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Education Committee  
February 13, 2012

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[LB913 LB947 LB1156]

The Committee on Education met at 1:30 p.m. on Monday, February 13, 2012, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1156, LB947, and LB913. Senators present: Greg Adams, Chairperson; Gwen Howard, Vice Chairperson; Bill Avery; Abbie Cornett; Brenda Council; Ken Haar; Kate Sullivan; and Les Seiler. Senators absent: None.

SENATOR ADAMS: Well, good afternoon, and let's begin this hearing of the Education Committee today. I want to welcome everyone who's here, and let me begin the hearing by, first of all, some introductions of the folks that are up here. First of all, to the far right is the committee clerk, Becki Collins, and I would ask that if you wish to give testimony today on any of the bills--we have three that we're scheduled to hear--be sure that you first of all fill out the testifier's form, which is at the doors at each corner of the room. Have them completed, bring them up, hand them to Becki, and then we'll hear your testimony. And before you begin your testimony, we would ask that you state and spell your name for the record so that the transcribers and Becki will be able to clearly enter that into the record. Next to her is Senator Seiler from Hastings. Senator Council, we hope, will be here. Senator Cornett, introducing other bills, will be in and out. Next to me is committee counsel, Tammy Barry. I'm Greg Adams, representing the 24th Legislative District. Next to me is the Vice Chair of the committee, Senator Howard. Next to her is Senator Sullivan from Cedar Rapids, Senator Avery from Lincoln, and Senator Haar from Malcolm. We have three bills that we're going to hear today, and we as always will use the lights system: three minutes for testimony, and then of course we'll have you stay around and field any questions the committee might have. Before we do get started, let me ask...shut off your iPads and your cell phones. And if you want to text or you want to e-mail, that's what the hallways are for, not this committee. So with that, unless you are credentialed press, you can be using your...you can't be using those computers. We will begin, first of all, with LB1156 that will be introduced by Senator Carlson. Senator Carlson, the testifier's chair is yours.

SENATOR CARLSON: Good afternoon, Senator Adams and members of the Education Committee. I am Tom Carlson, C-a-r-l-s-o-n, state senator from District 38, here to introduce LB1156. And I think other than at an interim hearing, this is my first time in front of the Education Committee. This bill was suggested to me by school administrators and board members in my district and specifically those who are nonequalized and wish to have more spending authority. Now I'm going to say this before I get into the body of my introduction here. I'm frustrated, but I'm not upset with you, Senator Adams, or anybody else on the Education Committee. The fiscal note indicates that there are 95 out of 251 districts that receive no state aid. And I'm going to say no state aid. That may not be entirely correct, but in my mind that's the way I think it figures out, and others have indicated that that number is going to rise to 115-120 in a very near future. But let's consider a few of the districts in that 251, and out of the fiscal

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note and the state aid for this year, Papillion-La Vista has a 4 percent increase; Lexington has a 5 percent increase; OPS has a 6 percent increase--\$9.9 million; Elkhorn has a 7 percent increase; Millard has a 1 percent increase; LPS has a 17 percent increase; and Gretna has a 12 percent increase. On the other hand, Ogallala is losing 7 percent; Norfolk losing 10 percent; Holdrege losing 19 percent; Fremont losing 2; Aurora losing 7; Minden losing 14; and even Ralston and Westside are two Omaha-area schools that are going down--not significant amounts, but they are going down in state aid. Now if these numbers are correct--not just the state aid numbers, but the number of districts that are becoming nonequalized--I think it's a serious, serious matter. And the schools that are nonequalized fund their education through property taxes, and for them they fund 100 percent through property taxes. Now statewide--unless I'm wrong, and you'll correct me--I think that our education is funded with property taxes 51 percent, but for these districts it's 100. Property taxes are too high. But these districts that are nonequalized and fund all their education through property taxes also pay sales taxes to the state and they pay state income taxes, and these are significant taxes as well. Now I'm asking this to make a point, but what's the formula for state aid suppose to define? I think it's supposed to define an adequate amount of dollars to provide an education for every child in Nebraska. And so why are the nonequalized districts frustrated? They can't exceed the spending lid, even though they get no state aid. Now if I'm wrong on that, you'll set me straight. They may not be able to spend their cash reserves. If I'm wrong on that, you'll set me straight. The districts that are not nonequalized but close to it are also frustrated. And I think in a sense we're acting in education like a socialized agency. And this is America, this is Nebraska, and so I think we ought to have more flexibility in terms of what we spend on education. If districts that are nonequalized, with the permission of their voters, want to spend more on education, I believe they should be able to do that. It would help smaller schools. Students might even decide to opt out to the smaller schools; that would help them maybe in state aid. And where we're getting to the point that it could be that almost nearly half of our school districts are nonequalized, I think something needs to be done with the formula. Now I'm not king, but if I were I would say that property tax cannot fund more than 40 percent of education, income tax should fund 30 percent, and sales tax should fund 30 percent. I think that there should be a statewide common levy for education that would fund 40 percent of the cost. Now LB1156 would not add to the state aid formula; it would simply give the smaller districts another option to increase their spending without that money being included in the formula for state aid. And so with that, I ask for your advancement of LB1156, and I'll try to answer questions that you might have. Thank you. [LB1156]

SENATOR ADAMS: All right. Thank you, Senator Carlson. Are there questions?  
Senator Avery? [LB1156]

SENATOR AVERY: Thank you, Mr. Chair. Welcome to the Education Committee,  
Senator Carlson. What would you do with those districts that do not qualify for TEEOSA

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funding? They're nonequalized now, but might in the next budget cycle be eligible for aid. Wouldn't that...aren't they better in the TEEOSA formula than they would be out of it? Because it's not a permanent condition for all nonequalized schools, and if you want to take the lid off the budget authority, that would be a permanent thing unless we came back and undid that, right? [LB1156]

SENATOR CARLSON: Well, the intention or the way I understand it, it would only be permanent if they remained as nonequalized districts. Once they no longer are a nonequalized district, then LB1156 wouldn't pertain to them. [LB1156]

SENATOR AVERY: Wouldn't apply. Okay. [LB1156]

SENATOR ADAMS: Other questions? Senator? [LB1156]

SENATOR SULLIVAN: Thank you, Senator Adams. Senator Carlson, maybe it's helpful for all of us to be reminded of why we're seeing so many more nonequalized districts in this state. I mean, would you care to comment on that? [LB1156]

SENATOR CARLSON: Well, we're seeing that because of the values of property, and I thought that perhaps there was an argument point. And I went through and looked at as many districts as I could and thought, I can identify some that are receiving a lot of state aid that don't even have a \$1.05 levy. But I really couldn't find...that's not an issue. But we have these high property values, and the high property value only has value if you're going to sell property. [LB1156]

SENATOR SULLIVAN: Um-hum. [LB1156]

SENATOR CARLSON: But if you're not, that doesn't necessarily increase the income that you have but it does increase your property tax, and that's what's happened to many of these districts throughout the state. Don't have a good answer for that, but that's certainly the situation. [LB1156]

SENATOR SULLIVAN: And most of the increases in property values have been on ag land, is that correct? [LB1156]

SENATOR CARLSON: I believe that that's correct; certainly, it's been on ag land. [LB1156]

SENATOR SULLIVAN: Um-hum, um-hum. So with your legislation, is there potential though? Because then you would be removing some of the spending limitations for a nonequalized district, do you stand the chance of pitting rural against village or city, because as you said most of the burden is falling on ag landowners? [LB1156]

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SENATOR CARLSON: That maybe is a possibility, but let's look at reality. I go down through...and I'm not holding this against anyone--Senator Howard, anyone--but look at Lincoln and Omaha. They're not going to complain and gripe about where they are on the list because they're in pretty good shape. And so rural Nebraska, it's hard. It's very difficult to make a change, to change anything substantially, and that's where the frustration lies. [LB1156]

SENATOR SULLIVAN: Um-hum. [LB1156]

SENATOR CARLSON: But this at least would offer an option. Now if the voters in that district say absolutely not, at least they've had the option. [LB1156]

SENATOR SULLIVAN: Thank you. [LB1156]

SENATOR ADAMS: Senator Howard? [LB1156]

SENATOR HOWARD: Thank you. And we don't hold it against you either, but we in Omaha are very generous. I was interested in hearing you mention the common levy idea. When that was passed down here a few years ago with the Learning Community, there was a hue and cry that rural areas did not want to be involved in that in any fashion, so it's good to hear you coming around with that idea. Now the other thing I thought was interesting, you mentioned Ralston, and I think you said the Westside school district is...keep in mind they're in the 11-school district Learning Community in Omaha, so they do operate under a common levy concept. [LB1156]

SENATOR CARLSON: May I respond to your statement? [LB1156]

SENATOR HOWARD: Sure. [LB1156]

SENATOR CARLSON: I think that I said if I were king for a day. And I'm giving an opinion that certainly the idea of a common levy for education across the state, well, the immediate reaction is that takes away all local control. We don't have local control anyway, and when all this money goes into the state and it's property taxes we're...used to pay our...the cost of education in our districts, we really don't have much control anyway. But I think if the law was--or the objective was--we're not going to fund more than 40 percent with property taxes, that would take them down. And I think that 51 percent, if that's the correct number, is too high; it's just too high. [LB1156]

SENATOR HOWARD: Well, I remember Ron Raikes. Senator Raikes always said local effort first, so. Thank you. [LB1156]

SENATOR ADAMS: Other questions? Senator? [LB1156]

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SENATOR HAAR: Yes. Welcome to the committee. So just to make it real clear, you're not saying change TEEOSA in any way; you're just saying that for those schools who don't get the state funding through TEEOSA, take the thumb off their spending. [LB1156]

SENATOR CARLSON: And it's...thank you, Senator Haar. And it's very important that if this option were granted, this extra money that's spent should not in any way be able to get into and affect the state aid formula, so no, it should not affect it. But just the way it is now, there's not much option there and, as I say, we're not a socialistic state, we're not a socialistic nation. So let's let those that want to excel, and the voters are willing to pay the price to excel, let's let them do it. [LB1156]

SENATOR HAAR: Now the way it would affect TEEOSA--and I'm following your argument though--is that if schools could spend more money than they're spending now, it's sort of hikes all those TEEOSA numbers up. But I see the point you're making. [LB1156]

SENATOR CARLSON: Okay. [LB1156]

SENATOR HAAR: Yeah. [LB1156]

SENATOR CARLSON: Thank you. [LB1156]

SENATOR ADAMS: Other questions? Well, thank you, Senator Carlson. [LB1156]

SENATOR CARLSON: Thank you. [LB1156]

SENATOR ADAMS: We'll take proponent testimony. And, Becki, let's switch over to the lights system now of three minutes. First proponent? [LB1156]

NANCY FULTON: Good afternoon, Chairman Adams and the Education Committee members. I'm Nancy Fulton, N-a-n-c-y F-u-l-t-o-n. I am a 34-year teacher and am president of the Nebraska State Education Association, which currently has 28,000 members. NSEA supports Senator Carlson's--I'm sorry--LB1156, which would eliminate expenditure limits for the 95-or-so nonequalized school districts in Nebraska, thus providing those districts with more local control over their budgets. Those districts would still be constrained under the \$1.05 levy limit. NSEA has long advocated for equitable and adequate funding for our public schools. That can only be accomplished by dedicating state resources to that goal. NSEA has a belief that public school funding should not fall disproportionately on the backs of property taxpayers. Yet with a combination of land valuation increases and significant decreases in state aid to schools, it has resulted in more school districts relying solely on the property taxes. They are using this to fund their schools. LB1156 is a reaction to what is reality. LB1156

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reminds us that all public school funding is a state constitutional responsibility. NSEA asks that the Education Committee advance LB1156 to the General File. With that, I can take questions. [LB1156]

SENATOR ADAMS: All right. Are there questions for this testifier? Nancy, I have to ask, is it NSEA's position then that a school that has--let's pick a number--a nonequalized school with a general fund levy of \$0.75 should be able to go out and have a 6 or 7 or 8 percent collective bargaining agreement while schools that are up against the \$1.05 and are being reduced in aid can't come anywhere near that? [LB1156]

NANCY FULTON: I think that they should be able to collectively bargain fair salaries throughout the state and not really... [LB1156]

SENATOR ADAMS: But if the school doesn't have the money is what I'm saying. [LB1156]

NANCY FULTON: Right. [LB1156]

SENATOR ADAMS: If you have Santee Nation, extremely TEEOSA dependent, and we have shrunk their TEEOSA dollars and they don't have the property tax value, they can't have...I don't know what their collective bargaining agreement might have been this year. But is it fair that we let another school who has the value create that much disparity between teacher salaries? [LB1156]

NANCY FULTON: I don't...yeah. [LB1156]

SENATOR ADAMS: Would NSEA take that position? [LB1156]

NANCY FULTON: We would not take that position, no. [LB1156]

SENATOR ADAMS: Okay, thank you. Are there other questions? Thank you. [LB1156]

NANCY FULTON: Thank you. [LB1156]

SENATOR ADAMS: Whenever you're ready, Jon. [LB1156]

JON HABBEN: (Exhibit 1) Okay. Good afternoon, Senator Adams, members of the committee. My name is Jon, J-o-n, Habben, H-a-b-b-e-n, executive director of Nebraska Rural Community Schools Association. What you're receiving now has a number of things on it, but for this purpose you can go down to the first page, last paragraph, beginning with LB1156. NRCSA can support this bill and in fact considered introducing such a bill or a similar bill because we were also hearing a lot from our members, which the nonequalized schools generally are, over the last many months about this issue of

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why us too. Why are we being restricted when we receive no state aid? And when the nonequalized number moved up to 95, the number of schools asking that question obviously increased. And if you look at last week's state aid information from the department, if you count down the number of schools that lists zero under equalized state aid, there are now 102. What's happening is it's going to grow. And it's going to grow, and I would beg to differ on this issue: It's not just going to grow because ag valuations in many places increased. It's going to grow because the LER is at 1.3975. You know, I mean we need to be clear about that because ag land valuations are not increasing uniformly from county to county, from district to district. But where they do have sharp increases, whether it's one year, two years, three years, it makes a difference, so here these schools are. I believe this bill is a really good attempt to look at their circumstance and irregardless of the impact on the greater statewide GFOE, it looks to address their circumstance. And many of those schools aren't way below the levy limit; they're just enough below to become nonequalized, and so their finances are still tight. They still don't have a lot of money, and they're trying to figure out how to build their cash reserves, they're trying to figure out how to maintain their facilities, they're trying to figure out all of those other costs that they have to deal with. We would support the bill. Thank you. [LB1156]

SENATOR ADAMS: Thank you, Jon. Are there questions for Jon? Seeing none, thank you. [LB1156]

JON HABBEN: Thanks. [LB1156]

SENATOR ADAMS: (Exhibits 7-8) Other proponent testimony? Any other proponent testimony? Is there opposition testimony then? Any opposition testimony? Well, let the record show we do have two letters, one from Farm Bureau and one from Cattlemen, in opposition to LB1156. We'll move to neutral testimony. Is there any neutral testimony? Well, Senator Carlson, you're...you can close. [LB1156]

SENATOR CARLSON: Thank you, Senator Adams. And, members of the committee, thanks for listening to me today and listening to these two people that came as proponents. I think it's an option. I would certainly ask that you give this strong consideration and would like to see it out on the floor for debate. And really, other than that I have nothing more to add, and I thank you for your time. [LB1156]

SENATOR ADAMS: Well, thank you, Senator Carlson. Are there any final questions for the senator? Thank you then. [LB1156]

SENATOR HAAR Yeah. [LB1156]

SENATOR ADAMS Oh, Senator Haar. [LB1156]

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SENATOR HAAR: Yeah. As I have been wrestling in my mind as I'm looking at all these bills, because what we're...the part that bothers me is putting a thumb on people who would spend more on their kids. [LB1156]

SENATOR CARLSON: I missed your last part. [LB1156]

SENATOR HAAR: That currently...in terms if equalization we say, you can't spend more on your kids if you want to, people that are nonequalized. And that's your concern, too, right, that I hear? [LB1156]

SENATOR CARLSON: Yes, it is, especially when there's just no state aid there. [LB1156]

SENATOR HAAR: Um-hum, um-hum. [LB1156]

SENATOR CARLSON: And we have a lot of difficulty in smaller school districts. We know part of it is the loss of population. Maybe this could help reverse that if we made...it made some districts have an attractive option, but I think that local people who vote to spend more money on their education because they want to make it special should have that opportunity. And we both know that smaller schools, there are a lot of things that they aren't able to offer that the bigger schools can offer. If they had a little more money to spend, they could offer some things like that, and then the small school setting is a wonderful setting in which to learn. [LB1156]

