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Transcriber's Office

Floor Debate  
November 13, 2009

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[LB5 LR17 LR18 LR19]

SENATOR LANGEMEIER PRESIDING []

SENATOR LANGEMEIER: Good morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for this the seventh day of the One Hundred First Legislature, First Special Session. Our chaplain for today will be Senator Gloor. Please rise. []

SENATOR GLOOR: (Prayer offered.) []

SENATOR LANGEMEIER: Thank you. I call to order the seventh day of the One Hundred First Legislature, First Special Session. Senator, please record your presence. Mr. Clerk, please record. []

CLERK: I have a quorum present, Mr. President. []

SENATOR LANGEMEIER: Thank you, Mr. Clerk. Are there any corrections for the Journal? []

CLERK: I have no corrections, Mr. President. []

SENATOR LANGEMEIER: Thank you. Are there any messages, reports, or announcements? []

CLERK: Senator Howard and others offer LR17; Senator Council, LR18. Both those resolutions will be laid over. That's all that I have at this time, Mr. President. (Legislative Journal pages 99-101.) [LR17 LR18]

SENATOR LANGEMEIER: Thank you. We'll now proceed to the first item on the agenda, LB5, Mr. Clerk. [LB5]

CLERK: Mr. President, LB5, introduced by Senator Adams as Chair of the Education Committee. (Read title.) The bill was introduced on November 4, referred to Education, advanced to General File. There are Education Committee amendments pending. (AM7, Legislative Journal page 83.) [LB5]

SENATOR LANGEMEIER: Thank you. Senator Adams, as Chair of the Education Committee, you are recognized to open on LB5. [LB5]

SENATOR ADAMS: Thank you, Mr. President, members of the body. If education is going to be asked to play a role in reducing the deficit we face for this biennium, it's the responsibility of the Education Committee to develop a plan for doing that. The

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parameters and our methodology for this plan, the same as always, first and foremost in the period of time that we had to prepare this plan we tried to get as much input from school districts of all sizes, literally of all sizes, that we possibly could. And I think we've built some pretty good consensus here. In addition to that, we have tried to build a plan that honors what we have always considered to be important, and that is a plan based on equalization. We don't do across the board cuts, we equalize based on need. We've also tried to build a plan obviously that is fair. Does that mean that there may be winners and losers? There always are every year in state aid, whether we touch the formula or not things happen to school districts. What we have tried to do is to minimize the pain to anybody. And we have looked for disparities to find out if there are any so that we get them corrected. We have built a plan that is, in effect, going to take the projected state aid for the upcoming school year, the '10-11 school year, not the one we're in but the '10-11 school year down to the current level of aid we are at right now in this school year. And I will tell you, folks, and you know this, you've heard it, the K-12 education community is very pleased that we can leave this current fiscal year alone and instead we look forward to the next and we make the adjustments and we make them within a framework of equalization, we make them as fair as we possibly can, and we get down to the level we're at. Many of you came into the workshops that were conducted yesterday to learn about the plan. And I certainly appreciate that because it's very difficult for me, without my white board and you sitting in front me, to explain all the details. But here I go. The plan, and I'm also going to talk about the upcoming committee amendment at the same time, works like this. The first thing we're going to do in LB5 is to continue to slow down the growth of school spending by ratcheting down the cost growth factor. Now as pointed out to you on the outline in front of you, what the cost growth factor does, it attempts to take two-year-old school data and make it as current as we can. And that becomes our baseline to determine aid. So we're going to take the General Fund operating expenditure of a school that's two years old and we're going to try to make it current by growing it by the cost growth factor. We need to lower that cost growth factor for one year, for one year. Typically, when we calculate the cost growth factor we go two and a half plus two and a half plus one. You can see on the second page of the handout that I gave you what we are proposing to do, and that is to take the cost growth factor, a portion of it, we're going to take down to one-quarter of a percent. And the committee amendment will do that, which lowers the cost growth factor to 3.75 percent. So if approved by you, what we're going to say to school districts for one year, we're going to slow down your spending, and the cost growth factor is going to be reduced that we grow your General Fund operating expenditures by. That saves the state some money. In addition to that, the plan in the bill is to take what is currently in law as an adjustment and move it over to become an allowance. Now the simplest way to explain that on the mike to you is this, an adjustment is an infusion of new money, whereas an allowance is taking into account the additional expenditures that a school district had for an allowance that we have determined to be important, such as elementary class size, instructional time, transportation, poverty, and we attempt to help out those schools that have developed a poverty plan, that have added instructional

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time to the year by redistributing money rather than simply giving them credit for it and then putting additional money on top of additional money. The teacher education adjustment, it is currently in law an adjustment that rewards school districts that are faced with the issue of having above a state average number of advanced degree teachers. That adds to their General Fund operating expenditure. Currently, as an adjustment, we account for that. We give schools credit for that expenditure. We grow it in their GFOE and then we put money on top of money for having those additional degrees. If we move it to an allowance, we are going to recognize only those school districts that have that expense. And that saves the state putting new money in. And I realize that's difficult to explain over the mike. There is a diagram that tries to explain that and I can answer any questions that you might have. Those are the two key components that get us what we believe is close to that \$32 million mark. Now before I talk about the committee amendment, let me explain something about the spreadsheets that you have with your schools on it. Be aware, and I repeat, be aware, as you look at that, do not take that number to the bank. That is a model, that is a model of how we think LB5 will impact. It does not take into credit what's happened to your individual school districts' valuation. It does not take into consideration your student enrollment numbers. It was merely a model that we ran to see where we were going to be and to see if we had identified any one particular school where we had struck too hard with our methodology. So as you look at those numbers, don't look at them the same way you looked at spreadsheets in April thinking this is it for my school district. The cover letter should better explain that to you. It merely gives us a model of the changes we're making and how we think they will impact. And I just have to stress that even more to you. In the committee amendment, I'm going to go ahead and begin to talk about it. As the committee amendment comes in what happened was this, we realized early this week, that when we had lowered the cost growth factor down, we hadn't lowered it enough. That's why I'm talking to you now about rather than .25 to calculate that cost growth factor. We hadn't gotten where we needed to be. The other thing that we've done, the instructional time allowance. If we were never facing what we're facing right now I would tell you that we have received more calls from superintendents and business managers over the course of the last 12 months saying, the instructional time allowance doesn't work, probably more than any other part of TEEOSA. [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR ADAMS: Hence what we have done is to take a look at it and say, how do we fix it? Well, I'll tell you quite candidly, in the beginning we thought let's just eliminate it. There's no savings to the state by doing that. What the committee amendment does is put the instructional time allowance there, we don't take it away. But what we do is to clarify it. Let me explain the problem. From an educational standpoint the instructional time allowance that's already in TEEOSA was based on the concept that the more kids in school the better. So schools that want to go out and extend their school year or extend their school day, the state was willing to step in and offset a portion of that

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additional cost to a school district. Great concept, I still think it is and I think the Education Committee would agree with me. So wherein lies the problem? The problem has been in the definition of instructional time. [LB5]

SENATOR LANGEMEIER: Time. [LB5]

SENATOR ADAMS: Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Adams. As the Clerk has stated, there are committee amendments offered by the Education Committee. Senator Adams, as Chair of the Education Committee, you are recognized to open on the committee amendments. [LB5]

SENATOR ADAMS: Thank you, Mr. President. We go right back to instructional time. The problem we have with it is uniformity and definition across the state. Some school districts might decide to count lunchtime as instructional time, they might decide to count the four minutes of passing time between classes as instructional time, who knows. And that's causing concern at the Department of Ed and it's causing a lot of concern from superintendent to superintendent because one will have one definition, somebody else is doing something else down the road, and it's creating conflict. What the amendment will do is clarify once and for all what instructional time is going to be. And what we think is not for the upcoming school year but the next school year the Department of Ed will have definitive data on what classes are being offered, how many kids are in a class, how many minutes the class is being offered for, so we can set up a definition that is uniform, whether it's from Dundee County all the way to OPS, on what instructional time is. Hence the allowance has some value. In addition to that, something else the amendment does. The remote elementary site allowance, it is an allowance, not an adjustment. What the remote elementary site allowance does, it's already in statute, it's part of TEEOSA, it says to schools, if you have an elementary attendance center that we define as remote, it's out there. Many K-12 boards have been put in the position of we think we've got to close them, we can't afford them. But yet we've got population bases there that we could deal with. So we put this allowance in TEEOSA that said, all right, if you've got an elementary attendance center out away from your main school and it fits the criterion of remote, we're going to help you offset the cost of some of that option, not all of it but some of it. Great concept, just like instructional time. However, we've had some superintendents misinterpret our intentions and we need to more clearly define for them exactly what we meant by remote elementary site. And we'll get that cleared up as well in the committee amendment. So those are the key components of the amendment and fuse together the bill. As a committee we believe to the best of our knowledge and our modeling that we can bring TEEOSA to a level that is the same level as last year, we can do it in a fair way. We also make some changes as TEEOSA that simply needed to be cleaned up, like the instructional time and the remote elementary site allowance. With that, Mr. President, I'll

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end. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Adams. Mr. Clerk, for a motion. [LB5]

CLERK: Mr. President, the first amendment to the committee amendment, Senator McGill, AM10. (Legislative Journal pages 101-102.) [LB5]

SENATOR LANGEMEIER: Thank you. Senator McGill, you're recognized to open on AM10. [LB5]

SENATOR MCGILL: Thank you, Mr. President, members of the body. I'm very happy to start this debate today with an intelligent discussion about school funding in this state and how to best educate our children. This amendment is purely for discussion purposes. I will pull the amendment after sufficient debate has taken place. And I'd like to thank Senator Adams for graciously allowing us some time to discuss where school funding should come from. The core of this debate, we have to look at classrooms and what happens when we begin to make cuts such as the one that is proposed today and the impact that it has on the schools and most importantly on the children. If you take a teacher out of an environment, a school district says, okay, we have X amount of dollars, we are going to have to let a third grade teacher go. Yes, that young man or woman loses their job, but then those 30 kids in the classroom have to be separated out into all the other third grade classrooms at that school, whether it be one or two or three or four. And not only getting rid of that one classroom but growing the size of students in the rest of the grade for those children. The class size goes up incredibly and we know, we know from all the data out there that class size and the quality of teachers are the two things that truly make or break a child's education. That's why I bring this amendment here to you today. The purpose of this amendment is to keep state aid reductions as far from the classroom and students as possible. I believe the Legislature needs to make it clear to school districts that any cuts that result from leveling this state aid be made as far from the classrooms as possible. School districts need to find ways to reduce spending to limit the impact on classrooms. It's important that the Legislature protect education's core mission of teaching and learning. A student who misses out on a quality fourth grade education does not benefit from that fourth grade experience if it's restored after that student has moved on to fifth or sixth grade. You only live fourth grade once. A high school junior does not benefit if the precalculus class or the computer class she had hoped to take is cut and then restored after she has graduated. The fact is that our children have one chance at a quality education. And we, the Legislature, have an obligation to provide that education. I will now go through the different elements of my amendment, keeping in mind that these are all for discussion purposes. First, the school districts would be required to reduce noninstructional portions of their budgets first, which include nonstudent transportation, administration, noninstructional vacancies, capital equipment and construction, service and legal contracts, and reserves. The amendment requires transparency. School districts must

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make their budget reductions available on district Web sites or newspapers. I know many school districts do this already but some don't. Third, the amendment calls for accountability and reporting. School districts must include details on budget reductions in their budgets filed with the State Auditor and Department of Education. And fourth, the amendment provides a state aid incentive to make any cuts as far away from the classroom as possible. School districts would lost 50 percent of every dollar cut from instruction in their budgets if they do not first cut the listed noninstructional items. I believe we should do more than just encourage school districts to cut travel, legal fees, administrative costs, vehicle purchases, and furniture, we should require it. Finally, there is no doubt that education has a significant role to play in solving the state's revenue problem. Our public schools are the largest employer in most Nebraska towns and among the top five in our largest metropolitan areas. Education jobs saved and education dollars spent on every main street across Nebraska contribute to state sales and income tax receipts. Unless these proposed cuts occur as far from the classroom as possible, both of these tax receipt numbers will drop in the future and that will only exacerbate Nebraska's financial problems. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator McGill. (Visitors introduced.) You have heard the opening on LB5, AM7, the committee amendments, and now AM10. The floor is now open for discussion. Those wishing to speak, we have Senators Haar, Nordquist, Adams, Christensen, White, Wallman, Hadley and others. Senator Haar, you're recognized. [LB5]

SENATOR HAAR: Mr. President, members of the body, I would like to rise in support of the concept behind the amendment that's been proposed. I certainly agree that as the leveling off of the state aid to education happens as a result of our economic downturn, that the changes have to be made as far from the classroom as possible. Now I do like the part that I heard about the accountability and reporting. And, I guess, I would have a question for Senator McGill. [LB5]

SENATOR LANGEMEIER: Senator McGill, would you yield to a question? [LB5]

SENATOR MCGILL: I certainly will. [LB5]

SENATOR HAAR: Do we know, is there some way that we will still be able to, even though you're going to withdraw the amendment, that we will be able to see the results of how schools deal with this? [LB5]

SENATOR MCGILL: Well, really, it's up to the school district. And I would encourage all of them to publicly post as much information as they can. I know in Lincoln Public Schools they do make that information accessible. So I would encourage all school districts out there to do that. [LB5]

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SENATOR HAAR: Okay. Well, I appreciate that. I believe that as we make budget cuts this year, again because of the economic downturn, the necessity of cutting the budget, that we also need to know as state senators what results this will have on providing services. And so, you know, I hope there will be transparency in the result of these cuts. And my hope is that at some point we could make that more than just a request to school districts but require some kind of reporting by school districts to show how they've dealt with this. Thank you very much. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Haar. Senator Nordquist, you're recognized. [LB5]

