

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

EDUCATION COMMITTEE
September 18, 2012

[LR489 LR492]

The Committee on Education met at 2:00 p.m. on Tuesday, September 18, 2012, in the Gothenburg High School, Gothenburg, 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: Gwen Howard, Vice Chairperson; Bill Avery; Abbie Cornett; Brenda Council; Ken Haar. Also present: Tom Hansen.

SENATOR ADAMS: (Recorder malfunction) ...and so for the sake of respecting everyone's time, we're going to begin this public hearing on two interim studies. Excuse my voice, if you will, but I'm going to put my classroom voice on and launch right over the top of everything. We're going to have a public hearing today on two interim studies, one of them dealing with early childhood education and the other dealing with school finance. And let me begin, first of all, we are going to start with the early childhood and give you just a little bit of background, and then we will take testimony. It had been a while since we had taken a step back and looked at our publicly-funded early childhood programs. Now the reason I stress that to you is because this committee's jurisdiction is not going to extend beyond those publicly-funded early childhood programs. We're not going to get over into the social service side. That's a whole new world and we're not going to go there. And our intention is today is to find out from you, if there are those of you who wish to testify on the subject, to find out where our successes are, where our failures are in our publicly-funded early childhood programs. If we have problems, we need to know about it. As I'm sure all of you are aware, the focus of interim studies is assessment, it's evaluation, and then it gives us the determination as to whether or not we need to develop legislation for the upcoming session. So we need to hear from you. And we'll start with early childhood. And then when I judge that we have spent enough time on that, we'll proceed on to school finance and I'll make some introductory comments at that point and we'll move on. Before we start anything else today, let me, first of all, introduce everyone who's here. Clear to my right is Becki Collins, she is the committee clerk. Most of you who have testified before the Education Committee before

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

EDUCATION COMMITTEE
September 18, 2012

are familiar with Becki. And I would ask that if you choose to testify today, just like if we were at the Capitol, I'd ask that you come down here to the microphone, be sure that you have filled out a testifier's registration form--they are back there, along with some other handouts that we have prepared--that you fill one of those out. And when it is your turn to testify, if you'd just leave it right up here in the box. Before you begin your testimony, if you will begin with your name and address for the record so that we have all of that. As of right now I'm not going to put any time limit on testimony, but if you get too long-winded, why we'll reach the cane out on you. But otherwise it looks like based on the number of people I see here in the crowd we can probably be fairly spontaneous and have a fairly good dialogue for a while. Next to Becki is Senator Seiler. Senator Seiler is new to the committee representing the Hastings area. Next to me is Tammy Barry. Many of you know her. She is legal counsel for the Education Committee. I'm Greg Adams, I chair the committee, representing the 24th District, York, Seward, and Polk County. To my left is Senator Kate Sullivan. Kate is from Cedar Rapids, Nebraska. And to her left is Kris Valentin. He is the research analyst for the committee. We may have, I don't know, we may have some of our colleagues, fellow senators, come in. In fact, there's one of them coming right now. Senator Hansen, we've got a spot for you up here. You don't want to be part of this, do you? (Laughter) All right. Well, welcome, Senator, to the group. So with that, let's begin our testimony on early childhood and let's have that discussion first of all. There's no set agenda other than to find out how we're doing with our early childhood programs that are publicly funded. So we would take our first testifier today. Someone's got to break the ice. I suppose everybody's here for TEEOSA. As long as there's money, every early childhood program works just fine, doesn't it? Thank you, Virgil. [LR489]

VIRGIL HARDEN: Good afternoon, Senator Adams. Virgil Harden, 123 South Webb Road, Grand Island, Nebraska. [LR489]

SENATOR ADAMS: Have you got your registration, Virgil? [LR489]

EDUCATION COMMITTEE
September 18, 2012

VIRGIL HARDEN: I do. [LR489]

SENATOR ADAMS: Could you just... [LR489]

VIRGIL HARDEN: I think I've got it. [LR489]

SENATOR ADAMS: We've got to start with you so that we set a good habit for everybody else. [LR489]

VIRGIL HARDEN: All right. You need me to set her right in there? [LR489]

SENATOR ADAMS: Yeah, just right there in the box. [LR489]

VIRGIL HARDEN: All right. Excellent. [LR489]

SENATOR ADAMS: Thank you, Virgil. [LR489]

