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Education Committee
September 17, 2012

[LR489 LR492]

The Committee on Education met at 6:00 p.m. on Monday, September 17, 2012, at Lincoln Elementary School, Gering, Nebraska, for the purpose of conducting a public hearing on LR489 and LR492. Senators present: Greg Adams, Chairperson; Les Seiler; and Kate Sullivan. Senators absent: Bill Avery; Abbie Cornett; Brenda Council; Ken Haar; and Gwen Howard, Vice Chairperson. Also present: John Harms.

SENATOR ADAMS: Well, it is 6:00, which is the designated and published time for the commission of this public hearing tonight. And we have two of them, so we're going to get started. Let me begin the evening by welcoming all of you here. And what I'd like to do for starters is to go right over here. This is Becki Collins. Becki is the clerk for the Education Committee. Sitting next to her is Senator Seiler. Senator Seiler is a member of the committee from Hastings, Nebraska. Sitting next to me is Tammy Barry. She is legal counsel for the committee. I'm Greg Adams, chairing the committee, and I represent District 24. Next to me, Senator Kate Sullivan, from Cedar Rapids, Nebraska. Next to her we've let a stranger into our midst: Senator Harms, who is not a member of the Education Committee. But as a courtesy to the sitting senator here in the district, we certainly welcome him up here with us. And next to him is Kris Valentin, who is the research analyst for the committee. A little bit of background. These are public hearings, and so most certainly you are welcome to testify. That's why we're here. We're here to listen, and you're welcome to testify. If you choose to testify, we want you to register, and there are registration forms out there at the desk when you walked in. And if you would fill one of those out and just put it right up there in the box when you come up to testify. And typically I set a limit on testimony. But I'm going to wing it for a little while tonight, and we'll just see how many people are going to testify and how late our evening goes. And I'll just maybe impose a limit if you get too long-winded. But otherwise we won't structure it much beyond that. I would ask you to turn your cell phones off so it doesn't interrupt discussion. And if you do need to make phone calls and those kinds of things, if you would go outside of the room that would be very much

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appreciated. And when you do come up to speak, we would ask that you state your name and address for the record so that we get that onto the record and we get your testimony. We will hear what you have to say. And then don't be surprised if this committee has questions for you and hope that you can answer those for us. The first study is LR489, which is early childhood. And we're going to begin there tonight. We may not spend much time on it; that depends on the level of testimony. And if not, we'll proceed on then to the school finance. I introduced the resolution, and let me begin by giving you a little bit of background on it. And first of all, first and foremost, let me stress that it is not this committee's intention in this study to try to investigate all early childhood education that is offered in the state. This is strictly an evaluation of and an examination of those early childhood programs that are publicly funded through the Education Innovation grants and TEEOSA. So if you're a day-care provider and you're a licensed day-care provider, that is not our jurisdiction. That is not what this study is about, so we're not dealing with that tonight. The essence of the study is: It has been a while since we've stopped and taken a look at how well our publicly funded early childhood programs are doing, and we thought it was necessary that we ask those questions of you. We've done preliminary study as a committee staff, and right now at this point we're not finding a lot of difficulties. But we need to hear from you if there are problems. We visited the one today here in Gering. Thank you, Dr. Hague, for letting us do that. It's a good program. We'll be looking at one in Gothenburg tomorrow, and next week we'll be in Albion and Gretna. So with that we will begin this hearing on early childhood, and we would take our first testifier that would like to come up and speak. Oh, this isn't a shy group. Caroline, I knew I could depend on you to get right on up here. (Laugh) [LR489]

CAROLINE WINCHESTER: (Exhibit 1) I'll come up. I'll come up. You want me to say my name? Caroline Winchester, superintendent at Chadron Public Schools. And first I'd like to give my thanks to the committee for coming to the Panhandle and allowing myself and our patrons the opportunity to be able to testify in person. And we just really appreciate the commitment. We're well aware of the commitment to come out this far.

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The other thing I'd like to thank the committee about is the change in the...in supporting the change in the kindergarten birth date age. My kindergarten teachers send you their thanks. We just this year are seeing a difference in some of our social-emotional issues. And so anyway, we do thank you for that support for that. From an equity standpoint, Chadron Public Schools really strongly supports publicly funded early childhood programs, especially in collaboration with other groups such as Head Start, privately funded programs, and other funds that...at Chadron we have kind of a blended approach with the public school, preschool, Head Start...that's in collaboration with Head Start. And some sections that are funded by Head Start: There's a program at the college, and then we have private programs in town. And it takes all of those efforts to reach all of the students that are eligible for early childhood education. So we do support that. I think without the publicly funded piece we would not be able to reach all of the students in need that are...it's not just academically but also socially and emotionally that come...and also those that fall through the cracks because oftentimes some parents don't qualify for Head Start, don't have the resources for a private preschool. So oftentimes the publicly funded piece, which can...does not have to rely totally on income can make up those gaps. It's important and as you well know, it's important for the preschool experience, especially particularly for families that are not as well off as others, that don't have the resources, because we need those. With the current focus on accountability, the current focus, of course, that we want all students to be able to graduate high school ready to enter college or some higher level of schooling, we need to have students at grade level, frankly, by the end of second grade. And if you come from a family--just to give you some examples of a recent study--if you're from a professional family, you've heard...the number of words you hear per hour is, you know, or have heard is 2,153. If it's poverty, it's 615. Scarborough does a study about the vocabulary size being a predictor of comprehension in the middle school. And a Moats study in 2001 talked about linguistically poor first graders that knew 5,000 words, whereas the rich first graders knew 20,000 words. Those are huge gaps to try and overcome and then have students at grade level then at second grade. So I know one of the things you wanted to know about is how we do the assessments to know

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whether things are working or not. Well, there's a number of assessments we use. We use DIBELS. We do the CORE Phonics Survey. There's GOLD anecdotal data that is done with the preschool. We also do a Language for Learning placement assessment. All of those are done when...before or prior...before they enter in kindergarten in Chadron. Then after they enter, our kindergarten teachers do some informal assessment on shapes and colors and letter recognition. So I just again would support publicly funded preschools. We have a number of students that are at economic disadvantage, and we cannot meet the expectations for all students if we don't have...if we do not get to them early. It...and the resources that we need, if we're trying to play catch-up, are even greater than the resources being expended before they get to kindergarten. So anyway, again thank you very much. Appreciate the opportunity. [LR489]

SENATOR ADAMS: Thank you, Dr. Winchester, for being here. Are there questions for Caroline? Yes, Senator Sullivan. [LR489]

SENATOR SULLIVAN: Thank you. And thank you, Caroline, for coming. Regarding the age change for kindergarten, have you had to accommodate that in terms of your preschool and those four-year-olds that might have gone to school...kindergarten before? What are...have you dealt with those in your preschool? [LR489]

CAROLINE WINCHESTER: We only had...I don't know if you're asking whether...we had two requests... [LR489]

SENATOR SULLIVAN: Um-hum. [LR489]

CAROLINE WINCHESTER: ...to enter kindergarten below the level. [LR489]

SENATOR SULLIVAN: Right. [LR489]

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CAROLINE WINCHESTER: And we just simply implemented the tests that we had in place. And I think in both cases those students were academically ready. [LR489]

SENATOR SULLIVAN: Uh-huh. [LR489]

CAROLINE WINCHESTER: What we're seeing is last year we probably had 10 percent of our population that had, I would say, above-normal social and emotional issues--screamers, students that chose to be mute, just some...just a number of things from these, you know, relatively underage children. [LR489]

SENATOR SULLIVAN: Um-hum. [LR489]

CAROLINE WINCHESTER: And like I said, the kindergarten teachers thank you because we have not seen that this year to that extent that we did a year ago. [LR489]

SENATOR SULLIVAN: Okay. [LR489]

CAROLINE WINCHESTER: And obviously it's going to take a few years for things to play out before we know fully. [LR489]

SENATOR SULLIVAN: And so then those children typically would go to...went to your preschool then? [LR489]

CAROLINE WINCHESTER: They were from different...some were in preschool, some were not. [LR489]

SENATOR SULLIVAN: Okay. All right. And do you have a relationship with other entities that are providing preschool, like private, and also you mentioned the college? [LR489]

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CAROLINE WINCHESTER: Yes, we do. [LR489]

SENATOR SULLIVAN: Okay. [LR489]

CAROLINE WINCHESTER: Yes, we do. And that's a big piece, because we could not cover all of our kids if it was just the publicly funded preschool piece. [LR489]

SENATOR SULLIVAN: Um-hum. Okay. [LR489]

CAROLINE WINCHESTER: And we work closely, obviously, with Head Start. We are, through the assistance of the Panhandle Prevention group, looking at a grant for a transition piece to enhance the transition piece that we...you know, from preschool into kindergarten. Like I said...mentioned the, you know, the behaviors. There's also some truancy issues. And trying to do a model somewhat of the preschool is to perhaps get some funding so that our own kindergarten teachers can go into homes, just like the Head Start people do,... [LR489]

SENATOR SULLIVAN: Right. Right. [LR489]

CAROLINE WINCHESTER: ...and build that relationship of parents because oftentimes the parents that are...that, you know, have the kids with the high needs, oftentimes they don't feel comfortable in school. That's not their first place. [LR489]

SENATOR SULLIVAN: Um-hum. Right. [LR489]

CAROLINE WINCHESTER: I mean, you know, they may not have been successful there either. So it's really important if we can reach out. But again it becomes a funding issue, and so we're looking at a grant piece to help us kind of fund it and get that done so we can make that. And also some...we're looking at some curriculum that can be put into place training parents, you know, in parenting skills and so forth. [LR489]

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SENATOR SULLIVAN: Um-hum. Um-hum. [LR489]

CAROLINE WINCHESTER: So, you know, we're looking at a number of pieces. And we work well with the college and their piece. We have meetings every quarter, usually, to kind of sit around the table, all of us that are providers of preschool education, and just have conversations about what's working, what's not, what we can do together...

[LR489]

SENATOR SULLIVAN: Um-hum. Um-hum. Okay. [LR489]

CAROLINE WINCHESTER: And so...and we need that collaboration. It can't be just an isolated entity. [LR489]

SENATOR SULLIVAN: Yeah. Right. Thank you. [LR489]

SENATOR ADAMS: Other questions? Yes, Senator Seiler. [LR489]

SENATOR SEILER: You stated that reaching the grade level by the second grade. Is that an ideal goal, or is that a goal you find once they pass that they can't catch up?