SENATOR NORDQUIST: Thank you, Mr. President and members. I'd first like to thank Senator Adams and the Education Committee for their work on this. I know they brought a lot of people to the table, had a lot of conversations. This is a thoughtful, proportional, and equitable response. It's a good method, a fair method for reducing education funding. With that being said though, I'm going to oppose the legislation because I think at this time I'm not convinced we need to make or should make this cut to education funding. Over the past few weeks, I had a Web site up, [nebraskabudget.com](http://nebraskabudget.com) and heard from over 3,300 Nebraskans from 350 communities and every legislative district in the state. Their top two priorities were pretty overwhelming--fund K-12 education and beware of putting additional property tax burdens on us in this tough time. I understand, reading through these responses it's pretty clear that these families are struggling at kitchen table issues, trying to figure out how to balance their family budget. So I spoke with the school district that I represent. They certainly couldn't give me a guarantee that property taxes wouldn't go up. They do have a little...they raised property taxes last year, they have a little room yet to go up. And the possibility is very likely to address these cuts they will have to. Not that the way the formula or the reductions as written is wrong, it's very fair. But the cut itself across the board, I think we need to look deeper. Because next year, if property taxes do have to go into effect for school districts as our economy is bottoming out and coming up, the last thing we need is additional tax burden on those people. I think we need to look hard at our budget, continue to look at our budget and find funding one way or another to ensure that the tax burden isn't put on property owners. A couple other things. Another concern that I have, and this also relates to property taxes. This last summer Governor Heineman sent a letter to NSEA leaders about...encouraging them to use the additional money we appropriated to seek salary increases. I'm not against teacher salary increases. But as the Governor said, I'm writing to encourage you to work with your school district to make sure the \$234 million appropriated for additional state aid to education is spent where we know it matters most, in the classroom. He goes on to say, the state of Nebraska has provided school districts with the resources they need to increase teacher salaries and ensure they are competitive with surrounding states. The only problem is we're not giving them \$234 million anymore. And any school district that made agreements with that number in mind is going to face a fiscal problem. They made agreements because the Governor

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assured them we're giving them \$234 million to go seek salary increases. And now we're pulling the rug out from under them. I think that's unfortunate. The last thing is I know Senator Adams, the Governor, and Commissioner Breed are working hard on a competitive federal grant, called Race to the Top. There's \$5 billion in the stimulus money, could add up to in the neighborhood of potentially more than \$100 million if we are an award recipient. And this reduction will put us in a negative light for that. And I have a letter that Arne Duncan, the Secretary of Education, wrote earlier this summer to Ed Rendell, the Governor of Pennsylvania. And I'll read a couple of sentences from it. Saying, discretionary award applications, including Race to the Top, will be available in the coming months. And we will ask, among other things, to what extent a state has increased or decreased its education budget and what a state has done with the dollars it has received to date. If a state has disproportionately reduced its education budget or a state has done nothing more than to backfill budget holes with these dollars when the state had other resources available such as it's rainy day fund, the state's competitive position to receive Race to the Top funds or other competitive grant programs will be negatively affected. So I think it will shine a negative light on us if we make these reductions. But more important than that, I think it goes back to the... [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR NORDQUIST: ...issue of property taxes for working families. We have...we can continue to look in the budget. Unfortunately, our hands are somewhat tied there because of the call. We can't eliminate programs, we can't combine and consolidate agencies, we can't eliminate duplicative, inefficient state programs, our hands are tied there. We can look for other cuts in other areas or we also have a rainy day fund, which at this point in time, at this point in our economy we have to do whatever it takes to prevent taxes being increased on working families. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Nordquist. Senator Adams, you are recognized. [LB5]

SENATOR ADAMS: Thank you, Mr. President. Members of the body, I'm going to speak very specifically to the amendment. And Senator McGill has been very forthright with me and we've had good, honest discussions about this. I told NSEA that I would not support the amendment and I've not changed my mind. Now though I think there isn't a body in here that doesn't empathize with the intent of this amendment, nobody wants these cuts to happen in the classroom, nobody does. So why would I oppose this? First of all, we already have intent language in statute that essentially says keep the cuts away from the classroom. Secondly, and I know there are exceptions out there, 254 school districts out there, there's exceptions out there. But I find it hard to believe that a school district isn't going to look everywhere they possibly can before they start cutting into a classroom. And I would tell you, and maybe Senator Fischer or someone else can speak even stronger to this, in a rural, rural school where do you start? It's pretty tough.

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How many administrators do you have to cut? There just isn't a lot of leeway there. The other problem I have with the amendment is that portion of it that uses TEEOSA, a negative adjustment to be punitive. TEEOSA is meant to be an equalization funding mechanism for fairness, it is not meant to be a punitive device. So rolled all up together I believe school districts and administrators will do the right thing. I believe they will. And I don't think we need to tell them that or put it in statute. And the intent language is already there. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Adams. Senator Christensen, you're recognized. [LB5]

SENATOR CHRISTENSEN: Thank you, Mr. President. As I look at this I think well, maybe this is more of an eastern problem. And I don't know. I understand the intent of this, but when I look at a number of schools in my district my largest town is 8,000, my second largest is 2,000. I have schools that have two buildings that have one superintendent, one principal. I have schools that have two buildings in two separate towns that have one superintendent and two principals. So I don't know in my district that I can say this is a problem. I understand the intent of this. And I understand that we do want to take care of kids first. I believe kids should be taken care of to the extent that we can. You know, schools are about education. And I believe the structure we got with the local people being elected to boards set up this protection. But like I said, I'm addressing my district, because I really don't understand, and maybe like Senator Adams said, there's problems in a few schools that need to be addressed. But as I see it right now, in my district this doesn't seem to be an issue. Thank you. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Christensen. Senator White, you're recognized. [LB5]

SENATOR WHITE: Thank you, Mr. President. Members of the body, when we are in this swamp up to our neck in alligators, and we are, sometimes it's important to remember the first objectives, and that's not what we set, that's what the constitution through the people of the state has set. Please remember especially on this aspect of our budget cutting that the sole constitutional obligation for spending, the specific obligation that we have to spend under the constitution is education. Our constitution requires that the state provide an appropriate education for everyone K through 12. That is not specifically stated for any of our other obligations. That means we need to exhibit particular care if we're going to discharge our duties that we all took an oath to discharge when we are cutting education. I support Senator McGill's amendment because, first of all, it is our constitutional obligation to provide an appropriate education. And money is the only tool we have to ensure that is done. And when we are cutting back on money it seems to me only reasonable that we tell those who receive our money and remind them that we are providing this money to them in trust for our children to discharge the highest legal duty we can have. I'm very concerned about

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these cuts. And I will talk more about them. In light of the nature of the call, which prohibited us from considering things like the money we're shipping out of state to absentee landowners, and also the concerns I have regarding the large number of vacancies in other agencies, job vacancies that we cannot even properly account for but could result in such savings that we could drastically reduce the amount of money we have to cut from education, and we don't even have those numbers. It is very difficult for me to accept the possibility we're cutting education, our sole constitutional obligation, when we can't even define whether it's absolutely necessary or there are monies that are ill-advisedly being spent, but we can't pull them back in. I am deeply grateful to all of my colleagues for their courtesy and their professionalism in how this thing has been handled thus far. But I ask you all to continue to reflect on in what our first duties are. Mr. President, with your permission, I will yield the rest of my time to Senator Nantkes. [LB5]

SENATOR LANGEMEIER: Senator Conrad, 2 minutes, you're recognized. [LB5]

SENATOR CONRAD: Thank you, Mr. President. Thank you, Senator White. I rise to echo the comments made by my colleague, Senator Nordquist, in praise of the good work and thoughtful consideration that the Education Committee has brought forward with the underlying legislation, LB5. However, I rise in opposition to that piece of legislation. I think they've done a wonderful job to figure out if we must do it how can we do it equitably. But here is my concern, hesitation and reason for opposition. When the Governor's Budget Director came before our Appropriations Committee, I asked them directly, how many scenarios were run exempting education from these cuts? The answer was none or none that he could remember. And that's what causes pause for concern. I believe, regardless of your geographic origin, political philosophy or otherwise, we all support education in this body because it is the cornerstone of our democracy. It's what makes a democratic society great. And if in fact our economic ship is sinking, I think that there is some good news on the horizon. But if in fact it is, why are we not finding a lifeboat for these programs? Why are we not finding a lifeboat for these children, these teachers, these schools who work hard every day? Instead all LB5 does is rearrange the deck chairs. And that's the wrong priority. When we forget our priorities, Senator White is right, our constitution reminds us. The highest obligation we have in terms of our state jurisdictional issues is related to education. So again, I want to thank the committee for being inclusive and thoughtful in terms of how they dealt with the issues presented to them. But I say, colleague, join me in opposition. We'll go back. We'll work harder. We will find the \$47 million if we have to, making deeper cuts elsewhere. Let's protect education. [LB5]

SENATOR LANGEMEIER: Time. [LB5]

SENATOR CONRAD: There's no greater obligation. Thank you. [LB5]

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SENATOR LANGEMEIER: Thank you, Senator Conrad and Senator White. Those still wishing to speak, we have Senator Wallman, Hadley, Conrad, Cook, Coash, Gloor, Pahls, Dubas, and others. Senator Wallman, you're recognized. [LB5]

SENATOR WALLMAN: Thank you, Mr. President, members of the body. Thank you, Senator McGill, Senator Nordquist on your comments, and Senator White. That is the most important job we have, education. And part of the reason for high cost of education comes out of here. We mandated this, we mandated that, we did that, we did that. Did we ever fully fund anything? No. Why not? If it was important to us here in this body, it should have been fully funded. So we're going to cut some educational dollars here. I can appreciate Senator Adams' work on this. I know it's contentious, it's a hard job. But if we cut educational funding out of here, it will come back to my property tax. Senator Nordquist is right. I've been in the courthouse a few days, listening to angry constituents about their taxes. And my area raised roughly 30 percent, and they said that doesn't mean your taxes won't go up. Well, the mill levy go down? Senator...the great Senator Warner and I had numerous discussions on this lid limit thing. I said it's probably the worst thing we ever had because we'll always be up against the lid. And that's the way it is. So I appreciate Senator McGill's amendment and I realize these are tough times. But I hope we can find a better solution in the future how to fund our kids because we're assessing them on items, non-English speaking students. If we really want to be serious about education, do like some foreign countries, they have to learn English when they go to school. I had to learn English. You're going to learn it. So are we putting enough emphasis on education? Longer school days. When I went to school we had one superintendent in our county and lots of rural schools. We consolidated to save money. Did we save money? Did we have better students? I don't know. So thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Wallman. Senator Hadley, you're recognized. [LB5]

SENATOR HADLEY: Mr. President, members of the body, an old country lawyer friend of mine from Ponca, Nebraska, used to tell me many years ago that it was a thin sheet of paper that had only one side. And I sat down last night and I decided there was two sides to this issue, as there is two sides to every issue. So I put down the ideas that...reasons that I might support this amendment. Then on the other side I put down the reason I wouldn't support it. So I'd like to give you both of them. The reason that I would consider supporting this amendment is the spending by some school boards. We have some school boards that are down in the low 50 percent for instruction right now. That's a pretty low figure. In their defense, we do have a hiccup in how we report things. I found out about it this morning that we have a federal funds category in expenditures that is listed strictly as federal funds. It doesn't break it out as to instruction, special ed or whatever it might be. So again, we have a problem with the data in comparing school districts that we have to clear up. But I think there's a message to school boards that we

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want you to spend money on instruction. Secondly, we have school boards that are spending \$4.5 million on the school board alone, that's more than a lot of our districts get. The school boards have to look at their own spending. Thirdly, we've had school districts that are giving backdoor raises to their administrators. So I think there are some school boards that deserve some looking at. Secondly, the state spends almost a billion dollars in state aid. That isn't your money, that isn't my money, it the people of Nebraska's money. We spend \$500 per man, woman, and child on state aid, \$500. Should there be some accountability for that or do we tell our people in our districts we just are a flow-through, we just collect it, we send it back to the school boards, and they can spend it any way they want. Secondly, we have the scrutiny that we don't have. I sat and listened in my first session about the accountability on health and human services, right? Boy, we hold their feet right to the fire. But we spend about as much money on K through 12 as we do Health and Human Services and we don't have any accountability, do we? Lastly, I think there is some support for this because I'm worried that some school boards might cut instruction heavily and then come back next year and say, oh, we need to change the formula to give us more money for instruction. It's the old close the library if you're going to have the city get in problems. On the other side of the sheet of paper, the reasons I wouldn't support this. Local control, school boards are elected by the people. If they're not doing the job, the people ought to step up and "de-elect" some school board members. They are close to the decisions. They have the ultimate responsibility. I talked to all of my district superintendents understand, one of them said, we've got two janitors, do you want me to lay off one of them? I have to take a look...we talked about raising property taxes and the hurt that will cause to people. Yet, I pick up the paper and I see school districts where the teachers are turning down a 4.4 percent raise, not enough. So is there any responsibilities of the teachers to bear part of this problem or is it they can do what they want... [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR HADLEY: ...and other people bear part of the problem. I would ask that a teacher, if your next door neighbor is laid off, go over next door and explain to them why you turned down a 4.4 percent raise as not enough, and explain to your neighbor who's been laid off and doesn't have a job. I could go on and on. UNO and UNK faculty are the same type of thing, big raises, we're going to lay off faculty. One size doesn't fit all. It boils down, the number one reason that I will not support this amendment is local control. I want to give school boards one more chance. But this is a shot across the bow. If you don't do this right I'll guarantee you the Legislature will be back, because we're spending a billion dollars in your districts. Thank you. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Hadley. Senator Conrad, you're recognized. [LB5]

SENATOR CONRAD: Thank you, Mr. President. Colleagues, I just want to conclude my

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comments that I began earlier. Nebraskans have a clear understanding that there is a direct correlation between every dollar we send out in the TEEOSA K-12 School Funding Formula and how that affects their local property taxes. Let me give you an example from Lincoln, from my home district, from our community. Last year we worked hard to try and increase the amount of state aid we could send to our district which is full of high-needs and diverse student populations. As a result and because of a variety of other factors regarding the fiscal conservancy and responsibility of our local school board, Lincoln Public Schools was able to drop its property taxes in regards to this upcoming year. And they don't get enough credit for that and being the good stewards of the taxpayer dollars that they are. So I'm concerned, after they've moved forward in that brave and right, correct direction, that this LB5 would tie their hands after they've made plans in terms of the projections that will be afforded to them under the hard fought dollars we tried to return to the local districts in TEEOSA. So because of the property tax implications, because of the direct correlation in terms of every dollar we send out in TEEOSA and how that affects our constituents' property tax bills, that concludes my reasoning for standing in opposition to LB5. With that, I will yield the remainder of my time to Senator Mello. [LB5]