SENATOR HAAR: Now...and just to follow up on that for a moment. Would this require a vote of the people or a vote of the school board? [LB1156]

SENATOR CARLSON: No, it's my understanding it'd be a vote of the people to exceed the lid. [LB1156]

SENATOR HAAR: Okay. Okay, thank you. [LB1156]

SENATOR ADAMS: Any other questions? Senator Seiler? [LB1156]

SENATOR SEILER: Thank you, Senator Adams. Senator Carlson, is there a different statute that allows you to go above the lid only a certain amount if you go to your people to exceed the lid? Wasn't there a limitation on that also? [LB1156]

SENATOR CARLSON: I think there is, Senator Seiler, and I'm not really familiar with the...how that's exactly stated. [LB1156]

SENATOR SEILER: Okay. Okay, thank you. [LB1156]



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SENATOR ADAMS: Other final questions? Thank you, Senator. [LB1156]

SENATOR CARLSON: Okay, thank you. [LB1156]

SENATOR ADAMS: That will close the hearing on LB1156, and we'll move right on to LB947, Senator Hadley. Well, we'll stand down for just a second until Senator Hadley gets here. [LB947]

\_\_\_\_\_ : Berri stepped in here and he went to get the senator about two/three minutes ago. [LB947]

SENATOR ADAMS: He didn't run away on me, did he? All right. [LB947]

BREAK

SENATOR ADAMS: Senator Hadley, you're up. [LB947]

SENATOR HADLEY: First of all, I apologize. It was so riveting talking about universal service fund charges that I just got carried away. (Laughter) Good afternoon, members of the Education Committee. My name is Galen Hadley, that's G-a-l-e-n H-a-d-l-e-y, and I represent the 37th District. And this is my maiden voyage before the tough Education Committee, so I hope you will be gentle with me by the time we are done. I am going to start out by telling you what I am not going to do. I am not here to bash and take on the TEEOSA school aid formula. I am not here to suggest long-term changes in the TEEOSA formula. I am not here to discuss equalization concepts and nonequalized school districts across the state. I'm not here to discuss long-term problems with funding K-12 education using property taxes fueled by increases in ag land valuation. I think those are all things that sometime we might have to talk about, but that's not why I am here today. I am here to discuss what should be the amount of state funding for K-12 public school funding be for 2012-13. Let me give you some of the following numbers to explain the impact on K-12 funding by the state during the past four years. The numbers I have, 2008-2009 state aid was \$839 million. The federal aid was nothing, so the total was \$839 million. In 2009-10, state aid was \$840 million, federal aid was \$94 million, total of \$934 million. In 2010-11, \$807 million of state aid, \$140 million of federal aid, \$947 million. In 2011-12, \$822 million of state aid, \$63 million of federal aid, a total of \$885 million. That federal aid came with many caveats. Those of you that have been here, you remember we cautioned school districts what we would hopefully expect them to spend it for because of the cliff effect that they would go away, which is true. They have gone away, but they did serve a good purpose. Where would we be at in K-12 funding if we had not had the federal government step in for a...with about \$300 million for the K-12 education in Nebraska? Last session, school districts across the state cooperated with the Legislature's need to reduce state aid to education in order to balance the biennial budget. The TEEOSA reduction adopted in LB235 exceeded the

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planning and expectations of many school districts forcing cuts, use of reserves, and for its spending for programs and personnel. The second year of the biennial budget estimated TEEOSA's funding for 2012-13 to be about \$880 million. I realize this is only an estimate made last year at the time of implementing LB235. I believe that many senators, while understanding this is only an estimate, it was a planning figure that school districts across the state would use in budgeting. Also, many senators voted for the \$822 million TEEOSA budget for 2011-12 with the understanding that the 2012-13 TEEOSA total funding would be at least \$880 million. LB947 sets the TEEOSA aid for 2012-13 at approximately \$880 million, which is what we put in the original biennial budget as an estimate. It does so by two methods. The base limitation rate, or basic allowable growth rate in the aid formula, is increased from 0.5 to 2 percent for FY 2012-13. It's my understanding there will be an amendment that will bring that down because it is not needed to increase it that far to get to the \$880 million. An increase in the base limitation rate increases the cost factor growth...growth factor in the formula, which is used to inflate district expenditures for purposes of calculating aid. The increase in the cost growth factor increases the amount of state aid that is provided as basic funding. Two, the averaging adjustment increases need for districts whose basic funding per student is less than the averaging adjustment threshold. The bill increases the averaging adjustment threshold by one-half of 1 percent in FY 2012-13. The increase in the threshold used to compute the averaging adjustment increases state aids for a district receiving the averaging adjustment. I believe these two factors were chosen...I chose...they were chosen as they were the primary factors that were used in the past to lower state aid. The current '12-13 state aid, as is statute on 2/8/12, is \$852 million using the current state aid formula. This is an increase of about \$30 million over the '11-12 state aid total calculated. I believe my bill would add about \$28 million to this total to get to the estimated \$880 million I am requesting. I am not requesting more than the \$880 million. The purpose of this is not to change the formula to increase the amount over the \$880 million. You might ask why not just let the TEEOSA formula run as in statute? I would respond that we haven't hesitated to adjust the formula to decrease state aid to a desired mark, so why not use the same concept to increase state aid to a desired amount? There will be a number of testifiers after me to explain in more detail what school districts are facing. I hope you will listen to them; they have a lot of facts and figures. I hope you and the Appropriations Committee will favorably look at LB947. Thank you very much. [LB947]

SENATOR ADAMS: Thank you, Senator Hadley. Are there questions for the senator?  
Senator Haar. [LB947]

SENATOR HAAR: Okay, so since I've signed on to this--my priority--I hear two things. One is the \$880 million, okay? And the other is put some predictability, more predictability back in. Would you agree with that? [LB947]

SENATOR HADLEY: Senator Haar, I think those are concerns people have, but my bill

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only addresses the \$880 million. [LB947]

SENATOR HAAR: The 80... [LB947]

SENATOR HADLEY: I am not here to change the TEEOSA formula and, you know, I think those are...there are concerns, but I am not here trying to have a debate. I think that would be an appropriate debate to have next year when we're on the first year of a biennial budget and we have time to consider that, but mine is strictly a dollar amount to fund K-12 education and to come up with an appropriate way of dividing up the \$880 million. [LB947]

SENATOR ADAMS: Any other questions for the senator? Well, Senator Hadley, let me start out by saying thank you for using and underlining the word estimate of \$880 million. Anyone who understands modeling of TEEOSA gets that and I appreciate that. Are there any other questions? Thank you then. [LB947]

SENATOR HADLEY: Thank you. [LB947]

SENATOR ADAMS: First proponent? [LB947]

BRIAN MAHER: (Exhibit 2) Good afternoon. I offer my best wishes to Senator Adams and the Education Committee. My name is Brian Maher, B-r-i-a-n M-a-h-e-r. I am the superintendent of the Kearney Public Schools. I am very appreciative of the time you are taking to hear testimony on the bills pertaining to state aid. I suspect you get a quite a little feedback on this topic. I am here as a supporter of LB947. Last year, this committee took on a monumental task of looking at the nuts and bolts of TEEOSA, led by Chairman Adams, and you as a committee put in hours and hours of work. As a state, we knew we would be dealing with less state aid for this particular school year. Simply stated, in K-12, we knew it was our turn. We knew that the ARRA money was going away, and we knew that appropriations would be down. We were all braced for a 12-15 percent reduction in our state aid appropriations. The Governor had braced us for this reduction, the Legislature had braced us for this reduction, and this committee certainly braced us for this reduction. Less money in state aid was inevitable and we knew it. However, at least in Kearney we were not prepared for the 23 percent reduction that became our reality. We talked with Senator Hadley about our dilemma, we talked with Senator Adams last year about our dilemma, but it was too late to make a difference in the 2011 session. Both senators were sympathetic to our plight, both were kind, both were informative, and I think that's really all we could have asked for last year, but we kept working and we worked with Senator Hadley to try to make a difference for this particular session. We were very mindful that no magic money trees were planted over the summer, and we were mindful that this committee would not likely be inclined to visit the concept again this year, and we knew that the state K-12 funding issue was much larger than just our topic in the Kearney Public Schools. We knew that

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to ask for an increase in K-12 funding for the coming year would be foolhardy. We talked to Senator Hadley about the possibility of crafting a bill. We were very excited when he agreed and even more excited when so many of his colleagues signed on to the bill. In meeting with Senator Hadley we asked to keep the following points as a point of emphasis in this bill. Number one, to craft legislation that would keep funding for 2012-13 at \$880 million, to craft legislation that would not put winners versus losers in this bill. It was not our intent to harm any school district. This bill is crafted so that all equalized school districts in this state will benefit from the bill. Our analysis, at least so far, suggests that Senator Hadley did not just take care of Kearney with this bill. I do not believe this bill or last year's bill cures the TEEOSA issue, as Senator Hadley said. I do believe that that's a conversation for a coming year. I do think this is good legislation, at least for now, and I believe that for the following reasons: (1) it does not ask for more money than was in the biennium budget; (2) it's responsive to the notion of equalization; and (3) at least in the short term, it props up TEEOSA. It is our desire to see this legislation help a maximum number of schools possible and not just the Kearney Public Schools. I believe this bill accomplishes that goal. Thanks for taking the time and allowing me a few seconds over. [LB947]

SENATOR ADAMS: Thank you, Brian, for your candor and your sensitivity to the issues we've been dealing with here for some time. What questions do we have for this testifier? Any? Brian, may I ask how much has your valuation in Kearney grown in the last couple/three years? [LB947]

BRIAN MAHER: It swings. If I had to do it over say the last five years, I would say, adding the increase in valuation each year, we're probably at about 15 percent. I don't know exactly. I do know that it's flatlined in the last year, so the increase in valuation--or lack of increase in valuation--last year, coupled with a loss in state aid, really hurt us for this year in funding. [LB947]

SENATOR ADAMS: Okay. And have you seen growth in student numbers? [LB947]

BRIAN MAHER: Well, yes, we have. [LB947]

SENATOR ADAMS: Do you have an idea? Single digit? Double digit? [LB947]

BRIAN MAHER: In terms of percentage or in terms of actual numbers? [LB947]

SENATOR ADAMS: Percentage. [LB947]

BRIAN MAHER: Percentage, we grow about half a percent to a percent a year. We see incremental increases in our community and subsequently in our school system. [LB947]

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SENATOR ADAMS: Okay, thank you. Senator Haar, you've got a question? [LB947]

SENATOR HAAR: Yes. Can you point to one or two factors that were changed in TEEOSA that caused your 23 percent? [LB947]

BRIAN MAHER: Certainly the averaging adjustment, I think, was one of the factors. [LB947]

SENATOR HAAR: Uh-huh. [LB947]

BRIAN MAHER: For us, I think it was more of a perfect storm rather than any particular issue. I mean, there wasn't necessarily an epiphany, but there were a number of things I think that happened that led to our loss in state aid for this year. [LB947]

SENATOR HAAR: And could you just mention some of those? Because this will come up, I think, in other... [LB947]

BRIAN MAHER: Sure. Certainly the averaging adjustment... [LB947]

SENATOR HAAR: Yeah, okay. [LB947]

BRIAN MAHER: ...was probably the seminal piece, if I were to only to point to one. [LB947]

SENATOR HAAR: And what were some other parts of the perfect storm you mentioned? [LB947]

BRIAN MAHER: The...as I mentioned earlier, the valuation. [LB947]

SENATOR HAAR: Okay. [LB947]

BRIAN MAHER: Our valuation flatlined, all of those things, so we weren't able to recoup that money locally. That was one of our biggest issues, was...we're prone to wild swings in the state aid. We're very reliant on state aid, and I think last year was a particular year where not only did we have a wild swing in state aid, but we weren't able to raise that money locally. We've maxed out the \$1.05, and actually we have a \$0.10 levy override as well in Kearney Public Schools, so we had done everything we could locally to raise money. [LB947]

SENATOR HAAR: Okay, thank you very much. [LB947]

SENATOR ADAMS: Other questions for Brian? Thank you, sir. Next proponent? [LB947]

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CRAIG KAUTZ: (Exhibit 3) Good afternoon, Senator Adams and members of the Education Committee. My name is Craig Kautz, C-r-a-i-g K-a-u-t-z. I am the superintendent of the Hastings Public Schools, and I am here as directed by my board of education as a proponent of LB947. To understand my support, I'd like to talk about my district for a moment without perhaps being too boring and certainly not reflecting just a single district for the decisions you have to make, but I think my comments will be better understood if I do describe my district a little bit. The Hastings Public Schools is a 16-square-mile portion of land that contains most if not all of the city of Hastings. In terms of property value per student in 2010-2011, my district was the eighth-poorest school district in Nebraska. In terms of spending that year, the Hastings Public Schools was one of the 26 lowest-spending districts in the state. For 2011-2012, the Hastings Public Schools received approximately \$15.9 million in state aid. This represented approximately a \$2.7 million reduction in state aid from the previous year. As to our levy, we have been and remain at \$1.05 levy limit and are presently above that limit given our use of early retirement incentive programming, a program that we felt was necessary to buy down the cost of our certificated staff within our general fund. My district is in favor of LB947 because I...we believe it is appropriate for Nebraska to return schools to the funding level schools attained in 2010-2011 with state aid and federal funding. In addition, I believe moving the basic allowable growth rate in the formula to 2 percent is reflective of the costs districts will face this coming year. In my own district, even if my board of education is successful in negotiating a salary and benefit freeze for employees, I anticipate the overall district cost will rise above 2 percent level given the vertical and horizontal movement of the teaching staff, the increase in the employer's share of retirement, and the 1-2 percent increase anticipated in health insurance costs. In addition, I anticipate increases in other costs that would also justify the adjustment in the basic allowable growth rate proposed by LB947. My district is also in favor of the averaging adjustment increase contained in LB947 because we believe this will help low-spending districts that have limited local resources like my own to provide an equitable educational opportunity. I greatly appreciate the support my district has been given over the years by the state. In fact, it's fair to say that had it not been for state aid, the Hastings Public Schools would not be able to operate on the local property taxes that they have. If you look at \$1.05 as a limit, okay, you can see that there are a pretty good percentage of schools that can afford perhaps to go more on their own than they presently are. I thank you for your time. [LB947]

SENATOR ADAMS: Thank you, Craig. Are there questions? Senator Haar. [LB947]

SENATOR HAAR: Yeah, I have to ask the same question. Can you point to factors in TEEOSA, the change that happened in LB235, that resulted in your loss of funding? [LB947]

CRAIG KAUTZ: Well, I think any change that's made in TEEOSA recently has probably

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caused a loss in funding, but I do think that the cost rate factor was a critical component, and I also think the averaging adjustment was a critical component. [LB947]

SENATOR ADAMS: Any other questions, Senator? [LB947]

SENATOR HAAR: No. No, I'm sorry. [LB947]

SENATOR ADAMS: Are there other questions from the committee? Thank you, Craig. [LB947]

CRAIG KAUTZ: Thank you. [LB947]

SENATOR ADAMS: Next proponent? [LB947]

STEVE JOEL: Good afternoon, Senator Adams, members of the Education Committee. My name is Steve Joel, S-t-e-v-e J-o-e-l, and I'm superintendent of Lincoln Public Schools. A couple of quick facts: we represent 36,000 students, 45 percent of which are categorized as free and reduced; we currently are ranked 247 out of 250 school districts in Nebraska per pupil spending. Last year we lost approximately \$20 million in calculated state aid from 2010-11. Compared to '11-12, when the \$6.9 million was added back from the ed funds, our net loss was approximately \$13 million. LPS will gain \$11.7 million in calculated state aid from the '11-12 certification to the '12-13 estimated. And student population of Lincoln Public Schools has increased by 703 formula students which has been pretty consistent for the last four or five years, from '11-12 to '12-13, and our adjusted valuation increased by 0.39 percent from '11-12 to '12-13. And in '11-12, we will receive \$23 million less in aid than the state average calculated per student--state aid per student. The estimated statewide average basic funding per formula student in '12-13 is approximately \$7,628. The basic funding per pupil for a formula student for LPS is \$6,946 approximately. The difference between the statewide and LPS is approximately \$681 per student. The averaging adjustment was meant to help districts that levied above \$1 catch up to the statewide average basic funding per student. Since 2009-10, the amount that LPS receives has continued to decline. We support LB947; it's the right bill and the right plan. It's positive impact for all equalized districts, stays within the amount of budgeted...amount that's been budgeted by the state, and it eliminates some of the uncertainties of knowing what the funding levels would be going into '12-13. And, as has been mentioned before, it also is an opportunity for us to take advantage of the amount of dollars that haven't been budgeted whereas last year we...as those of us that received equalized aid, we ended up having to decrease our budgets in order to meet the budgeted amount. So we support LB947, and I'll take any questions. [LB947]