[LR489]

CAROLINE WINCHESTER: Well, you never can say they can't pass that. But it is very difficult. [LR489]

SENATOR SEILER: Okay. [LR489]

CAROLINE WINCHESTER: It...I mean, it's really difficult if you understand if they come in with four times the deficit in language as their peers, that's a tremendous piece.

Because in order for them to catch up, they have to learn at a greater rate than their

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peers, because those peers that are already ahead, you know, they're not going to stop and wait. You know, it's not like at a stoplight and you wait for somebody to catch up with you. They are progressing, so. [LR489]

SENATOR SEILER: Right. Is there additional classes or...handle with those? [LR489]

CAROLINE WINCHESTER: Well, what we try to do to play catch-up, and that always becomes...is that we have a number of pieces of assessments that...I mean, we do assessments...our teachers will look at data weekly almost,... [LR489]

SENATOR SEILER: Really? [LR489]

CAROLINE WINCHESTER: ...trying to catch kids, you know. You know, we benchmark with DIBELS; we can progress monitor with DIBELS. We have some other pieces, too,... [LR489]

SENATOR SEILER: Um-hum. [LR489]

CAROLINE WINCHESTER: ...that we can look at, and you're constantly...but once we identify a student that's behind, then there are interventions that we try to get in place. [LR489]

SENATOR SEILER: Okay. [LR489]

CAROLINE WINCHESTER: But that often means they're going to miss out on science, they're going to miss out on social studies, you know. And that becomes our challenge, is we know what to do and what needs to be done. But getting the personnel and the... [LR489]

SENATOR SEILER: Time factor. [LR489]

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CAROLINE WINCHESTER: ...time to get what we need done. We're fortunate. At Chadron we have an after-school program, and we're fortunate because students get to do homework. We've got a summer school program with that where they actually focused on reading and spent time...I mean, that's the key. I mean, this...it...there's no silver bullet. I mean, if you want to learn how to read it's practice, practice, practice with somebody that's there to listen to you. You can't do it on a computer, you know. You have to have somebody there, you know. And some kids do it after ten repetitions, and somebody else might take 10,000. And finding the resources for those kids who are the 10,000...and that's part of the reason that preschool is so valuable, to help with that vocabulary. [LR489]

SENATOR SEILER: Thank you. That's what I was looking for. [LR489]

CAROLINE WINCHESTER: Yeah. Sorry. [LR489]

SENATOR ADAMS: Other questions? Caroline, I have a couple of questions for you, first of all dealing with evaluation. Last year during the session this committee discussed some kind of kindergarten readiness assessment that the state might develop. And, you know, there's still discussion about that, nothing confirmed by any means. We heard today here in Gering, where they do a number of assessments with early childhood kids that are ongoing, formative style assessment so they can have a sit-down with the kindergarten teacher before school starts and says, here's where students A, B, C, and D are at. What about Chadron? Same thing? [LR489]

CAROLINE WINCHESTER: It's a similar model, and that's why sharing those pieces that are done prior to coming...and we have a kindergarten-preschool meeting, and they do it more than once, where they actually sit down and discuss where various students are. But then we also have, you know...and like I said, the preschool model uses that GOLD assessment piece, which is mostly anecdotal. But you do get a nice picture not

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only academically, but socially and emotionally. And then we've got a number of...like the DIBELS test for academics, the Language for Learning. [LR489]

SENATOR ADAMS: Um-hum. [LR489]

CAROLINE WINCHESTER: Those are those academic pieces we give that day that...we have a day when kids come and are...you know, they come and visit the, you know, the spring before. And we do those assessments at that time so we kind of have a place, because we...in our language and our reading we do put students according to their level of attainment and then move them frequently, if they need to, and make levels of achievement. So it... [LR489]

SENATOR ADAMS: One other very general question in summary. I believe that one of the things this committee is about, in this particular interim study, is to find out what problems we have with our publicly funded early childhood. Other than...I'm going to take this one away from you right at the outset. Other than more money,... [LR489]

CAROLINE WINCHESTER: Right. [LR489]

SENATOR ADAMS: ...all right, what problems do you see? Or do you see any? [LR489]

CAROLINE WINCHESTER: Well, you know, if...you know, three and four is good, but we almost need to catch them sooner. And I say that because I was privileged at another district to have that 0-3 grant. And I just want to share a little story that we saw. And it's parenting skills for a lot of...and it's a simple thing. And this was a...they had, in that model that we used, they had an evening that they...the parents would come in. And they had a baby...you know, somebody to baby-sit with the kids. And then they had...they showed the parents how to work with their kids. But at Halloween time they brought pumpkins in, you know, so the parents could make jack-o'-lanterns. And I don't know about you guys, but they, you know, you think everybody has done that. And there

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was a parent there that said, I've never...I don't know what to do. I've never done this before. So there's a lot of our young parents out there that need support of parenting skills. So that...you know, and the sooner we can reach those and do those kinds of things...and I don't have the data. But I'm thoroughly convinced that just like learning a foreign language has to take place early, I think our own native language there is a window of opportunity. And I...you know, my speech teacher...you know, the information from the Risley study came..after I had shared that, came in and said, you know, I was in one of those homes. There were five dogs and two kids, and they talked more to the dogs than they did to the kids. And there was a three-year-old in that home, and everything was just "drink," whether...you know, they couldn't differentiate between water, juice, milk. So those are the challenges. [LR489]

SENATOR ADAMS: Okay. Thank you. [LR489]

SENATOR SULLIVAN: Yeah. Thank you. [LR489]

SENATOR ADAMS: Are there any other questions? Thank you, Caroline. [LR489]

CAROLINE WINCHESTER: Yeah. [LR489]

SENATOR ADAMS: Can you folks hear the testifiers? Okay. Kris, could we take and maybe move that mike a little closer to the chair, you think? Is that possible? Is there another testifier? Thank you, Kris. Did you have an opportunity fill out our testifier registration? There you go. If you'll just put it right there in the box? Thank you. Welcome. [LR489]

DARLA HEGGEM: (Exhibit 2) Hi. My name is Darla Heggem, and I live at 2217 Avenue B, Scottsbluff. I'm here today representing Nebraska's Early Childhood Business Education Roundtable. But I also work as the employee recruitment manager for our economic development organization, Twin Cities Development. And I also serve on our

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chamber of commerce's business and education committee. I've worked some with some P-16 initiatives and recently have started serving on the Scottsbluff High School Advisory Council, which is something started to try to facilitate better communication with parents and business with the school system to address some issues that we've been having. So for today's purposes I'm here representing Nebraska's Early Childhood Business Education Roundtable. Early Childhood investment is important for Nebraska's future, both in terms of economic and workforce development. A competent workforce, a successful school system, and safe communities are all important components in attracting new businesses to our community. High-quality early childhood programs have a measurable impact on these factors. In terms of producing workforce, more than 50 percent of our high-school students lack the verbal, written, critical thinking, and problem-solving skills that employers need. And 20 percent of our workforce today is functionally illiterate. Elementary schools are reducing and cutting science and social studies curriculum to spend more time teaching reading and math skills which are lagging. Quality early childhood development prevents the achievement gap by providing the foundation for children to arrive at kindergarten ready to learn. There is a growing gap. The U.S. will add fewer educated workers in the next 20 years compared to the last 20 years. And by 2020 analysts predict that the majority of available jobs will require skilled labor even as fewer and fewer skilled workers enter the job market. Nationally, the state of Nebraska is contributing fewer qualified adults to a labor pool that cannot keep up with an increasing demand for skilled labor. In order to compete in the national marketplace, Nebraska must focus on cultivating its coming generations of workers even before they enter the K-12 system so they are better equipped to benefit from their academic experiences and are, consequently, more prepared to meet the demands on the job market. Thirty-nine percent of children in the state of Nebraska aged 0-5 are already at risk of starting school behind. When we look at Scotts Bluff County, that figure jumps to 59 percent. Without high-quality early care and learning, children are more likely to drop out of school, fail to graduate on time, enter the criminal justice system, rely more on public assistance programs, contribute less to the community in tax revenues, and add overall to the economic stressors on our

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state. Every dollar invested in quality early-childhood development produces up to a 10 percent return through better education, health, and economic outcomes. I have copies of the Nebraska Early Childhood Business Roundtable membership, as well as additional information, including a PowerPoint. I'd like to thank you for identifying early childhood education as a priority in your interim hearings. I'm not here to recommend any specific action, but here to recommend that the Legislature consider making early childhood a top priority for this state for its many benefits and its importance to the business community. [LR489]

SENATOR ADAMS: All right. Thank you. Are there questions for this testifier? Yes, Senator Sullivan. [LR489]

SENATOR SULLIVAN: Thank you, Senator Adams. And thank you for testifying. In your discussions in your economic development groups here in Scotts Bluff County, do you know of any businesses who provide on-site day care? [LR489]

DARLA HEGGEM: I can't say specifically. I know there is one up at Western Nebraska Community College, but I don't know the...that's not...they have access to it. But it's also, I believe, access to the community as well. [LR489]

SENATOR SULLIVAN: Okay. And again, in your conversations with your groups, have you discussed or looked at what role the business community might want to play in this, not only the conversation, because you're getting into the conversation, obviously, but taking it a little further down the road? [LR489]

DARLA HEGGEM: Um-hum. We've had some funding discussions. I know in terms of for...we've had some discussions about out-of-school time activities in terms of stem careers. [LR489]

SENATOR SULLIVAN: Um-hum. [LR489]

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DARLA HEGGEM: There's been a great curriculum provided by the Nebraska Trucking Association. We're...have we taken that down to a 0-5 level? No. We're mostly, at this point, just talking about elementary schools. If there's two hours of available time in a student's life, how can we help supplement that? Because truly what's being done, I think, in the 8:00 to 3:30 time is about as much as is capable of being done. [LR489]

SENATOR SULLIVAN: Um-hum. [LR489]

DARLA HEGGEM: And it's not being supplemented from home for a variety of reasons which I think you just heard from the...in the previous testimony. So if they're going to be in that two-hour time frame, if it's going to benefit business 10 or 15 years down the road, they should be involved in that now. [LR489]

SENATOR SULLIVAN: And short of a business providing on-site day care for their employees, would there be opportunity in businesses to...you know, Caroline referred to the lack of parent or maybe the need for parenting education. Would there be...would that be a role the business could play with their employees? [LR489]

DARLA HEGGEM: We haven't had that discussion yet, but we certainly will. [LR489]

SENATOR SULLIVAN: Okay. [LR489]

DARLA HEGGEM: I mean, that's something that could come from that. [LR489]

SENATOR SULLIVAN: Okay. Thank you. [LR489]

DARLA HEGGEM: Um-hum. [LR489]

SENATOR ADAMS: Other questions? Guess not. I'm going let you off the hook.