SENATOR LANGEMEIER: Senator Mello, you have 3 minutes 20 seconds. [LB5]

SENATOR MELLO: Thank you, Mr. President. Thank you, members of the Legislature. I'd like to first thank Senator Adams and the Education Committee. I know they were put in a very, very difficult situation due to this unnecessarily restraint called by the Governor in regards to trying to find a solution to our state's fiscal problems. And I know Senator Adams discussed this issue with my three school districts and was very inclusive, tried to do the best job he could to bring as many people to the table to help find a workable solution to our education concerns. But at the end of the day, I rise in opposition to LB5 for the reasons that Senator White, Senator Conrad, and Senator Nordquist have already discussed because of a property tax increase. Two of my three school districts were unable to commit to me that with this cut in LB5 that they would not raise property taxes. And when I ran for office and went door-to-door with voters in south Omaha and Bellevue, I committed to them that I would stand up for legislation that ensured property tax relief and I would oppose legislation that would increase property taxes. LB5 increases property taxes in south Omaha and I cannot support it. As regards to the amendment, AM10, I applaud Senator McGill for bringing up a very important issue. I think most senators in this body would agree that supporting the classroom, teachers, and direct services to our children must be the priority in regards to our education policy, as well as must be the priority in regards to our education funding. I do support AM10. I do know that Senator McGill will withdraw it. But I think it sends a statement that in these unique fiscal times our state needs to put classrooms first, we need to put teachers first, and we need to put funding in the classroom first. More importantly, I understand that this is a very personal issue to all senators. And I would never lobby another senator, so to speak, to adamantly oppose something that

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they have to make a personal decision on. Education, I think, is a personal decision, it's a personal priority of mine because I think our state is at a moral crossroads right now in regards to what we do with education funding... [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR MELLO: ...not just this year, not just next year, but in the next five years. Because we are moving towards a path now where we will see cuts to education that was described in last year's floor debate in LB545. Today is the start of that process. I cannot support that process, I did not support that process at the end of the day last year while I did compromise in supporting LB545. I will not support that process or that compromise into the future. I thank you, Mr. President. But once again, I would like to thank the Education Committee and Senator Adams, they had a noble task. I know they did their best to accomplish what they had to seek out to accomplish. But I do oppose LB5. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Mello and Senator Conrad. Senator Cook, you're recognized. [LB5]

SENATOR COOK: Thank you, Mr. President, members of the body. I also rise in support of Senator McGill's amendment, AM10, to the committee's amendment, AM7. As I was out in the district in what...the time period formerly known as the interim, there was also a reemphasis not only on the tough economic times but on the importance of quality public education to the residents and citizens of the district number 13. One of the things that also came up during the interim and as I was campaigning was the citizen's emphasis on classroom time. People who are familiar with, and there are many in this body, who are professional educators or have had their education in education theory, recognize that classroom time, parental involvement, classroom size are key to the success of the student. And I would like to support this in recognition of those facts. I would also like to take time to thank the Education Committee Chair and the members of the committee and the staff of the committee for their hard work. As several senators have mentioned, it is a very difficult task but they have done what I believe to be the best they could do given the circumstances. Thank you very much for your time. I would like to cede the rest of my time to Senator McGill, if she would like it. [LB5]

SENATOR LANGEMEIER: Senator McGill, 3:20. [LB5]

SENATOR MCGILL: I would, thank you, Senator Cook. Really, I want to thank Senator Hadley for his near perfect analysis of the situation. And I did use Senator Hadley and the word perfect in the same sentence, which (laugh) is slightly frightening. I really think that he hit the nail on the head. There are reasonable debates on both sides of this issue. But when it comes down to it, we give a billion dollars to our school districts. We tell them...our teachers what they should be teaching and what they should be testing.

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But yet when it comes to those dollars, we don't give any guidance on where we're expecting them to spend that money. I think this is a chance for each of us to stand up and say, we do expect you to do everything you possibly can to cut costs outside of the classroom. We know there are cases where that is not happening. We know there are cases where it is happening properly. But this is a chance, a wake up call for the districts to take a closer look, hopefully be as accountable as possible so...and as cooperative with us as possible so we can see where the money is coming and the can make the case that they're doing a good job. With that, thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator McGill and Senator Cook. Senator Coash, you're recognized. [LB5]

SENATOR COASH: Thank you, Mr. President, members of the body. I first want to start off by thanking Senator McGill. This is a debate that we do need to have here. It's important that we talk about how our actions here could be implicated down to who we're really supposed to be advocating for, and that's the children. The discussion is warranted and it's a good discussion. Senator Adams and Senator Hadley have all said similar things, so I'm not going to spend a whole lot of time rehashing what they've said. But I do want to say this, we need to remember that we're all on the same team here. The members of this body, teachers, administrators and school boards, we're all on the same page. And I do have a challenge for them. Take a look at AM10, if you believe that cuts ought to be away from the classroom, do that. And I want to speak to the citizens of Nebraska. You have a mechanism to advocate, that's your school boards. My concern with AM10 is that it gives the impression that cuts would come anywhere from faraway from the classroom. So we need to talk about this. I want to talk about our purview here. Here in the Legislature we appropriate the money. School boards, administrators have to decide how to spend it. And I believe that's the guidance that Senator McGill was talking about. And I like that because those school board members are close to the people that elected them. Do we need to keep cuts away from kids? Absolutely. But I would challenge anybody to think if we have a school board who wouldn't do that, we need to point them right back to the power of the vote. Nebraskans are smart, they'll hold their school boards accountable. I believe that Lincoln citizens have held our school board accountable. I've passed around a copy of the statute that already tells Nebraskans how we view cuts to education. We made this decision before most of us got here. We made the decision that cuts would affect classroom expenses as a last resort. So that's pretty clear. I'm also concerned that this amendment, and we won't get to vote on it, but should something like this pass it could actually hurt teachers. And here's what I mean, do we want teachers to pickup the duties of driving kids to and from school, student discipline, do we want teachers to pickup things that don't have to do with face-to-face contact with students? I want teachers teaching. I want teachers in the classroom, I don't want teachers doing extraneous things other than that. I'm also concerned about the small schools. I'm the product of a very small school. Those small school's budgets are tight already and I believe that they need the flexibility. And so we

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have to give that to them. So in closing, members of the body, Mr. President, I want to thank everybody for the debate. I think this is good. I think Nebraskans need to hear us talking about this. And I think school boards need to hear us talking about this. Teachers need to hear us talking about this. And we're making a case here and we're telling them where we expect the money that is appropriated to go. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Coash. Senator Gloor, you're recognized. [LB5]

SENATOR GLOOR: Thank you, Mr. Chairman and members of the body. I rise in support of the sentiments behind AM10 but have great concerns about the theory behind AM10. Before I came down here for session, I had a meeting, in fact it was the evening that I traveled down here. So the last people that I talked with before I came down to start the session were classroom educators. We had a great discussion, a two hour meeting. And we talked a little bit about directing resources to the classroom. And I shared with them some of my experiences and concerns about trying to direct dollars specifically to, and in my case in my experience, bedside nursing. They felt that there was in fact a similar comparison, one worth noting. The challenges definition, and although there has been an intent to categorize what's considered classroom, instructional education, there are always gray and more importantly there are challenges on those functions still needing to be done--the smaller the school the greater that challenge can be. Certain states, like the state of California, which we all know is in deep trouble in a number of ways, have tried to dictate, in fact they passed legislation that required a certain ratio of nurses by the bedside. And the problem that they've run into, a predictable problem that they've run into is the fact that some of those functions carried out still have to be done. And when you eliminate those positions, maybe an infection control nurse who is responsible for a very important job, keeping tract of infection rates, helping provide counseling to reduce the level of infections within an institution, when that position disappears because it's not considered bedside nursing the responsibility is driven back to the bedside. And all of a sudden the nurses who we want to be involved in providing direct patient care now also end up assuming administrative responsibilities. And the same thing will happen with classroom instruction. Who will be responsible for the classroom discipline when some of us, not me of course, got hauled down to the principal for disciplinary problems? If you don't have that level of support, who does that? The classroom teacher and she's taken away from instructional time. Even the clerks who, if you understand how elementary schools work, I'm assuming the same is true in secondary, are the communications hub of the organization--take notes, run messages. Who then does that? Do messages not get delivered? Does important communication not occur? Or do the teachers themselves find some of their valuable classroom time being occupied with being messengers and having to return phone calls. There is the problem with the theory. This is micromanagement, it's well-intentioned, but it's micromanagement. And as Senator

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Hadley has pointed out, we have responsibilities that lie with our school boards and with our administration to make these important decisions. The school boards are elected. The electorate can hold these people accountable if, in fact, they don't do a good job of balancing instructional time against administrative support. Capital expenditure is one of the things listed as not protected. But are we going to argue that quality facilities don't help education and don't help classroom teachers? This body made decisions in recent history to fund two veterans' homes, two brand new veterans' homes. And in my research, part of the argument behind that was that quality care will go up, bedside nursing will improve with better facilities. That's a capital expenditure. That would not be included in here. So on the healthcare side we've made the argument that capital facilities are an important part of quality healthcare. [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR GLOOR: Thank you, Mr. Chair. I would like to thank the Education Committee for wrestling with this issue. I'd like to thank Senator McGill for giving us the opportunity to debate this sensitive issue. It's a great sentiment but it's poor management. Thank you. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Gloor. Senator Pahls, you're recognized. [LB5]

SENATOR PAHLS: Good morning, Mr. President and members of the body. Yesterday, I had the opportunity to listen to Senator Adams as he explained the vision or the direction that he and his committee would like to go. Basically, I was impressed with the amount of thinking that was involved. And he did enlighten me or the people who were listening on one or two issues that really made me think of my past concerns in this body. And he said that one of the questions was the instructional time allowance. You know, it all depended on how creative that superintendent happens to be. You know, some superintendents, I don't know, I don't have the information, but I'm wondering if they think eating a lunch is direct instruction, if they think going to recess is a direct instruction, if they think going to the state basketball, volleyball, football or wrestling is direct instruction? Is that time counted as direct instruction? We know to teach children the best way to do it is called direct instruction. See, I don't classify study hall as direct instruction. So I probably would be a little bit more stringent on what I would classify or allow people to put down as instructional time. I think the good Senator said that in the future those guidelines are going to be more rigid so some of that creativity, that entrepreneurship that some of our leaders have will probably be a little bit more put in a box or stifled a little bit, which is okay. And I'm not blaming the superintendent because if you have a job to do, just like the business world, you're always looking for the best way to make it work. Well, I do think what concerns me is the input. If you don't give good information and you throw out a bunch of data you could be missing the point. And as most of you, I think you've had the opportunity to at least take a look at the charts

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that I had the pages pass out to you. All I did was I had my staff just pull up the charts on four schools throughout the state and this is the information...this is what I want to talk a little bit about. You can take a look at the different schools. And if you want to, you can find in your own district. I think in the past when I brought this up, because this is not a new issue with me for those of you who know that I'm probably a little tenacious on certain things, but what I'd like to have you take a look at, and let's just...first on page 1, under the function called all instruction, this particular district spends 64.47 percent of their money. Now some of these other functions below that are services for children. And I'm not questioning that. But my direction that I'd like to have gone in the past is say, let's say 65 cents of that dollar reaches that classroom. And, of course, there have been...that really let's say stirred the mud, you might say, with a number of the superintendents. But I just want to point out to you, just look at that...this particular year was 2008-2009, this school spent 64.47 percent. Two years ago they spent 63 percent. It's interesting how all of a sudden some of these...the all instruction that's increasing. If you take a look at the school after that, on the second page, you can see they're spending around 65 percent. And I tried to get...my staff tried to get the information today, but lo and behold the Web site was down because they were working on it. On the third page, I want to show you that school district. And they have...this is in '08 it was 53.83 percent, the year before it was 52.07 percent. It's really interesting how this thing is moving. And I know the argument today... [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR PAHLS: ...thank you, I know the argument today was, well, the federal government does give them money and so that should be included in that. My argument, no, we're talking about state monies, that federal dollars should be different. So what I'm going to ask you to do is to take a look at your various schools. And just to give you an idea, all instruction from this last year to two years before, \$106 million has gone into that. It's gone up almost 1 percent. The central administration has dropped statewide \$3 million. Interesting. The other, at the very bottom, has increase \$11 million. Are we being manipulated? I'm asking for the state...the people who are in charge of this, the Nebraska Department of Education, really hold everybody's feet to the fire. Let's get the correct information in there. It seems to me that we are moving some of this around. Because what you have done is we started talking about this several years ago, all of a sudden I've seen the areas that I was talking about... [LB5]

SENATOR LANGEMEIER: Time. [LB5]

SENATOR PAHLS: ...I see more money...thank you. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Pahls. Those still wishing to speak, we have Senator Dubas, Wightman, Mello, Hansen, Utter, Avery, and others. Senator Dubas, you're recognized. [LB5]

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SENATOR DUBAS: Thank you, Mr. President, members of the body. I, too, would like to interject my thanks and appreciation to Senator Adams and the Education Committee for this very difficult task that they've undertaken. I remember a discussion in our regular session that we knew that state aid would be an ongoing discussion. We knew the path that state aid was on is taking us in a very difficult direction. And so the fact that they've come back in this special session and tackled it in the manner that they have, I think, speaks a lot for the quality of our Education Committee. I attempt to have very regular or at least have an open line of communication with the superintendents in my district so that I understand what's going on in their districts and the challenges that they face. I had communication from quite a few of them before this special session started with, usually the first comment was, please don't touch state aid to education. But, usually followed up with, but I understand that you probably will have to make some adjustments. And many of them felt like their district was positioned to handle whatever changes may come their way. They're realistic, their boards are realistic. I conducted a districtwide survey and the majority of my respondents to my survey really wanted state aid to be protected or at least cuts made in a very conservative fashion. But also with the caveat that, please don't do anything that will revert to just a shift of taxes that they're going to come back on our property taxes. I'm a former school board member, I know that their feet are held to the fire when they make the kinds of decisions that will raise not only their own taxes but the taxes of their friends and neighbors in the communities that they live in. So I know that the boards and the administration in my district are very, very cognizant of that fact and are held accountable for what they do. They work hard. Again, I agree with the concept of this amendment and that we should work hard to keep those cuts as far away from students and instruction as possible. And I believe that the school boards and the administration in my district are making that attempt. We can take this conversation about state aid to education just about into any institution across the state that we're talking about. And it's really like a wheel with spokes. And anytime you start to remove spokes or bend those spokes or do any kind of damage to any particular spoke in that wheel, you're going to throw things out of balance, you're going to make your ability to move forward much more difficult. And so it is a challenging task that any governing agency has is keeping those spokes straight and balanced and moving their communities, their schools, their counties, whatever forward and making the things work for the constituents that they represent. If I had my personal preference, I would want state aid left alone. But I also understand the realities that we exist in. And by making that decision we're going to have to make other decisions to counter that particular direction that we would choose to go. So again, I think most superintendents, most school boards, if not all across the state are very cognizant of the fact of the dollars that they are spending and the possible reductions they may be seeing or the changes that they may be seeing in state aid to education. I appreciate those who responded to my survey with their strong concerns and desire to protect state aid. They very clearly made their statement that education is their priority and should be our state's priority. I agree with some of the comments made on the floor.