VIRGIL HARDEN: Grand Island Public Schools. Just thinking about a couple of issues that Grand Island faces with our preschool program, most of it is funded with federal dollars, but we do have General Fund dollars in the program where we need. We face a large community of poverty families with high needs of children from really birth on up kind of thing. We run a three- and four-year-old program in what we call our early learning center, which is actually an old elementary school that we were able to use after we had remodeled another one. And so we have building issue needs for having the appropriate space for children in a preschool program. And we're looking at trying to have an opportunity to do that with local resources. But anything that the state could do to try to help communities have the opportunities to put the proper preschool facilities in place would be helpful. Preschool is a different animal, for lack of a better word, than a regular school-age. They have larger space needs. They have needs for areas where they can socialize, learn other skills. We do have from time to time tried partnerships

EDUCATION COMMITTEE
September 18, 2012

with our Head Start program, which Head Starts in Nebraska, I think, are kind of more regional and it becomes difficult sometimes to have as strong a working relationship as we would like. I don't know if there's any opportunities to look at that. I know Head Start is a federally funded program. You mentioned talking about public, so I think federally it's public too. So I hope that's on par with what you want to talk about. But, you know, if Grand Island could be in charge of our Head Start program for Grand Island as a community in conjunction with the Grand Island Public Schools, I think there would be a large amount of value-added activity there. And right now we work as we can with a group that's more of a regional, and so their interests sometimes aren't as in sync with what our goals are. Obviously it's to educate kids, but sometimes there's pull in from other areas they're trying to serve. So any kind of link that we could have where there's a coordination of effort. So we envision, we actually have some land that we've purchased in hopes of building a new early learning center for our community. So to the extent that we can fund that and get that accomplished that we can be in partnership with other programs instead of being redundant services or in competition, it just doesn't seem to make sense. So the extent that we can work together with other agencies to have all our resources for early childhood at one place and serving the area that needs it the most. In Grand Island, that's the east, southeast kind of area. That's where our land is that we want to build on. So those are the thoughts that I wanted to share with you about Grand Island. We're very passionate about the fact that if we can get the kids early, we get them there, we can educate them, we have an opportunity, we'll run a half-day program which most, I think, schools when they do preschool or early childhood do. We have around 400 kids, 450 this year I think, which is down because our partnership with the Head Start did kind of fall away, and so they went and had their own area and we have our area. So I guess with that I would end my testimony about early childhood and the things that we're looking at and facing in Grand Island. [LR489]

SENATOR ADAMS: Okay. Thank you, Virgil. Committee members, are there questions for Virgil? Virgil, tell me...oh, I'm sorry. [LR489]

EDUCATION COMMITTEE
September 18, 2012

SENATOR SULLIVAN: Oh, no, go ahead. You go. [LR489]

SENATOR ADAMS: Virgil, tell me again, if you would, about your relationship GI Public Schools with your Head Start. [LR489]

VIRGIL HARDEN: Well, we had a cooperative venture with them where out of our early learning center, our old Bugleman elementary building in Grand Island, clear in the north, very, very northwest...I mean, if you go across the street you're out of the city limits. So it's as far away from kind of our...I mean, if you catty-cornered to the southeast, that's where the need is. So we have a large population of people that have to drive their kids. We've tried transportation; it's exceedingly expensive and that kind of thing. So our partnership with them was to have their offices for the Grand Island Head Start located in our second floor because with preschool you can't use the second floor; it has to be ground level. So we had them do that. And then they were providing ancillary services for home visits, social workers, things like that to support our teachers and paraeducators in the classroom. And so that was the...you know, we were delivering services, serving kids who were in Head Start first and then kids that met the poverty threshold for us second. So we worked together so we didn't have a duplication of effort. It just fell away is the best way to say it. It just...the push and pull of services, the level of our expectation with what we thought we were going to get with the support of Head Start wasn't the level that we ended up achieving and it became to the point where it wasn't working well, and so it caused, you know, dissatisfaction to the point where it's better to separate and not have that consternation in the building kind of thing. So maybe it was adults playing poorly in the sandbox, I don't know, but it just didn't work. And so it seems to us from our seat in our view of the world that if we could have control of those federal Head Start dollars, we could put those in conjunction with other federal dollars that we receive and General Fund dollars to provide better, more coordinated services for the community in the early childhood area. [LR489]

SENATOR ADAMS: Okay. Thank you, Virgil. Senator Sullivan. [LR489]

EDUCATION COMMITTEE
September 18, 2012

SENATOR SULLIVAN: Thank you. Virgil, of late we've heard the business community talk about the importance of early childhood education. Has there been any engagement between the school and the business community in Grand Island around this topic? [LR489]