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DARLA HEGGEM: I got off light. [LR489]

SENATOR ADAMS: Thank you, ma'am, for your testimony. [LR489]

DARLA HEGGEM: Thanks. [LR489]

SENATOR ADAMS: Appreciate it. [LR489]

DARLA HEGGEM: You bet. [LR489]

SENATOR ADAMS: Is there another testifier? [LR489]

DON HAGUE: (Inaudible) We'll turn it on (inaudible). [LR489]

SENATOR ADAMS: That might make a difference. [LR489]

SENATOR SULLIVAN: Oh, that would help. Hey. [LR489]

DON HAGUE: Well, that's why I wanted to come up here and make sure everything was working. [LR489]

SENATOR ADAMS: Well, then go sit down now that we know. (Laughter) [LR489]

DON HAGUE: I'm Don Hague and I'm superintendent of schools here in Gering. I want to thank the committee also for coming out. I also want to echo the previous testimony about moving the date of starting kindergarten up so the kids are older when they enter the kindergarten age. I think it's going to have a huge impact. It's going to take some time to really see what that impact is like. But I think it gives a great opportunity. Darla's

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comment, I think, about every dollar you spend on early childhood pays super dividends at the end, and we've got to make that a priority. I don't care what it takes. We've got to make sure that students do enter with every opportunity to be successful early on. They do need to reach benchmark as early as possible, and we need to create systems that allow that to happen. That means they can't all go to school the same amount of time and things like that, so that's our challenge. I think your challenge is to make sure we get there. That's all I wanted to say. [LR489]

SENATOR ADAMS: All right. Thank you, Don. Are there questions for Don? [LR489]

SENATOR SEILER: I have one. [LR489]

SENATOR ADAMS: Yes, Senator Seiler. [LR489]

SENATOR SEILER: I've heard from other testimony and I've read many articles that say you're starting behind, where...and you use the term "benchmarks." Is...are those the tests that the teachers are giving that they're reaching those conclusions? [LR489]

DON HAGUE: Yeah. If we've developed a benchmark for...let's say at second grade we want students to leave second-grade reading at a certain grade level, that's what we're talking about. [LR489]

SENATOR SEILER: Okay. Thank you. [LR489]

SENATOR ADAMS: Other questions? Don, thank you for use of your facilities tonight too. Appreciate it. [LR489]

DON HAGUE: Well, thanks for coming to the Panhandle. [LR489]

SENATOR ADAMS: (Exhibit 3) Is there other testimony on early childhood? Anyone

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else? Well, if not, let's move on to what may be a more popular subject: school finance. I would point out to you in introduction to this that I had a person come up to me the other day and said, well, the committee is finally looking at school finance. (Laugh) And I guess there was no way for them to really know that looking at school finance is every day, in the committee office, of every year and taking phone calls from superintendents and business managers and school board members, schools of all sizes, and trying to respond. Frankly, the interim study this year just merely formalizes what we do every interim period in anticipation for the upcoming session. What you have in front of you, if you picked it up, are some bullet points that the committee has been looking at. And what I'd like to do, first of all, is to count some of those things and put them into context. The committee has made no decisions at all about what direction school finance may go in. They've made no decisions as to what's going to be eliminated, what's going to be added, what percentage is going up or down on any particular allowance, adjustment, growth limitation, or anything else. We're simply looking at the entire world of TEEOSA funding, and we need to hear from you. We run our models and we can see what's going on with various elements, but we want to hear from you as well as to what's working, what isn't working. The elements that you see there are a balance. They are a balance between things that will impact urban versus what will impact rural. We didn't want to go into this saying, well, let's pick on one side more than another, but seeking a balance. The other thing that I want you to take note of is that on the bullet points that are on the sheet, there is really at least two broad categories of things that the committee will have to look at. One is...are: the items that fuel the aggregate number of state aid; the local effort rate; holding accountable the level of property value; and the spending, the growth limitation rate and the spending lid and what we do with that. Those two elements, more than anything else in the formula, are what fuel the final number. The other things that we're looking at--allowances--generally speaking are monies that are already in the formula. So to eliminate an allowance or add an allowance does not necessarily mean that we're increasing or decreasing the amount of total TEEOSA funding. It's how we're distributing it. And those are things that we also need to look at. There are things that come up in our office constantly as we hear from

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various superintendents and business managers saying, boy, that allowance is working great. Or we'll get a phone call that says, boy, that same allowance we heard from yesterday that's working great is just lousy, just doesn't work. So we're looking at everything, but particularly those things that you see in front of you, when we look at TEEOSA. So with that...and I could go on and on about how we got to where we're at, and it is an ongoing thing. And what we end up with as a bill...there will be a TEEOSA bill. There is always a TEEOSA bill that adjusts, makes changes, tries to smooth out, tries to fix. What that bill will look like right now, we don't know. But we'd like to hear from you. So with that we'll open up testimony on school finance for the first person that would like to come up. Oh, now I know better than that. (Laugh) [LR492]

CAROLINE WINCHESTER: I'll get it out of the way again. [LR492]

SENATOR ADAMS: Get it out of the way, Caroline. (Laugh) [LR492]

CAROLINE WINCHESTER: (Exhibit 4) Again, I just want to thank you for coming to the Panhandle so it will allow us to testify in person. And then also I do appreciate this model of allowing us to make comments prior to writing the bill. And so I think that's been a great opportunity for us to share. [LR492]

SENATOR ADAMS: Caroline, could you state your name and...your name again for the record. [LR492]

CAROLINE WINCHESTER: Oh, I'm sorry. Caroline Winchester, superintendent of Chadron Public Schools. [LR492]

SENATOR ADAMS: Thank you. [LR492]

CAROLINE WINCHESTER: I guess the first thing is I think we would be in agreement of your guiding principles of equity and sustainability and predictability and simplicity and

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that those would be goals that we, too, would like to see at the district level like you do at the state level. I think in looking at some of the considerations for improving the formula, like eliminating the time allowance, the teacher education allowance, both of which are floating targets and aren't really a set piece, the double counting, eliminating the averaging adjustment if the class size elementary goes away, the local choice things, and taking that money from the local choice and putting it into consolidation incentives, I think we would...at Chadron Public Schools would share with you in those pieces, as seeing those pieces. I think where we may...would like to see things left alone, and that is we would like to see the local effort rate go back to the \$1. We have some severe building issues because of...unable to fund things over a period of time. And right now we can only generate about \$44,000 off of our special building fund because of where the local effort rate is. And it's impossible to take care of those building needs out of just the general fund on account of increases in, you know, salaries, which are driven by the CIR process, you know, increases in health insurance, increases in fuel, electricity, things that are just totally out of our control for the most part. And consequently we have some infrastructure issues at Chadron that we did try a bond. It did fail. And we just...we need to get the local effort rate, in our opinion, back to the \$1. At the same point in time is the difficulty in just a half a percent in our basic allowable growth rate again because of those costs that are increasing much higher than a half a percent. And, you know, we were forced this year, because of that restriction, to pay as many bills as we could, to transfer as much money as we could while we had the spending authority because of the restrictions of the spending authority next year, in preparation for that. So...and I don't think particularly that's a good way to do business. You know, I would prefer that if you want us to spend less, then reward us somehow for spending less or give us incentives, rather than the opposite. So given that, those are some pieces, I guess, that we would like to see returned to their previous rates. The other thing that becomes an issue for those of us that are under-900 schools, and something I need to share that's unique to our situation, is the comparability groupings. I know there was an effort to make that more stable. But when you...you talked about predictability. At Chadron we had an issue between

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when...the first spin of the formula to the second one or what, you know...after they did the corrections when the mall came in. And we were losing, first of all, \$1.2 million in state aid that year. And then a shift came and we lost another \$400,000 on top of that. And when I called the finance department at NDE and asked, you know, how come? Well, you just ended up in a different cost grouping. And so it's so unpredictable just based on your cost grouping. And I want to share a little...a model. There are unique things in the Panhandle, due to our geography, that contribute to expenses, coming from central Nebraska, that central and eastern Nebraska do not have. And this goes beyond sparse, you know, which I was accustomed to in central. These are...I'm going to call them "frontier" or "geography" issues. For instance, mobilization fees. It will cost us anywhere from \$30,000-60,000 for a company just to come in and do your asphalt or concrete or whatever work. That's not just unique to school districts, and the college across the street faces the same issues. Those are not expenses or anything that I ever dealt with in central Nebraska. Another example is the lack of competition out in the Panhandle. Just in Chadron we were asking for a bus that was going to cost \$150,000. We were asking for bids on that. We asked, you know, people to come out so our bus drivers could test-drive a bus. We had one, one bus company that would come to central Nebraska. We tried going through Denver, which is way closer, and we could not do that because it had to be bid through the Lincoln and Omaha company. So in central Nebraska when I wanted to buy a \$70,000 bus, I had five companies there competing and a much smaller size. So...and that's not just with buses. But it's another, you know, other things. On top of that, for our students and our staff to have the same opportunities it's extra time away. I'm signing substitute things all the time because it's a day's travel to most places. It's six hours to Kearney, where most things are happening, or seven or eight hours to Lincoln and Omaha. So it's extra travel; it's extra motels; it's extra meals. Being that said and trying to give you some...a picture of what it's...how it is different in the Panhandle, when we're in those cost groupings, if we're being compared...just because our size is the same, if we're being compared to school districts in central Nebraska, they are not facing what I'm going to call "geography cost" as we are, and so it puts us at a disadvantage when we're being compared. So it's