SENATOR ADAMS: All right, are there questions for Dr. Joel? Senator Haar? [LB947]

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SENATOR HAAR: Yes, thank you. Same question: Are there particular things? I take it the average in adjustment is a big one for LPS. [LB947]

STEVE JOEL: The...and as Mr. Kautz said, the cost grouping was another factor as well too. Negligible valuation growth 0.39. [LB947]

SENATOR HAAR: That's it, thank you. [LB947]

SENATOR ADAMS: Anyone else? Thank you, Dr. Joel. Next proponent? [LB947]

JENNIFER WORTHINGTON: Good afternoon, Senator Adams and Education Committee members. I'm Jennifer Worthington, J-e-n-n-i-f-e-r W-o-r-t-h-i-n-g-t-o-n. I'm the president of the board of education for Grand Island Public Schools. As you listen to my comments this afternoon, I'd ask you to keep this picture of Grand Island Public Schools in your mind: 64 percent of our students live in poverty and 26 percent of our students are English language learners, meaning a full quarter of our students are trying to accomplish the same things that we want all kids to accomplish while also learning a new language. At the same time you consider these demographics, Grand Island Public Schools spends less per student than the state average. We are and always have been a conservative district. We also maximize our resources with the local effort rate of \$1.03. As we looked at the model that was run last year, it appears that Grand Island Public Schools would have an increase of \$800,000, so why are we supporting a bill that appears to distribute more to our district? That \$800,000 would entirely be eaten up with the increase in our contribution to the retirement system, which is outside of our control. We've also been told to plan on 4 percent increase in insurance, which is also outside of our control. We are fortunate, however, to have settled a two-year agreement with our teachers. We tried for a salary freeze and weren't successful, but the agreement allows for 2.16 percent this year and 2 percent next year, which is simply movement and a hundred dollars on the base, so again very conservative. So even if there is an increase of \$800,000 to our district, we'll need to cut our budget. I believe that will be harmful to our students to cut our budget again for this upcoming year. We did our best last year to keep cuts away from the classroom, but even with the cuts in just one budget year we weren't able to accomplish that goal. Last year we lost \$8 million in state funding. With the \$2 million in job funds, the net decrease was \$6 million. Before ever going to our teachers, our students, or our communities, the board made cuts of \$2 million, shifting \$0.04 from the building to the general fund levy, leaving just \$0.01, and with 20 school buildings that's something that needs to be temporary. We also discontinued transfers to our depreciation fund, which is also not something we can do long term. The board asked every building administrator to make immediate cuts as well as proposed things for the upcoming budget. We presented those to our community at a group of public meetings. And it was very difficult, obviously, to cut things like busing for early childhood education, elimination of an after school remedial program, just to name a couple, but those were priorities we set and things we did in our district.



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Finally, I haven't talked at all about future opportunities, but a couple things we think are important is to increase the early childhood education based on our demographics and the facts about the children's brain development aged one to five. We've also been working with 40 business leaders on a very innovative career pathways institute. Those kind of things, obviously, we can't talk about with flat or reduced budgets but things important to our district. That's why we support this bill. Thank you for your time. [LB947]

SENATOR ADAMS: All right, thank you. Are there questions? Senator Howard? [LB947]

SENATOR HOWARD: Thank you, Senator Adams. I've always appreciated the outreach that you've done through your school system with using social workers. Did you have to cut their budget? [LB947]

JENNIFER WORTHINGTON: We did not cut. We cut their budget some, but we did not cut the social workers. We also thought that was very, very important. [LB947]

SENATOR HOWARD: Yes, thank you. I appreciate that. Thank you. [LB947]

JENNIFER WORTHINGTON: Thanks. [LB947]

SENATOR ADAMS: Senator Haar? [LB947]

SENATOR HAAR: No. [LB947]

SENATOR ADAMS: I tried to anticipate, Senator. (Laughter) Anyone else? Yes, Senator Council. [LB947]

SENATOR COUNCIL: Thank you. Just a comment. Thank you, because I've been listening particularly to the testifiers before you. But I appreciate the analysis that you've provided because looking at it in that manner, not only will you not be able to operate statically,... [LB947]

JENNIFER WORTHINGTON: Um-hum. [LB947]

SENATOR COUNCIL: ...but you won't be able to innovate or add any new programs despite what best practices may show where your experience is. I think that's important for everyone to understand that by not providing the requisite level of state aid that it results not only in cold cuts, but it prevents new programs, innovations. And I understand that we can shift and you move,... [LB947]

JENNIFER WORTHINGTON: Um-hum, sure. [LB947]

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SENATOR COUNCIL: ...but if your basic program... [LB947]

JENNIFER WORTHINGTON: Um-hum. [LB947]

SENATOR COUNCIL: ...can't grow without additional funding, how do we get to the point that everyone believes we need to be in terms of innovation? So I just thank you for that analysis of what... [LB947]

JENNIFER WORTHINGTON: Thank you for pointing that out. Yeah, I'd agree. [LB947]

SENATOR COUNCIL: Thank you. [LB947]

SENATOR ADAMS: Anyone else? Thank you then. [LB947]

JENNIFER WORTHINGTON: Thank you. [LB947]

SENATOR ADAMS: Next proponent? [LB947]

NANCY FULTON: (Exhibit 4) Good afternoon again, Education Committee Chair, members. I'm Nancy Fulton, N-a-n-c-y F-u-l-t-o-n. I'm president of the 28,000-member Nebraska State Education Association and a veteran classroom teacher. NSEA supports LB947. I thank Senator Hadley and the 18 senators who have cosigned this bill. I also thank Senator Haar for designating LB947 as his priority bill. Overall, Nebraska students score in the top ten on the national student assessment exams. Further, Nebraska can boast that our state's public schools rank among the top ten highest high school graduation rates in the country, and yet for years we have heard a great deal of the discussion about student achievement gap in Nebraska. Frankly, I think those gaps are growing, and they are based on the socioeconomic status of a child's family, the ethnicity and race of the family, and the geographic location of a child's home. I know that teachers are deeply committed to the success of every student. I also know that NSEA's education agenda puts students at the very center of any reform. The fact is that we know how to close the achievement gaps. We need to hold all of us accountable. Teachers, parents, students, and elected officials all are accountable for student success. We need to invest in classroom priorities that build the foundation of student learning. This includes: early childhood education; smaller class sizes; emphasis on reading, math, science, and technology; up-to-date and adequate numbers of textbooks and computers; a well-rounded education that includes history, art, P.E., music; and a safe and supportive learning environment. I've seen the effects of state funding cuts on students. Programs have been cut or reduced altogether. Textbooks and computers become outdated. Classroom supplies are cut to the bare bone. Class sizes grow, and as a classroom teacher I've seen the negative effect that student-teacher ratios have on learning. I've given you some information that supports

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this. Please know that what you do here has a very real and a very definite effect on students throughout the state. We know that investing in classroom priorities will give every child a chance to succeed, and yet Nebraska ranks in the bottom five nationally in funding schools from the state revenue. We are 45th in the nation in state funding; it is less than what the state spent four years ago, 2008 and 2009, and I urge you to advance LB947 to General File. Thank you. [LB947]

SENATOR ADAMS: Thank you. Questions? Senator Seiler? [LB947]

SENATOR SEILER: Senator Adams. Yes, ma'am, when you compared those states that have less state funding, did they have property tax? [LB947]

NANCY FULTON: I'm not sure, Senator. [LB947]

SENATOR SEILER: Thank you. Nothing further. [LB947]

SENATOR ADAMS: Other questions? Thank you, then. Next proponent? [LB947]

ANGELO PASSARELLI: (Exhibit 5) Senator Adams, members of the Education Committee, my name is Angelo Passarelli; that's A-n-g-e-l-o P-a-s-s-a-r-e-l-l-i. I'm with the Millard Public Schools, and I would first of all like to thank Senator Hadley very much for bringing this bill for consideration. We're certainly in support of that bill. The current state aid projection of \$852 million, with the loss of the educational jobs money from last year, make additional budget cuts to Millard Public Schools a reality for us, and I wanted to try to put a face on some of those cuts for you so that you can know what we're doing in the Millard Public Schools to bring our budgets in line with our revenue and resources we have. Last year, we reduced three administrators and 19 teachers. In order to make the projected cuts at the \$880 million level, we'll have to reduce another administrator and 15 additional teachers. We're fortunate we can do that by...through attrition and not filling spots that are open because of retirements and transfers. Kindergarten classes a couple years ago were probably averaging around 20. They're going to average more like 24 and 25 this next year. Upper elementary averages will be in the 27-28 range. Core classes in middle schools and the high schools will be in the low 30s. We are talking about adjusting our seven-year curriculum cycle to ten years, so that means a science textbook will be ten years before it gets a revamp in our curriculum cycle. We had a facilities capital improvement study done; it said we needed to be spending anywhere from \$6 million to \$7 million a year to keep our facilities up. We will be on an emergency repair only basis, given state aid where it's at. We are looking at other things, discontinuing band and strings in our elementary program, a program that's very popular, very hard to cut. Any program that you cut in a school these days are very hard cuts. I would tell you that nonpersonnel budgets have not been...increased in the last three years, and this would be four years in a row, so those things have really been stagnant in our district. We just think it's imperative for

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you to find a way to increase TEEOSA to at least that \$880 million level. We know it's tough times for a lot of different areas and you have a lot of concerns that you have to address, but we think that's one of those top priorities. And we certainly think, as our board position would state, that our locally elected boards could have authority for additional levy authority. And we would appreciate that and spending authority as well, so we would offer that as well. Thank you. [LB947]

SENATOR ADAMS: You're just asking for an awful lot today. [LB947]

ANGELO PASSARELLI: Oh, yeah, always. [LB947]

SENATOR ADAMS: Are there questions for this testifier? Thank you. Next proponent. [LB947]

LIZ STANDISH: Good afternoon, Senator Adams, members of the Education Committee. My name is Liz Standish, spelled S-t-a-n-d-i-s-h, and I'm here today representing the Omaha Public Schools to testify in support of LB947. LB947 is intended to assure that state aid is funded at the budget appropriation of \$880 million. We believe that's imperative for schools moving forward. As you know, each biennium builds the base for budgeting for the next biennium, and we believe we need to position K-12 education at the highest floor possible moving forward. We also believe that LB947 builds back the necessary growth for both basic funding and the averaging adjustment, the two variables that were cut under LB235 the most to shore up the budget in the previous year. State aid for '12-13 is calculated on data reported in 2010-2011, and I think that's an element we need to keep at the forefront--that you're using two-year-old financial data and this is simply a process of conversion--to move forward and bring the numbers current to the future. I would ask that you advance LB947 to restore that floor and that sense of operational sustainability for schools. You've heard many, many examples today of where schools have shortchanged their budgets in the past few years in preparation for the funding cliff. I'd be happy to answer any questions that you have. [LB947]

SENATOR ADAMS: All right. Senator Avery? [LB947]

SENATOR AVERY: Thank you, Mr. Chair. Welcome. [LB947]

LIZ STANDISH: Thank you. [LB947]

SENATOR AVERY: You had said that each biennium sets the base upon which we build the next biennium, right? [LB947]

LIZ STANDISH: That's been my experience with TEEOSA. I don't pretend to know state appropriations in any way, shape, or form, but I know that from state aid, that's how it is

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perceived. [LB947]

SENATOR AVERY: No, you're absolutely correct, absolutely correct. That's the classic definition of: What's the best way to predict next year's budget? Well, this year's budget plus some increment. What I want to know, though, is this the best way to build budgets here in the state of Nebraska? Is this sustainable? I mean, we have to budget in such a way this year so that next year we can afford what the TEEOSA formula is going to predict or require us to pay, right? So the question for me is: If we are trying to get this \$880 million up so that that becomes the base upon which we build the next budget, at some point is this sustainable? [LB947]

LIZ STANDISH: Well, I think the bigger question is where we are today, which is below where we were in 2008, so I don't think schools by any means are here today saying we're trying to inflate anything. I mean, I truly believe we are just trying to say it's been rough. I mean, I think we've heard stories of how rough it's been for schools, and last year we felt if we made it through last year we might be able to sustain where we were. And we're concerned, looking at the current numbers, that we're not going to be able to sustain, and we'd have to look at the '12-13 school year as yet another round of cuts. And so I think this isn't about trying to inflate and ratchet up anything; I think this is truly about trying to sustain what we have today in the school system. [LB947]

SENATOR AVERY: But you just admitted what we have today is quite a bit lower than what you're asking for under this bill. [LB947]

LIZ STANDISH: No, I think what we have today is lower than what we had in 2008. I mean, I think that schools have gone through a series of cuts over the last few years. [LB947]

SENATOR AVERY: And this bill would restore those cuts? [LB947]

LIZ STANDISH: Well, it would take us up to the \$880 million, which if you add the education jobs funds to the state appropriation for this year, it really does move into that mode of sustaining. [LB947]

SENATOR AVERY: Sustaining what I'm suggesting might be unsustainable. [LB947]

LIZ STANDISH: And I think that depends on your perspective as to whether you want schools continuing to reduce staff, curtail textbook adoptions, curtail investments in technology. I mean, that's the mode of operation we've been in, and that doesn't leave room for innovation, new ideas. I mean, I thought that was a fabulous point earlier today, that I think it depends on the type of education you want in the state of Nebraska. [LB947]

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SENATOR AVERY: But new ideas don't always have to cost more money. [LB947]

LIZ STANDISH: No, they don't. They don't, but I do... [LB947]

SENATOR AVERY: That's the great thing about ideas; they're free until you start adding money to them. [LB947]

LIZ STANDISH: Well, implementation isn't free. (Laughter) But I do think several school districts are in a same boat where we have curtailed textbook adoptions, we have not invested in technology, we've gone through serious amounts of attrition, of reducing staff. Many of us have been fortunate not to have to go through a RIF process, and I truly think schools were going into the '12-13 school year feeling like maybe we wouldn't have to be in such a harsh reduction mode. And all we're asking for is not to be in a harsh reduction mode. [LB947]

SENATOR AVERY: Thank you. [LB947]

SENATOR ADAMS: Other questions? Thank you. [LB947]

LIZ STANDISH: Thank you. [LB947]

SENATOR ADAMS: Next proponent? Good afternoon. [LB947]

FRANK HARWOOD: Good afternoon, Senator Adams, members of the committee. My name is Frank Harwood, F-r-a-n-k H-a-r-w-o-o-d, and I'm the superintendent of Bellevue Public Schools. It's my first year in Nebraska, so a large part of my job so far is figuring out school funding. One of the things that in looking at LB947, which led us to come as a proponent for that bill, is that it looks at two particular areas of school funding which actually get to the sustainability piece. Next year we're looking at somewhere...they've said no more than 4 percent increase in health insurance. We know that we have an increase to OPPD for electricity. We know that we have increases, so the first part about the cost growth increase of 1.5 or 2 percent, whatever that would end up being, is an important part of just trying to maintain the situation we have now. As we move forward, our...the expectations of schools are continuing to increase, which is a positive thing. It's difficult to do that with decreasing funds. The other part of this particular bill was the system averaging. I do believe this is an important part of the issue not only because that's where, as you've heard from other districts, where most of the cuts came from other districts. It's also a place that does help districts that are spending below the average get additional dollars to equalize that spending in some way. So we have come in support of LB947. Just to kind of...Bellevue lost about \$3 million last year. We have little-to-no valuation growth--very, very small--less than 1 percent student growth, so changes in state aid are about the only way that we would see any increases to cover the increased costs. I would be happy to take questions. [LB947]

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SENATOR ADAMS: Thank you, Frank. Senator Avery? [LB947]

SENATOR AVERY: Thank you, Senator Adams. Where did you come from? [LB947]

FRANK HARWOOD: Kansas. [LB947]

SENATOR AVERY: Kansas. [LB947]

FRANK HARWOOD: Um-hum. [LB947]

SENATOR AVERY: Okay. I have often wondered what other states do to determine how they're going to distribute aid to schools. I mean, you say you're in the process of learning TEEOSA. Good luck, because it is just about as difficult a formula as you're ever going to encounter because it is chalk-full of subformulas within the formula, and you have to understand every one of those and how they interact with each other in order to understand the formula. How do you do it in Kansas? [LB947]