VIRGIL HARDEN: Not that I'm aware of as a specific thing. You know, obviously the economics of it is that, you know, you have young families with kids. This population that we serve are really migrant families, people in poverty, maybe one family member working in a factory or something like that. They're not going to compete against like a private day-care type, so they just aren't going to get that service. If we don't provide that service for that child in poverty they aren't going to get that education thing. And so, you know, obviously any dollar we can put into early childhood and get that child educated, get ready for school and things like that. So I'm not 100 percent sure, you know, from the business community, if they're thinking that we would compete with other childcare providers or if they're just concerned about their workers having, you know, adequate childcare and that kind of thing. But we're not really in that business. We're really not, you know. So love to have dialogue. I don't think we've done anything to extend any kind of dialogue about that in Grand Island. But it doesn't seem like there would be a total direct connection there because we're not going to really provide that employee that works at the bank or an employee that works at wherever any kind of outlet for childcare because they're going to go to, you know, a private care provider versus what we provide. [LR489]

SENATOR SULLIVAN: Thank you. [LR489]

SENATOR ADAMS: Are there other questions for Virgil? Thank you, Virgil. [LR489]

VIRGIL HARDEN: Thank you. [LR489]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

EDUCATION COMMITTEE
September 18, 2012

SENATOR ADAMS: Is there a next testifier? [LR489]

BRIAN MAHER: Good afternoon. [LR489]

SENATOR ADAMS: Welcome. [LR489]

BRIAN MAHER: I'm Brian Maher. I'm the superintendent of the Kearney Public Schools. My address is 2303 West 35th Street in Kearney, Nebraska. I'm appearing just really maybe to support some of the things that Virgil has talked about, and that is that I think we would benefit as a state by a coordinated effort for preschool services. One of the things that we do in Kearney Public Schools, we have a 5,200-student K-12 enrollment, and we serve about 115 students in our pre-K school right now. And we're very passionate about this segment because I think we understand the long-term effects of leveling the playing field of those kids coming into our schools. The majority of those kids live in poverty currently, and anything we can do to level the field by the time they get kindergarten age is something we're passionate about. As Virgil mentioned, we had some roadblocks as we looked at serving that preschool-age student, and many of those right now we're finding is in the cooperation that we have with Head Start. And I'm not here to bash Head Start, but our...we're separate and distinct right now I think because of that lack of coordination. I think we waste some money along the ways and we have redundant costs and redundant services that don't need to be that way. Senator Sullivan asked a great question about how are the local businesses in this regard. We've engaged our chamber of commerce, our mayor, and in our situation the chancellor at the University of Nebraska-Kearney, and we've got terrific response and cooperation from those folks. It's just a matter now of trying to figure out how to work with the regional service that is Head Start, and that's been a little bit of a difficulty for us at this point. I'll entertain any questions that you have. [LR489]

SENATOR ADAMS: All right. Are there questions for Brian? Yes. [LR489]

EDUCATION COMMITTEE
September 18, 2012

SENATOR SEILER: Your preschool, where does it start? Three-year-old or zero?
[LR489]

BRIAN MAHER: It actually in some instances starts at birth. The majority of students that we serve are four-year-olds, the next highest majority would be three-year-olds, and then it gets smaller as we go down. We would really love to have a more robust birth-to-five program, and that's what our business community would like to see too. Right now it's just not sustainable, so we serve those closest to entering our doors.
[LR489]

SENATOR SEILER: Okay. Thank you. [LR489]

SENATOR ADAMS: Other questions? Thank you, Brian. [LR489]

BRIAN MAHER: Thank you. [LR489]

SENATOR ADAMS: Next testifier. Anyone else like to testify on our early childhood programs that are publicly funded? Going once. Well, if not, we will conclude the hearing there and we'll move on to the interim study that we have on TEEOSA. Let me give you some background so that we can properly set the stage for this. I don't think there's a year that I've been Chair that we have not had to look at TEEOSA. We always do. And whether it is an informal interim study like this or it's simply a day in the office, in the Education Office, we're always looking at various things that you folks have called in about that work, that don't work. Obviously we're looking down the road at the budget, the aggregate numbers, the revenue stream of the state, all of those kinds of things. And there has hardly been a year that we haven't had to deal with it. I guess last year ultimately we did not have a TEEOSA bill that went across the line. Here we are again. And part of what we're doing here today is asking you about your concerns with the current formula. We have outlined some bullet points. And I want to emphasize with you that the bullet points that you see on the handout are things that the committee is

