districts? [LB5]

ALAN KATZBERG: I would hope and I think that would be the case that our reductions in our school districts would be as far from the classrooms as possible, because in many cases we don't have an option. We have one third-grade teacher, one fourth-grade teacher one math teacher or one and a half math teachers. That's just not somewhere where we can go in many cases. [LB5]

SENATOR SULLIVAN: Okay. Thank you. [LB5]

SENATOR ADAMS: Are there other questions for Alan? Thank you, Alan. Appreciate it. [LB5]

DEBORAH ANDREWS: (Exhibit 4) Mr. Chairman, members of the committee, my name is Deborah Andrews, A-n-d-r-e-w-s. I'm a parent and student learning advocate. I support LB5 and reducing state aid to education. Too much money allows you to pursue wrong strategies for a long time. I saw in the article in the paper announcing this hearing that the State Board of Education is committed to a quality statewide testing program development that will cost about \$5 million a year. I would recommend the Iowa Tests of Basic Skills for statewide testing, as an example. I support a return to teaching a sound foundation in basic skills. In the current system, failure pays. Failure requires more seat time and more staff time. On the first page of your handout, please note the scores for Nebraska fourth graders in reading and math on the National Assessment for Education Progress. Roughly two-thirds of Nebraska fourth graders have not been taught to read

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well. If you're not reading well by fourth grade, you will face a lifetime of struggle. We are long past being alarmed about the shortage of engineers, scientists, and doctors. In the Lincoln Journal Star there was an article that the military recruiters are facing trouble. Seventy-five percent of the country's 17- to 24-year-olds are ineligible for military service due to their lack of education and obesity. I support taking a hard look at all education funding and where it is taking us, how we can improve outcomes, student achievement, for a lot less money. The last two handouts, you'll see testimony I gave to the State Board of Education outlining how we have come to where we are, as well as references that support all of my comments. And on the last page, my recommendations for turning this around. If we turn this around, if you make the decisions to--the hard decisions--and literacy is improved by teaching phonics to all first graders so that they can read, it will still take 11 years before we'll see a change in the literacy rate. This is something we cannot sit around and discuss any longer. I think this bill is a good first step for everyone to look at what are we paying for and what are the outcomes. Thank you for your time. [LB5]

SENATOR ADAMS: Thank you, Deborah. Are there questions? Seeing none, thank you for your testimony. Next testifier. Anyone else who wants to testify in support of this bill? Well, then let's switch to the other side. Are there those who wish to testify in opposition? [LB5]

SENATOR AVERY: You knocked it out of the park. [LB5]

SENATOR ADAMS: No, I doubt that. Is there any neutral testimony at this point? If not, then I will close. Oh, there is neutral. All right. I'm sorry, Jess. [LB5]

SENATOR HOWARD: Welcome. [LB5]

JESS WOLF: (Exhibit 5) Thank you, Senator Howard and members of the committee. My name is Jess Wolf, J-e-s-s W-o-l-f. I'm the president of the Nebraska State Education Association. I'm here representing our 28,000 teachers and educational support professionals across the state. I'm here today as a neutral capacity on LB5. The NSEA does not support the cutting of \$45 million from state aid to education, as you might imagine we wouldn't. We understand that the state's financial problems and we understand, too, that education needs to participate in solving that particular problem. The Education Committee has put together thoughtful and equitable TEEOSA formula reductions in LB5. And we do appreciate that the proposed reductions will not affect school budgets for the current year. There are a couple points I need to make in terms of education being part of the solution. First, education took a cut in the current budget because there was no increase from the state General Fund to support education from 2008-09 to 2009-10. The entire increase in funding for K-12 education came from the federal stimulus funds. LB5 proposes additional cuts that will take the state's contribution to below the 2008-09 appropriation. Hopefully, these cuts will not jeopardize

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future federal stimulus dollars. Second, even with the stimulus dollars, funding for K-12 education will be more than \$50 million short of what the TEEOSA formula original certification called for in the 2010-11 fiscal year. Education has a significant role to play in solving the state's revenue problem. Stimulus dollars spent on education were intended to prevent job losses in public schools, and thereby to stimulate the economy. Public Schools are the largest employer in most Nebraska towns, and among the top five largest in the metropolitan areas. Education jobs saved and education dollars spent on every Main Street across Nebraska contributes to the state's sales and income tax receipts. Unless there proposed cuts occur as far from the classroom as possible, both of these tax receipt numbers will drop in the future. This will only exacerbate Nebraska's fiscal problems. Finally, we applaud your efforts to preserve the state's Cash Reserve for the future. Those funds will be necessary to smooth future budget fluctuations in the next biennium. Thank you. [LB5]

SENATOR HOWARD: Thank you. Do we have any questions? Yes, Senator Avery. [LB5]

SENATOR AVERY: Please don't misunderstand this question. You do state that NSEA does not support cutting \$47 million. We're probably not going to cut that much, but I presume you wouldn't support \$33.9 million either. [LB5]