FRANK HARWOOD: Actually, any state aid formula that I've ever seen--and Kansas is one of them--tends to be what we've been talking about now, which is the formula is designed to distribute the funds that the Legislature or that the state determines will be spent on K-12 education. Actually, Kansas has a similar formula. I mean, they weight students so there's a base weighting per student. And then students that fall into the particular categories--whether that's free/reduced lunch, special education, ESL--all of those add additional weight. There's weighting for transportation depending on how far you do it, so it's actually a similar situation. And so what we're looking at now is that the budget, it's set...and, you know, or the budget estimate is set at \$880 million and looking at the way that you addressed the formula to distribute the number of dollars that are there. And Kansas actually has been doing the same thing that Nebraska had to do last year, which was adjust the formula so that they distributed fewer dollars. [LB947]

SENATOR AVERY: All right, now you made the statement that the formula is used to distribute the amount of money you have to spend. [LB947]

FRANK HARWOOD: Um-hum. [LB947]

SENATOR AVERY: That's not what we hear here in Nebraska. We hear from the education lobby that the formula predicts what we are going to spend. You don't take the amount you want to spend and then use the formula or tweak the formula to produce the number you're looking for because the argument is the formula is there to determine needs. And you are supposed to calculate the formula, and whatever the number is, that's what you come up with in state spending. We fight that battle all the time, and this committee gets criticized frequently because we often have to work

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backwards and say, this is the amount we've got to spend and this is what we have to do to the formula to get there. [LB947]

FRANK HARWOOD: But, I mean, it's my...and again, I wasn't here last spring when this was being discussed, but it's my understanding that changing the cost growth from 2 percent to 0 and then decreasing the system averaging was a way to decrease the cost of the TEEOSA formula, thereby keeping it within the set number of dollars that the...that were allocated. I mean, it... [LB947]

SENATOR AVERY: That's true. We knew we had only a certain amount of money we could spend... [LB947]

FRANK HARWOOD: Correct. [LB947]

SENATOR AVERY: ...on K-12, and we had to adjust the formula to make that work. [LB947]

FRANK HARWOOD: Right. [LB947]

SENATOR AVERY: But what we hear often from people in the education community is that that's not the way you should be doing it. You should let the formula predict the amount of money you want to spend, and then that means everything else in the budget has to work around that number first. [LB947]

FRANK HARWOOD: And that's actually why I'm here in support of LB947, is that if \$880 million is the number that is going to be spent--and I think that's what Senator Hadley talked about is he wasn't trying to raise the budget amount--we think that the two provisions with the growth adjustment and the system averaging are the best way to allocate those other dollars. [LB947]

SENATOR AVERY: Well, and I would agree with you. It might be the best way if you're in certain districts where they didn't do so well under the last way...the last time we calculated the formula. We made some changes and some schools weren't happy with the outcome, and so they went to work on the formula to see if they could get that money back this year, I think. [LB947]

FRANK HARWOOD: Well, that was the other thing that I heard of one of the other testimonies, talking about was it looking for a way that there weren't winners and losers so that somebody, when you look at the changes, nobody was going to lose dollars. The system averaging it will impact positively about 65 percent of the students that are in school districts that are...that receive...that are equalized. It equals about 62 percent of the need, so that's one of the reasons why we think that the system averaging has the greatest impact on the greatest number of students. [LB947]



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SENATOR AVERY: But there are always winners and losers in everything we do here. [LB947]

FRANK HARWOOD: Um-hum. [LB947]

SENATOR AVERY: Thank you. [LB947]

FRANK HARWOOD: Okay. [LB947]

SENATOR ADAMS: Other questions? Thank you, Frank. Next proponent? [LB947]

TOM FARRELL: Good afternoon. My name is Tom Farrell, T-o-m F-a-r-r-e-l-l. I'm a business owner, former teacher, and an 18-year school board member. I'm on the Nebraska City Public Schools School Board. Senators, we need more tools, and maybe saying my toolbox is pretty empty is another way of simply stating we need more money. I've been around long enough to see the tools taken out of my toolbox--spending lids, revenue lids, lost lottery money funding for education, special education funding not being at the level that the law allows, the TEEOSA fund not being fully funded. We are a historically low-spending district. Our current comparability allows us a generous \$3.1 million in additional budget authority, but we'll never catch up. That's proof that we are a low-spending district and that we've been conservative. Our cash reserve is at \$1.6 million. It should be statutorily at \$3.9 million. We are bleeding red with...lack of tax receipts are behind. We are struggling as a district, and the issues are significant. When you look at our general fund spending, 83 percent--almost 84 percent--of our general fund spending is on salaries and benefits, so the effect of our spending is in the classroom. It's difficult to make up where we're at without additional tools in the toolbox. We've been good partners; we understand the state can't make money they don't have. But now, with the increase in the forecast of receipts coming into the state, I'd like to have you put more tools in our toolbox. Thank you very much. [LB947]

SENATOR ADAMS: Thank you, sir. Are there questions? Thank you. [LB947]

TOM FARRELL: Thank you. [LB947]

SENATOR ADAMS: Next? [LB947]

LINDA RICHARDS: Thank you. Good afternoon, Senators. My name is Linda Richards, L-i-n-d-a R-i-c-h-a-r-d-s. I am the president of the Ralston Board of Education, and I am appearing today to testify in support of LB947. The testimony previous to mine has captured several important points, each emphasizing the critical nature of state aid funding here in Nebraska's schools. I would like to address a critical issue for school

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boards across the state of Nebraska and ask for your leadership in addressing the future of public education in this state. I encourage you to fulfill the responsibility and promise made to K-12 education and fund the formula with \$880 million. As a locally elected school board member, I am statutorily responsible for three things: one, policy development to provide vision and leadership and accountability; hiring a superintendent and evaluating his or her effectiveness in attaining the district mission; and thirdly, establishing a budget to facilitate the effective day-to-day operations of the schools. In the 16 years that I have served the Ralston community, significant measures and efforts have been undertaken to address each of these statutory responsibilities. The most challenging has been the establishment of an annual budget, not because our district struggles in knowing where to spend the resources or how to effectively account for their spending. It is because of our interdependence on the state of Nebraska to allocate the necessary funds and to be consistent in that funding. In the past five years alone, the funding fluctuations have created a sense of crisis budgeting in many districts. We have never truly allowed a version of our funding formula to run its course, fund it accordingly to the needs that are established. Most recently, the state moved away from the needs in the formula and chose an amount that they believe, based on estimates, was enough. When adopted, the funding for K-12 education in '11-12 school year was established at \$820 million with projections and estimates, Senator, for \$880 million needed for the '12-13. With state revenues coming in higher than projected--and I think you've all read a recent article that estimated \$25.6 million more than predicted in tax receipts--with those numbers coming in more than projected, we are left asking, will you make the increased obligation and raise the amount to \$880 million now that projections favor the formula? As a locally elected school board member, it becomes increasingly difficult to make the crucial decisions necessary in our budget without the ability to plan for the funds promised by the state. Decisions have become more difficult as we've changed the date for knowing when the state aid will actually be there--April 15 now. By that time, the vast majority of our school district budget is set, 85 percent being staffing. We budget based on a prayer, not a promise. I respectfully request, Senators, that you help us take away some of this uncertainty by funding the \$880 million for K-12 education this year. We understand that economic times are tough. For several years now, we have partnered with you to assist the state through these troubled times. Whether it has been taking on additional costs in retirement system or receiving reductions in the formula, Nebraska K-12 education has been at the table. I encourage you to help us continue to provide the adequate, effective education necessary for our state's schools and for current adoption of LB947 as it is written. In closing, Senators, I take my responsibility as a school board member very seriously, and I believe strongly in local control. For local control to be effective, you and I must work together to assure that funding matches the accountability and that student achievement creates a return on the investment that you have invested. Eight-hundred eighty million dollars is the investment that we need. Thank you for your time; I'll entertain questions. [LB947]

SENATOR ADAMS: Thank you. Are there questions for this testifier? Seeing none,

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thank you then. Next proponent? [LB947]

TOM REESER: (Exhibit 6) Senator Adams and members of the Education Committee, thank you for giving me this opportunity to speak on behalf of my support for LB947. I'm Tom Reeser, T-o-m R-e-e-s-e-r. I'm executive director for business and support services for Fremont Public Schools. The passage of LB235 set in motion a number of revisions to the state aid formula designed to reduce the state's obligation for funding public school education. Among those revisions was a change in the local effort rate in determining the needs portion of the state aid formula. Prior to the passage of LB235, the local effort rate was set at \$1. With the passage of LB235, the local effort rate was increased to \$1.3095. For Fremont Public Schools, that increase resulted in an approximate \$750,000 shift from the state to the local district. For many districts across the state, this shift has had negligible local levying implications due to the double-digit assessed valuation increases they were experiencing. However, Fremont Public Schools and other similarly situated districts have not experienced those same assessed valuation increases. The cumulative assessed valuation increase for Fremont Public Schools over the past three years has been 4.49 percent, averaging just under 1.5 percent each year. Fremont has increased its general fund levy from just fractionally over \$1 to \$1.04 to make up this difference, but we recognize that our ability to increase our levy beyond the \$1.04 is marginal and certainly beyond \$1.05 is virtually impossible. Relaxing the growth limitations that were enacted by LB235 during the 2010-2011 legislative session from 0.5 percent to 2 percent for the '12-13 TEEOSA certification year enables districts similar to Fremont that have experienced a more negative impact of the local effort rate increase to recoup necessary state funding in a more timely fashion. I urge your support of LB947 and would entertain any questions. [LB947]

SENATOR ADAMS: Questions for this testifier? Senator Seiler? [LB947]

SENATOR SEILER: Yes. Sir, as I listened to the testimony of the previous witnesses, it seems like their staffing numbers they were throwing out was somewhere around 80-85 percent. Does that run true for Fremont too? [LB947]

TOM REESER: Yes, it does. Yes, it does. [LB947]

SENATOR SEILER: Thank you. [LB947]

SENATOR ADAMS: Other questions? Thank you then. Next proponent? [LB947]

JON HABBEN: Again, I'm Jon Habben, J-o-n H-a-b-b-e-n, executive director of Nebraska Rural Community Schools. First of all, our organization represents with members only, not the range from largest school to smallest and including those who don't belong, but in members only we represent about 75,000 students. I think that is sometimes a surprise to folks. They tend to think that we're the school organization of

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the little schools in the Panhandle or some such thing like that, but I did want to point that out to you. We do support LB947. We support it because it's an attempt to access funds that we hoped were available as per the estimates that were brought out for year two of LB235. You've heard lots of things about individual school districts and about the history of all of this happening. I would suggest to you one additional piece. If you go back to the time Senator Bohlke was the chair of the Education Committee and there was a bill called LB149 that was passed over Governor Johanns' veto that fully funded the formula that supposedly set this autopilot in motion, do understand that the reason that bill was passed was because a fully funded formula meant all the pieces of the formula acted their part and were calculated fully. Now once we started tinkering with that--the first temporary aid adjustment of, I believe, it was 1.25 percent reduction on the needs side of the formula, also with Governor Johanns--and we've continued to do those things to reign in the formula to be sustainable. So that's why, in my opinion, we talk about this autopilot. It was for that purpose. I do want to tell you that I do wish that all the funds would go into the equalization formula. Now we can argue about the averaging adjustment, and I might throw out, how about eliminating the local choice adjustment which is punitive to about 60 school districts? Or I might say, you know, the needs stabilization, also about 60 school districts, is a truly a key recognition of schools that have lost. But leaving that aside, I do support putting the available funds, if that's \$880 million or something short of that, I do support putting that into the equalization formula--not the averaging adjustment, the equalization formula--which I believe is the core of LB947. [LB947]

SENATOR ADAMS: Thank you, Jon. Are there questions for Jon? Senator? [LB947]

SENATOR AVERY: Thank you, Senator Adams. Do you think the current formula is...has us on a path towards sustainability in funding K-12 education in this state? [LB947]

JON HABBEN: Direct answer? No. [LB947]

SENATOR AVERY: So do you mean to suggest by that that the formula is going to take us down a path that we can't afford? [LB947]

JON HABBEN: I believe that we've got to do some work on this formula, yes, I do. [LB947]

SENATOR AVERY: Do you believe it's taking us down a path we cannot afford? [LB947]

JON HABBEN: Well, I think the history indicates yes. [LB947]

SENATOR AVERY: Okay. [LB947]

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JON HABBEN: And I have to add a little bit to that, Senator Avery. We've had all of these tweaking of the formula over all of these years at different points because we've said--I don't know who "we" is, necessarily--but because we have said, this is the amount of money that's available and that's all we've got, or we can't go that far so we've got to reign it back. We've done this over and over and over and over again. Well, on the face of that one might look at the last two formulas as taking us too far, and we've got to figure out a way to balance those formulas to not only serve all of the school districts, not...and I'm talking about the...many of those nonequalized districts as well, but to serve Nebraska's school districts and Nebraska's kids all over the state. And we've got to figure out a way to do it in such a way that hopefully we're not tinkering with the factors all the time in order to make it come out to look like something. I do agree, way back with Senator Bohlke's LB149, that the formula ought to calculate, and that way all the parts and pieces calculate. We just have to figure out how to do that so that we don't have to come back and keep tinkering with things that toss it out of kilter relative to equalization. Difficult job. [LB947]

SENATOR AVERY: This is my sixth session, and this is the sixth time that we have been tinkering with TEEOSA. [LB947]

JON HABBEN: Um-hum, yes, fully understand that. I've had many, many conversations not only with superintendents and board members but also with Senator Raikes, Senator Adams about a lot of issues, and it's really difficult. And I agree with the description that it's a complex formula, but part of this is also politics. Part of this has to do with somebody or somebodies deciding that this is the maximum amount you can spend so, therefore, work it backwards. And when you do that, those adjustments that come at the end, I do believe those adjustments affect the rest of the formula because you're working it backwards. If you didn't have that end predetermined point and everything was allowed to calculate, then I would agree the adjustments don't affect the rest of the equalization formula, which is what it was supposed to be. [LB947]

SENATOR AVERY: Well, it's a complicated formula because fairness is complicated... [LB947]

JON HABBEN: Certainly. [LB947]

SENATOR AVERY: ...because it's in the eye of the beholder. [LB947]

JON HABBEN: Well, yes, yes. [LB947]

SENATOR AVERY: If you take a little bit of a hit in the final formula, it's not fair. [LB947]

JON HABBEN: Yes. [LB947]

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SENATOR AVERY: And if you look at your neighboring school district, they get a little bit more than you, it's not fair. [LB947]

JON HABBEN: As a superintendent for 17 years, I think I've said "not fair" maybe once or twice in there. [LB947]

SENATOR AVERY: I bet you have. [LB947]

JON HABBEN: But I would tell you the sustainability questions that were asked, you know, one thing that just popped into my mind. We've talked about these ag valuation spikes. And it's sort of like they're spiking, and the ag landowners are kind of in prayer hoping that the commodity prices will stay up because those things just might change. But the question I wondered about is: So what's their sustainability in terms of being able to provide property tax revenue on spiked ag land valuations? You know, there's an issue on that side, too, but that's not for this discussion, so thank you. [LB947]

SENATOR AVERY: No, but it...but what we do with TEEOSA has a big impact on those kinds of questions. [LB947]

JON HABBEN: Yes. [LB947]

SENATOR AVERY: And we know that. [LB947]

JON HABBEN: Um-hum. [LB947]

SENATOR AVERY: And I don't know any rational way to budget if you don't start with what you consider to be an affordable number and work back. If you say put it on autopilot...and you were one of the first educators that I have heard use that word. [LB947]

JON HABBEN: Um-hum, um-hum. [LB947]

SENATOR AVERY: We use it in here but not on that side of the table often. If we stay on autopilot, then that's where the sustainability question comes into play. [LB947]

JON HABBEN: I don't... [LB947]

SENATOR AVERY: Can we continue to fund K-12 over the long run with the current formula that we are using if we don't start with what we consider to be affordable and work back? [LB947]

JON HABBEN: I don't disagree with that, but I have to make one point. The decision

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that this is the end product, where does that decision come from? To some degree, it comes from political debate about what it ought to be. And I think what you've heard everybody testify about is you look back over the last half-dozen years, and what has the state's commitment to education been? Has it been an attempt to move up at 3 percent a year or 4 percent a year or 5 percent a year? No, because we use federal money to offset the state's responsibility. [LB947]

SENATOR AVERY: And I supported that. [LB947]

JON HABBEN: Yeah, and I don't have any problem with that because it was X number of dollars, and we looked at it as there was growth there. But what happens when that's gone? And that's what we're facing, and that's the question of: Is it a formula rewrite we're looking at? Is it a question of sustainability? You know, what is it we're looking at as we look down the road a year or two and the formula calculates this and the state has been here? Now I would suggest to you part of the answer is I want to say to the state, try harder, work at it, prioritize, try harder, but I have to admit that's a big gap. You know, that gap is starting to look like \$30/40/50 million, \$60 million, \$70 million; I mean, it's noticeable to say the least. [LB947]