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unique to us. I just was trying to give you an illustration of that and just ask you to consider that. I guess in the...my closing thoughts would be that, you know, if you can...as you look at the formula, if you could hold it harmless and do no one harm if at all possible, and I'm talking about all the districts in the state, I think we feel that if we could...ideally, if we can fully fund the formula, allow it to work, that that would be...that would probably pit one group less against the other if we can allow the formula. Then if you need to adjust it, you go to something like a temporary aid adjustment, which is across the board, as opposed to making changes that maybe, you know, cause us...I mean, you know, every year we're looking at some different situation because I don't know a year that it hasn't changed. So anyway, I do appreciate the work that you do. Thank you so very much for coming out and allowing us to speak. [LR492]

SENATOR ADAMS: Thank you, Caroline. Are there questions? Yes, Senator Sullivan. [LR492]

SENATOR SULLIVAN: Thank you, Caroline, again. What happened with Chadron's school district when you took those big hits in aid? [LR492]

CAROLINE WINCHESTER: Oh, yeah. Well, we had to close all four of our rural schools. We needed to reconfigure our town schools. We cut about 15 positions, and so it was tough times. I want to commend the community though. We worked on it from a team effort and, you know, we're getting through it. But we had to do some very drastic, drastic things. And despite all of that our test scores were very well, were very good. I mean that even...we were even more excited to look at the scores in light of we had, like I said, we had closed the rural schools, reconfigured the town schools. We had teachers that were teaching, you know, in different buildings, different grade levels. You know, a lot of change had occurred. And it's a testament to the staff and principals that they were able to keep things at a very high level, and our community, because it was approached as a team effort. But it was not easy. [LR492]

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SENATOR SULLIVAN: Thank you. [LR492]

SENATOR ADAMS: Other questions? Caroline, when you talked about the cost groupings and unpredictability, when we went to...when we increased the size of the cost groupings, did that help? [LR492]

CAROLINE WINCHESTER: Well, again this just happened one year. [LR492]

SENATOR ADAMS: Right. [LR492]

CAROLINE WINCHESTER: So I can't tell you. The example I have with this and with other districts was when we were at the five. [LR492]

SENATOR ADAMS: Okay. [LR492]

CAROLINE WINCHESTER: But like I said it is a...my eyes were opened when I came out here as to the very...some very unique situations. And I know once again we're maybe pitting one small group against another. But I just really...I just think you need to hear the story and understand that geography out here in the Panhandle plays a huge issue in some of our costs that we incur. And time out of the classroom, I mean, that even probably bothers me even more, is that the time that our students and our teachers have to meet...to miss from the classroom just for them to have the same opportunities that people in the other part of the state get to have. [LR492]

SENATOR ADAMS: It's interesting that you brought this up. It's been a couple of years ago. But I spent some time with superintendents in the Ainsworth ESU area and was really trying to pinpoint what costs do you have that are unique to your size, because we'd gone to the cost groupings, we'd done away with the "sparse" and "very sparse." So schools were being compared to schools of comparable size. And there was a bit of a silence in the room...although I can picture the gentleman but I don't remember what

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school he was from...began to talk more specifically about those costs that are unique to distance. And one of them was...he talked about needing a new roof on the building, and there were no roofers in the area. [LR492]

CAROLINE WINCHESTER: Um-hum. Yeah. [LR492]

SENATOR ADAMS: And so in order to reach out as far as maybe a Kearney or a North Platte to find a potential roofer, then all of a sudden the added costs of, well, maybe less bidders, maybe hotel costs, gasoline costs, all of that, that were adding on. And he did talk about the professional growth, having to take teachers out of school all day long, maybe for two days rather than one, and those being unique. And those are the kinds of things you're describing. And those are the kinds of things that we need to hear that may not be commonly shared between all the 20 schools within the cost group where Chadron finds itself or Ainsworth finds itself. [LR492]

CAROLINE WINCHESTER: Yeah. I'm having real difficulty wrapping my head around the fact that we're closer, in Chadron, to Denver than we are to Kearney. [LR492]

SENATOR SULLIVAN: Um-hum. [LR492]

SENATOR ADAMS: Yeah, exactly. So thank you. [LR492]

SENATOR SULLIVAN: Yes. [LR492]

SENATOR ADAMS: Oh, yes, Senator Sullivan. [LR492]

SENATOR SULLIVAN: Does long distance...does distance ed work for staff development? [LR492]

CAROLINE WINCHESTER: Oh, we do as much as we can, but sometimes we get to

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roadblocks. One group that we work with repeatedly will not send us things over distance ed. And so...and I can't send...it's something that we should be doing our administrative team with, but we just can't, you know, take all of them out of the buildings. Whereas if we do a distance ed, you know, if something comes up they can get back to their building or whatever. They can even sit in their office. And just the other day we sent a group and, like I said, unfortunately I couldn't send the entire administrative team. And when the group that did go came back I said, so could this have been done DL? And they said, yeah, because all they did was put a PowerPoint up and...and actually some people talk about collaboration. We actually get...have more opportunity to collaborate DL than sometimes when we go to meetings and we're at other ends of the table, and we can be closer and have our little collaboration things. But we do that. Dr. West is gracious enough with our administrator meetings at ESU 13 to allow us to alternate there. And our Highway 20 group, like I said, if we're at the meeting face to face, sometimes we're way across the room from each other. But if we're doing it DL, we're kind of sitting around and we can kind of collaborate a little more, so. And we do collaborate a lot out here. That's another model. You will find that school districts and other entities collaborate a lot in order to get the resources that we need because of the distances we travel. [LR492]

SENATOR ADAMS: Thank you, Caroline. [LR492]

CAROLINE WINCHESTER: Thanks. [LR492]

SENATOR SULLIVAN: Thank you. [LR492]

SENATOR ADAMS: Any other questions? Senator Harms, please. [LR492]

SENATOR HARMS: Caroline, thank you very much for coming. I really understand your views about geography, you know, growing up out here and being a part of the educational structure for many years. One of the questions that I have...your kids, your

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students spend a lot of time, whether it's debate, music contests, forensics, or athletics, traveling east. If the Nebraska Association of...Schools Association... [LR492]

SENATOR SULLIVAN: Um-hum. [LR492]

SENATOR HARMS: ...would allow us, where we live, to go into Wyoming or even to Colorado, it would cut your cost, it would keep your kids in school longer. And I have always felt that that is a real issue for us, I mean, because you spend a lot of money doing that. And with Title IX you've got more kids participating, both the young men and the young women participating. If we could get that accomplished, would you think that would be of any help to your schools? [LR492]

CAROLINE WINCHESTER: Well, I think...I'd...we'd like to think regionally. [LR492]

SENATOR HARMS: Uh-huh. I understand that. [LR492]

CAROLINE WINCHESTER: And it's not just with athletics but, like I said, the, you know, competitive-wise, when we're looking at it, when we're looking for architects, then we tend to think regionally. We already do, in our schedule, play, you know, a number of Wyoming schools. We host a wrestling meet there, a nice, cooperative venture with a college. I cannot say enough good things about the opportunities there, where we literally host a four-state meet--Nebraska, Colorado, South Dakota, and Wyoming. [LR492]

SENATOR HARMS: Has the association allowed you to do that in every category? Are they... [LR492]

CAROLINE WINCHESTER: And I know with playoffs we would really appreciate if they would take geography into consideration,... [LR492]

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SENATOR HARMS: Yeah. [LR492]

SENATOR SULLIVAN: Yeah. Yeah. [LR492]

CAROLINE WINCHESTER: ...because our kids have to travel so far usually. [LR492]

SENATOR HARMS: And the athletics when they're determining who wins if you're playing a lot of schools in Wyoming and Colorado, does that all figure in to determine whether you're a winner or not? See, that's...I guess that's what I'm trying to get to. Is it... [LR492]

CAROLINE WINCHESTER: You're going to have to talk to somebody that has a little more...you know, I know there is a way that they do figure that in somewhat. [LR492]

SENATOR HARMS: Okay. [LR492]

CAROLINE WINCHESTER: But I'm not that up on the formula. I'd have to defer to my AD. [LR492]

SENATOR HARMS: So you don't think that...the way it's set up today, then you don't think that's really an issue for you, the way that it's set up now. [LR492]

CAROLINE WINCHESTER: Well, it is. The way it's set up is an issue when you get to playoffs in particularly. [LR492]

SENATOR HARMS: Okay. Other than playoffs? [LR492]

CAROLINE WINCHESTER: Well, the football schedule we don't control, and that's the one we probably spend the most distance on. [LR492]

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SENATOR HARMS: Um-hum. [LR492]

CAROLINE WINCHESTER: Just last Friday evening we played Imperial. They're a very comparable-sized district, but they're five hours away, so. [LR492]

SENATOR HARMS: Yeah. Okay. Thank you. [LR492]

SENATOR ADAMS: Other questions? Thank you, Caroline. [LR492]

SENATOR HARMS: Yeah, thank you. [LR492]

SENATOR ADAMS: Appreciate it. [LR492]

CAROLINE WINCHESTER: Thank you guys. [LR492]

SENATOR ADAMS: Next testifier. Welcome. [LR492]

MARK HAYNES: (Exhibit 5) I would like to thank the Education Committee for coming out to the Panhandle. I had a few things of interest, I think, with Revenue, which affects state aid. [LR492]

SENATOR ADAMS: Could you state your name, please, for the record. [LR492]

MARK HAYNES: Oh, I'm sorry. Mark Haynes. [LR492]

SENATOR ADAMS: And your address, please. [LR492]

MARK HAYNES: 1100 South Missouri, Whitney, Nebraska. [LR492]

SENATOR ADAMS: Thank you. [LR492]