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It's one of the few constitutional obligations we have as state senators. I take that very seriously. [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR DUBAS: I think education is the foundation for all of the other issues that we deal with in this body. If we have an educated populace, we're going to eliminate a lot of the other services that people may need on down the road. So any dollar that we invest in education is a dollar very well spent. And that will give us a great return on our investment. So I will be supporting the underlying bill. I understand the difficult situation that we're in. I hope to continue to work with my superintendents representing their particular issues on the floor. And, hopefully, we can get this ship righted and get things going back the direction that we all want to go. Thank you. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Dubas. Senator Wightman, you're recognized. [LB5]

SENATOR WIGHTMAN: Thank you, Mr. President, members of the body. I, too, want to thank Senator Adams and the Education Committee for the hard work they have done during the last two weeks in coming up with what I think is a sensible approach and a thoughtful bill. Having said that, I also want to thank Senator McGill. I think this is a discussion that needs to be had. I think it's a good discussion. But at the same time, I will oppose AM10. I realize it's not going to be voted on. I oppose the concept of it and will support LB5. My biggest problem with AM10 as proposed by Senator McGill is that it does remove local control, as Senator Hadley pointed out. I think Senator Gloor likewise pointed out that to pass AM10, in my opinion, would be for the Legislature to micromanage to a great extent what school districts across the state of Nebraska would be doing. I think it does remove local control. And I had letters from many of the superintendents within my district or e-mails. And one of them very aptly, I think, pointed out what one of the problems would be. And I will explain that as best I can. This school district in Buffalo County had a Spanish teacher that they'd had for a number of years. They also were offering a number of other language programs through Distance Learning. The Spanish teacher resigned and they had to make a decision as to whether they would expand their Distance Learning program and probably their relatively low cost and offer Spanish through the Distance Learning program or whether they would hire a new Spanish teacher. I think if we were to pass AM10 to a great extent we would be maybe dictating or at least punishing them if they didn't make the decision that we were promoting under AM10. They made the decision at a much lower cost to provide that instruction in Spanish through Distance Learning. They were well familiar with Distance Learning, having provided Distance Learning on other languages other than Spanish, having that experience they thought that this would be a very good solution for them but at a much lower cost. So it would obviously affect the amount that was being paid for instruction. I'm assuming, although I'm not sure of that, that the Distance

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Learning would provide...would be included under instructional, but they would reduce their ratio, obviously. And it just seems to me that the...what we would be doing if we were to pass something similar to AM10 would be trying to make that decision for them. I think we have no business making that decision for them. I think that should be made by the local school board and the administration of that school district. So I do support LB5. I realize AM10 is not coming to a vote. But I do think it would be treading on dangerous ground as far as this body is concerned. And we would be reaching in and trying to micromanage the decisions of the particular school districts. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Wightman. Senator Hansen, you're recognized. [LB5]

SENATOR HANSEN: Thank you, Mr. President, members of the Legislature. In my district I represent six public schools--large and small enrollment, varies from 4,000 to 160. I think AM10 has a great idea to cut...to make our cuts the furthest away from the classroom as possible. And I think that's a great theory, but we'd still have to look at the different school districts and how they vary from school district to school district. And if a cut in state aid automatically means a property tax increase, we need to address that too. And I think I'd like to address it with a other concept, a concept maybe we haven't thought about yet, a concept that may be revolutionary, I don't know, it's local restraint. These school boards have to have local restraint besides the local control of the tax money that they handle. They have to have the local restraint. And the only way we're going to get that local restraint is to get people in the school board meetings. And the school board meetings I've attended in my district are not attended that well. The people have to let the school boards know what is going on, and then you get local restraint. But we don't need to micromanage school districts, we don't need to micromanage Hemingford or Wallace, we don't need to micromanage Antioch or Ashland, and we don't have to micromanage Litchfield or Lincoln. We need to attend those school board meetings and let our feelings be known. We have too wide a range in the school districts in this state to pass AM10. I think it's a great idea and that idea should go back to every school district. And we should go back to every school district in our districts and say, get to the school board, let to the school board know that with a little bit of this new philosophy, this revolutionary concept of local restraint that you don't need to raise property taxes. I think to defeat AM10, which I find out now we're really not going to take it to a vote, but still the idea is there that we don't need to micromanage, we need to let the school districts handle and manage the finances of the individual school districts because they vary so much across the state. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Hansen. Senator Utter, you're recognized. [LB5]

SENATOR UTTER: Thank you very much, Mr. President and colleagues. I rise to talk

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about this issue a little fearfully, but there again what I'm going to say represents some true beliefs I have in what we are doing with our state aid to education and with our educational system. Let there be no mistake, I am a strong supporter of education, not only K-12 education but also higher education. And let me also say at the beginning that I have great respect and admiration for my friend and colleague Senator Adams. Senator Adams has worked tirelessly along with the committee to bring to this body a bill that causes a minimum amount of pain to the education community. In addition to being a supporter of education, I'm also a strong proponent of education delivered efficiently, effectively, and with fiscal prudence. Certainly there are a great many school districts in this state that truly do an outstanding job of providing an educational experience for our children in an efficient, effective and fiscally prudent manner. And I congratulate them on a great job. I have constantly heard over the past two weeks of the cuts that K-12 state aid was taking. And I'm having great difficulty with that description of what we're doing and characterizing holding the line on the K-12 state aid figure as a cut. To me that's not a cut. To me in this environment where we stand today with the fiscal consequences that our state is facing, holding the line is somewhat of a victory as far as I'm concerned. Looking at the big picture, and Senator Adams has admonished us to do that, state aid to K-12 education has grown from \$640 million in fiscal '03-04 to \$839 million in fiscal '08-09, a growth of \$199 million or about 31 percent. During that same period state General Fund revenues grew from \$2,670,000,000 in '03-04 to \$3,258,000,000 in fiscal '08-09, a growth of \$615 million or about 23 percent; 31 percent growth in state aid to education to schools while state revenues grew 23 percent. Frankly, the growth rate in state aid is clearly unsustainable advancing at those levels. The state needs to decide, I think, on how much it can afford to dedicate to K-12 education and set some kind of a figure that is discernible and that is fair and that is affordable. The rapid growth of state aid to K-12 education is clearly a case of the tail wagging the dog. [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR UTTER: In my personal world and in the business world, you would first look at the available revenues and then and only then you budget your expenses to fit within those parameters. Certainly prudent business people build up reserves also to help them navigate through hard times. There are lessons to be learned from the business community which should also apply to state government. Continuing to look at the big picture, I believe our state aid distribution formulas are extremely complicated and unnecessarily complicated. In my opinion, it doesn't have to be that way. I think state aid should be divided into two components, believing that every student in Nebraska is entitled to some benefit from state aid. A portion should be distributed to every public school on a per capita basis without regard as to whether the school is equalized or not. [LB5]

SENATOR LANGEMEIER: Time. [LB5]

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SENATOR UTTER: Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Utter. Senator Avery, you are recognized. [LB5]

SENATOR AVERY: Thank you, Mr. President. Good morning, colleagues. AM10 raises exactly the right point. I do think, however, that it...if we apply it on the statewide basis it may not work for some of the small districts. I'll make that point better in a minute. Senator Adams, I think, stated it correctly. And that is that the intent of this amendment is good. Let me tell you a story about my own school district that compels me to agree with the intent of this amendment. Last year, teachers in my district received a 4.5 percent salary increase. They were required to include, in that 4.5 percent, enhancements to their benefits. So they wound up with somewhere around 2 or 2.5 percent in actual salary increases. However, when it came to the executive team, the administrators, they did not feel that that was quite adequate for them. The executive team took the 4.5 percent increase and they added to that, in one case, 8.5 percent of tax-deferred annuity, two new executive team members were hired at 14 percent enhancement to the total package. The executive team members that were currently on staff said, wait a minute now, you're going to hire those at 14 percent, we want that too. So they were given similar raises. In one case, the stipend that was awarded to one of the top administrators included 7.28 percent of their salaries that was to be the employee contribution to the Nebraska Public Employee Retirement Fund. Well, then the other executives said, well, we want our employee contribution to be covered the same way. So the others were included as well. I believe in one case the amount that was paid that should have been the employee contribution to the retirement fund was paid by taxpayers was \$17,390. The question for us, for me at least in this case is, how much of this should have gone to instructional needs? If you look at the chart that Senator Pahls passed out, you'll see that in my district the amount of money that goes to administration is almost \$31 million, over 10 percent of the entire budget. I'm wondering if we can do better, some school districts do. Not all school districts have the ability to include such fat compensation packages for the executive team. I take for example, Senator Fischer in her district, we had a conversation just a few minutes ago off the mike. She has a school where the superintendent not only is the superintendent, he is also the principal. And moreover, he is the bus driver as well. I think that we can do better on this and I'm very much concerned that in my own district they sometimes... [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR AVERY: ...act as if they don't get it. When I raised these issues before, they got very upset with me that I would even raise the issue at all. And in one case when I asked the question, don't you get it? We have to defend you on the floor of the

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Legislature and you're doing these kinds of exorbitant increases in executive team salaries, but you don't provide this to your teachers. And the attitude was, we deserve it, people don't understand executive compensation. I think we do and I think we know when it's out of line. Now this does not make me popular in my own home district, I have to tell you that. But I have had an interim study this year in which I tried to get some information on compensation from other districts around the state. Everybody responded to that survey... [LB5]

SENATOR LANGEMEIER: Time. [LB5]

SENATOR AVERY: ...except my own district. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Avery. Senator Louden, you're recognized. [LB5]

SENATOR LOUDEN: Thank you, Mr. President and members. As I've listened to the debate and then as I looked at Senator McGill's amendment here, I would say that, doggone it, she should have been here about three or four years ago with this amendment, because that's when some of this came about and now we've closed these elementary sites all over the state. In fact, in my district they've closed probably over ten of them here in the last three years. And whenever you close those sites, it's hard for anyone to justify to say that we didn't lose teachers and instructional staff over that. We traded teachers for truck drivers or bus drivers. So I think Senator McGill probably has a very good idea here. I just point out that we should have been doing this here a few years ago. At the present time, with you elementary site allowance in there, if a district isn't equalized they don't receive that allowance. Consequently, as these districts come against their spending lid, what do they do? They close these elementary sites out there. Box Butte County, up there, Alliance Public Schools closed all four of theirs here within the last two years. It upset many people, quite a little. Evidently, it upset somebody quite strongly, because they burned one of the schoolhouses down they were so upset over the deal. So there is problems out there, and we've not addressed those problems. When we have some of the school districts that spend nearly half their money for administration and then we have other school districts, as Senator Avery mentioned. In my district, why yes, a couple of school districts now are sharing a superintendent. There are better ways to do that. I pointed out, several years ago when we were doing LB126, that the state of Nebraska doesn't realize how much free administration and maintenance they get with those Class I districts out there, but it was to no avail. Remember, when we closed those we were supposed to save \$12 million. That was the thing that was pushed around then, and I haven't seen the savings since. So we have a long ways to go on this. I would like to, as Senator Utter mentioned, to have state aid be distributed on a per-pupil basis or something like that. You want to remember, when state aid first came into being back there in the '90s I think it was, whenever it was, I was on the school board at that time. That's the way it was done. We

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all received, I don't remember whether it was \$1,800 or \$2,200 per pupil, and that was our state aid. And as from time came on, they were worrying about some of the rich districts were getting too much money, so they worked it around to the situation that we're in now. So what we are, we're funding a lot of probably administration in a lot of these school districts that really has to be looked at again. When we took some of the tour on the Revenue Committee this year, there was testimony in Scottsbluff that they have five schools in Scotts Bluff County, which isn't that big of a county, and all five of them have superintendents. Some of those could be consolidated. I'm sure Gering and Scottsbluff, all one community there, and also Mitchell, Morrill, and some of those like that. It isn't an impossible thing. So there's things that we have to look at here, and I'm wondering, with LB5 and the amendments we have there, is there actually something in there that has set it up so that we won't raise property taxes. That happened in 2003 when we would...I was down here, in on that. And what did we do? We raised their mill levy at that time, so that they could go cap it out at \$1.05, and cut down state aid, and consequently it was all pushed back onto property tax because there was nothing in there to curtail spending. [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR LOUDEN: So I think whether we've went far enough with us or not, I question it. I think Senator McGill has a good idea. Whether it will ever get any traction, I don't know. But we must, if we're going to cut some of this stuff, to make sure that it's cut in the right places, rather than instruction. Because right now, instruction seems to be the odd man out on receiving funding. It's been usually added into transportation for hauling, more busing or into administration. I would...at the present time, I would probably eventually support LB5, but I think until we see the numbers crunched by the Fiscal Office and that's all finished, I don't know if we are going to be able to do anything with LB5, because it is something that's working in next year. It isn't anything that's going to happen at the present time. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Louden. Senator McGill, you're recognized. [LB5]