EDUCATION COMMITTEE
September 18, 2012

looking at, they are things that the staff group has put together, they are things that have come to us in the office throughout the course of the year, prior years when superintendents and business managers call in. And we've put them there on the list. But I want you to realize that at this point the committee has made no decisions about what direction it will go with any kind of school finance legislation. We've made none. And quite frankly though we have met in Exec Session a couple of times on it, there was a great deal of let's wait and see after we've had the public hearings from one end of the state to the other what people are thinking. Let's get closer to the session before we decide what we want to do. For your benefit, at least certainly I think it's been to the benefit of the committee, we've kind of been looking at TEEOSA this year in two different fashions, two different elements. One, are those mechanisms within the formula, and there are very few of them, that will influence the final aggregate number? As you well know, we have been modeling out numbers since the end of the legislative session that showed TEEOSA potentially having 20 percent increases. That's not going to work. There will be an increase in TEEOSA, but that's not going to work. So part of the committee's mission is to adjust the needs down to some level, and I underline some. I don't know what the percentage is. I really don't. The other side of it as long as we have to deal with that, it makes good sense annually, maybe even more thoroughly this year, to look at the other mechanisms that are in the formula, those that don't necessarily increase or decrease the aggregate number but influence the distribution and make sure they're doing what they're supposed to do. And inside the committee we've been asking ourselves these questions about the various allowances and adjustments: Why do we have them? What are they there for? What's the philosophy behind it? Should it still be there? If the philosophy is sound, is it mechanically sound? Is it working as far as accountability and calculation? So we're looking at really two sets of issues dealing with the formula, and you are certainly welcome to testify on any of them. And, again, let me reiterate, the committee has made no decisions on what direction we'll go on any of this. It's...we're getting closer to the legislative session, but now is the time for you folks to speak up. We'll be in Albion next week. We'll be in Gretna next week. And certainly we'll continue to work within the committee and...to

EDUCATION COMMITTEE
September 18, 2012

develop whatever we're going to develop. I know that NRCSA and GNSA have also been working on things and we have been in communication with them and we have promised each other we'll stay in communication as all of this progresses. So this is the opportunity for us to hear from you folks about the formula. With that, I know most of you are here for that reason, so let the fun begin. Whoever wants to go first. [LR489 LR492]

SENATOR SEILER: They drove all that way and nobody wants to go first. [LR492]

SENATOR ADAMS: I tell you, that long introduction on my stressed voice, I scared everybody away. Can everyone hear all right, by the way? It is all right? Good acoustics in a small enough group? Okay. Go ahead, Brian. [LR492]

BRIAN MAHER: Good afternoon again, Senator Adams, members of the Education Committee. Thanks for, number one, having the sessions around the state. We really appreciate it. I'm sure there's plenty of other things that you can do for fun. In 1990 the state aid formula was changed to provide a level playing field for all schools by providing more aid, more state aid to schools that were considered property poor, thus the term equalization aid. With recent changes, we've moved away from this concept. With the current state aid tier system, the highest spending school districts receive more state aid and the lowest spending school districts receive less state aid. This is creating a growing gap in both funding and spending. Here are some examples of what I say is occurring. The number of schools who can fund their operations with less than the 95-cent minimum levy now stands at 40 schools. With the minimum 95-cent levy, that number is 22 schools. Between the minimum 95-cent levy and the maximum of \$1.05, there are 103 schools. And at the \$1.05 maximum, there are 50 schools. We now have a funding system that allows a quarter of our schools--25 percent of our schools--to a levy below the minimum levy, and 80 percent of the schools are funded at a level below the maximum levy. And the point in all this is that it leaves a funding system that underfunds 20 percent of the schools while overfunding others. The gap in spending per