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MARK HAYNES: One of the things that I have noticed over the years is that the property taxes in this state increased dramatically in relationship to the corporate income tax, which from '05 to 2011 decreased \$48 million...to \$44 million in that same time frame. And I think part of the problem with that is that when you have LB775 and other incentives for corporations...there was a study done. Legislature.com had an article that was done at USC, and they determined that the effective tax rate, corporate rate, on businesses in Nebraska was the second lowest in the nation, an effective rate of 3.1 percent. So the decreases in property tax...or the income tax dollars that would go in to the General Fund, it has to be made up. So it's being made up with an increase in the property tax dollars from 2005 of \$2.2 billion to 2011 of \$3.1 billion. That is not helping western Nebraska. These tax incentives for business is not helping us. Sarpy County increased in population from 2000-2009 of 30,000 people; Douglas County, same time frame, 50,000-60,000 people; Lancaster County, 30,000 people; western Nebraska, we have a decrease in population in those years. I don't know of any county in the Panhandle that has an increase. They've all lost population. Tax increment financing, the excess valuation, of the \$2.5 billion excess valuation, Omaha had over \$1.3 billion. There is one TIF parcel I know of in Dawes County; none I know of in Sioux County. So TIF does not help western Nebraska. But it hurts...as far as I'm concerned, the loss of valuation affects the state aid formula. That's a concern. One other thing about the...when you look at your property tax and you say, well, your resources, and then whatever your resources don't, then we'll make this up in the state aid formula. If I took Sioux County's adjusted gross income and divided it into the amount of taxpayers, they had an income of \$29,000. Yet they don't get any TEEOSA funds because they don't levy enough property tax. Their levy isn't high enough to collect any TEEOSA funds. So the system seems flawed to me that they supposedly are a well-to-do county there of value. They're just a very sparse populated county. They're not well-to-do if their income is half of Sarpy County and less than half of Douglas County. So that formula needs to be looked at, I think, more in terms of like in education lands, that your students are going to get money statewide. They deserve...Sioux County residents

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deserve to have some sales tax and income tax dollars to support education. So the way they go about the valuation in the state of Nebraska is on a comparable sales, where most of our states around us use an income-based approach. If you look at Kansas and Colorado, they would have grasslands equal to ours at \$0.40 an acre. In western Nebraska most of it here is \$4 an acre. That's a huge burden on the grassland. And that's where most of the grasslands are, is in western Nebraska. Our county is 81 percent grass. Well, if their rental rate is \$6 to \$10 an acre and you're paying \$4 in grass, that's a huge burden. Now this year with the drought that number gets worse. And with the wild fires that we've had, it gets much worse. So we need to look at an income-based approach for property tax dollars for agriculture to keep us in the game, because we are competing against states with a much lower tax base than ours. If I looked at the overall business climate of Colorado, they beat Nebraska in about every category. Yet I would be exempt from sales tax on ag parts purchases in Colorado, and my property tax would be significantly less. It would be \$0.40 on grass, roughly, and \$1.60 on dry--and that's mostly what I have--instead of paying \$4 on grass and \$6.50 to \$7 on dryland. So if everybody was taxed at the same rate as agriculture, we wouldn't have any problem with funding education. I guess that's basically what I have. [LR492]

SENATOR ADAMS: All right, good points. Are there questions for this testifier? Well, you're getting off the hook. [LR492]

MARK HAYNES: Well, yeah. [LR492]

SENATOR ADAMS: You need to have the Revenue Committee in front of you.
(Laughter) [LR492]

SENATOR SULLIVAN: Yeah. Right. (Laugh) [LR492]

SENATOR ADAMS: You need to be in front of that Revenue Committee. [LR492]

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MARK HAYNES: Aren't you on the Revenue Committee? [LR492]

SENATOR ADAMS: I am. (Laughter) I am. I'll take everything you've got there right back. (Laughter) [LR492]

MARK HAYNES: Okay. Thank you. [LR492]

SENATOR ADAMS: You're welcome. Thank you, sir. Next testifier. Welcome. [LR492]

AL DAVIS: (Exhibit 6) Welcome. Thank you. My name is Al Davis. I'm a school board member at Hyannis High School and also a candidate for the Legislature for the 43rd District. I want to say, first of all, thank you so much for coming to the Panhandle and agreeing to sit and listen to our gripes and our complaints, (laugh) because we all have a lot of them, so. I wanted to talk a little bit about the things I have learned about the 43rd District while I was...while I'm in this campaign process and then to talk a little bit about my own school system, and then finally to address the issues that I think are pertinent and relevant to the legislation that you're discussing. So Legislative District 43 is a huge geographic area encompassing 20 percent of the state of Nebraska, larger than 70 nation states and contains 13 counties and 16 school districts. Educating children in this huge remote region is challenging and extremely costly for a number of reasons, and it is important that Education Committee recognize the unique challenges which our school boards and superintendents face in securing a good education for our students. The 16 school districts within the 43rd District face some very unique costs which drive up the cost of education. Ten of these districts have less than 200 resident students in the K-12 system. And you all know that to remain accredited each of these districts must maintain the same strict standards as are required for large districts by the Department of Education. So staffing requirements imposed by NDE are the primary driving force behind the cost of educating students in the Sandhills, combined with thousands of miles driven by students to and from school and to extracurricular activities. I think Dr. Winchester addressed that issue very succinctly and appropriately.

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I will just use my example. Our school is now playing six-man football. So last year we had to travel to Macy, which is almost on the Iowa state line, for a game. You can see that we have hotel costs, busing costs, and those kinds of costs which are very unique to rural schools. I would caution anyone who thinks that the cost of traveling thousands of miles for extracurricular activities isn't something that should be considered in funding local school districts. Parents demand that multiple activities be offered to students. And if those activities aren't available in a school, a parent is likely to pull them out and go somewhere where they think they're going to get what they want. And our small schools are struggling so much that they can't afford to lose one student. And in fact three of our districts--Cody-Kilgore, Stapleton, and McPherson County--have sort of shrewdly marketed themselves to North Platte and Valentine, and they've picked up a significant number of students in those districts. And that has helped them with option money. So, you know, that's one place where it has worked. It doesn't work for most of the rest of the little districts just because we're just too far away. Over the course of the past five years, the 16 school districts within the 43rd Legislative District have seen a net reduction in state aid of over \$10 million annually. Since educating children has not become less expensive, this reduction is made up in property tax increases on the landowners, business owners, and homeowners in the district. Accordingly, each school board is under constant pressure to find cuts and save money wherever it is possible to do so. And the shift from state aid to property taxes drains income available to the property owners in those districts to purchase other goods and services, and that depresses the retail community in western Nebraska and anywhere, especially in the grass counties, which you heard Mr. Haynes refer to earlier. I'm from Hyannis, a community of 200 people. We're 60 miles east of Alliance. The nearest school is Arthur, which is 34 miles south and much smaller. Mullen is 40 miles east. Our district is...runs 45 miles west to Antioch, Nebraska, and then 35 miles up into Cherry County. A lot of our students are driving 30 miles on gravel roads, but the parent...to get to our buses the parents have to drive them about 15 miles just to get to where the bus picks them up. You can see that that can be a real challenge for parents and for administrators, especially if you've got bad weather. It's always a concern. We have 143 students in our

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K-12 system. We have a very low mill levy because of the large size of the district and a small number of students, and we've been a nonequalized school for many years. But I didn't come here today basically to discuss why educating schools in a small school is so expensive, but do demonstrate to you that rural Nebraska shouldn't be forgotten in the distribution of state aid. We have done a lot of things at our school to cut costs in the last several years. We've shared a superintendent with Cody-Kilgore for a number of years. This year we just entered a contract with the Alliance Public Schools to buy 40 days of administrative services. Along with that agreement we are getting a bunch of distance learning classes, which is just wonderful for our students because we can't afford to hire a full-time specialty instructor to come in. If you've got a few high school students, you really only can have one science teacher. So you need to be able to get that science elsewhere, and that's one thing that distance learning has been great for. I'm very proud of the cost cutting that we've accomplished at Hyannis, and I'd recommend the same actions to other districts. But I don't believe that such activities are the answer for all districts. We are unique in that we have significant resources to rely upon for funding. Many other students don't have that luxury. Also let me say that consolidation isn't an option for us. As I said, you know, 16 school districts in 20 percent of the state, you know, it looks like we're almost there already. And the reason consolidation won't work is it just makes it just too far for people to go. All of us here in the ranching community rely on employees for...or children to do a lot of the work. And you guys know that ranching requires young people who are strong and physically fit to get out and do that labor. And along with young people you're going to have children. Those children need schooling, and people will look to find work in places where they know that the school is accessible to them. The state aid formula as it exists today has eliminated state aid to almost 50 percent of the state's school districts. Since state aid to schools is a product of income and sales tax, which is generated by all Nebraskans, what this means is that the sales and income tax generated in 50 percent of Nebraska's school districts are not being returned to the residents of those districts. To me this is an issue of fairness and equity. Each and every taxpayer should receive some portion of their revenue back to their own district to help offset the cost of education. A set

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percentage of the revenue available to support Nebraska's school districts should be allocated to each district on a per capita basis as part of the state aid formula. And there are a couple of other factors that I think were helpful to rural Nebraska. One of them was the sparsity issue. I realize that that aspect of the formula kind of became out of whack as time went on. But it really did assist and help rural Nebraska schools, and I'd like to see that put back in place. You heard discussion about income as a factor. I think that income should be a factor in a district because it demonstrates the ability to pay. And finally I think that wealth and tangible wealth as a factor should be included in the formula--not taxed, I'm not asking for that, but the amount of wealth in a district could be included. And my reasoning for that is that we know that children that come from wealthier families are more prepared for school. They come from two-parent households that are more stable. And so generally they probably are going to need...have less needs than students who come from poor districts. So I'd like to see that wealth factor added. I'd encourage you to consider options which will bring fairness and equity to the formula. It is obvious that a formula which excludes 50 percent of all districts is badly broken and needs to be repaired. And again I want to thank you for coming to western Nebraska, appreciate it very much. [LR492]

SENATOR ADAMS: Thank you, sir. What questions do we have for this testifier? Anyone? Yeah, Senator Seiler. [LR492]

SENATOR SEILER: I'm trying to figure out how far east that the Panhandle goes. Hastings played, when my sons were playing, played Scottsbluff, Papillion, and Scott City, Kansas and Glenwood, Iowa. I know what you're talking about on athletics traveling. But how...I'm interested in...and maybe I should have asked Caroline this. On those costs that you were talking about being not available people, how far east do you think that goes? Do you have any idea? [LR492]

AL DAVIS: How far east do we go in terms of who we play? [LR492]