SENATOR AVERY: Um-hum. [LB947]

SENATOR ADAMS: Senator Sullivan? [LB947]

SENATOR SULLIVAN: Thank you, Senator Adams; and thank you, Jon, for your comments. Well, suffice to say we have a complex task on our hands, and suffice to say also that even if we do need a new formula it's probably not going to happen in three or four or five months. [LB947]

JON HABBEN: Um-hum. [LB947]

SENATOR SULLIVAN: So my question is...and if we've seen the tweaking of the formula but we want it to be fully funded, what's the danger in LB947? Because then in the out year, we're looking at over a 20 percent increase. Isn't that something that we should give pause to be concerned about because that's not going to be realistic to meet? [LB947]

JON HABBEN: (Laughter) Yeah, I have to tell you...yeah, you make a good point. I don't think there's any question in sustainability being a question. But I go back to are we trying hard enough? Are we prioritizing strongly enough? I don't want to go whacking every other need that comes to the state over the head and saying we're more important than you, but we have to prioritize preschool through 12 education in its strongest form. And it may have to do with rebalancing revenues, it may have to be with rewriting the needs formula, but the bottom line is what's been happening is a lessening

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of state responsibility toward funding the formula. And now how are we going to get ourselves back on track? And as I look at LB947, and later I'll talk about LB913, I think they're noble attempts, and I think we ought to give them a really good listen, and I think we ought to do our best to use those vehicles to try and find that path. [LB947]

SENATOR SULLIVAN: Thank you. [LB947]

SENATOR ADAMS: Senator Haar? [LB947]

SENATOR HAAR: You talked about the politics coming in, in terms of the amount of money, and that is certainly true. But I think the flip side of the coin is--of the politics is--how are we educating our children? And so when we come into session and so on, so often we just hear how much money we can or can't spend. [LB947]

JON HABBEN: Sure. [LB947]

SENATOR HAAR: And I really value the input in terms of what this is doing to our children and to the excellence that's happening in our schools. And that's kind of hard to quantify, so the stories you bring and so on are really important that way. That's the only way we can get that information. [LB947]

JON HABBEN: Sure. [LB947]

SENATOR HAAR: I don't think we're ever going to have a perfect TEEOSA formula. I mean, if Moses brought it down from the mountains, maybe, but we're going to have to keep tweaking it but I think in terms of the balance has to be the money and what's happening to our children in the classrooms. [LB947]

JON HABBEN: And it's...from our organization's standpoint, it's how much curriculum can we deliver? [LB947]

SENATOR HAAR: Um-hum. [LB947]

JON HABBEN: Because we don't...our schools don't pretend to compare with the depth and breadth of curriculum to a Class A school. And part of the reason is we don't have enough students to go to all those classes to have them; we understand that. But that doesn't prevent us from wanting to get more broad, add more depth to the curriculum we have at every opportunity we can get to because our kids, they might stay in their rural community school district, but they also become the citizens of Lincoln and Omaha and Kearney and so on. [LB947]

SENATOR HAAR: Thank you. [LB947]



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JON HABBEN: Um-hum. [LB947]

SENATOR ADAMS: Other questions for Jon? Senator? [LB947]

SENATOR SEILER: Jon, as the newest person here, I don't pertain to have a very deep background. But listening to the debate as you and Senator Avery were going, it seems like the current TEEOSA formula is revenue driven. There's a revenue here and whatever...and whoever decides whether it's \$844 or \$9 or \$1 billion. And then we go build the formula up to that to spend that, and that's controls then on the costs that are inputted into how we spend that. Let's reverse it and take your cost formula and say we've got these costs and, therefore, the state should acquire this much money to cover these costs. Where's the control factor? [LB947]

JON HABBEN: You know, that's a really difficult question because one would assume that local school boards do things purposefully and not just as an assumption that we can put our hands on an unlimited amount of money. I just don't believe local school boards make those kinds of choices. [LB947]

SENATOR SEILER: No, but we've heard today testimony: Innovation is needed, 85 percent of our money goes to our staffing. [LB947]

JON HABBEN: Um-hum, sure. [LB947]

SENATOR SEILER: If we reverse that formula...I'm not saying the school boards are wrong on what they want to spend. I'm just saying how do we get...where's the cost number that the state is allowed to appropriate to pay that? [LB947]

JON HABBEN: Well, I think if you continue to fix that end number and, as I said, I think to some degree that's a political discussion. Obviously the revenue information is taken into account, but it's a political discussion. If you continue to fix that number and not allow that number to grow reasonably, then you will ensure that school districts will not be able to grow and, in some cases, cut repeatedly. And at some point what you end up with is a little less and a little more less and a little more less and a little more less and more less and more less, and it continues to go in that direction. That's the danger, I think, of fixing that number and ratcheting it lower so that we don't spend too much. Now \$880 million, is that a scientifically derived perfect number? No. No, it's not. Could it have been \$900 million? Yeah, it probably could have, given the discussion and the debate and so on and so forth. But why wasn't it? Because I really believe that in those political circumstances, this committee took it as far as you could take it. You did what you could; there weren't any place else to go. But that's the danger of fixing that end is you keep running into this circumstance over and over and over again. [LB947]

SENATOR SEILER: And the danger of not having an end is just unlimited spending.

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[LB947]

JON HABBEN: Yeah, and I.... [LB947]

SENATOR SEILER: So we've got to reach a balance somewhere between. [LB947]

JON HABBEN: Yeah, I...yeah, there is a balance there. I don't know that I've ever seen an unfettered spending on the part of any local board. Those elected officials... [LB947]

SENATOR SEILER: I'm not saying that critically; I'm saying what their needs are might be different than if it's not a control factor. [LB947]

JON HABBEN: Yeah, yeah. Well, and it's a difficult time right now... [LB947]

SENATOR SEILER: I understand. [LB947]

JON HABBEN: ...because you've got school districts that, you know, this school district may be able to say, more money, and I'm going to put it into personnel. This school district may say, jeez, we've ridden our necessary cash reserve down to the point... [LB947]

SENATOR SEILER: Um-hum. [LB947]

JON HABBEN: ...that we've got to put it in here just to get ourselves somewhere in the direction of having an appropriate amount of cash reserve. Well, for this school it might be maintenance or... [LB947]

SENATOR SEILER: Thank you very much. [LB947]

JON HABBEN: You see where that goes, so. [LB947]

SENATOR ADAMS: Other questions for Jon? Thank you, Jon. [LB947]

JON HABBEN: Thank you. [LB947]

SENATOR ADAMS: (Exhibits 9-11) Next proponent? Well, dare I ask, are there any opponents? Neutral testimony? Senator Hadley, you can close. Let me also read into the record that I have a letter here from Norfolk, Papillion, and Columbus in support. [LB947]

SENATOR HADLEY: Senator Adams, members of the committee, I'll try and make this brief. I made a few notes. I don't think there's anyone that wants to shortchange K-12 education. That isn't the goal. It's been said often we have to decide, you know, what

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we can spend, what we can afford, see that it's spent appropriately, and use some kind of complex formula to try and make sure that that small school district in the Panhandle is treated the same as in Omaha Public Schools in the type of system we use. Remember, when I started I said I was going...I told you what I wasn't going to do. I wasn't going to bash the formula; I'm still not. I'm not here to talk about long-term changes in the formula. I'm not talking about the problems with equalization when you have nonequalized school districts. I'm not talking here about long-term problems of funding K-12 when ag land values are going up and property taxes are going through the roof in a lot of school districts. I am here to talk about, well, we're going to fund K-12 next year. And you could argue absolutely \$880 million is the right number or it's the wrong number, but it's the number. Some comments I would make. First of all, I've actually had experience because I worked in the University of South Dakota, and their higher education system is funded on a formula basis and it was tough. The Legislature would set an amount. All tuition would go to the general fund, so schools did not keep tuition. It went to the general fund, so everything was allocated back with that additional allocation. And then we would get together as seven institutions and fight over how the formula was going to use. And it got down to the point--the book was about this thick--that every class had a factor, depending on whether it was undergrad, grad, lower division, upper division, and it was a mess. And I also know, Senator Seiler, when you talk about 85 percent of the personnel costs, it's terrible when you get budget cuts and 85 percent of your costs are personnel costs, and you're trying to make decisions in April or May when you have tenured faculty, you have long-term faculty, you have classes. That is very difficult, so I can empathize with the problems that the school districts have and I empathize with you. You have a problem. I thought last year you did an excellent job of coming up with a good compromise to start the year, to start this year. And I know Senator Adams and the committee pushed for more money than was originally there. You did. We now are in the position if we weren't sitting here with revenue increases--we had \$26.5 million in January--now I don't know if that's going to continue, not continue. Who knows? If we were sitting here the way we were here last year, I would not be sitting here. You know, I can't say that we ought to take it away from Health and Human Services or take it away from higher education or whatever else, but I think we have a chance to do some things now. Some talk was about the state's contribution. And it's always dangerous when you stay up late and night and you decide that you want to learn a little bit more about school financing, but I actually did look and found the source was the U.S. Census Bureau 2005-06 on percentage contribution of the different states. And I'm sure there's more current data and maybe different data, but we had somebody talk about Kansas. They spend...56.8 percent of the funding for their K-12 comes from the state; in Nebraska, it's 31.4, according to this. Now it's probably...your numbers might be different, and I'm not going to argue that. My data showed Nebraska dead last in percentage of contribution, but there were a lot of them that were very close, so that could change over time. Senator Seiler, you asked about some of the other states. Minnesota funds 70.7 percent of their K-12 through the state appropriations. So is it...Vermont, 87.1 percent through state appropriations.

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Hawaii--I thought this was really kind of interesting--Hawaii has one school district, and it funds it at 89.9 percent through state funding. Is \$880 million the right number? Well, I guess that's something the body has to decide. But is it a worthy spending of money? I don't know what else we could spend money on, but possibly some of the health and human Services, I think, rank up there. And I don't say that just because Senator Haar is here; I have said that before. The two things that I think that we have to be so careful of in funding are health and human services and K-12 education because that's...those are the people that need it. I'll try and answer questions. If you're going to ask me intricate questions about a complex formula, I'm probably going to waive the rest of my closing, but I would be happy to take any questions or comments you... [LB947]

SENATOR ADAMS: Thank you for making yourself vulnerable, Senator. Are there questions for Senator Hadley? [LB947]

SENATOR HAAR: No. [LB947]

SENATOR ADAMS: Look at this. [LB947]

SENATOR AVERY: Oh, I can take care of that, Senator. (Laughter) [LB947]

SENATOR HADLEY: I knew this was too good to be true. [LB947]

SENATOR AVERY: Thank you, Senator Adams. How much of the bill that you have introduced here is driven by a desire on the part of a handful of school districts to recover what they lost last year, and how much of it is driven by the need to get \$880 million? [LB947]

SENATOR HADLEY: I think it's a little of both, Senator Avery. I think last year came as a shock to some school districts. The...you know, the... [LB947]

SENATOR AVERY: Well, Kearney lost the 23 percent. [LB947]

SENATOR HADLEY: Yes, it came as a shock to Kearney that...you heard a lot of people. But I think also it...I think school districts have to have planning horizons. We talk about that a lot in budgeting; it's your planning horizon. How far out are you going to plan for what you're going to do? And I would argue that part of it, the \$880 million is trying to give them a planning. That was a number that was out there, and I know it's an estimate; I said right away it was an estimate. I didn't sit in this chair and say we locked this in stone and, you know, we are pikers if we don't fund this. But they have to have some basis for making long-term decisions. Do we hire more teachers? Do we not hire teachers? So I, Senator Avery, I think it's a little bit of both, but I think we have to come up with a number, I truly believe. And we did it when we were going down. We had to, right? Because we just didn't have the money. [LB947]

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SENATOR AVERY: Right, and there were people who thought we were balancing the budget on the backs of teachers and kids. [LB947]

SENATOR HADLEY: Well, I think that...I think there are some that feel that way and there are probably others that don't, so I...you know, but I think there are people that think we did that and... [LB947]

SENATOR AVERY: But we also talked about shared sacrifice. [LB947]

SENATOR HADLEY: And I think, Senator Avery, I would say...you know, I...this summer I did talk to you, talked about a few districts. I talked to a fair number of districts--small, large--and I think there was shared sacrifice last year. I really do. I didn't hear that...I certainly didn't get phone calls that the \$821 million is just out of the question, the, you know...so you just have to weight it, and we have to weigh what we feel is appropriate funding. And, you know, I don't mean to take a lot of time, but the last thing. You know, sometimes when you deal with formulas, it doesn't sometimes arrive at the appropriate amount also. You know, you can...it's easy sometimes just to say, well, this is what the formula says. [LB947]

SENATOR AVERY: Every item in that formula had a reason for being there. [LB947]

SENATOR HADLEY: Absolutely. [LB947]

SENATOR AVERY: And it's based upon a need, and those needs were based upon some...putting them in the formula was based upon some sense of fairness. You want to be fair to the small schools, the rural schools. You want to be fair to the larger schools and the urban schools, and in the process we have a monster on our hands that I'm not suggesting we need to scrap it. I'm just...it's frustrating with...for me when we have to have these discussions about tweaking it all the time. [LB947]

SENATOR HADLEY: As you...I'll go back to my first point: I was not here to bash the formula. I hope Senator Adams remembers that when he gets that big club out. Just one other point on that. Senator Avery, I agree. I had a hunch that Bridgeport Public Schools have different needs/different situations than Omaha Public Schools. [LB947]

SENATOR AVERY: Um-hum. [LB947]

SENATOR HADLEY: So how do you develop something that fits both of them? You try to come up with something that...wouldn't it be great if you were Hawaii and you have...it's just one school district and you come up with one formula and...but I get...I would bet they have problems over there because probably in Maui it might be little different than Oahu, so... (Laughter) [LB947]

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SENATOR ADAMS: Senator Howard? [LB947]

SENATOR HOWARD: Thank you, Senator Adams. I suppose that even in Hawaii they could have problems. But one comment that you made that I have to respond to, you said "shared sacrifices in tougher times." And I think we went through that the last two years, and people have cut back and adjusted as best they could, and classroom sizes increased and positions weren't filled. But now it looks like the revenue picture is better, more hopeful than it has been, and I would suggest that the people that took on the burden of the tougher sacrifices should be given the amount to compensate them according to where we're at now, so thank you for bringing this in. [LB947]

SENATOR HADLEY: Thank you. [LB947]

SENATOR ADAMS: Anyone else? Thank you, Senator. [LB947]

SENATOR HADLEY: Thank you, Senator Adams. [LB947]

SENATOR ADAMS: That will close the hearing on LB947 and, Senator, I'll turn it over to you. [LB947]

SENATOR HOWARD: All right. Go do good. Senator Adams, you're bringing us LB913. [LB913]

SENATOR ADAMS: Thank you, Senator Howard and members of the committee. My name is Greg Adams, A-d-a-m-s, representing the 24th Legislative District. There's no time limit on the introducer, right? [LB913]

SENATOR HAAR: Right. [LB913]

SENATOR HOWARD: Go ahead. [LB913]

SENATOR ADAMS: Get comfortable. [LB913]

SENATOR HOWARD: Formula? [LB913]

SENATOR ADAMS: There's a lot to respond to. Well, I...frankly, I could go on and on about a lot of different things that we could argue about with some of the testifiers today philosophically and numerically, but let me move into my bill with just a couple of general comments. I don't like changing the formula either. I don't, and I can't remember a year when I haven't had to and present to you options. And quite candidly, I had my fingers crossed that we wouldn't have to deal with it this year. When the \$829 million came out, panic hit--not with me, I knew it wasn't going to be right--and then the Fiscal