SENATOR MCGILL: Thank you, Mr. President, members of the body. I'm going to essentially use this as my closing on the amendment before I pull it here. I'd like to thank everyone for the discussion so far, and I hope that you continue. Just because I'm about to pull the bill doesn't mean we still can't continue to share our thoughts and ideas on this. I think through the discussion it's clear we have a diversity of school districts in our state. But there are some out there we are concerned about in terms of where the money is going and how it's being spent. So I hope there are some lessons that those who may be watching can take away from this, including the fact that we are watching them and are going to hold them accountable for how they're spending. We hope that they'll cooperatively be accountable and transparent with where their cuts are going to

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be coming. The classroom experience is the most important part of many students' lives. For families who struggle and with kids who have hard homes, their teachers, their paras, and their administrators are often the best part of that student's day. The teachers aren't just the teachers educating. They're a loving adult individual that they can go to and rely on, on a day-to-day basis, when they may not have that case at home. Teachers are expected to be so much more than teachers. I hope that we'll take that and keep that in mind as we continue to move forward. I'd like to thank Senator Adams for his graciousness in allowing us to debate about this for about an hour. And with that, I will pull my amendment. [LB5]

SENATOR LANGEMEIER: Thank you. AM10 is withdrawn. We return now to floor discussion on AM7, the committee amendments to LB5. Those still wishing to speak, we have Senator Sullivan, Harms, Council, Schilz, Dierks, Carlson, and others. Senator Schilz, you're recognized. Senator Sullivan. Excuse me, I skipped. Senator Sullivan is recognized. [LB5]

SENATOR SULLIVAN: (Laugh) We both start with an S. Thank you, Mr. President and members of the body. This has been a robust and good discussion, and I'm reminded of Senator White's remarks when we first started, which is: There's just one thing we need to do down here. And oftentimes when I talk to school children and they ask me what I do in the Legislature, I remind them that we have a constitutional responsibility to do just one thing, and that's to provide funding for children in the common schools. So I am mindful of that. It's always in the back of my mind, because education is by far and away one of the most important things that I want to work on while I'm a senator. But I'm also mindful of the equal responsibility that I have for which we've been called here in this special session to deal with some of the economic challenges that our state is facing. And I'm also reminded that we are...as one Nebraska, we are all in this together, those of us here in the Legislature, local school boards, district administrators, teachers, and patrons, the good citizens of this great state of Nebraska. And so certainly in all of this I'm mindful of the impact that some of these decisions will have on local property taxpayers, myself included; most of us in this body included. And even if districts rein in their spending and don't raise their...and up against their lid, we will still see increases in property taxes because we continue to see higher valuations across the state on land. Will LB5 cause permanent damage to school districts and the educational funding and the educational programs in this state? I'm hopeful that it will not. I've heard from administrators that are doing the very best job that they can to keep these cuts away from instructional environment and how it will possibly negatively impact our students; the one administrator who serves two school districts and has to drive 45 miles between the two trying to service those districts, I'm like Senator Gloor, the last program or contact that I had before I came down here to the special session was with a group of teachers in my district, one of whom travels between two buildings over 30 miles apart, using her lunchtime and her planning time in those 30 miles to get prepared for her classroom instruction that's taking place in those two communities. The bottom line is,

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as we face this fiscal challenge that we have and where we want to go with education and educational policy in this state, we have to remind ourselves that we are all part of the solution. That laundry list of people all the way from the Legislature to the citizens of this state, we are all part of the solution and what we want to achieve with respect to educational policy. I will also remind you that with LB5 we are attempting to slow the growth in state aid funding to education without causing permanent damage. I've heard, as Senator Utter said, and many of you indicated that we feel we are on an unsustainable path with respect to state aid to education. I remain the eternal optimist in terms of the future of this economy, and I'm even hopeful that--and I would remind you also that we saw a little uptick in actual receipts that came in, and I think all of you received the e-mail from Senator Campbell that said that Nebraska was one of the states where the recession is deemed to be, if not over, improving quite dramatically. So I want us to be cautious in all of these cutting decisions that we make with respect to our budget. Because I think we are going to see some noticeable improvements. [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR SULLIVAN: I also--thank you--am mindful of the fact that I've heard many of you say we need to have a vision, a strategic plan. Where do we really want to go with some of these big issues, education being one of them. Last session, we created in statute the Legislative Planning Committee. This group met this morning and we are on a mission to, I think, address this very thing that will hopefully help all of this in this body make some more constructive decisions about where we want to lead our state and where we want it to go with respect to education and a lot of these big issues. We have a lot on our plate, but I think that the Education Committee...and I thank Senator Adams so much. He's worked so hard on LB5. I think we're headed in the right direction to not create permanent damage, to slow the growth of state aid and allow us to continue the discussion on where we want education to go in this state. Thank you. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Sullivan. Senator Harms, you're recognized. [LB5]

SENATOR HARMS: Thank you, Mr. President and colleagues. I rise in support of AM7 to LB5. I want to talk a little bit, if I can, and I don't want it to slip away because I'd like to have it as a matter of record. There was a lot of discussion about Senator McGill's amendment. And let me talk to you a little bit about those administrative costs. Yes, we want to have more onto the instructional side, because that's what it's all about: teaching children, teaching people. But let's talk just a little bit about why we have high costs in our public schools today, administratively. One, we require our public schools to be the doctor. We require them to be the nurse. We require them to take over some parental skills; to be the mother and the father, in some cases. We require them to be the disciplinarian. For every federal program that comes into that public school system, it takes somebody to administer it. And we all want federal dollars to be pumped into our

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public school system, at least that's the attitude that people have. Children killing children in our public schools. You don't think that that has not increased our administrative costs? Yes, it has. Our society has changed so much that these costs reflect some of the things that are happening. You cannot take that lightly when children are killing children in our public school system. It takes dollars to protect these kids. We have collective bargaining. We have a union or we have unions that represent our teachers, and in some cases even administrators. They have an array that they have to follow, and in that array, if you fall short and you pursue this in the courts, you go to the Commission of Industrial Relations. They don't care whether you can have the ability to pay. If you're not within the average of that array, they simply tell you, sorry folks, you pay this amount and this is what your costs are. Unless you can file financial exigency, it's too bad. So what I want the people who are listening to this debate to understand, I don't think our public schools are out of range here. I think they've had things placed upon them that they have to make sure that they protect. And I think the amendment that we had that we debated this pass, was a push on public control. If we don't want to have the public be in control of their system or local control, then address the issue. But I'm here to tell you, there are a lot of things that are external, that we cannot control in our society, that have changed. And to go a step further, we have lost the family circle. When I grew up, most mothers and fathers tried to eat with their children. You know what? A lot of that's gone today. And what happens? Those problems roll into the public schools. Children, more today than they ever have, historically, carrying lots of issues in their heart, because they don't have the kind of home life we have. And let me give you just one example. We have 50,000...I think it's 50,000 children in Nebraska living in poverty. Fifty thousand children living in poverty. You don't think that does not carry into our school system? Yes, it does. How can you teach a child when they have a tummy that's hungry? Or they don't have anybody at home to take care of them in the way that they should? Who has the responsibility? We've said to the public schools, it's your responsibility. Well, until we change that, until we make those adjustments, these administrative costs will continue to grow. I'm sorry, I don't like it either. I support our teachers. I believe in education. [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR HARMS: I believe in our teachers having all of the skills and all of the technology to teach, that they should have. But to look at it, this is what we're confronted with in this great nation. So I would just say to the public who watches this, please understand. And I think our schools have done the best they can. I think that AM7 and LB5 is a move in the right direction, so I'd ask that you support this. And I thank you...and thank you, Senator McGill, for at least bringing this forward to give us a chance to talk about this. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Harms. Senator Council, you're recognized. [LB5]

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SENATOR COUNCIL: Thank you, Mr. President. I want to begin by acknowledging, as have many of my colleagues, the hard work of Senator Adams and the Education Committee. They have presented as fair a proposal as they could have presented, in light of the box in which they were forced to operate. And that box in which they were forced to operate was the Governor's call, it has been duly noted, a call that specifically targeted state aid to education to bear some of the brunt of the budget reductions. And a budget proposal that set forth a \$47 million figure, an amount, as Senator Conrad alluded to in her earlier comments, we don't know how that figure was arrived at. We were told in the Appropriations Committee hearing, by the agency head, that they never ran a scenario that did not include reducing state aid to education. So the Education Committee has been operating in this box. Now Senator McGill introduced her amendment, and her amendment assumed the need to reduce state aid to education. And because of that assumption, urged us to send a directive to boards of education to make any associated budget cuts as far away from direct instruction as possible. I don't accept the premise underlying Senator McGill's amendment and I don't accept the premise underlying LB5. To the contrary, I believe that the premise that this body should be operating from is that any reductions in the budget should be made as far away from education as possible, and that premise is based upon the constitutional amendment, our constitutional mandate that every one is aware of, that every one has referred to, the only true constitutional mandate that this body operates under. I don't accept that premise that there is a need to cut state aid to education. I'm not convinced of it for a variety of reasons. It is first to be noted that we're engaging in this debate about reducing what the Education Committee has determined to be \$31.5 million without having any idea of what the Appropriations Committee believes will be necessary to cut from state aid. I don't know that they've made that determination. And if Senator Nordquist would yield to a question? [LB5]

SPEAKER FLOOD PRESIDING []

SPEAKER FLOOD: Senator Nordquist, will you yield to a question from Senator Council? [LB5]

SENATOR NORDQUIST: Yes. [LB5]

SENATOR COUNCIL: Senator Nordquist, you serve on the Appropriations Committee. [LB5]

SENATOR NORDQUIST: Yes, I do. [LB5]

SENATOR COUNCIL: Has the Appropriations Committee arrived at a number representing the amount to be cut from the state aid allocation for 2010-2011? [LB5]

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SENATOR NORDQUIST: Well, we've made a lot of decisions, agency by agency. But we don't have a final number. We haven't...after all those decisions have been added together, we don't know what our final number is yet. It's still in flux. [LB5]

SENATOR COUNCIL: So as we stand here today debating this question, we don't know whether \$31.5 million would be needed to address the budget shortfall, or whether that \$31.5 million can come from other agencies. Is that correct? [LB5]

SENATOR NORDQUIST: I would say that, yes, it's still in flux,... [LB5]

SPEAKER FLOOD: One minute. [LB5]

SENATOR NORDQUIST: ...and that we don't know if there is a need for a \$31 million or \$33 million cut to education. [LB5]

SENATOR COUNCIL: And I thank you, Senator Nordquist. And I think that's the point that we ought to be focusing in on right now. We have had a number of bills that have been introduced to alter the way that we arrive at these budget reductions. Many of those bills have been voted out of committee. Many of them voted out of committee before the Education bill was voted out of committee. So the question you should be asking is, if it's not appropriate for us to discuss whether or not those alterations... [LB5]

SPEAKER FLOOD: Time, Senator. [LB5]

SENATOR COUNCIL: ...in the budget are necessary, why are we doing education now? [LB5]

SPEAKER FLOOD: Thank you, Senator Council. Senator Schilz, you're recognized. [LB5]

SENATOR SCHILZ: Thank you, Mr. President and members of the body. First off, welcome back, everyone. It's such a lovely time to be here on the floor of the Legislature again. But first, as I sit here, I would like to just take a step back and I'd like to look at all these issues on a broader level. When I look at issues I try to look at what I believe and what philosophy that I follow. And I follow the philosophy that local control is paramount, and I know Senator McGill pulled her bill, and I appreciate her for introducing that because I think that some very good debate has taken place here. But I do believe in local control. I do not believe that it is beneficial for the people of the state of Nebraska, the state of Nebraska, or our students to have more control go to the state for their education. I don't believe that's the way to go. You know, one other thing. We've heard about...and I'll pick on a few senators here. Senator Hadley said, oh, you know, this amendment is a shot over the bow to the people of the state of Nebraska. Senator McGill mentioned that we give this money out to folks or to school districts or

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whatever. I would like to remind everybody, and in my believe, in my philosophy, that the Legislature is the caretaker of the taxpayers' money. We don't give that money to anyone. We administer those funds on behalf of the voters and the taxpayers as they see fit. We should never forget this. It's a fact and we need to remember that. You know, as I stand here today, we've got a budget shortfall of \$335 million. The Governor has called us back into special session to take care of this. We need thoughtful debate on all these issues because they are important. Where money goes and how it's spent means a lot of things to different people. You know, in all this, we have to remember that as the Legislature of the state of Nebraska, we have to make these decisions together, so I would hope that as we go through this and as we look to solve these problems, that we're looking about it as one body. As one other senator said: We're all on the same team. We have to remember that. I mean, let's just take, for example, in my district out there, District 47, it's just a common practice that when the TEEOSA funds come out, when we see what they're going to spend, most of our districts take a cut, year after year after year. The amazing thing that I've seen in my e-mails from constituents that are school administrators that do work in schools, they've said to me, Senator Schilz, we'll make this work. We don't like it; we don't enjoy it, but we understand. And I think it would be beneficial for all of us to take that on and to understand that we need to make this work. And we can wrangle it and we can fight and we can extend this out, but I'm not so sure that that is the best track to go on. I do believe in thoughtful debate. I believe that we need to look into everything that is being recommended, and then I think we need to go forward with a restrained hand and to understand that everybody that is working on this and that is giving something up is part of the solution. Thank you very much. [LB5]

SENATOR LANGEMEIER PRESIDING []

SENATOR LANGEMEIER: Thank you, Senator Schilz. Senator Dierks is recognized. [LB5]

SENATOR DIERKS: Thank you, Mr. President and members of the body. I, too, am amazed at the progress we're making here today. We were across the state on the Revenue Committee hearings in the last couple weeks, and one of the things that we heard most often when one of the resolutions we were talking about was one that Senator Pahls had and one that I had dealing with sales tax exemptions. And the common word we got from people who were opposed to that was, well, that will increase...that will take away our local control. If we have the schools come to the General Fund to get their funding for teacher salaries and transportation costs, that will take away local control. And my comment to that was we've already lost it, and I really believe we have. I spent 17 years on the school board in Ewing. I spent 15 years there and then I left for the Legislature and I spent 16 years here. When I was out of the Legislature for four years, they wrote me in on the school board again. So I spent two more years on that school board. And the things that had happened over that period of