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SENATOR SEILER: Well, your experience, how far east that...you know, if you need a roof on a building or school and you've got to go clear to Kearney or North Platte to get the service, how far in...and I believe you mentioned Ainsworth. I'm reaching to the east to see how far we have to go before that factor runs out. [LR492]

AL DAVIS: We always say that people from Omaha sort of think of Grand Island as the end of the earth, and people from Lincoln have given us to Kearney. So I'd say at least as far as... [LR492]

SENATOR SEILER: Well, Hastings says Seward. [LR492]

AL DAVIS: ...at least as far as Grand Island. [LR492]

SENATOR SEILER: Hastings says "Seward" for Lincoln and Omaha, so. (Laugh) But I'm just wanting to... [LR492]

AL DAVIS: Dr. Winchester talked about the bus, buying a bus. [LR492]

SENATOR SEILER: Right. [LR492]

AL DAVIS: You know, we tried to do the same thing. We were able to get buses from Kearney. But we only had one person who was willing to bid on the bus... [LR492]

SENATOR SEILER: One bid? [LR492]

AL DAVIS: ...and bring it out to look at it. [LR492]

SENATOR SEILER: That was your experience also. [LR492]

AL DAVIS: Yeah. Um-hum. [LR492]

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SENATOR SEILER: Okay. Thank you. [LR492]

SENATOR ADAMS: Do you experience the same kind of difficulties that Dr. Winchester talked about in terms of building maintenance? [LR492]

AL DAVIS: Our building is...we are very fortunate. We've got a building that was built in 1970 and was...has been well maintained. We had...we...when we put our geothermal system in about five years ago, that came in significantly over budget, and it was because of distance. And I think it was maybe about \$100,000 over what we were told it was going to probably cost, bringing in the materials and things and, you know, housing and meals. Everything that comes into Hyannis or any of these communities, everybody has to stay at the motel. There isn't any other option. And so, you know, it just drives costs up as compared to a place where people can go to work and go home. [LR492]

SENATOR ADAMS: What is your mill levy, by the way? [LR492]

AL DAVIS: I wish I had the figure with me. It's in the fifties. [LR492]

SENATOR ADAMS: Okay. That gives me an idea. Yeah, Senator Sullivan. [LR492]

SENATOR SULLIVAN: Thank you for coming, Mr. Davis. Can you tell me a little...you mentioned the demographics and how they've been of the area. What about the enrollment? I assume it's been trending down in your school. Have you done some long-range projections? [LR492]

AL DAVIS: Our enrollment and the enrollment of all of the ten small districts, with the exception of the option students, has fallen by about, I'm going to say, 40 percent over the last ten years. And we project that we're going to remain somewhat stable for the next seven to eight years, then we'll see another downturn. The issue that's happening

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in our area is the childbearing...the people who are of childbearing years are not coming back. So it's just constantly thinning, and that's something that is a serious problem for all of us. [LR492]

SENATOR SULLIVAN: And yet you still need people out there to run those ranches. So, I mean...and some of that...is it...am I incorrect in thinking, is there a growing amount of absentee landowners? And then are they hiring local people to run the ranches, or what's happening out there? [LR492]

AL DAVIS: Well, you know, around our community...my neighbor, for example, has one guy who's at work. He's got five employees. One is 70; one is 60; his son is 42 and has two children in school; and another one is around 53; and then a single guy, never married, who is 40. So all those people are kind of on the...a lot of them are obviously out of the childbearing phase of their life,... [LR492]

SENATOR SULLIVAN: Um-hum. [LR492]

AL DAVIS: ...and the others are very close. And what I'm trying to say there is it is very hard to bring in people to work on the ranches, extremely hard to find people. [LR492]

SENATOR SULLIVAN: Um-hum. Um-hum. [LR492]

AL DAVIS: They...a lot of times in rural communities women want to work. There's not a job for the woman in the family, and it's hard to make it on a single income anymore. If they can, they'll try to find something else. So it's always a challenge. And a lot of the ranches are sort of getting by with older folks. [LR492]

SENATOR SULLIVAN: Hmm. [LR492]

AL DAVIS: But, you know, we're going to pay the price for that eventually. [LR492]

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SENATOR SULLIVAN: Thank you. [LR492]

SENATOR ADAMS: Other questions? Thank you, sir. [LR492]

AL DAVIS: Thank you. [LR492]

SENATOR ADAMS: You provided valuable information. Appreciate it. [LR492]

AL DAVIS: Thank you. [LR492]

SENATOR ADAMS: Next testifier. [LR492]

SANDY ROES: (Exhibit 7) Hello. My name is Sandy Roes. I'm a school board member at Chadron Public Schools. And I, too, thank you for your time and the opportunity to be able to be a part of this presentation. I'm greatly encouraged that you're looking at the equity, sustainability, predictability... [LR492]

SENATOR SEILER: Ma'am, ma'am, could you speak into the mike a little more? [LR492]

SANDY ROES: Yes. [LR492]

SENATOR ADAMS: Yeah, you might have to prop that up a little bit. [LR492]

SENATOR SEILER: You might have to pull it over a little to you. Thank you. [LR492]

SANDY ROES: Yeah. I am greatly encouraged that you're looking at the equitability, sustainability, predictability, and simplicity because we, too, have had those same thoughts, and we're very hopeful. I have a few points. Many of them have been

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expressed, but I will reiterate quickly as far as support for the different thoughts that have come ahead or prior to me. I'd like to ask that you encourage rewarding districts for what you see. I think Caroline mentioned...what you want to see. Excuse me. Caroline had mentioned rewarding districts for not spending everything but allowing districts to set aside dollars for unexpected expenses, and that is very important for our sustainability. Another point is to trust local school boards to make the best decisions. Boards understand that that may mean accountability for this request. But it's essential that boards would be very agreeable to long-term planning, documentation for justification of suggested expenditures. Keep the levy at 1.5, but give the boards more flexibility on how it can be spent and saved. We're very familiar with the model for long-term planning that's documented through the state college system, and we feel it's a very, very favorable and justifiable expectation of school boards. Another point to bring up is, as you mentioned, the distance learning. We, too, feel that that's very important, and it's a part of the sustainability plan for our small rural schools. And we would like to have you encourage looking at that as a rewards system for the school districts that do do that. Some ideas for formula inclusions is again you've heard about the remoteness. And that is a true issue, so please consider that. The bus story is one that I have written down as well. It is...it's true. Many times our competitors for product is out of Wyoming, Colorado, and Rapid City. It's really hard for us to access the eastern part of the state for our particular bidding. And I appreciated, Dr. Harms, your thoughts on how we could be more comparable or competitive with our local states. I think that's true. In my paying job I am a registered nurse that works with health and human service programs, and many times the training and just the geographical similarities are much more comparable to these particular areas. So the more that we can group and look at those type of options I, too, believe could be something that would be very good for us. I would also like you to consider as you're looking at the funding formula, don't penalize the small school requirements. We see great value in the educational quality that we experience, and Chadron just can give you a little bit of an example of that: our test scores of our K-3 students who have been educated in the smaller environments. For instance, in third grade, average for the NeSA reading scores was 99 percent,

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compared to the state average of 93. As well as the math: CPS was at 95 with a state average of 90. And research shows that fourth graders in smaller-than-average classes are about a half a year ahead of fourth graders in larger-than-average classes. And small class sizes have a significant effect on the achievement of ethnic and minority students and students of lower socioeconomic. So I encourage you to look at that as a favorable option and reward for funding as well. Some miscellaneous comments I'd like to make is that school boards have often looked at cost savings. And sometimes there is barriers are put in front of them, such as the CIR process. For instance, if school districts are trying to be cost effective and have opportunity to find health insurance that is at a lesser rate with similar coverage, the cost savings is not realized in the monetary savings but has to mandatorily be placed towards a certified staff salary package. So some of those variables if you have a chance and can change we would greatly appreciate. And just as an ending note, long-term planning is impossible for administration and boards of education with the variability of funding. So effective management and long-term planning can only be completed with consistent funding practices. And again, I do...I am encouraged that you're looking at that as you look at the funding formula. [LR492]

SENATOR ADAMS: All right. Questions, anyone? Well, they're going to take it easy on you. [LR492]

SANDY ROES: Hallelujah. [LR492]

SENATOR ADAMS: Thank you. [LR492]

SANDY ROES: Thank you. [LR492]

SENATOR ADAMS: Next testifier. Welcome. [LR492]

GLENN PRICE: (Exhibit 8) Thank you. I'm Glenn Price, from 31 King Canyon Road,

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Chadron, Nebraska. And I see your guiding principles, which I certainly agree with, and I'm hoping that you apply those also to the taxpayers. And maybe this is the revenue side, but I want to just address, well, "equity" or "equitable." I've always thought one huge asset area that's not covered by taxes in Nebraska at the present time is stock portfolios and that that would kind of help some of the property tax because there's no reason that properties should be taxed every year and stocks are not, because we own them for the same reason. Sustainability...and Mark Haynes pointed out a little earlier. And our taxes on our little place has gone up in the last four years from \$2,400 to \$4,000, which is 15.5 percent a year on the average, which is compounding, if you figure it out, is 12 percent a year, which means in six years it doubles. So our \$4,000 in 18 years would be \$32,000, or a \$10 steak would be \$80. And that's not sustainable, I don't think. And predictability is another area, especially for people that are more or less on fixed incomes. In this four-year period, one year our taxes went down 11 percent, and the next year they went up 20. And we've had some huge fluctuations, which is hard to plan for. And the simplicity I surely agree with. That's my comments. [LR492]

SENATOR ADAMS: All right. Thank you, sir. What's been happening to the enrollment in Chadron? I should have asked Caroline and I didn't. [LR492]

GLENN PRICE: The enrollment? [LR492]

SENATOR ADAMS: The enrollment. [LR492]

GLENN PRICE: I think it's been fairly constant. I was on a school board in one of the rural schools before they consolidated everything, and it was, you know, pretty much a fixed thing, I think. [LR492]

SENATOR ADAMS: Thank you. Are there other questions? Thank you then. [LR492]

GLENN PRICE: Okay. [LR492]

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SENATOR ADAMS: Appreciate it. Next testifier. Welcome. [LR492]