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Office came up with a different number, and we still didn't have what the department needed to provide us until last week. Now it's at \$852 million, compared to an estimate of \$880 million. Good formula? Bad formula? I could go on and on. Let me tell you what one quote was last week. From a school board member from a large school district represented here today--I won't specify--came up to me and said, Adams, you know what you need to do to that formula? I said, what would that be? It's...it just can't be as complicated. And I said, all right, I got an idea and I've thought about it a lot. Let's take all the allowances and all the adjustments away, all of them--local choice, averaging adjustment, all of them. Oh, no, we can't do that. Our school district needs allowance A and B. Oh, and there are 248 other school districts that probably have something within the formula that they think is important as well. Good formula? Bad formula? I wish we could let it run and find out. There are components to it that I don't like personally, and I am sure that we can have a discussion. We will have a discussion in this committee about particulars that you like or don't like. But here we are; we don't need to have that discussion right now. As bills were coming in--specifically Senator Hadley, Senator Carlson's bill--and we were waiting for numbers, I decided that it would be prudent as your Chair of this committee to develop a plan and put it in place in the form of introducing LB913. Now I will tell you my philosophy was different than Senator Hadley's in the components that I chose to use in LB913. What I have done is to choose two components and two components only: base limitation rate, which translates over into cost growth, and the LER--those two mechanisms. And why? I'll tell you why. I felt it was my responsibility to think about 249 schools--not 20, not 30, but all of them. And if we're going to make adjustments in the formula, whether those all 249 get any of the benefit of whatever adjustment we make, I think it's more important that we strive for fairness in those adjustments and let those chips fall where they may. Now my bill in its simplest form does this. May I add? It does something else. I think, frankly, as a committee we have a bigger issue in the next biennium than we have in the next month-and-a-half, and the issue is the projected TEEOSA growth. When all of the components of LB235 that we put in place last year fall away and the numbers escalate double digit for TEEOSA, we will be back again. Whether we tweak or rewrite, we will be back again looking at this. What I tried to do in LB913 was not take a just next year look, but instead do two things: try to bump funding up for this next school year; and also try to begin, if maybe only to a small degree, to account for the issue we're going to have in the out years. So in its simplest form, here's what my bill does. First of all, it adds a 0.5 percent onto the base limitation, the allowable growth. It adds 0.5 percent to it, all right, trying to account for cost escalation. And remember we're going to take that 0.5 percent, and it goes over to the cost growth factor that we inflate the GFOEs by. And by the way that note only benefits many of the schools that were here today. It also benefits the nonequalized. And though they have the resource in terms of their property tax, they have not been able to spend it. This loosens that up for them, too, trying to give something to all 249. But on the other side of it, for next year rather than let it go to 2.5 percent, we bring it down to 2 percent. So we're up a half this year, down a half for next, and that controls that growth a little bit in the out years. It gives a little this year to

everybody, all 249, but it takes away, it slows down things a bit in the out years. The LER, the local effort rate, I don't know if there is any one mechanism of the formula that can have a greater impact on everybody than the LER, the local effort rate, what we hold schools accountable for. Last year, in order to make LB235 work we had to hold schools more accountable for their tax base. And thank goodness for double-digit valuation all over the place or the state would have had some real serious issues to deal with. And the reason we have 102 nonequalized districts is because of tax value and the LER--and the LER. So in an attempt again to try to help all 249 school districts, what I would suggest in LB913 is that we bring the LER down just a little bit for this next school year. Now admittedly, how many of those 102 nonequalized districts will suddenly say, happy days are here again, we're getting TEEOSA aid because of that move? Probably not much, but at least we've recognized their issue. At least we've recognized it, and my guess is that for many of the schools that were testifying in LB947, lowering the LER will have a positive impact to them. On the flip side, again thinking about the out year. The other thing LB913 would do, next year we are scheduled to go back to \$1 on the LER. It would bring it up to \$1.015; that's down from \$1.0395, where we're at right now. But next year, rather than take it clear to \$1, we would bring it up to \$1.015. And again, we're lowering. We're saying we're not going to hold schools quite as accountable for all of that value. And again, how many more schools will we have that will become equalized? I can't imagine it's going to be a whole lot, but at least it's recognition to them. At least it's recognition. Those are really the two elements. So we bring up and bring down, we bring down and we bring up on the LER. That's my idea of a way to approach this for the committee; it gives us another option to consider. Thank you, Madam Chair. [LB913]

SENATOR HOWARD: You're welcome. Do we have questions? Yes, Senator Avery. [LB913]

SENATOR AVERY: Thank you, Madam Vice Chair. Why are you changing the certification date? [LB913]

SENATOR ADAMS: You know, I wish I didn't have to. I wish I didn't have to, but the reality is--and we know it--that as long as we have bills introduced, whether they're by me or the committee or Senator Hadley or Senator Carlson or wherever they come from that could impact the numbers as they go out, we need to be realists and say we may not have that done by March 1, on or before May 1 now. [LB913]

SENATOR AVERY: But it does create some hardships for the schools. [LB913]

SENATOR ADAMS: You know, there's no question. But, you know, that was one of the reasons, Senator Avery, I had my fingers crossed for watching the numbers as they came out from the department: (a) because I didn't want to have to deal with aid again this year; and (b) I was hoping for schools' sake they could know March 1 what the deal



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is and make preparation. But... [LB913]

SENATOR AVERY: You were dreaming. [LB913]

SENATOR ADAMS: I was dreaming. [LB913]

SENATOR HOWARD: Any other questions? [LB913]

SENATOR ADAMS: Now I would tell you, Senator Avery, that in the amendment in LB633 that we put for on or before May 1, we still have a lot of latitude. I am sensitive to the April 15 deadline, I get that, but I don't know that we can have it two ways. We can't look at this for the benefit of schools and at the same time meet their March 1 certification date for them. [LB913]

SENATOR HOWARD: Senator Haar. [LB913]

SENATOR HAAR: Thank you very much. And a lot of this is politics, I mean, as we talked about earlier. And on the one side, we do have to decide how much money is adequate and ever...you know, I've only been here three years, but we always have to adjust that amount. There's no formula in the world, you know, that's ever going to take...that's ever going to be autopilot and can control that. How do we decide, do you think, on the other side? When we weigh the money, are our children achieving the excellence we want, and do we have the excellence in our school systems? Because that's the flip side of this decision--one is the money, the other is what do we want to happen with education. [LB913]

SENATOR ADAMS: Well, I think you're right, Senator Haar, and I'm not going to be...this remark may seem callous because it does take money to educate kids; there's no question about that. [LB913]

SENATOR HAAR: Sure. [LB913]

SENATOR ADAMS: But I am not convinced that achievement is always about how much you spend per kid. [LB913]

SENATOR HAAR: Yeah, I would certainly agree with that. [LB913]

SENATOR ADAMS: And I cannot quantify exactly what it costs to get a kid from this level to this level. I wish I could; so do you. [LB913]

SENATOR HAAR: Yeah, I wish we had a number. We could just plug that in and multiply by how many students and... [LB913]

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SENATOR ADAMS: Yeah, but your question is well taken; it's an appropriate question. [LB913]

SENATOR HAAR: Yeah. [LB913]

SENATOR HOWARD: Senator Avery? [LB913]

SENATOR AVERY: Thank you, Madam Vice Chair. I thought of something else I wanted to ask you. How close do you think this bill would take us to \$880 million? [LB913]

SENATOR ADAMS: Well, I don't have those numbers in front of me. When we Exec on this, I will have them. We've got the Fiscal Office looking at that just to be sure. [LB913]

SENATOR AVERY: Okay. [LB913]

SENATOR ADAMS: I mean, I had an idea before we had the \$852 million number the other day, but I think those need to be updated so that we as a committee really know what we're talking about whether it's with Senator Hadley's bill or this one. [LB913]

SENATOR AVERY: And you obviously then don't know what it would do to Kearney or LPS or any other individual school district? [LB913]

SENATOR ADAMS: Don't look at them. [LB913]

SENATOR AVERY: Yeah. You must be the only one who doesn't. [LB913]

SENATOR ADAMS: Otherwise, I'd be...otherwise, I could look at York and Seward and wonder what's going to happen to them, and that's not fair to the other 247. [LB913]

SENATOR AVERY: Yeah, thanks. [LB913]

SENATOR HOWARD: Any other questions? [LB913]

SENATOR ADAMS: Okay. [LB913]

SENATOR HOWARD: All right, let's see if you've got any proponents. Proponents for LB913? [LB913]

SENATOR ADAMS: I'm beginning to feel more like Raikes. [LB913]

SENATOR HOWARD: I was thinking that same thing. [LB913]

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SENATOR AVERY: Yeah. I was saying you're looking like Raikes now. [LB913]

SENATOR HOWARD: Welcome to the Education Committee. [LB913]

JON HABBEN: Senator Howard and members of the committee, my name is Jon Habben, J-o-n H-a-b-b-e-n, Nebraska Rural Community Schools. I was really glad to see this bill. I do think the LER is a big part of this discussion. And I really felt that if there's a way to move forward, that--including the LER as part of the attempt to access those funds, part of the attempt to improve the circumstance for as many schools as possible--I really felt the LER had to be a part of the discussion. LB947 I can support, as I described, if all the money goes into the equalization side of the formula. But this bill I look at more favorably because I believe so much in that LER having such an impact upon schools across the state--all of the schools, not a few of them, but all of them. And with that I'll just tell you I'm glad to see this bill, and I hope it is a very, very strong part of your discussion. [LB913]

SENATOR HOWARD: Do you want to comment at all on the change in the deadline to May 1? [LB913]

JON HABBEN: The certification date? [LB913]

SENATOR HOWARD: Um-hum. [LB913]

JON HABBEN: Yeah, we should... [LB913]

SENATOR HOWARD: How will that affect your schools? [LB913]

JON HABBEN: Well, all schools...I think this is one of those blanket answers. All schools wish it was as early as possible simply because of your planning calendars that you go through. When I superintended for 17 years, the issue was how early can I possibly know this stuff. It's the same thing, for example, with valuation--the adjusted valuation. We used to start seeing those figures fairly early, and you could do some planning. And pretty soon it was later, and now it's August 20. Same issue. [LB913]

SENATOR HOWARD: Do we have any questions for Jon? Yes, Senator Haar. [LB913]

SENATOR HAAR: Yes. Well, thanks for letting us use you as a sounding board today. (Laugh) What I hear you say then is you like the \$880 million from LB947, and you like the way this is tweaking the formula better. Would that be accurate? [LB913]

JON HABBEN: Well, I think the \$880 million becomes a target simply because of all the discussion that's been occurring. [LB913]

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SENATOR HAAR: Um-hum. [LB913]

JON HABBEN: As far as between \$852 million and where? Well, \$880 million is the number that is continually brought up as whatever that target is, so yes. And increasing that authority to 2 percent, I think that's very positive and I think it does help. Increasing it to 1 percent would be help, not as much as 2. Increasing it 0.5 percent I think is a fairly limited amount of help. But I really see the LER as a key player in this discussion because I think, as I mentioned before, we can talk about ag land valuation spikes, but if you go look at where those occurred, wasn't equally across the board by any stretch. So that LER really was a major factor in state aid flowing away from the schools in the NRCSA enrollment range. [LB913]

SENATOR HAAR: Um-hum. Yeah, to continue, then I am at least one who believes you can't just use TEEOSA as an autopilot because we'll never have a perfect formula. So we have to look at the two political sides of the coin. One is: How much money do we think is adequate? And I think you used that word earlier. And the other side is: What's our funding doing to children and what we expect from the schools. How do we...it's almost easier to look at the money side of the coin. [LB913]

JON HABBEN: It is. [LB913]

SENATOR HAAR: How do we look at the other side? [LB913]

JON HABBEN: That's very difficult because you've got schools of all sizes in all locations, and it's really difficult because I can't tell you. The three schools that I superintended at weren't equal in terms of curriculum and the kinds of programs they could have. [LB913]

SENATOR HAAR: Um-hum. [LB913]

JON HABBEN: They varied significantly in enrollment. And so when you're looking at that impact, you're kind of leaving it up to that local district to determine what's the best it can do for the students that it has and the money that's available. And that becomes that baseline of operation, and then you hope to find improvements and maybe be able to actually act on those improvements if funding helps you to do that. That's why it's easier. Here, I think it's much easier to look at the dollars because there's so much locally going on that impacts the quality of curriculum at each size and location. I think that's a much more difficult discussion in a policy arena. [LB913]

SENATOR HAAR: Um-hum. But that's the one we need to have because the pressure right now is do more with less, I mean. And we're hearing that from a lot of constituents and groups and so, you know, just achieve the excellence and find a way to do it with less money. [LB913]

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JON HABBEN: Yeah, yeah. [LB913]

SENATOR HAAR: So even though it's difficult, we need...somehow we need to look at how this is all affecting the children. [LB913]

JON HABBEN: Oh, I think so, and I think part of that has to do with the assessment process that the Legislature has worked on and the department is working on, trying to figure out ways to measure and determine and how do we make sure all kids are learning. I think all of that comes together. I think the state aid formula is the money component. I think the other component, you'd almost have to look at it separately at this point. I think if you were to say, well, depending upon your senior class's ACT scores, we will give you this much state aid to keep that going or, you know, you can't... [LB913]

SENATOR HAAR: Hmm. No, no, no... [LB913]

JON HABBEN: You just run into a real mess on any level of that kind of discussion. [LB913]

SENATOR HAAR: Um-hum. So part of this is what are we willing to commit to our children... [LB913]

JON HABBEN: Yes. [LB913]

SENATOR HAAR: ...to give them an excellent education. [LB913]

JON HABBEN: Yes. I think that's hitting the nail on the head, yes. And I...you know, I don't know how we compare between states because gosh, states have so many different dynamics. [LB913]

SENATOR HAAR: Right, yeah. [LB913]

JON HABBEN: But I think philosophically, absolutely, because that's the whole point of everybody that's been sitting in this room talking to you about education policy is: How do we best create opportunities for kids and then help them on that path to take advantage of those opportunities? [LB913]

SENATOR HAAR: Um-hum. [LB913]

JON HABBEN: I mean, that's what we do. And so you look forward when you do that, and looking forward means you're trying to find ways to improve and ways to enhance and ways to make it better, and so that discussion inevitably brings you back to the

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discussion of, well, this is going to take some money, you know. Some of this will take less, some of this will take more. You know, what possibilities do we have? [LB913]

SENATOR HAAR: Well, you know, when I wake up at 3:00 in the morning and start to think about things, one of the things that concerns me is that I think science is telling us--and there's a lot of information on this now--that we probably ought to do a lot more with preschool. [LB913]

JON HABBEN: Um-hum. [LB913]

SENATOR HAAR: You know, especially in low economic areas. [LB913]

JON HABBEN: Yes. [LB913]

SENATOR HAAR: The money spent there more than pays off, in all ways for society, than spending it later. [LB913]

JON HABBEN: Yes. [LB913]

SENATOR HAAR: So, you know, it seems to me that we're going to...as we consider public funding of preschool...right now, most of...a lot of it in this state anyway is just privately done, but these numbers could go up. [LB913]

JON HABBEN: Well, and as grants go away, then it becomes incumbent on the district to make some decisions. And I will tell you whether it's going to full-time kindergarten or whether it's adding a preschool, sometimes the decision--especially if things are tight--sometimes the decision has to be to remove a different opportunity or reduce a different opportunity in order to be able to have that full-time kindergarten and that preschool, and those are tough decisions. Those are tough decisions, but schools make them all the time. I mean, you know, we know what the box is we operate in, and we work within it as best we can. [LB913]

SENATOR HAAR: But some of the decisions are you slice the pie differently and the others is you make a bigger pie. [LB913]

JON HABBEN: Making a bigger pie is certainly helpful to the discussion of ideas; I can't deny that. [LB913]

SENATOR HAAR: And it's campaign season, so help me out here. [LB913]

JON HABBEN: So, yeah. [LB913]

SENATOR HAAR: Thank you. [LB913]

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JON HABBEN: Welcome. [LB913]

SENATOR HOWARD: Do we have any other questions? Thanks so much. [LB913]

JON HABBEN: Thank you. [LB913]

SENATOR HOWARD: Other proponents? Are there opponents? Welcome to the Education Committee. [LB913]

VIRGIL HARDEN: Good afternoon. Thank you. For the record, my name is Virgil Harden, V-i-r-g-i-l H-a-r-d-e-n. I am the director of business for Grand Island Public Schools. Thank you for the committee and the opportunity to speak to you. As always, Senator Adams did an excellent job introducing his bill and the concepts. Grand Island Public Schools, earlier our board president testified, and so you heard some of the challenges that we faced just getting ready for the current school year. So as we look into the future and try to plan, we support LB947 and are opposed to LB913, specifically to the exact components that Senator Adams mentioned. It simply does not restore the base limitation--cost growth factor--fast enough. He called it a smoothing factor, where we would like to see it restored to the 2.5 percent that it would be otherwise. I'll remind you that currently, for this school year, it's at zero. The use of the LER to further adjust TEEOSA has a positive effect for one year. And again, as Senator Adams mentioned in his testimony, it takes them somewhere around \$25.4 million out of the formula in the year once removed. It also...then it does not address, as LB947 does, the averaging adjustment. Grand Island Public Schools is, as was mentioned earlier, a very traditional conservative school district that has a low spending per pupil cost. We have a school district with high needs, lots of ESL students, lots of poverty students. They come to us needing a lot of services which cost a lot of extra dollars. And from counseling, social workers, extra pullout services, after school, a preschool, summer school, extended school year, so all of those things cost dollars and money, and so we believe that LB913 doesn't do as good a job as the previous bill that you heard this afternoon. And so for those reasons we oppose LB913. [LB913]