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time was amazing, the things that we've asked our schools to do. I can recall when I was in school we had one coach. He coached football, basketball, and track. There were no girls' activities. But there were no assistant coaches. We had two referees for all our football games, not five, not six. Two. They got the job done. We didn't have assistants in the classroom. No teacher assistants in the classroom. We had a superintendent that taught half time and we had a principal that taught full time, and most of the time our principal that taught full time was also our coach, and he did all the coaching. It was a small school. I think there were 23 in my graduating class, and the largest class I remember there was 33 when my youngest son graduated there. So with all that, I was going to act like Scrooge here today, and Senator Harms kind of took that out of me because he is so right. But we still were able to produce a number of professional people from our small school. We have a number of veterinarians that graduated from high school in Ewing, several medical doctors, many nurses, and teachers like you wouldn't believe. And when I graduated from high school, a senior graduate, girl or boy, could go out and teach in the Class I school for a year. They took a course called normal training when they were in high school. And they did a great job and I have great respect for the Class I schools. And I had a lot of difficulty when they took them away from us, and I still have difficulty with that. So at one point, the superintendents from four of those schools in the Niobrara Valley Conference came to me and asked if I would look at something like a unified school system. And we did that. Senator Bohlke was the Chairman of the Ag Committee, and we got this legislation passed called the unified schools. Tammy Barry put the thing together for us. We met with Governor Nelson. He flew into Norfolk and all these people came out from their districts. And he said, you get this thing done and we'll do it. Since that time, we've done things to unify school law to weaken it... [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR DIERKS: ...to make it more difficult for it to happen. Am I through? [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR DIERKS: Okay. Thank you. My hope, it is some way or another we can still do the job of educating these kids, even though we don't have the Class I schools, we don't have those attendance...we have a few attendance centers. Mine...when I came to the Legislature in 1986, there were 80 Class I school districts in my legislative district. They're gone. Fortunately, none of them got burned, but anyway I'm pleased with the legislation that Senator Adams has placed before us. I think he's done a great job and I'm sure going to support that as much as I can. I would have some other questions though. I think that I've heard the other day that the university said that if they got some of their funding cut, they were going to raise the tuition costs. And I'm getting letters already from people in college that are saying, please don't let them raise our tuition costs. I don't know how we stop that sort of stuff,... [LB5]

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SENATOR LANGEMEIER: Time. [LB5]

SENATOR DIERKS: ...but if there's some way you've got a magic answer, Senator Adams, why, bring that to me too. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Dierks. Senator Carlson, you're recognized. [LB5]

SENATOR CARLSON: Mr. President and members of the Legislature, we've had good discussion this morning. I appreciate Senator McGill bringing her amendment forward. I also appreciate that she took it off the table. I certainly like the intent of it, but I lean more toward local control. But it's brought about good discussion today. I appreciate some of the things that Senator Hadley has said, and then Senator Utter struck a note with me and I want to state a couple of things quickly about that. Talking about state aid going out and every school receiving state aid in accordance with the number of students. And I wish that we would pursue that. I'd like to see and I've brought this up before but I'll say it again, I'd like to see a common state levy, property tax levy for educational that would fund 34 percent of the cost. And that would be brought into the state, along with sales and income taxes, and then paid back to school districts exactly so much per student times the number of students in school. Everybody would be treated the same and there would be some exceptions there but I think we could work those things out. What I want to use my time for this morning is to address the idea of property taxes. Currently, there's a levy lid of \$1.05 that districts have. If they're under that levy, the school board can vote to raise the levy. Now if it is to exceed \$1.05, the school board can't do it. The local voters must decide whether to increase the levy beyond \$1.05. The local voters decide. Now, if the school board agrees to negotiations that can't be met by state aid and the local levy, they made a poor decision. I represented the school board in negotiations with the teachers for eight years. We can't agree to something...we shouldn't agree to something we can't deliver, because that puts everybody in a bind. If they do, they've agreed to spend money they don't have and they need to balance their budget. But when this happens, I would ask: Don't blame the Legislature. Now we're here to make decisions that are serious. These are not pleasant decisions. But we realize we can't spend money we don't have. We must balance the budget and this is good. Now we can do this by cutting spending. We can do it by raising taxes. We can do it by using some of the cash reserve, and some of you want to do that. That's why we debate. Local school boards have the same options. They can cut spending. They can raise taxes. If they have a reserve, which they should have, they could use the reserve. They should be able to consider all three options and do what's best for their district. We, the Legislature, shouldn't interfere or dictate how they proceed. They should make their own decisions. That's their privilege. But local districts, please don't blame the Legislature for property tax increases. We're making a decision to cut spending. If local boards choose to raise taxes and not cut spending, good for

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you. Just don't blame us for your decision. [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR CARLSON: Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: That was just one minute if you'd like to continue. Thank you, Senator Carlson. Senator Utter, you're recognized. [LB5]

SENATOR UTTER: Thank you, Mr. President and colleagues. I just wanted to finish what I didn't quite didn't get finished earlier. Prior to doing that, I want to apologize to all of you for something else. These cell phones are remarkable things, and shortly after I finished discussing things with you earlier this morning, my wife sent me a text message and she's just learning to do this text message thing so she can talk to our grandkids. And she says, don't look so angry. So I apologize to you for looking angry this morning. (Laughter) I was trying to look serious, and evidently there's a fine line between angry and serious. When I finished earlier this morning, I was discussing a concept, that I had at least, of maybe simplifying this whole matter of state aid to education. And I did suggest, in fact, that there be a component of state aid that would be distributed on a per-capita basis throughout the state. The other component, because I recognize the importance of the equalization theory, other part of it certainly should be used, I think, to equalize the districts with needs and the districts that are experiencing high growth. But, in all, I think we can simplify this formula, and I think simplifying this formula does one other thing, and that would be it would reduce a considerable number of the 504 employees that work for the State Department of Education. We could take those salaries and add it to the total state aid to education thing, and that would be good for everybody involved. Finally, just let me suggest to you that the unfairness that I think there is in holding state aid to K-12 education steady, while virtually every other agency of state government is going to take truly a cut. And so I'm suggesting that it wouldn't be unfair to ask state aid to education to assume some token cut. However, that being said, it is a suggestion at this point in time, and I do appreciate the work of Senator Adams' committee and I more than likely am going to support this legislation in order to expedite our budget-cutting problems. Thank you. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Utter. Senator Lathrop, you're recognized. [LB5]

SENATOR LATHROP: Thank you, Mr. President and colleagues. Good morning. I too want to join the choir of senators who are singing the praises of the Education Committee. We have, in the Education Committee and in Senator Adams' thoughtful group of senators, some of our brightest I think, preside in the Education Committee, and they have brought us a proposal. And when I talk to the superintendents in my district, they're satisfied that if a cut must be made, that it has been done in an equitable

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way. And that wasn't always the case. The initial proposal was very harsh to one of my districts, and Senator Adams and that committee was responsive to the concerns, and I appreciate the dialogue and the opportunity to resolve that issue. So I want to begin my remarks by applauding the efforts of the Education Committee and expressing my appreciation to Senator Adams and those who serve there. That having been said, I think it's worth taking a moment to appreciate where we're at. The number that the Education Committee has come up with was not a number that they participated in with the Appropriations Committee. It was a number they were given in the Governor's proposal and they did a fine job of trying to find the money that was suggested in the Governor's proposal. The difficulty we have today or that I have today is that whether by design or by chance we've taken up the Education bill without the benefit of a full appreciation of what the Appropriations Committee is doing. And so we are put in a position where we are going to vote on whether to take \$32 million from education without any opportunity to look at the other, and a more significant piece, which is the work of the Appropriations Committee. Indeed, the question I have has nothing to do with the hard work of the Education Committee, but is, can we take these funds from somewhere else? Because when we talk about education, what we don't provide with the state comes from local taxes. And we told the local school districts that they would have a certain amount of money, and now we're taking back money, and a significant sum of money as well. I've had colleagues this morning who have expressed concern about what this will do for property taxes in our local communities. That is very, very important to me. Not only did Senator Nordquist's survey demonstrate that people have a top priority which is that we don't do something that adversely affects property tax rates in their communities, but when we take state education aid away we do just that, or at least we run the risk of that. And you probably remember back when you were knocking doors and trying to get yourself elected, you said, I'm for lower property taxes. Well, today, we're going to vote on something that can very well affect those rates. And I remember specifically, and perhaps because it was early on when I began to campaign, I knocked on a door of a fellow that lives in Ralston. And this is a retired gentleman. His kids had moved out; he was a widower. And he couldn't even get out of his chair, he was disabled, and he yelled through the screen door for me to come in. And I told him what I was doing there, trying to get his vote, and that I intended to run for the Legislature. And he said... [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR LATHROP: ...Mr. Lathrop, if property taxes go up in my district, even a little bit, I'm going to have to leave the home that I raised my family in. I'll have to go find an apartment. I'll have to go live with my kids. But I can't stay here if property taxes increase again in the Ralston area. Today we can appreciate the work of the Education Committee but we have a policy question that we have to address with our vote, and that is, are we willing to pass along what we're taking away, to local property taxes and local school boards who will be left, in some cases, not in all but in some cases, with no

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choice but to make up the difference in property taxes. I have problems with LB5, not because it isn't equitable, but because it does provide or present the opportunity for increased property taxes in not only in Ralston, in Millard, in District 66, but in other communities. [LB5]

SENATOR LANGEMEIER: Time. [LB5]

SENATOR LATHROP: Thank you. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Lathrop. Senator Krist, you are recognized. [LB5]

SENATOR KRIST: Thank you, Mr. President and colleagues. I'd like to note that the language in LB5 already encompasses the intent to keep the cuts out of the classroom. Thank you, Senator McGill, for the impetus behind the discussion. I think it's a much-needed debate. Our constitutional duty--I've been into reading these days, studying--the Legislature shall provide the free instruction in the common schools of this state for all persons between the ages of 5 and 21. I was confused by the K through 12 reference throughout the day. But this is our legislative responsibility. In these financially challenging times, LB5 responsibly addresses and complies with that duty. I thank Senator Adams and his committee for the job that they've done. I think it was a tough job. However, the assumption that what we're doing is going to lead to property taxes going up, I don't think is a valid assumption and I'd like to challenge that. I think we have to go one step further as a body. We must encourage--encourage, not micromanage--those on the other side of the glass, those all over the state, anybody who has anything to do with education, from the school boards to the administrators, to the students, even to the students, to continue--to continue--to be accountable. Be vigilantly accountable for the dollars that you administer. Be aggressively accountable for the academic curriculum, the time that's spent teaching the students. Be accountable. As in any budget, personal or state, you have to weigh the essential versus the nonessential. The essential in education obviously is the classroom, what goes on in the classroom. The nonessential arguably could be the massive legal fees that some of our districts have to pay out. Be accountable for every dollar. Make sure that every cent of every dollar goes to the classroom as much as possible. Thank you, Mr. President, for the time. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Krist. Senator Hadley, you are recognized. [LB5]

SENATOR HADLEY: Mr. President and members of the body, I'd like to follow up on what Senator Utter was talking about and what Senator Hansen. As I remember, Senator Hansen was talking about encouraging people to go out to the local school boards and meetings to make their voices known in what's happening in their districts.

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And Senator Utter talked about the complication of the formula. I think those two things are almost in competition with each other, because I think most people, to be very honest, cannot understand the formula. I would dare say that if some of you in this Chamber, myself included...I was just reading some of them. Formula need, needs stabilization, special receipts allowance, transportation allowance, poverty allowance, LEP allowance, distance ed and telecom allowance, elementary site allowance, class size allowance, summer school allowances, instructional time allowance, teacher education allowance, local choice adjustment, system averaging adjustment, student growth adjustment, new school adjustment, poverty correction, nonqualifying poverty, LEP correction, nonqualifying LEP, yield from local effort, net operating funding, income tax rebate, other receipts, minimum levy adjustment, retirement aid, equalization aid, prior year aid stabilization, nonequal minimum levy adjustment, district reorganization incentive. Do you want to go out and try and explain to somebody in your district...if they called you up tomorrow and said, I'd like to come over to your house and have you explain how this is impacting my child who goes to Kearney Public Schools, I think it would be very difficult. I know it's a difficult topic, but this in some ways reminds me of a camel designed by a committee. You know, we have a lot of things. So I guess I just hope in the future, and I know that Senator Adams is constantly looking at this, that there's ways we can make it less complicated so people can understand what we're doing here, because we are taking \$500 from every man, woman, and child in this state, and turning around and sending it back to school districts. I think the citizens of Nebraska understand how the \$500 comes in, right? Sales taxes or income taxes. But I think they don't understand how it goes back out. And it is complicated. And maybe it is so complicated we can't change it. Maybe it is something that has to be complicated. I'm not sure. Senator Utter talked about some states that have just a couple factors, that they seem to get by. So I hope the Education Committee does take a look at this so that hopefully I won't be embarrassed when somebody says, can you stop by tonight and explain this to me as to how this is going to impact my school district. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Hadley. Senator Campbell, you're recognized. [LB5]

SENATOR CAMPBELL: Thank you, Mr. President. I too would like to join in the chorus, as Senator Lathrop said, in congratulating Senator Adams and the Education Committee, but perhaps for a little different reason and that is I very much appreciated the educational session that Senator Adams had and we all agreed, golly, we wish we would have had Senator Adams when we were in high school. He just gave a terrific explanation and we...and I think had a greater sense. But in the handout today, one of the things that I'm impressed with of the work of the Education Committee is on the chart in terms of looking ahead, suggested changes. The committee is looking at that. One of the things about the state aid formula, and I understand Senator Hadley's point, but what Senator Adams and the Education Committee have been able to do is to keep