JESS WOLF: Well, we're not real fond of cuts in education, Senator,... [LB5]

SENATOR AVERY: I'm not either. [LB5]

JESS WOLF: ...primarily because, again, a child has one shot at second grade or third grade or math at the...and Algebra 1. So any cuts are going to affect those outcomes. [LB5]

SENATOR AVERY: And you can't go back and make it up to those kids. [LB5]

JESS WOLF: Correct. [LB5]

SENATOR AVERY: I understand that. But you do also state that education needs to participate in solving the problem. There is my problem. How do you do that, if you don't ante up? [LB5]

JESS WOLF: Well, I suspect that we're going to have to ante up. What we're telling you is that we're not really in favor of any cuts but we understand that there probably needs to be some. And we hope that you will take into consideration all the things that education does, even economically, in terms of the state budget...or in terms of the state. And so, yeah, it is a dilemma. I realize it's a tough one and we're willing to pay part of it. [LB5]

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SENATOR AVERY: Nobody likes the pain. [LB5]

JESS WOLF: That's exactly right. [LB5]

SENATOR AVERY: All right. [LB5]

JESS WOLF: Thank you. [LB5]

SENATOR HOWARD: Senator Haar. [LB5]

SENATOR HAAR: Thank you, Senator Howard. Jess, a question. Cuts occur as far from the classroom as possible. Just spend a moment or two on that. [LB5]

JESS WOLF: Well, again, it kind of goes along with the same thing I just said about a student only gets one chance to be in the second grade or third grade. We would like to see that the cuts that school districts make would not eliminate teaching jobs, would try to make sure that the supplies that are needed for second grade are there. I know school districts that are attempting to do that, but hopefully any cuts that they need to make now would be...would not be of those particular varieties; that they wouldn't occur in a classroom, so that we don't have class sizes of 30-40 students in second grade or that we don't have a second Algebra 1 class and so that class is also very large at the high school level. So that's what we're talking about: trying to reduce those set of costs, perhaps travel costs as much as possible, other things along those lines. [LB5]

SENATOR HAAR: Thank you. [LB5]

SENATOR HOWARD: Senator Avery. [LB5]

SENATOR AVERY: That provoked another question. You probably heard me complain about some of the executive pay packages, and not necessarily the size, although we could probably talk about that, but perhaps the way in which some of the benefits are hidden from public view. Would you like to comment on that? [LB5]

JESS WOLF: Not really. (Laughter) [LB5]

SENATOR AVERY: I won't force you. (Laughter) [LB5]

JESS WOLF: Thank you. [LB5]

SENATOR HOWARD: All right. Are there any other questions? Thank you, Mr. Wolf. I appreciate you coming in. [LB5]

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JESS WOLF: Yes, thanks, Senator. [LB5]

SENATOR HOWARD: Any other neutral testimony? All right. Chairman Adams. [LB5]

SENATOR ADAMS: Thank you, Senator. In conclusion, let me just very much summarize what the bill, with the amendment, would do. We're going to slow the growth, that cost growth factor, by taking the growth limitation for one year to a half a percent, which affects that cost growth factor that we grow GFOEs by. We are, at the same time, going to give to those schools that get caught in that category of only having that half a percent. They don't get the needs growth. We're going to give them an extra half a percent of spending. We're going to reduce the amount of income tax rebate, the allocated income tax, so that we spread the pain out. We're going to take the instructional time allowance that is taken out in the original bill, and I would request that we amend that to put the instructional time allowance back in. And we're going to be getting that definition of instructional time very clear so that we can uniformly get at this. And that we take the teacher education adjustment and move it to an allowance. And that the elementary, the remote elementary site, we're clarifying the language. And Senator Giese, maybe I misunderstood your question. There is no cost in this bill to us by changing that definition. All we're doing, if that's what your question was. Maybe I misinterpreted it yet again. [LB5]

SENATOR GIESE: Any savings? Is there any savings? [LB5]

SENATOR ADAMS: No. No. Because all we're really doing is saying the allowance is there and we have some incidences where the allowance we think is not being used appropriately and we're simply going to clarify that. [LB5]

SENATOR GIESE: Thank you. [LB5]

SENATOR ADAMS: The other things that have been brought up here, I think are critical as well, that have nothing to do specifically with the bill. First of all, we're not messing with schools' current year, current fiscal year. And if I were in their shoes, that would be a tough one to have to do, to dig into this current fiscal year and have to handle that. I think that dealing with it now in a special session, though we may not have as definitive of numbers or as an absolute data as we might at a later date, by dealing with this now we give school district a heads-up for this next school year. We give them some extra months to plan for this. And I think that's...for me, that's important and I would think it would be for them as well. Thank you. [LB5]

SENATOR HOWARD: Do we have any questions? Looks like you've answered everything. This concludes the hearing on LB5. [LB5]

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Disposition of Bills:

LB5 - Placed on General File.

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Chairperson

\_\_\_\_\_  
Committee Clerk