SENATOR HOWARD: Thank you. Are there any questions? Senator Haar. [LB913]

SENATOR HAAR: One thing everybody would like is more money; we know that. But from a business standpoint, this kind of thing, the fluctuation up and down has got to drive you crazy as a business manager. What would you suggest that we do with TEEOSA to level out those expectations? And you may or may not get as much money as you want, but... [LB913]

VIRGIL HARDEN: Well, that's a good question. Not that we've talked about it in our district to a large extent, but certainly some kind of...you know, you think about the

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roads fund. When you think that there's a mechanism to have those things prefunded, you have to think about the state spending close to \$1 billion in funding on schools. Why is there no mechanism or funding to smooth out or have some kind of reserve fund designated for TEEOSA to smooth out the ups and downs that school districts in this state are faced with? [LB913]

SENATOR HAAR: Um-hum. [LB913]

VIRGIL HARDEN: So for my seat on the bus, to use an analogy, I think it would be good public policy for the state to think about the concept of developing a state aid TEEOSA formula cash reserve, for lack of a better term. It's a large commitment. It's a commitment that is very obvious, from all of the dialogue this afternoon, that we all care deeply about. If we care deeply enough about it, then we care deeply enough about it to fund it and smooth out those ups and downs and prefund them, not post. It seems like we're so reactionary. Everything we do is, well, the economy is bad. Well, the economy is going to be up and down over the years. We know that there's recessions, we know that there's cycles to the economy. We should plan for those; we should be proactive for those things. We shouldn't wait around for the economy to go bad and then wonder why we have this funding problem. We don't have a funding problem, we have a planning problem. [LB913]

SENATOR HAAR: Um-hum. So...and that's an interesting idea, but do you see any factors--you've got to be really familiar with TEEOSA--any factors that sort of ought to be put on hold for...so that schools could plan more? [LB913]

VIRGIL HARDEN: Well, you know, one thing that we've talked about quite a bit was the class size adjustment. You know, it doesn't seem like unless you're willing to, as a state, run a fully funded, needs-based formula that you can have a formula that says, schools, you're accountable for 20 students or less to a classroom and expect us to try to achieve that and not fully fund it, so you have to make up your mind. You either have to fully fund the formula so we have the resources to do that, or you have to say, I guess we're really not committed to 20 or less, and maybe you can have 25 or less to a classroom. [LB913]

SENATOR HAAR: Um-hum. [LB913]

VIRGIL HARDEN: So I would think, you know, that that would be certainly one area of the formula where you could look at and ask yourself, are you committed to that? Is that something you truly want to fund? [LB913]

SENATOR HAAR: Um-hum. Okay, thank you. [LB913]

SENATOR HOWARD: Senator Avery. [LB913]



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SENATOR AVERY: Thank you, Madam Vice Chair. You said something that I found very intriguing when Senator Haar was questioning you about what we could do to smooth things out. You don't like Senator Adams' idea of ratcheting down things and smoothing out over the long haul. This cash reserve fund...and I'm not expecting you to work it out in your head yet, but I'm thinking of...oh, it's a common practice in international trade to have a commodity fund that poor countries can draw from when they're in tough financial times, and it allows them to survive, to come back and...for another day. Is that what you're thinking about here, is that a school that...like Kearney, that took a 23 percent hit last year, would be able to draw on this fund in order to soften the impact? [LB913]

VIRGIL HARDEN: Well, I would actually envision it managed at the state level and not at the district level. I would imagine...you know, we already had... [LB913]

SENATOR AVERY: I wasn't suggesting at the district level, but the districts would be able to go to this state cash fund. [LB913]

VIRGIL HARDEN: Okay, yes. Absolutely, um-hum. [LB913]

SENATOR AVERY: All right, now would that then just be free money to them? Now you came out short in the formula, so we're going to allow you to draw say \$10 million out of this fund and soften the impact, or do they have to pay it back? Or would this just be additional money that they would never be accountable for? [LB913]

VIRGIL HARDEN: Well, the humorous side of my personality tells me to tell you with a little bit of planning, we could come up with a 47-point formula to manage that situation, but that probably isn't terribly... [LB913]

SENATOR AVERY: Oh, I bet we could do it right here. [LB913]

VIRGIL HARDEN: Yeah, I'm sure we could, but that probably isn't terribly helpful. You know, I think it's definitely something that they would be given as a smoothing, so it would be truly a withdraw from the fund to help them in their moment of need. They would not be expected to pay for it, they would be expected to plan for that reduction in funding the following year, and so it would be a smoothing of the effect. And then, you know, if you could have it on the down year, you kind of have to be ready to pay for it on the up year. So when there's an up year where there's a massive increase in the calculated state aid, maybe you only get 80 percent of that to fund that formula. Does that make sense? [LB913]

SENATOR AVERY: Hmm. Yeah, it's an interesting idea. [LB913]

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VIRGIL HARDEN: So... [LB913]

SENATOR AVERY: Let me ask you another question. Do you believe that the current formula--the way we have constructed it in general, not specific little tweaks--do you think it is sustainable over the long haul? [LB913]

VIRGIL HARDEN: Well, philosophically I guess it depends on what you determine is sustainable. If you run a fully funded, needs-based formula, you're going to have to be ready to spend well over \$1 billion in state aid to schools. It seems... [LB913]

SENATOR AVERY: But now you're talking about growth though, in excess of double digits--annual growth. [LB913]

VIRGIL HARDEN: Well, it could be. Could be, but that...it... [LB913]

SENATOR AVERY: And do you think that's sustainable? [LB913]

VIRGIL HARDEN: Well, before I can even get to the sustainability is, is there the will to...I mean, the question becomes at what point and who determines, kind of like the dialogue earlier you had with Jon. At what point and who decides that \$880 million is the figure? I mean, we all understand the history and how we got to where we're at, and everybody did their absolute best to get to there. Is \$880 million sustainable? I'll tell you that you're underfunding school districts right now in the long haul, right now at \$880 million. But from your seat you maybe saying, well, we think we're overfunding and we can't support that. [LB913]

SENATOR AVERY: Well, we're on a path toward exceeding \$1 billion already... [LB913]

VIRGIL HARDEN: Correct. [LB913]

SENATOR AVERY: ...under the old formula. [LB913]

VIRGIL HARDEN: I guess it...you know, if the price becomes too much, then the outcomes and the expectations of what you expect your educational system to achieve have to be the thing you're willing to give on. [LB913]

SENATOR AVERY: State spending has been increasing in Nebraska over the past, I think, decade, about 3.1 percent annually. [LB913]

VIRGIL HARDEN: Um-hum. [LB913]

SENATOR AVERY: So you're suggesting that schools really ought to be funded double digits and the rest of the state programs somewhere way below that because if we do

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that amount of funding for K-12 there won't be much left for anybody else. [LB913]

VIRGIL HARDEN: Well, I don't think it's helpful to say we deserve more in context of other important state functions. I think it's important and helpful to turn our attention to what's driving our expenses. Are we just spending to spend money or are we spending money to deliver curriculum to a group of students that come to us as they are? And we take them and we do what we can and we're...our goal and our objective is to get one year's worth of growth in their educational achievement from one year to the next. That costs a certain amount of money. Some kids don't need a lot of time and extra attention and effort. Other kids come to us in horrific circumstances, and they need lots of support and help. So if that costs 10 percent increase this year because that's what it costs as a state, we either have to be willing to pay for that or be willing to back off what we want to achieve. [LB913]

SENATOR AVERY: Um-hum, yeah. I agree with you. Thank you. [LB913]

SENATOR HOWARD: Senator Haar, let me see if there's anybody over here that...does anyone over here have any questions? No? Okay, you're on. [LB913]

SENATOR HAAR: Well, first of all, do you think there ought to be a penalty to school districts that rob superintendents from other school districts? [LB913]

VIRGIL HARDEN: Hmm. No comment, Senator. [LB913]

SENATOR HAAR: You said right now we're underfunding schools. [LB913]

VIRGIL HARDEN: Correct. [LB913]

SENATOR HAAR: Don't talk to me in terms of just dollars, but why do you say that? Talk to me in terms of the excellence of education. [LB913]

VIRGIL HARDEN: Well, great question. The things that we addressed and we had to cut, in Grand Island specifically we had to cut back on what we were planning for our capital expenditures, what we're planning to spend on our investment in technology, what we're trying to spend on curriculum materials. All those things in the short term can absolutely be done. We wanted to be partners and we wanted to be at the table to help achieve the issues that we were all facing last year, and we understand that. What we're saying is that we need to be brought up as fast as possible to a more realistic figure that's going to...what's going to be necessary to fund schools so we can restore those, you know, cycles. Somebody earlier mentioned that their cycle was now going to be ten years for their curriculum materials. Grand Island did the same thing. We used to have a seven-year cycle. We want to get it back to a seven-year cycle. We have a large dollar amount that we need to invest in our infrastructure because technology is constantly

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changing. And the kids that come to our classroom today as five-year-olds don't know anything but technology. They're ready for it before our staff are. We have a large amount of staff development that we have to do to get our staff ready. You know, there's just so many facets of the operations of a school, and if we don't influx more dollars those things are going to fall to the wayside, and that's where we're at right now. It's not critical, but it's at the start of if you don't get ready for a larger investment, those things will fall away. We will get ten-year cycles for everybody or more. We will fall behind in technology adoption. We will fall behind in our infrastructure. We maintain 1.8 million square feet of space. Right now, we have \$250,000 of budget authority in our special building fund for this year to maintain 1.8 million square feet. That's not...that's nowhere...I mean, a dollar at minimum would be what we would need, so we need \$1.8 million and we're getting \$250,000. So that's an example of real hard dollars, and at \$1 a square foot that's not outrageous. I mean, if you owned a commercial property and you only had to put \$1 a square foot into maintaining that on a yearly basis, you'd probably be pretty happy with that. [LB913]

SENATOR HAAR: Okay, thanks. Appreciate it. [LB913]

SENATOR HOWARD: Senator Sullivan? [LB913]

SENATOR SULLIVAN: Thank you, Senator Howard; and thank you, Mr. Harden, for your comments. You said that perhaps it's not that we have a funding problem, it's that we have a planning problem. [LB913]

SENATOR HAAR: Yeah. [LB913]

SENATOR SULLIVAN: Any thoughts on how that planning needs to take place and at what levels? [LB913]

VIRGIL HARDEN: Hmm. Well, you're asking me hard questions here, you know, and I certainly don't want to diminish, or I don't want you to take that comment as any kind of, you know, comment or any kind of attack on the committee. I mean, I know you guys work and care deeply about what you're doing in your role and your responsibility, so I want that clear initially. You know, I think, you know, working with the school associations, working specifically with the NCSA and the school business officials and talking about--openly and honestly--about the things that drive schools and the factors that we need to. You know, there's a large amount of schools--you look at some of the printouts that were made available on Friday and you look at the levy rate that a lot of schools are at--you know, and you see a lot of those schools that are below \$1. And yet, you know, the taxpayer in Grand Island is paying \$1.05--\$1.04 for the general fund and \$1 for the special building fund--and yet a taxpayer in some other county is paying \$0.65. You know, that just seems to be a lot of funding that's going away, and the question would be: Where is that going and why, and is there an ability to plan for that

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money into some kind of fund that would allow for the smoothing of TEEOSA on a statewide basis? So I think there needs to be that dialogue and some accountability on expectations of exactly what the proposal would look like and how it would be funded, how it would be utilized, that type of thing. It all has to be planned for, so I think a dialogue between the Legislature. I don't know if it's just, you know, we study committees. You know, you hate to propose another study but, you know, there might be an opportunity there because there is a real need to smooth out the ups and downs. You know, somebody mentioned six years on the committee and six years we're ratcheting it down. You know, it just never ends. [LB913]

SENATOR SULLIVAN: I certainly agree with you on that, but that sort of planning takes time too. [LB913]

VIRGIL HARDEN: Yes, it does. [LB913]

SENATOR SULLIVAN: And so the reality of...and you said earlier in your comments that you view LB947 as a much more suitable alternative. But yet then what do we do when we're in the out year faced with an over 20 percent increase in the formula? And how do...I'd like you're input on how we deal with that. [LB913]

VIRGIL HARDEN: Well, you know the state has ability to generate revenues from a, you know, a number of different areas--sales tax, corporate income tax, those things. We all know the Governor has a plan to reduce those. You shifted money from the general fund to roads last year. You know, somebody again sitting in my seat on the bus might say it looks like you value roads more than you do children, but that might be kind of harsh because I sure like to drive on nice roads, too, just as much as anybody else. So you have a hard thing to do. But, you know, literally an appropriation that says we create a fund, you know, maybe you could think about establishing some kind of TEEOSA smoothing fund and have it be appropriated to a certain amount from state resources or declare that half of the state reserve/state aid/cash reserve is dedicated to a particular purpose, and that's for the smoothing of TEEOSA. If you have \$300 million in a cash reserve from the state basis, \$150 million would be limited to only being used to smooth out TEEOSA, and you couldn't use that other \$150 million for anything else. That would be a mechanism to do that. Hold yourself accountable for your single-largest expenditure that you make as a state. [LB913]

SENATOR SULLIVAN: Thank you. [LB913]

SENATOR HOWARD: Any other questions? I just want to tell you thank you for your focus on children through the work of your social workers. [LB913]

VIRGIL HARDEN: You're welcome. [LB913]

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SENATOR HOWARD: You've been a frontrunner in that. Thank you. [LB913]

VIRGIL HARDEN: Appreciate it. [LB913]

SENATOR AVERY: You said we ask hard questions, but you didn't seem to have any trouble answering to that. [LB913]

VIRGIL HARDEN: Well, I have my opinions. (Laughter) [LB913]

SENATOR HOWARD: Thank you. Are there any other opponents? [LB913]

SENATOR HAAR: You know, I wish there was some matrix to tell us... [LB913]

SENATOR HOWARD: A guide, a frame of reference. [LB913]

SENATOR HAAR: Um-hum. [LB913]

SENATOR HOWARD: Welcome. [LB913]

NANCY FULTON: Thank you. Good afternoon again, members of the Education Committee. My name is Nancy Fulton, N-a-n-c-y F-u-l-t-o-n. I'm a 34-year classroom teacher and president of the 28,000-member Nebraska State Education Association. My comments on this bill will be brief, much briefer than my previous comments. NSEA opposes LB913 for the very same reasons that we support Senator Hadley's LB947. Simply put, LB913 would ultimately reduce state aid to below what the current level is, yet to ensure that Nebraska's students have the opportunity to succeed we need more resources not less. I'm asking you to align the state resources and put public education for all Nebraska's students, whether they're age 5 all the way up to age 21, as the number one priority over all the other proposals that you are considering as a legislative body. If the state of Nebraska is serious about being competitive among its national peers in economic development and small business creation and growth, then it must equitably and adequately invest in strong public schools. I believe LB913 falls short of achieving that goal. Thank you. [LB913]

SENATOR HOWARD: Thank you. Do we have any questions? Senator Council. [LB913]

SENATOR COUNCIL: Thank you. Thank you. You mentioned the one term that...I'm sitting here and with all the testimony we've had, you're the only person that's mentioned really equitable in the sense of equitable. And I'm sitting back, going through my days on school board, and I've listened to the rankings of where Nebraska is in terms of state aid. And I'm going to tell you, from my recollection it hasn't changed much since I was on a board of education, and that's almost 20 years ago. And when we talk

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about equitable educational funding, you know, my recollection of where the most equity is found is in those states where the state provides the greatest percentage of funding for education. Do you share that view or...? [LB913]

NANCY FULTON: I do, and I think I spoke to that earlier, where Nebraska is in the bottom five of providing education funding and I'm...so we do need to be more equitable. And somebody else, you know, shared some of the facts that I didn't have that I could, you know, provide to you. But we, you know, we are not doing it the same percentage that other states are doing. [LB913]

SENATOR COUNCIL: All right, thank you. And I recognize that, but what I'm trying to...I guess the point I'm trying to make is that all of the educational research says if you want to get to equity in educational funding, you have to move away from property tax and move to another funding source and that being, generally speaking, state funding, correct? [LB913]

NANCY FULTON: State, I agree with you. [LB913]

SENATOR COUNCIL: Okay, thanks. [LB913]

NANCY FULTON: Thank you, Senator. [LB913]

SENATOR HOWARD: Any other questions? Thank you. [LB913]

NANCY FULTON: Thank you. [LB913]

SENATOR HAAR: See no gap. [LB913]

SENATOR HOWARD: Opponents. Welcome. Thanks for your patience. [LB913]