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the flexibility in it, the adaptability. We run into a problem, we don't just say, well, we have the formula; that's it; I'm sorry, that's the way it's got to be. But Senator Adams and the committee have continued to adapt that formula and make it much more flexible, and in a great sense, my colleagues, that is a great benefit of having a formula in which we can make those adjustments. Coming from a school district that added 1,000 students this year, is fast growing, there are certain components of that formula that we need that maybe other schools don't, but there are small schools who also need parts of it. So I do very much appreciate their long look. I sent around an article around yesterday from a colleague of mine at the office, and Senator Sullivan alluded to it. And when I first saw it I thought, you have to be kidding me. Are these people really realistic? And for those who might be listening, it was an article from Moody's, that Nebraska was one of the 11 states that was recovering and coming out of this. But what is illustrative of the article is that, you know, everybody can look at data a little bit differently. And what's really important, I think, is that when we start looking at numbers for each of the school districts across the state and what they spend on administration and what they spend in the classroom, I think we need to keep in mind that behind those numbers are some very real local decisions that are made. And I appreciated Senator McGill's bringing forward her amendment. But the Waverly superintendent was quick to call me and say, the most important part of that is already in statute. So I think we just need to remember that behind every number there is a story. And I would say to my colleagues who are concerned about that we're starting with education, we have several rounds of debate yet to go, and hopefully we will know more from the Appropriations Committee before we have to move finally on the Education bill. The last point that I want to make is that when you start talking about the property tax, and I lived this for so many years, it is what we gave in our tax policy as the local purview of cities, counties, and schools. And when we talked to constituents about the property tax, the very first thing that we should say is that's the tax policy in the state of Nebraska that enables our local political subdivisions to find the money they need. Every decision that the Legislature makes affects the potential of increasing the property tax. If we make a change in Medicaid, that may very well affect what counties have to pay to help the indigent. [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR CAMPBELL: Please keep in mind that it isn't just in education that we make those decisions. Local control has the philosophy that the people within a city or the county or the school district, they are the control. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Campbell. Senator Stuthman, you're recognized. [LB5]

SENATOR STUTHMAN: Thank you, Mr. President and members of the body. First of all, I want to thank Senator Adams and the Education Committee for the work that they

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have done, and I do truly support LB5 and the amendment brought before us. I want to talk a little bit about another situation, and this is looking at the big picture. And what do I mean by the big picture? Yes, Senator White says it is the duty of the state to educate the people. But I think...and I haven't heard anything about all of the parents that are sending their students to parochial schools that are not a burden on the state. Tax revenues haven't been coming in like we had expected them to come in. But what if we, as a state, was to support the education for every student in the state of Nebraska? In my local area, I have a school district where there's more students in the elementary and the high school going to the parochial school than to the public school. I'm trying to get the data as to how many students that attend parochial schools throughout the state of Nebraska, what if we had to support all of the students throughout the state through the public school system? There's a lot of school districts, and one in my particular, they wouldn't have enough classrooms for all the students and I don't know what they would do. So I think I would publicly like to thank all of those parents that are paying taxes for the education of students in their district and they're also paying for the education of their own students. Yes, it is their choice, and we have a lot of wonderful people coming out of those parochial schools. They're throughout the state, and I really want to thank those people because we are not asking them to do that. They are a benefit to the state of Nebraska. They are helping with the situation. They're paying for the teachers, their own teachers. They're paying everything, and they're also paying taxes for the other students in the school district. So with that, I would just personally like to thank all of those parents that are sending their children to the parochial schools because I really appreciate it, and I think the people in the state of Nebraska really appreciate it, because it would really be a tax burden on the state, on property tax, if everyone was educated through that process. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Stuthman. Senator Haar, you're recognized, followed by Senator Council. [LB5]

SENATOR HAAR: Thank you, Mr. President. First of all, I would like to just simply say that being on the Education Committee I am amazed at the hard work and tenacity of Senator Adams. I know he spent much of his time in the interim, out talking to people, and I appreciate that. I think some good changes have been made to the formula in LB5, and I appreciate the fact that no cuts are being made to this school year. And I guess if you assume that we have to make cuts, then it's a fair and equitable situation, and I will be voting for LB5. What disturbs me after listening, and I've sat here listening to all the testimony this morning, what disturbs me is basically the point that Senator Lathrop brought up earlier, and that's that we're talking about education without the context of the bigger budget picture. And I guess I'm disturbed and somewhat disappointed in myself that I've simply accepted the box that we've been given that education has to be cut by so many dollars. And I'm somewhat disturbed that educators have accepted that box, and that's the feedback I've gotten, that this is about as good as we're going to get. I'm disturbed to hear that we might jeopardize some of the federal

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funding for excellence by not using our rainy day funds. And again, this is new information to me, but again I'm disturbed that there...no scenarios were run that assumed that education should not be cut. Again, I wish we could look at this. I think we actually should look at this in terms of the bigger picture of the budget cutting, and not simply accept the box that we're given by the call. I certainly am looking forward, as a senator with only one year of experience, looking forward to the work of the planning committee. Because I would hope that any future session where we have to cut the budget, that instead of doing across-the-board cuts in areas and just being given a figure for the budget cuts, that we can do cuts based on our priorities, because finally that's the only thing that makes sense. Thank you very much. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Haar. Senator Council, you are recognized. [LB5]

SENATOR COUNCIL: Yes, thank you, Mr. President. Like Senator Haar, I too have listened attentively to all of the debate today regarding education and state aid to education. And I've particularly been intrigued by the propositions that have been advanced as to whether or not school districts will or won't have to raise their property taxes in order to come within the budget constraints that they will, in many cases, face as a result of the reductions set forth in LB5. Now as a former member of a board of education, as many of my colleagues have been members of boards of education, when faced with situations like this, we do indeed look at the alternatives that Senator Carlson appropriately observed are available. Those are cuts, raising taxes, and cash reserve. I can tell you that the place of last resort for most, if not all, school boards is property tax. They would refrain to the greatest extent possible from raising property taxes in their district. So they will work to cut. But if the cuts cannot be made without harming the education of the children, I'm telling you that the action of this body may put several school districts in a position where their only alternative is to raise their property tax levy by some degree. Now I say that because the same alternatives that are available to school districts to respond to this budget crisis are available to this body to respond to the budget crisis. However, LB5 only addresses one of them: Cuts. LB5 only addresses cuts in state aid to education. It doesn't provide for any increase in taxes, and rightfully so. It shouldn't provide for any increases in taxes. But if we can stand here and expect boards of education to dip into their cash reserves, what makes our state cash reserve so sacred? Why can't the Appropriations Committee look at dipping into our cash reserve in response to this budget crisis? If we expect school districts to do that, why shouldn't we expect that of ourselves? And as I said when I got up the first time, Senator Haar says he is disturbed by it. I would go a little further. I, quite frankly, do not understand why we are discussing reducing state aid to education without knowing what the Appropriations Committee sees as the full budget that we should be debating. It may not be \$31 million. I can't recall who it is who said we may be talking about some nominal cut in state aid so that this whole mantra of "spread the pain" can be realized. Well, what I have before me in LB5 is not a nominal cut in state aid to education. [LB5]

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SENATOR LANGEMEIER: One minute. [LB5]

SENATOR COUNCIL: It's not a cut that merely reflects the fact that education is being asked to suffer some of the pain. It is a significant reduction in state aid for which I have not been given any sound reason other than we were given the number of \$47 million. When we did the readjustments we realized that there was \$16 million available that we really didn't have to cut, so we arrived at \$31 million. I think these decisions ought to be decided on the basis of priorities, with education being the highest priority. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Council. Senator Fischer, you're recognized. [LB5]

SENATOR FISCHER: Thank you, Mr. President and members. I too would like to thank Senator Adams and the Education Committee for their work. Those of us who attended the briefing that he gave, it was very informative. I thought he was very thorough on it. But I do have some questions for him. I like what the committee did with the cost growth factor. I think that's important. It affects all districts that receive state aid, the same, and I think treating them equally is appreciated by the districts and it's also important. On the teacher education adjustment, I like Senator Adams' idea to make that an allowance, and I think he explained it to us in a very good manner so that we can all understand it. But if Senator Adams would yield to a few questions, Mr. President, I'd appreciate it. [LB5]

SENATOR LANGEMEIER: Senator Adams, would you yield to a question? [LB5]

SENATOR ADAMS: I will. [LB5]

SENATOR FISCHER: Senator Adams, you and I visited off the mike, and I wanted to get some things in the record and you agreed that perhaps they needed to be in the record with regards to the bill. Two of those deal with, I guess, new duties that you're giving the Department of Education. One is with the instructional time allowance, where they will need to come up with a definition. Could you give us a short explanation so we have that on the record, please, for guidance for them? [LB5]

SENATOR ADAMS: I will. And specifically what the amendment says is that the Department of Ed will develop that definition, however even more specifically what we also say in there, that it will be instructional time. And instructional time does not include extracurricular time. It does not include lunch. And the department, by the, not this upcoming school year, but the following, should have better data on literally how many minutes students are in instructional class time, and that will become the standard. [LB5]

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SENATOR FISCHER: Thank you. And I believe that's covered on page 34 in the bill. Is that correct? [LB5]

SENATOR ADAMS: I think that's right. [LB5]

SENATOR FISCHER: Also on the elementary site allowance, which members, if you'd like to follow along, that's on page 30 and 31 on the bill, you wanted to clarify that also, is that true? [LB5]

SENATOR ADAMS: That's true. [LB5]

SENATOR FISCHER: And could you explain that to us, please, for the record? [LB5]

SENATOR ADAMS: Yes. For example, one of the problems that we could see was that...and I'll just...I'll come up with a hypothetical. Let's say that we have a school district that identifies three remote elementary sites, and makes application therefore, for three allowances. However if you look, maybe one of the sites is K through 3, the other is 4-5, and another one is 6-7. That was not the intention of that allowance when it was put in. A remote elementary site, it may be defined as K through 3, and if that's how it's defined, all right, then that's it. But then we don't also have another site called grades 4 through 5. So we're saying, identify that site. [LB5]

SENATOR FISCHER: Thank you. As many of you know, I represent a number of school districts. I have 21 school districts in my legislative district. And I have districts that will be affected by the instructional time allowance and by the elementary site allowance. The argument I've heard on the floor and just walking and visiting with people, has been that, you know, there's a number of schools that have abused that time allowance.. [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR FISCHER: ...and usually larger school districts are pointed out as abusing that. Well, I have some too. They're not large schools. This is across the board, and I thank Senator Adams for trying to get that clarified and I hope the department picks up on it and takes care of it. The same applies to the elementary site allowance. There are people...as we pay our superintendents, they're supposed to find these things, and there are superintendents who have found ways to maybe play the system on that, too. So I do thank Senator Adams and the Education Committee for taking care of that. Senator Adams, I am going to hit my light again because I'd like to make some comments about the allocated income tax. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Fischer. Senator Loudon, you are recognized. [LB5]

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SENATOR LOUDEN: Thank you, Mr. President and members of the body. As the discussion was coming around to going into our Cash Reserve Fund and whether or not we should be doing that on a state level or whether we should be doing that on a school level. With this piece of paper that Senator Pahls put around here, if you notice, nearly all of the schools, the four schools that he took in his example here are all running about 10 percent of their budget for maintenance. And therein it was always a question years ago on our school aid, how much of that is actually local economic development and how much of it is actually needed to be for operating the school systems to teach the school kids. Also when we have districts that run all the way from 64-65 percent on down to a little over 50 percent efficiency on their budget that goes into instruction, therein again lies the question on what should be done about this. So until we have those districts, until we can find some numbers that clarifies that, and at the present time they do have groupings that these schools are in, are they spending according to their peer groups in these districts or how is that worked out? There has to be a lot of questions asked before we start dishing out more money just out of our Cash Reserve Fund because of the idea that it's education. When I first came down here, I think our state aid to education was around \$700 million. At the present time, it's over \$900 million, and we probably have...we don't have any more students now than we did seven years ago. So I would think that this is something that needs to be looked at, and I think as Senator Adams has worked with his bill up to now, it does set up some guidelines. It's working on the elementary site allowance on the description of it. I think that's one start. There probably needs to be other ways to go into these other districts and find out actually what is maintenance and what is education, what has to be done for maintenance. Are we going to have turf in ball fields in all school districts all over the state of Nebraska? Where does that fall in? We have swimming pools in some of these schools and a lot of them we don't have swimming pools in, but yet these people are asked to operate their schools in an efficient manner without that. So I think there's a lot of questions that have to be asked before we even consider dipping into the Cash Reserve Fund. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Louden. Senator Fischer, you are recognized. [LB5]

SENATOR FISCHER: Thank you, Mr. President and members of the body. I know that Senator Adams and the Education Committee had to make a lot of compromises in order for this bill to move forward and be accepted by, I would...I believe, the majority of us in here. I appreciate that he made those compromises. However, I would like to remind the body that when LB1059 was passed approximately 20 years ago, compromises were also made at that time. That was the first state aid bill. And I happen to believe that that bill passed because of compromises that were made. The income tax rebate was part of that compromise. The income tax rebate was for districts who were not equalized districts. The argument was made that you still would be receiving

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something back. Over the years, that's changed. The amount of money in that income tax rebate has decreased. When I was on the school finance review committee in the late '90s, money was taken from the income tax rebate to take care of the net option enrollment students. That's where that money comes from, and it still does to this day, I believe. So there's a feeling out there with many districts, many property taxpayers in nonequalized districts, especially that that compromise has already been breached. And Senator Adams and I have had this discussion off the mike, and as I said, I do appreciate that he needed to make compromises for this. But Mr. President, if Senator Adams would yield to questions, please? [LB5]

SENATOR LANGEMEIER: Senator Adams, would you yield? [LB5]

SENATOR ADAMS: Yes, I will. [LB5]

SENATOR FISCHER: Senator Adams, I think it's important that you can explain to the public the changes that we're having now, and it's on page 23 and I realize it's just a date change and we've done this before. But I think it needs to be explained to the public why we're making that change, again, to an income tax rebate--it's the allocated income tax that's in the formula--and why you think that needed to be done, if you would please. [LB5]