TERRI HAYNES: (Exhibit 9) Good evening. I am Terri Haynes, a Chadron Public Schools school board member. I, too, am pleased that your guiding principles are paralleling ours, particularly in sustainability and predictability. I will echo some of the things my colleagues have previously said. I do hope that, in the TEEOSA funding, that we do begin to be rewarded for doing it right. Academically, we're doing it right at Chadron Public Schools. Our NeSA scores, our ACT scores are very impressive. We've...these students that are doing well are products of smaller class sizes. So we hope that in your consideration of TEEOSA funding that this smaller class size does not harm us in the future. We are also, at Chadron Public Schools, doing it right fiscally or at least doing our best with what we have. We've endured drastic budget cuts in the recent years and were forced to close rural schools and make many changes and lose 15 professional positions in a small community, so that was a big hit. We're working through it as best we can but continue to make adjustments. We are a frugal school board. We do our best not to spend the entire budget, but then we seem to be penalized for not spending everything. We would much rather be able to set aside dollars for unexpected expenses or prepare for capital improvements so that we don't have to attempt a bond issue to our patrons. We do a lot of preparation. We do five-year, ten-year, long-term planning for curriculum, for buildings, etcetera. In many ways we are shovel-ready for the next project or the next amount of money that come around. But as the finances continue to be unpredictable, we end up going backwards at times. And since we are preparers and then fiscally responsible, it would be somehow better, we feel, to be rewarded for doing it right. The Nebraska Department of Aeronautics--I have a little bit of experience there--they do follow that model. Airports are funded based on doing it right, being prepared, having 5-, 10-year, and long-range planning. Those are the airports that continue to get funding by the state of Nebraska. So perhaps some of that kind of a model might be good for our public schools as well. Chadron Public Schools does this...does do some of this, but we are not allowed access to our unused

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budget authority. And this model does encourage spending and not saving. Another area is the CIR constraints. Again, we would like to save our district some money in health insurance, but it doesn't do us any good when we have to make up the difference in the salary package. Potential solutions: trust our local boards to make the best decisions for our area; allow the local boards of education more control over our cash reserves; the amount levied under \$1.05 could be used for special building funds. We'd like to keep the levy at \$1.05 but give local boards more flexibility on how to spend it or save it for projects. And again, we do need stability, predictability, and we'd really like to be rewarded for doing it right. [LR492]

SENATOR ADAMS: Okay. Thank you. [LR492]

TERRI HAYNES: Okay. [LR492]

SENATOR ADAMS: Questions for this testifier? I wish our state revenues were a little more predictable too. [LR492]

TERRI HAYNES: Yes. Understand. [LR492]

SENATOR ADAMS: Anyone? Thank you, ma'am. [LR492]

TERRI HAYNES: Thank you. [LR492]

SENATOR ADAMS: Next testifier. [LR492]

JIM O'ROURKE: (Exhibit 10) Thank you for this opportunity, all of you. My name is Jim O'Rourke. I'm a retired educator, a parent, and a rancher south of Chadron. I'd like to suggest the state of Nebraska needs to change the way that it funds K-12 education. You've heard earlier this evening that the Chadron Public Schools conducted a bond election vote this last spring. That vote...the vote on that bond was defeated, and it was

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not because the residents, the taxpayers, don't think that improvements don't need to be made to the system. But it's simply because they can no longer afford to pay for education in the way that funds are currently generated. Dawes County is a rural community, I think as...I hope that you all know. Currently 10 percent of the population of Dawes County pays 50 percent of the property tax. Property tax makes up 40 percent of the funding for the Chadron Public Schools. Those rural residents played a big hand in defeating that bond vote simply because they can no longer afford to pay for education the way that it's currently...in which funds are currently generated. And at the same time they're still paying income taxes, they're paying sales taxes just like anybody else does. I conducted a telephone survey, and I'll have to admit this was not a very comprehensive survey. We've had some issues in the Panhandle in the Pine Ridge here in the last couple of weeks. So with the fires I didn't get as many telephone calls made as I would like to have. However, what I find is that the average ranching operation in Dawes County pays somewhere between 25 and 35 percent of their gross annual income on property tax--25 to 35 percent. Now obviously operations differ in their capability of production and in their...of course in the size. I find some that pay as little as 6 percent of their gross annual income. But I find some smaller operations that are paying anywhere between 65 and 85 percent every year of their gross annual income. And in some of those years for small operators...and next year is going to be one of those in which there is no income. You're paying 179, 180, 200 percent of your gross annual income on property taxes. What I would ask you is: What other business in Nebraska can sustain or does sustain that sort of tax and stay in business in Nebraska? The Nebraska system of education funding cannot continue to rely on this disproportional percent of funding paid by property taxes. Thank you very much.

[LR492]

SENATOR ADAMS: Thank you, sir. Are there questions for this testifier? Anyone? Thank you, sir. Next testifier. Anyone? [LR492]

LAVON HOOD: My name is Lavon Hood, and I am the director of finance over at

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Scottsbluff Public Schools, located at 2601 Broadway in Scottsbluff. I would like to say thank you for coming to the Panhandle. We do appreciate you coming out and allowing us this opportunity. I wanted to talk to you just briefly about the TEEOSA formula. When it is funded as it is intended, the formula works, and it works very well. The changes that are considered for short-term sustainability I do have a few concerns with. When you talk about the local effort rate...I did a calculation of the \$1.0395 versus the \$1. The impact to Scottsbluff Public Schools was \$458,000 decrease. Then when we looked at the decrease in the basic allowable growth rate, going from 2.5 to .5, the decrease to Scottsbluff schools was \$1.9 million. When we lost revenue two years ago...or when State Fiscal Stabilization Funds first came out, the district lost \$1.9 million, of which we recovered \$1.1 million for State Fiscal Stabilization Funds. So we went down \$800,000. That means we were really...we had to be very lean. And some of the ways we did that is: We did reduce some head count; we closed one of our Class I schools, Lake Alice; we delayed our textbook adoptions; we froze teacher and administrator wages, and all of this while we continued to sustain a raising enrollment of about 60 children per year. In this year alone we have an increase of over 108 students so far. The four items that you are talking about with the equitable, sustainability, predictability, and simplicity, I heard someone mention earlier a temporary aid adjustment. And I feel that if we did look at something like that, that would tend to go in alignment with what you're talking about with these guiding principles. So thank you again. [LR492]

SENATOR ADAMS: Okay. Questions for this testifier? What's your levy in Scottsbluff, General Fund levy? [LR492]

LAVON HOOD: We're at \$1.05. [LR492]

SENATOR ADAMS: You're at \$1.05. Do you have bonds also? [LR492]

LAVON HOOD: Yes, we do. [LR492]

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SENATOR ADAMS: Okay. And you said you had a growing population, growing student numbers? [LR492]

LAVON HOOD: Yes, we do. Yes. [LR492]

SENATOR ADAMS: Okay. Do you...and I could...okay, I don't have the printouts in front of me. But just out of curiosity, instructional time allowance, do you take advantage of that? [LR492]

LAVON HOOD: We did not take advantage of that this last time. We have made some additional changes that hopefully that's something we might be able to take advantage of coming forth. It depends on how everybody else does as well. [LR492]

SENATOR ADAMS: Okay. All right. Are there other questions for this testifier? [LR492]

SENATOR SULLIVAN: Senator Adams? [LR492]

SENATOR ADAMS: Yes, please. [LR492]

SENATOR SULLIVAN: So when you took those sizeable hits in your state aid,... [LR492]

LAVON HOOD: Um-hum. [LR492]

SENATOR SULLIVAN: ...you mentioned closing a rural school. [LR492]

LAVON HOOD: Yes. [LR492]

SENATOR SULLIVAN: What else, particularly in terms of what you felt might have been a negative impact for the quality of education, were some of the results? [LR492]

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LAVON HOOD: The reduction in head count as well. We delayed textbook adoptions. And when we delayed textbook adoptions, it was for several years. And it makes it very difficult to keep us on the leading edge and keep our kids on the leading edge. [LR492]

SENATOR SULLIVAN: When you said you reduced head count, what did you mean? [LR492]

LAVON HOOD: Para educators, and didn't replace some attrition. [LR492]

SENATOR SULLIVAN: Oh, oh, oh, okay. Oh, I see. Okay. All right. Okay. Thank you. [LR492]

SENATOR ADAMS: Other questions? Thank you. [LR492]

LAVON HOOD: Thank you. [LR492]

RICK MYLES: My name is Rick Myles, and I'm superintendent of schools at Scottsbluff. And I appreciate your coming here, and I don't envy your position one bit. We understand that the pie isn't going to change, that there is a size pie that's going to increase and decrease through time. And we don't want to fight each other for pieces of the pie. But there are things that we have tried to do through the years that I've been here, and this is just my third year here, that we're afraid we've been strategic about. And when the rules of the game change, we might end up getting hurt by it. And Lavon has just talked about, for example, class size. Well, we went ahead and hired extra teachers to try to take advantage of that potential incentive, and we've now made commitments. If it goes away, we haven't been doing it long enough for it to help us. But it would be a big loss for us. Similarly, we went after the instructional time allowance, negotiated with our teachers for four more days. If the incentive goes away, we'll lose that. In a town like Scottsbluff, the economic role of education is significant, and the

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layoff of 20 employees is a big deal for our community. So we're hoping that as choices are made that you'll model the potential impact and look at every single line and see how it affects every single district and make sure nobody gets hurt. And that's our goal, that no school districts get hurt, that all our school districts are successful, and that we don't compete with each other and that we don't compete with other deserving public entities who are also looking for dollars in funding as well. That's it. [LR492]

SENATOR ADAMS: Thank you for your testimony. Are there questions for this testifier? Anyone? Thank you for taking the time. Appreciate it. Other testimony. [LR492]