ANGELO PASSARELLI: Thank you. Senator Howard and members of the Education Committee, my name is Angelo Passarelli, A-n-g-e-l-o P-a-s-s-a-r-e-l-l-i. I'm with the Millard Public Schools. We oppose this bill. Appreciate Senator Adams' efforts to raise that projected number and try to get that up a little higher, just don't think it goes far enough, so we support Senator Hadley's bill for that reason. And, you know, the days of automatic pilot have long gone. We've been trying to hit numbers ever since. Here's another example, and we just think that number should be the \$880 million number and not something lower. The cuts are real. I tried to bring that up with my testimony last time. They're important. It's important decisions that you have to make, and I would certainly urge you to strongly consider that as we move forward, and that's all I have. [LB913]

SENATOR HOWARD: Thank you. Any questions? [LB913]

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SENATOR HAAR: Yeah, I do. [LB913]

SENATOR HOWARD: Senator Haar. [LB913]

SENATOR HAAR: Again, without crying wolf, what do you see as the things that are happening? If you'd agree that we're underfunding education right now, what's happening to students? [LB913]

ANGELO PASSARELLI: Well, as I mentioned, we're raising class sizes all the way around. We're reducing administrators as we do that, noncertified personnel, talking about fewer paraprofessionals in our buildings and secretaries in our offices. Those kinds of things are all things that are being considered. We've done the, you know, the cuts that were easier in several...over several years, and so the low-hanging fruit is not there anymore, so we're making more dramatic cuts now. [LB913]

SENATOR HAAR: So the people that just say...well, how would you respond? Because, you know, these things are coming up now as we're all getting input from constituents, just cut back on administrators, how do you respond to that? [LB913]

ANGELO PASSARELLI: I had something in there I was going to tell you. We have the same number of administrators in our district today that we had in 1995. Since then, we've opened up...that was the year we opened up Millard West High School. We've opened up five elementary schools and a middle school. So we have done that, Senator. [LB913]

SENATOR HAAR: Can't you just get by without administrators? [LB913]

ANGELO PASSARELLI: We don't think so, not entirely. [LB913]

SENATOR HOWARD: Any other questions? Thank you, thank you. [LB913]

ANGEL PASSARELLI: Yeah. [LB913]

SENATOR HOWARD: Other opponents? [LB913]

LIZ STANDISH: Good afternoon, Senator Howard and members of the Education Committee. My name is Liz Standish, spelled L-i-z S-t-a-n-d-i-s-h. I'm here to testify in opposition of LB913. The one message I will bring is truly the cuts in the out years. If we do need to have a comprehensive conversation about the formula in future years, if that conversation needs to occur, we would prefer that we keep that conversation comprehensive and not take a piece of it this year and then leave us there the next year at a lower level. In my history here before you, it has pretty much predicted. Nobody



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remembers a reduction made in the previous year, and we're just...you hear educators here all afternoon just truly advocating for funding for K-12, and I think part of that advocating for funding for K-12 is not to take a reduction in the formula in what would be just an approach this year, almost a piecemeal approach. [LB913]

SENATOR HOWARD: Thank you. Are there any questions? Thank you. Welcome. You've waited all afternoon. [LB913]

KYLE FAIRBAIRN: I have, Senator Howard. Senator Howard and members of the Education Committee, my name is Kyle Fairbairn with Bellevue Public Schools. My name is K-y-l-e F-a-i-r-b-a-i-r-n. We come in opposition to LB913, although we do very much appreciate Senator Adams' attempt to fund the formula closer to the \$880 million versus the 952 that looks like the formula is going to come out to right now. But again, the out years, we're already making adjustments to the out years even though we're not even to the out years again. So that tweak is...again, it's just another tweak, but it...again, it's a lessening of funding already before we even get to the out years to see what the formula is going to produce. We do appreciate Senator Adams' thoughts, and I would sure answer any questions if anybody had any. [LB913]

SENATOR HOWARD: Thank you. Do we have any questions? [LB913]

SENATOR SULLIVAN: Just one. [LB913]

SENATOR HOWARD: Senator Sullivan. [LB913]

KYLE FAIRBAIRN: Yes. [LB913]

SENATOR SULLIVAN: Thank you, Senator Howard. Just a small clarification: What do you do for Bellevue Schools? [LB913]

KYLE FAIRBAIRN: I'm the director of finance for Bellevue Public Schools. [LB913]

SENATOR SULLIVAN: Okay, thank you. [LB913]

SENATOR HOWARD: All right, thank you. Thank you for coming. Welcome. [LB913]

MARK SHEPARD: Thank you. Senator Howard, Senator Adams, and members of the Education Committee, my name is Mark Shepard, that's M-a-r-k S-h-e-p-a-r-d. I am the associate superintendent for business for Lincoln Public Schools...testify today in opposition to LB913. And I do want to recognize Senator Adams' efforts with LB913. We agree with his efforts for the upcoming year as already has been mentioned, targeting the \$880 million, knowing that the current calculation is somewhat short of that. However, we do have the same concern that's already been mentioned about the

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upcoming years and the effect of LB913 on those years. As was previously mentioned by my superintendent, Dr. Joel, on his testimony on LB947, we have received a substantial decrease this past year at Lincoln Public Schools in state aid. At the same time, we experienced very little growth in our assessed valuation. That growth was 0.39 percent. That's less than 0.5 percent overall in our assessed valuation. We're right now at a point where we're not back to where our district was in 2008 and 2009. I know it was mentioned earlier about the printout that came out last Friday and the anticipation that LPS would see a pretty substantial increase this year. I think it's also important to point out that with that increase we wouldn't be back to where we were two years ago on state funding. During that same time, our district has grown substantially. We experienced 950 students two years ago, 900 a year ago, an additional 700 in the current year. As we looked at our budget this year, we really approached it from a four-pronged approach. We had to look at some one-time type of expenditure cuts. We had to look at the second approach being some continuing expenditure cuts which included reductions of administrative personnel--central office administrative personnel. We looked at utilizing a portion of our cash reserve. We've talked a little bit about a state cash reserve; I think that was mentioned by a previous testifier. We had to utilize a portion of ours, but we anticipated that utilization. That was part of the cliff; that was part of what we were told we needed to plan for. We also increased our general fund property tax levy. At the same time, we maintained an overall flat levy in all of our funds. So I think when we start to look at the changes that are presented in LB913 and we compare those to the changes in LB947, LPS, and I think a number of testifiers today, would pursue the changes in LB947, the biggest concern being the out years. Thank you. [LB913]

SENATOR HOWARD: Questions? [LB913]

SENATOR HAAR: Yeah. [LB913]

SENATOR HOWARD: Okay, Senator Haar. [LB913]

SENATOR HAAR: I was first. [LB913]

SENATOR HOWARD: Maybe. [LB913]

SENATOR HAAR: So, Mark, is your biggest concern the amount of money or the fact that the factors in TEEOSA are changing and stuff from year to year? Which of those two are...? [LB913]

MARK SHEPARD: I think the biggest concern for us is we're a district that continues to grow. We're a district that is seeing very little growth in our assessed valuation. We're a district that's seeing pretty substantial changes in our demographics, factors that are identified within the formula that should have an impact on state funding. And a year

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ago, we experienced a pretty substantial decrease. As we looked at it a year ago, we met several times with Senator Adams and his staff, we met with a number of our Lincoln senators, we talked about the concerns that we had. We also understood that as K-12 as a whole, we needed to be part of the solution. We're part of the largest group that's funded by the state, and so we knew we'd have to be part of the solution. Now as we look at a budgeted amount of \$880 million and suddenly the formula is producing less than that, I think we should also be part of that. And if there is additional state funding that's available, we believe that K-12 should be receiving a portion of that. [LB913]

SENATOR HOWARD: Senator Avery. [LB913]

SENATOR AVERY: Thank you, Madam Vice Chair. Mr. Shepard, isn't it true that in previous downturns in the economy and previous tweaks to TEEOSA formula that LPS has done pretty well until last year? [LB913]

MARK SHEPARD: I think pretty well is really a matter of perspective. [LB913]

SENATOR AVERY: Well, of course it is. [LB913]

MARK SHEPARD: The reason that LPS would have done well--and I've only been with the district for three-and-a-half years--but the reason that LPS would have done well would have been the factors that were identified in the formula and what's happening within each individual school district. If your assessed valuation, if your ability to generate local resources is not increasing but at the same time your needs are increasing as identified by the formula, then it is the recipe for your district to do better than maybe a district whose needs aren't increasing or possibly even decreasing at the same time their local resources are increasing. [LB913]

SENATOR AVERY: Yeah, I think I'm the one that said that I've been here six years now, and this is the sixth time we've taken a look at the formula and adjusted it. In all of those years except for last year, LPS came out looking pretty good. The first time that LPS takes a hit, this is what we get. And I will tell you the truth, it's not making me very happy to see my home district behave this way. [LB913]

MARK SHEPARD: Well, I guess my response to that would be when you say that this is what we get, we have been very supportive of Senator Adams, we have been very supportive of your committee over the years. And when we look at the way we behaved a year ago, if you want to call it that, what we did is we looked within our own budget. We looked at the changes that we needed to make to continue to produce a very high level of educational excellence, we looked at making cuts as far away from the classroom as possible--the cuts that I outlined earlier--and we really, I think, tried to respond to it in such a fashion that we took into account how we do our day-to-day

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business and how we're going to work through the downturn of the economy. We didn't whine about it. We met with senators, we talked with them about our reality, our situation. And when we look at the support that we have for LB947...and the opposition to LB913 is not for the first year out. I think our concern is as we look at future years as was previously mentioned, I think, by several testifiers, and you've mentioned it yourself, Senator Avery, that the formula is tweaked on an annual basis--or at least it has for the last six--that we need to look at that in the future and we need to address each year individually. Short of that, we have to create a formula that is sustainable and that we can fund as a state. [LB913]

SENATOR HOWARD: I know you gave us the numbers to begin with, but could you tell us again what the student numbers that increased over the last two years are? [LB913]

MARK SHEPARD: The last three years, our district has experienced just over 950. The 902, I believe, was the exact number two years ago, and a little over 700 in the current year. [LB913]

SENATOR HOWARD: Now is that every year you've increased by that much or is that the cumulative? [LB913]

MARK SHEPARD: That's the last three years. Prior to that, I would say for the previous maybe four or five years, the district was experiencing between 450 and 500 students growth each year. [LB913]

SENATOR HOWARD: Okay, all right. Well, thank you. Are there any other questions? Senator Seiler. [LB913]

SENATOR SEILER: Thank you, Senator Howard. What is your mill levy for your schools right now in Lincoln? [LB913]

MARK SHEPARD: We're just under \$1.05. [LB913]

SENATOR SEILER: Okay. And then the other...maybe you...were you present when I asked about a cost-driven budget? Do you have any ideas what you'd use for control factors? Everybody here has had a wish list, and it seems to me like nobody's talked about how you...if you look at the revenue, then you've got a control factor. [LB913]

MARK SHEPARD: Yeah, sure. [LB913]

SENATOR SEILER: But if you look at costs and then you say we're going to go raise that money, the wish list comes into play in a hurry. How would you just...? [LB913]

MARK SHEPARD: Um-hum. Well, I think any formula that would be driven on

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cost--which our formula is driven on cost to a certain degree, with constraints--would truly be controlled by your local constituency. We have elected school board members; they would...they are responsible to their constituents in the community. And obviously if you're going to base something on the historical basis of cost, you're going to have to have local revenues in order to generate the dollars to increase costs. [LB913]

SENATOR SEILER: Um-hum. [LB913]

MARK SHEPARD: Currently we operate with \$1.05 levy limitation. I think was mentioned earlier, we have a number of districts that are well below \$1 that are still receiving state aid, so I think that's a piece that should be looked at. But the bottom line is the control is going to be based on your local property taxpayers because in the state of Nebraska, we really have two funding sources: property taxes and state aid. [LB913]

SENATOR SEILER: That's correct, yeah, and that's the problem I have with taking a list of states and percentage of state aid. How many of those states have the same property tax? And thank you... [LB913]

MARK SHEPARD: Um-hum. And I think you raised a valid point there as well because we're not a high mineral state. [LB913]

SENATOR SEILER: True. [LB913]

MARK SHEPARD: We don't have mountains, we don't have oceans. We do have I-80, and we get a lot of tourism because of that. [LB913]

SENATOR SEILER: Thank you very much for your input. [LB913]

SENATOR HOWARD: Senator Cornett. [LB913]

SENATOR CORNETT: Could you explain what some of the factors are that have led to that dramatic of an increase in student population? [LB913]

MARK SHEPARD: You know, that's a really good question. We've looked at that pretty substantially. I think the first year, when we experienced the 950, we were projecting around 600 students. And we analyzed it initially, we met with our private and parochial partners to find out if they were seeing a decrease--suddenly students were moving from the various parochial schools to the public schools--and that was not occurring. They were actually either holding steady or growing at the same time. We also looked at...you know, we're not seeing in the paper large increases in employment on the private sector. What we've talked with the chamber about, what we've talked with the other business leaders about in the community is although we haven't seen the large increases--maybe, you know, a plant, a manufacturing plant, adding a whole line or

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adding a third shift--they have been continuing to grow, even through the downturn in the economy. The growth has been much smaller than something you're going to read on the front page of the paper or even the front page of the business section of the paper. The other thing that I think we've attributed a lot of it to is where...we've done some analysis as to where the people are coming from. We had a plant in DeWitt, for example, that closed, a plant in Beatrice that closed, a plant in York that closed, and many of those people move to Lincoln. They moved to Lincoln for a variety of reasons. They move here for services which our community provides. They moved here for employment either through the state, the University, the medical system here, basically moving here for jobs. But we, you know, we had the exact same reaction that you did when we first experienced at the 950, and then we wondered is this just a blip. So the 950, the following year 900, and then this year 700, the adjustment that you made and the Legislature made in the kindergarten entrance age a year from now will actually help us for one year, but during that time we've had to build schools, we've had to open additional classrooms. [LB913]

SENATOR HOWARD: Any other questions? You've informed us. Thank you. [LB913]

MARK SHEPARD: Thank you. [LB913]

SENATOR HOWARD: Other opposition? Other opponents? Anyone want to testify in the neutral? No? Senator Adams. [LB913]

SENATOR ADAMS: Thank you, Senator Howard, and I do appreciate all the testimony today from everyone. It fills in a picture for us, and we have our work to do as we do every session dealing with TEEOSA. In brief summary, what my bill attempts to do...and you could look at it this way, and there's obvious disagreement with that, and we as a committee will have to wrestle with it. When we increase the cost growth, all right, we are putting more money back in, and we inherit that spending in the out year. We build the base. I think everybody here understands that. When we manipulate the LER, we're coming over to the resource side of the formula, and it's a one-time thing for that year. You lower the LER, you put more money back into the formula, but you don't inherit the spending growth at the other end. And as I said in the introduction, my choices of the LER and cost growth--or changing base limitation which translates to cost growth--is looking at both of those things and trying to put more money into the formula for this next school year but also trying to be cognizant of the issues we have in the out year. And that adjustment, it...well, we'll have to see what the numbers look like. That's all I have. [LB913]

SENATOR HOWARD: Thank you. Any questions? [LB913]

SENATOR ADAMS: Wore everyone out maybe. [LB913]

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SENATOR HOWARD: Senator Council has a question for you. [LB913]

SENATOR COUNCIL: And your emphasis, Senator Adams, on the out years and the opposition's focus being on the out years... [LB913]

SENATOR ADAMS: Um-hum. [LB913]

SENATOR COUNCIL: In your work in developing LB913, what kind of impact will it have on the out years? I mean, do you have any idea of what...? [LB913]

SENATOR ADAMS: I don't right now; I don't. [LB913]

SENATOR COUNCIL: But, I mean, you don't disagree, and by your statements you don't disagree with the opposition who spoke to the impact in the outer years. [LB913]

SENATOR ADAMS: Oh, heck no. That was my intention, to slow things down in the out year. [LB913]

SENATOR COUNCIL: Okay, so...but we can't quantify that impact at this time. [LB913]

SENATOR ADAMS: I think we could--I'm looking at legal counsel and...but we can attempt to. [LB913]

SENATOR COUNCIL: I think that would be important to see. I mean, smoothing is in the eye of the beholder, and without seeing what that impact would be or potentially could be, I...yeah, I don't know that, well, I would feel comfortable making an adjustment that I would not have any real feel for what kind of long-range impact it could have. [LB913]

SENATOR ADAMS: Okay, fair enough. [LB913]

SENATOR HOWARD: Any other questions? Thank you. [LB913]

SENATOR ADAMS: Um-hum. I think that does take us to the end of our hearing session for today. [LB913]