SENATOR ADAMS: I will. Thank you. The...I'm going to digress for just a moment to try to bring everybody up to speed. But the allocated income tax is a bucket of money that, as we...each year when we distribute it, we distribute it, first of all, in a priority. It goes out to net option funding first. So if School District A picks up a student from School District B, then that added cost to District A comes out of that allocated income tax bucket. Once net option funding has been covered, then the rest of that money is distributed out to all 254 school districts based on that district's proportional contribution in income tax to the total bucket. Now that, in theory, is how it works. In this bill, we reduced the amount in the bucket by \$20 million. And the essence of doing this works out this way, like it or not. We have, I don't know the exact number--I'm going to "ballpark" here--about 210 equalized districts in the state. Meaning they get equalization aid. And in LB5, what we are doing, we are reducing the amount of equalization aid they get from the state. Now that leaves us over here with another 40, what we call nonequalized districts. [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR ADAMS: That is, their needs do not exceed their resources so they don't get TEEOSA aid. However, I would add that they do get special education money from the state, and they also get apportionment money off Educational Lands and Funds. And they get income tax rebate. The argument in preparation for this bill was from the equalized districts if we have to take a revenue hit, then the nonequalized should also

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have to take a state revenue hit. That literally becomes the essence of it. And also tied into the discussion was the retirement aid that we moved through. I mean, we had some school districts that said, don't pay out that retirement aid to the nonequalized. Well, that's an important factor that we built in last year and took compromise. And I wanted to retain that integrity. [LB5]

SENATOR FISCHER: Thank you, Senator Adams. [LB5]

SENATOR LANGEMEIER: Time. [LB5]

SENATOR FISCHER: I hope that that addresses concerns that I heard from some of my school districts. [LB5]

SENATOR LANGEMEIER: Time. [LB5]

SENATOR FISCHER: Time, Mr. President? [LB5]

SENATOR LANGEMEIER: Yes. [LB5]

SENATOR FISCHER: Thank you. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Fischer and Senator Adams. Senator Ashford, you're recognized. [LB5]

SENATOR ASHFORD: Thank you. May I ask Senator Adams a question? [LB5]

SENATOR LANGEMEIER: Senator Adams, would you yield? [LB5]

SENATOR ADAMS: Yes. [LB5]

SENATOR ASHFORD: Senator Adams, on this adjustment versus allowance issue, it's obviously somewhat confusing because the formula spins around and it's difficult to assess what the fiscal impact of that sort of change is. Tammy indicates the fiscal note has it somewhere in the neighborhood of \$15 million. Just could you give us your thought process here. Do you see any...we tightened the language on some other...on the instructional time allowance. [LB5]

SENATOR ADAMS: Correct. [LB5]

SENATOR ASHFORD: Could we not also take that approach with this allowance, as well? [LB5]

SENATOR ADAMS: Well, the teacher education is an adjustment; it's not an allowance.

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[LB5]

SENATOR ASHFORD: But by shifting it to an allowance. [LB5]

SENATOR ADAMS: Well...yes. Well, if I understand your question, it was my approach and this is how I approached it in the committee, that if we were not in special session, we were in a regular session, we weren't facing any revenue problems, and we were just simply looking at TEEOSA, one of the mechanical things that I personally believed needed to be fixed was to move the teacher education adjustment to an allowance so that it more accurately compensated those schools that really were experiencing the additional expense. [LB5]

SENATOR ASHFORD: Okay. And I think that's a...thank you, Senator Adams, and that is an appropriate answer, I think, and a good policy reason to do that. But I am uneasy about it. I'm uneasy about whether or not the...and we did have a long discussion in the committee and a thorough discussion, and I think we all said that this change or these two or three changes are going to have some impact on going forward on how we fund schools in important areas. When it comes to dealing with teacher education, I remember when we put that in or when we, at least, talked about it at some length, and maybe it was LB988 or LB545, I can't remember which one, where we...both...or LB988. This was a big deal. It was a big deal in the committee to emphasize teacher education as part of education reform. Senator Raikes and Senator Adams, myself, and Senator Howard, and all of us that were there were very, I think, very positive about that. I am uneasy. I am uneasy about this shift, and it's not a reason not to advance the bill, certainly, but I am uneasy about the shift. And I think the comments that have been made earlier about not being able to vote for the bill because we're taking money away from kids, you know, that is not persuasive to me because I don't think we're...that's not what we're doing. I mean, we've had substantial increases in state aid since I've been here, over a \$100 million increase in state aid. Much more than any other agency of government in our state. So I'm not...that doesn't move me as much as how we spend the money and how we allocated the funds. I'd love to be able not to take any cuts at all. But what I don't...what bothers me here as we go forward is are we, by taking money away from an area that we all know should be funded, and reducing that funding for valid reasons, Senator Adams. And Senator Adams is correct, that we have to address some of these things that are maybe out of whack a little bit from the original intent. But this does make me uneasy. [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR ASHFORD: And I hope between now and Final Reading on this or as additional funding opportunities become potentially available as the Appropriations bill comes out, we can start to think about maybe adjusting that portion of LB5 in a way that doesn't have what I think could potentially be an unintended consequence of getting

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away from teacher education as a key part of educational reform. And I think in the end, and I would conclude, Mr. President, by saying this. It isn't so much the amount of money we spend...and we are spending a lot of money: \$933 million. It's what is education going to look like in the next century, in this century, and what does education reform really mean and how are we going to better take care of our children's educational needs, both in rural and urban Nebraska. And that's going to... [LB5]

SENATOR LANGEMEIER: Time. [LB5]

SENATOR ASHFORD: ...I know Senator Adams is committed to that. So with that, Mr. President, thank you for the time. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Ashford. Senator Lautenbaugh, you're recognized. [LB5]

SENATOR LAUTENBAUGH: Thank you, Mr. President and members of the body. And I'm not going to be the only one who stands up and fails to thank Senator Adams and his committee. They did great work here. Hard work in a very complicated area. And I want to point out, I'm one of the introducers of this bill, because it has to be done. I saw Senator Adams with the bill. We discussed it the first day and I said I want to sign on to that. And this is why we're doing what we're doing, speaking in very round numbers. As I understand it, when our revenue projections didn't look so good and we are where we are now, we were looking ahead at what we thought in the next biennium was going to be a \$500 million shortfall, that now went up to a billion. And if we do what we do here and everything works out, we're back to \$500 million in the next two years. So if we want to talk about why we're not using the rainy day fund, it is because it is going to continue to rain. And we used a big chunk of it when we were here last. That's why we're talking about these cuts. And these aren't draconian cuts, but if this is a crisis, and I think it is is--not as bad as some states, but it's certainly a crisis--this is what must be done. And I don't accept that this leads to a property tax increase, lock step. I don't believe that's true. We do still have local school boards. They do still make decisions. And I don't believe that this level of an adjustment is going to mandate property tax increases. I don't accept that there's absolutely nothing that can be done. It's a crisis but there's nothing that we can do without; we just have to raise property taxes. That's untrue. And democracy is difficult and I'll tell you, in Nebraska democracy is harder on the citizenry than in a lot of states because we elect an awful lot of offices. A lot of states don't do that. So if you're worried about your property taxes, you need to know who we are, your city councilmen, your school board member, your NRD member. It goes on and on and on. And if you're worried about property taxes, you have to pay attention to that. And it's hard and it's time consuming and we all have jobs and lives and children. And speaking of children, my children go to OPS. If I thought this was going to harm public schools, I wouldn't be doing this. I wouldn't be supporting this bill. My kids go to those schools. But we have to do this and that's just how it is. And if

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you're concerned about what your school board is going to do in the wake of this, go to your school board meetings. They're horribly attended. And once again, we're all busy. We have busy lives. But this is important, and if you think this is going to lead to a property tax increase and you don't want it, make your feelings known. But as I understand it, I believe school aid is about one-seventh of our budget. It makes no sense to me to say, well, did we run scenarios where we didn't touch this? I don't think Appropriations is running scenarios where this isn't touched either, because I don't think that's realistic, or else we're going to have a huge amount of pain other places--places we can't afford it either. So this is a measured, nondrastic, fair and unfortunate thing. But it's something I signed on and it's something I'd urge you all to support. And I again thank Senator Adams and his committee. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Lautenbaugh. Senator Pahls, you're recognized. [LB5]

SENATOR PAHLS: Thank you, Mr. Chair and members of the body. My vote for this bill, the amendment and the bill, was solidified a few moments ago, because my concern has always been the input into the system, because that directs all of the other outcomes. And I've been told that some of us are going to be given the opportunity to maybe work with the Department of Education to make sure correct information is given to them from the school systems. And if that information is what I'm going to use the word "more correct" or more understandable, I think we probably could see a shift in some of the way we do things here. So by people willing to sit down with a group of people and say, hey, let's get to the bottom line; let's find out that what a number really means and if it's going in the right slot, that should enable us to make probably a better decision. So again, thank you, Senator Adams, and your committee. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Pahls. Seeing no other lights on, Senator Adams, you are recognized to close on the committee amendment, AM7. [LB5]

SENATOR ADAMS: Thank you, Mr. President. I would begin by telling you that my committee and I appreciate the empathy today and hopefully the support, as well, as we move through this. I think what I'll do is very simply give a quick summary of the amendment and maybe save some more concluding remarks for the bill itself. What the amendment does is to more clearly define instructional time. What the amendment does is to more clearly define elementary site. What the amendment does is to lower the cost growth factor another quarter of a percent--from half to quarter. In the main body of the bill, we're at a half. Here, we lower it to a quarter on the growth limitation rate, which translates then to a lesser cost growth factor. That is the essence of the amendment and I would appreciate your support. Thank you Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Adams. You have heard the closing offered on AM7, the Education Committee amendment to LB5. The question before the

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body is, shall AM7 be adopted? All those in favor vote yea; all those opposed vote nay. Have all those voted that wish to? Record, Mr. Clerk. [LB5]

CLERK: 43 ayes, 2 nays, Mr. President, on the adoption of committee amendments. [LB5]

SENATOR LANGEMEIER: AM7 is adopted. We return now to discussion on LB5, the bill itself. Seeing no lights on, Senator Adams, you are recognized to close on LB5. [LB5]

SENATOR ADAMS: Thank you, Mr. President. Members of the body, I've got a legal page here completely full of things that I wanted to say in my conclusion. But it would be too scattered, would not be cohesive. Probably wouldn't make any sense, so I'm going to leave some of it out--a lot of it out--and just cut right to the quick of things. I've heard several comments today, and I don't take them personal at all, nor does the committee--I won't speak for individuals within the committee--about the formula. Too complicated. I like to use the word "complex" rather than complicated. It is complex, no question about it. And I'll tell you why it's complex. Because we have 254 school districts, 254 different situations out there in terms of demographics, geography. There are so, so many differences. And what we have tried to do, not only in LB988 but LB1059 before that, is say, we're going to distribute aid where it is most needed, and to do that let's identify the needs and let's weigh the resources that a district has up against those needs. Now when we come over to the needs side, therein lies complication, because we can travel from one end of this state to the other and visit all 254 school districts, and we would be able to identify, without ever asking, needs within every one of those school districts. And it may be poverty. It may be trouble with the English language. There's a host of things. Distance and transportation. I've used this analogy and I truly believe--and I've said this to I think almost every superintendent in the state at one time or another in the last couple years: If we could just take this state aid formula and look at it as a Christmas tree and just take all the decorations off of it. Take elementary site allowance, teacher education adjustment, take all those things off of it. And then if I said to you, okay, 254 of you, it's simpler now; all we've got is this bare tree. It's simpler now; let's just leave it this way. I would probably get 254 superintendents saying, yeah, let's do that. And then when we opened the first regular session of the Legislature, there would be bills saying, yeah but. Yeah, but we have distance issues. All right, we'll try to address that. Yeah, but we have distance ed issues. We'll try to address that. Yeah, but we have special education issues. And we try to address that. But we have, but we have...and this Legislature has done nothing but attempt to be responsive to all of those needs. And when you do that, (a) it's going to cost money, and (b) it is going to be complex. It's just that simple. And I'll tell you, it would be a lot easier for my committee and I if we just said, yeah, whatever it is, let's just divide it by the number of students and hand it out. Whether the district really needs the money or not, let's just do it that way. Well, our jobs are not easy, folks. And

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unfortunately for all of us, state aid is one of those. It really is. This bill is not intended to raise property tax. We don't move the levy. We reduce school spending. Unlike where we were at during the last recession, we have not given schools extra levying authority here. Is that going to say that all property taxes will stay as they are? We can't say that today anymore than we could have said it a year ago or the next year. That's up to individual school districts to make that call. [LB5]

SENATOR LANGEMEIER: One minute. [LB5]

SENATOR ADAMS: We have taken on a task and it was the obligation of the Education Committee to try to find the savings within the equalization mechanism. We have, I believe, given you the fairest and, if there is such a word dealing with TEEOSA, the simplest way to approach it. Thank you, Mr. President. [LB5]

SENATOR LANGEMEIER: Thank you, Senator Adams. You have heard the closing on LB5. The question before the body is, shall LB5 advance to E&R Initial? All those in favor, vote yea; all those opposed vote nay. Have all those voted that wish to? Record, Mr. Clerk. [LB5]

CLERK: 37 ayes, 11 nays, Mr. President, on the advancement of LB5. [LB5]

SENATOR LANGEMEIER: LB5 does advance. Speaker Flood, you are recognized for an announcement. [LB5]

SPEAKER FLOOD: Thank you, Mr. President. Good afternoon, colleagues. We will be reconvening at 1:30 on Monday. On Monday, we will take up the bill that provides for the expenses of the special session and get that tracking along towards Select File. It's my intent also to meet again Tuesday at 1:30 p.m. Based on my conversation with the Chair of the Appropriations Committee, it's possible that the budget work that they've been doing will be reported out to the floor on Tuesday and that we would take up debate on the budget on Wednesday at 9 a.m. Again, Monday, a 1:30 start; Tuesday, a 1:30 start; Wednesday, a 9 a.m. start, obviously subject to change based upon circumstances between now and then. But one thing for sure, we will meet Monday at 1:30 in this Chamber. Thank you, Mr. President. And have a good weekend. []

SENATOR LANGEMEIER: Thank you, Speaker Flood. Mr. Clerk, items for the record. []

CLERK: One item, Mr. President. A new resolution. Senator White offers LR19. That will be laid over. [LR19]

And a priority motion. Senator Flood would move to adjourn the body until Monday morning, November 16, at 1:30 p.m. []

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SENATOR LANGEMEIER: You have heard the motion to adjourn until Monday at 1:30 p.m. All those in favor say aye. All those opposed say nay. The ayes have it. We are adjourned. []