DON HAGUE: Don Hague, superintendent of Gering Public Schools. First of all, education is our top priority in Nebraska. You're the Education Committee, and I'm preaching to the choir. But when we are out there battling for funds, we've got to make sure...the formula will work as long as we let it work. When we go in and start messing with parts of the formula, I think that's when somebody is a gain, somebody loses, and we have a lot of issues. Giving it time to work, I think the formula is going to work, and if we make sure that we have the money to fund that formula. We kind of delayed a crisis two years ago with the ARRA money coming into the state. Most of us are aware of that. You also have a reevaluation occurring across the state. Land values go up and all at once that local district has a lot more money on the local level than they had before. And TEEOSA, I think the concept...I've only been here 12 years, and I'm starting to figure it out a little bit. But I think the concept was to make sure we all had equal. So if I couldn't generate enough locally, the state would step up and make sure we had equal money, in simplistic terms. So I think we give it a chance to work, and we make sure that works. I think we'll do our part, and we can get through this. I hate to see the formula...and I know, Senator Adams. I've watched this, again, 12 years. I think every year there is a TEEOSA bill that goes through. There are some changes, there is battles. We try to back into a number. And I know it's difficult, and you guys have a difficult decision. We have to make it work. Truly, we all have to pay our equal amount. I know that's hard for some people that do have...if I'm losing students and I have a lot of

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assessed value, I don't need to generate as much. I don't have to have \$1.05. Being here in Gering, we are against the lid. We're at \$1.05. We made some tough choices in this district. There were three years that we did not go after the averaging adjustment strictly because we needed to work on buildings. And we did a \$0.93 levy in our general fund and put the rest of it towards the building fund, and so we could build additional. When it comes time for a bond issue, you're sitting in a school...this started in 1993--five bond issues before we finally passed the bond issue. There was a lot of people worked hard before this ever was...came to fruition. So it...there are tough choices. Boards do work hard. Communities work hard to provide education so...and it's not just small schools traveling across the state. We're going to play Hastings. We're going to Grand Island on Friday night. Scottsbluff will be in Aurora on Friday night. We're traveling. And Senator Harms is right. We work with the Activities Association to try to allow us to play across state lines. It takes two states working together to do that, and we'll continue to pursue that. But we're doing what we can. I mean, we're doing as much as we can. But I appreciate what you're trying to do. I'm glad that you're out taking testimony and finding out from people what...you're here. You're hearing a lot of mixed messages. But the bottom line is I think we've got a formula. If we keep that formula in place and just let it work through, I think we have a chance. [LR492]

SENATOR ADAMS: Thank you, Don. Now are there questions for Don? Appreciate it. Thank you, Don. [LR492]

DON HAGUE: Thank you. [LR492]

SENATOR ADAMS: Other testimony. [LR492]

LANA SIDES: I'm Lana Sides, Harrisburg, Nebraska, superintendent there and transportation director. The one small thing I was going to address was the transportation allowance. We're a district of 800 square miles, almost all gravel roads, nonpaved, rough roads. On the transportation allowance, it's a choice of the miles the

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buses travel or what you spent the year before, the lowest of the two. We don't have the choice. And the last two years we've been nonequalized, and we have not had the money to buy the new buses. We were buying a bus a year at \$84,000, selling the old bus at \$1,000, so they depreciate out. I'd like to see us be able to use our mileage again for that allowance. We run about 140,000 miles a year. Our routes are...every route is over 50 miles round trip, twice a day. So I'd just ask you to take that very sparse consideration. [LR492]

SENATOR ADAMS: Thank you. You're superintendent and transportation director and probably coach two or three things, jump up on the roof and check for leaks now and then? [LR492]

LANA SIDES: I used to coach; not anymore. (Laughter) [LR492]

SENATOR ADAMS: What questions do we have for this testifier? So specifically, the issue that you're presenting to us is the transportation allowance and how it's calculated. [LR492]

LANA SIDES: Yes. That would be a big help. [LR492]

SENATOR ADAMS: Okay. Thank you. That's very helpful to hear from you. [LR492]

LANA SIDES: Thank you. [LR492]

SENATOR ADAMS: Next testifier. Anyone else? [LR492]

MERRELL NELSEN: This time you guys thought you were getting off easy. (Laugh) My name is Merrell Nelsen. I'm superintendent of schools at Gordon-Rushville, Nebraska. I guess I again, like everybody else, I really appreciate you coming out to the Panhandle. I would tell you that I think there is a bit of a feeling of disconnect with the huge

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geographic area that we have in this state. That being in mind, some of the proposals that you're looking at...and I know that you'll look at it with full and due consideration. I can understand the idea of the LER, moving that because we're getting so many schools that are nonequalized, you know, and so I see your reasoning behind that. I don't know, you know...only you can run the analysis and see whether or not it will actually make a difference, because keep in mind that land valuations keep going up. Now I can speak for the...I think I can speak for the patrons of my district in the fact that as far as taxes goes, they don't object to paying taxes. But what they do want to make sure is that it's fair. And we know that when the TEEOSA formula originally came into being it was with the idea to create some balance because prior to that time we were entirely based on property tax. And I think that it has to be a concern to see so many districts going back to, once again, an overwhelming reliance on property taxes. I know, you know...I'm from a rural district. I know that's what I hear. And other than that I, you know, yeah, I would reflect also that I think that there are expenses that we have out here that may not be common in other places in the state. Your question earlier was: Where does the Panhandle actually start and stop? Well, I think it really relates to sparsity. You know, we've written grants out here. And our population density out here is similar to Alaska, you know, I mean, so that's kind of the...and that's what you get into. I mean, if...Valentine could be a sparse area because you've got a long ways to go. I mean, North Platte is your closest. It would be two hours to get somebody up there. Gordon-Rushville: No, we don't have any roofing companies there in town. Now, you know, if we've got shingles blow off that's one thing. But if you're talking about a roof to a building our...my closest place is Scottsbluff, okay? If not that, then we're looking at a Rapid City type situation. And I think that that's one of the things that is difficult for us, too, the fact that...Caroline mentioned before that Denver is closer, Casper is closer. Lincoln is further, you know? It is. And that's why, you know, it's a lot easier for us to make a trip in another direction rather than clear back east. Now I'm sure that one of the considerations in the Legislature this year will be to flip-flop the sessions, holding them in Lincoln one year and Harrison the next, and then everybody will be happy (laugh) and sing "Kumbaya." And I guess a number of the other changes that you're looking at and

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considering, you know, yeah, I think some of them were winner and loser type things. Okay, instructional time allowance, you...all of us sent in our time. And, you know, believe it or not I was the winner last year. I had more instructional time. I got some amount of money. But I never know going into it whether or not, you know, that's...you know, so as far as predictability, no, I didn't know. In fact, I certainly didn't expect it. Teacher education allowance, I think all of us have an education component in our negotiated agreement. But at a TEEOSA meeting that we were at earlier this year the question was: You know, is that a predictor for improved student learning? And I don't know of any studies that actually indicated, you know, that there is a direct correlation. So with that, I thank you again so much for coming out. Thank you again for listening to, I guess, those of us who sometimes feel lonely and neglected and misunderstood out in the western part of the state. [LR492]

SENATOR ADAMS: Merrell, thank you. Could I ask you...I'm going to ask you to think back, if at all possible, to the list that Caroline made of unique costs. Was that list fairly comprehensive? Or when you heard that, was there something missing from that list? She talked about professional development and the additional cost to a remote school district as a result of that. The bidding process and being able to buy, that was an issue. Is there anything else that you see? [LR492]

MERRELL NELSEN: Well, and some of...sometimes it's things that just depends on year to year. I mean, if there happens to be an asphalt company coming through town, they'll probably come and actually ask the school, I mean, do you have any asphaltting you want done? But, you know, when they come and ask me, I say, well, no, we can't afford it, you know. I mean, it's kind of the way it is. But, I mean, like concrete, we don't have a concrete plant in Gordon. It has to come from Chadron. Actually, I mean, getting service industries is difficult. It's difficult. And, I mean, we're talking about, you know, kind of the bare, average-type services. Plumbers, electricians, you know, yeah, we've got them, but whether or not we can catch them because they...we don't have many. And keep in mind that, you know, like my district is 2,300 square miles, you know, so

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they're kind of, like, going everywhere. But yeah, they're...those are definitely some examples. You know, additionally, in my district we do have some rural schools. We know that it costs us more to keep a rural school open than...so yeah, I mean, we see it both...we would like to be able to make the case to you and say these are exact examples. But even internally we see the difference in what it costs to keep a rural school open as opposed to a town school. [LR492]

SENATOR ADAMS: May I ask you, what about the way the transportation allowance is calculated? We heard from the superintendent of Harrisburg that we need to relook at that. Do you experience the same things? [LR492]

MERRELL NELSEN: I experience the exact same thing. I mean, I know Russ (phonetic) is back there, and I hope I don't get hit in the back of the head. (Laugh) A lot of the allowances are calculated two ways. And it...and basically you get the lesser of the two calculations. That's kind of the way that it's always been. Transportation is one of those. It's not based on an actual fixed cost. [LR492]

SENATOR ADAMS: All right. Duck. (Laughter) Are there other questions for Merrell? Thank you, sir, for taking the time tonight. [LR492]

SENATOR SULLIVAN: Thank you. [LR492]

MERRELL NELSEN: Thank you. [LR492]

SENATOR ADAMS: Other testifiers. [LR492]

JIM O'ROURKE: Maybe I should ask you a question. [LR492]

SENATOR ADAMS: Please come to the microphone. [LR492]

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JIM O'ROURKE: Okay. [LR492]

SENATOR ADAMS: And state your name, please, again. [LR492]

JIM O'ROURKE: (Exhibit 11) I'm Jim O'Rourke, but I'm not Jim O'Rourke on this testimony. I have a rancher friend who would like to be here, but he's involved with fires. Can I read his statement here? Do you allow that? [LR492]

SENATOR ADAMS: You know, what you can do is state that you're submitting it and hand it to the clerk, and then we'll...she'll get copies for everybody. Would that be all right? [LR492]

JIM O'ROURKE: So done. [LR492]

SENATOR ADAMS: Great. Thank you. [LR492]

JIM O'ROURKE: It relates to an answer to property tax, a suggestion for a residence tax. [LR492]

SENATOR ADAMS: Okay. Thank you. Is there other testimony? Anyone else that would like to testify? Well, if not, we are at the end then of the testimony for this evening on this interim study, and the committee certainly appreciates the fact that you've come out tonight. And we've taken plenty of notes, and all of these things will be reconsidered in the committee as we're developing legislation. Thank you all. And that will conclude our hearings for this evening. (See also Exhibit 12) [LR492]