EDUCATION COMMITTEE
September 18, 2012

pupil by the largest 20 schools versus the state average is growing, and that's certainly a concern at least for us. In fiscal year '08 when the state aid formula had no tiers, those same 20 schools spent 6.47 percent less than the state average. In fiscal year '11, just three years into the state aid formula change of having tiers, this difference had grown by 44 percent or a difference of 9.31 percent. This 9.31 percent spending percentage translates into a difference of \$928 per student, and that's where the rubber meets the road. Because higher-spending school districts have more resources between state aid and property taxes, they're handing out larger teacher settlements. In the 2011-12 school year, the Kearney Public Schools gave no increase to the base salary while over 20 schools in our state gave base salary increases of more than \$1,000, and over 40 other schools gave between \$750 and \$1,000 increases in those salaries. This is in a year in which state aid decreased 12.5 percent. This school year, this current school year, Kearney gave a base increase, a \$450 increase, with no insurance increase while over 70 schools gave base increases of \$750-plus in insurance increases. When looking at a district's resources, both property taxes and state aid, Kearney ranks almost dead last in the state. An analysis of other school districts shows a large difference between school districts regardless of size with the current formula. Again, the current system is not providing a level funding system for all school districts. In summary, it would be our hope that we would address the inequality of the current funding system by revising the tier system. The gap in spending and funding is directly attributed to a funding system that no longer provides a level playing field for all the schools. Pardon me, before I started, I'm still Brian Maher from 2303 West 35th Street in Kearney. And with me is our director of finance, Chris Nelson, also of the Kearney Public Schools. So with that and with your permission, we would both entertain any questions that you have. [LR492]

SENATOR ADAMS: All right. All right. Are there questions for Brian? Anyone? Yes, Senator Sullivan. [LR492]

SENATOR SULLIVAN: Brian, if in fact you disagree with the groupings and the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

EDUCATION COMMITTEE
September 18, 2012

comparisons and you want it revised, how would you suggest it be revised? [LR492]

CHRIS NELSON: I'm glad you asked. [LR492]

SENATOR SULLIVAN: You didn't put me up to that. [LR492]

CHRIS NELSON: You know, I've been studying the tier system for the last... [LR492]

SENATOR ADAMS: Chris, would you state your name for the record? [LR492]

CHRIS NELSON: It's Chris Nelson, 310 West 24th Street, Kearney, Kearney Public Schools. You'll have to forgive me, I've been fighting a cold, so I may have a little trouble speaking here. In watching the tiered systems for the last two decades, and what I have found is back in the early eighties we went to a system in which we had tiers and then we went away from the tiers. And I saw the per pupil spending gap narrow, but at the end it was strangling small school systems. A lot of them had to go to levy overrides. But as soon as we went away from that a few years ago, and I'll point to a school district, Tri County School District, went from that levy of almost \$1.17 down to 79 cents just like that with the change going back to having a tier system. And so our point is we've gone from one extreme to the other and neither works. We need some type of modified system that recognizes, yes, smaller school districts are going to spend more than larger school districts. But it's gotten so extreme that that gap is growing at a rate much larger than it should and now the larger school districts are being strangled. I can't give you a specific as to where they should break the tiers. That's where some analysis needs to be done. But I believe we need to be cautious about going to one extreme or the other because it's creating winners and losers and it's not helping equalize the funding between school districts. [LR492]

SENATOR SULLIVAN: Thank you. [LR492]

EDUCATION COMMITTEE
September 18, 2012

SENATOR ADAMS: Chris, is some of that differentiation in per student spending due to economy of scale, do you think? And if I'm a small school out in western Nebraska and I'm losing students, I'm not losing teachers necessarily or what I'm paying those teachers. [LR492]

CHRIS NELSON: And I agree with you. There needs to be a recognition of that. But to have it grow 44 percent in just three years going away from a tier system is too much of a growth. It's my belief, again, and I can't give you a specific way of addressing it, you know, I liked when we had the sparse, the very sparse, and those type of breakdowns. I'm not saying we need to model that, but I think we need to recognize, yes, those school districts are going to spend more. My concern is the gap is growing so quickly I don't think that's a good situation. And then it's backed up when you look at the levies as another model. I think that needs to be brought in the equation, too, in terms of equality. I don't know you'll ever get a system where we're all levying the same, but when you have one school doing 44 cents and other schools that are over \$1.05, that's too big of a gap. And so to answer your question, yes, I think we need to recognize economy of scale, but I think the economy has gotten too great in terms of the difference. [LR492]

SENATOR ADAMS: All right. Are there other questions for Chris or for Brian? If not, thank you guys for your testimony. Next testifier. Oh, surely those two guys got things going. Come on. [LR492]

VIRGIL HARDEN: Good afternoon again. Virgil Harden, 123 South Webb Road, Grand Island, Nebraska, on behalf of Grand Island Public Schools. I don't know why everybody is not jumping up to testify to you this afternoon. You're all so very friendly, so I'm perplexed by that. But more to the point, we've met several times and I appreciate that. Thank you, Senator Adams and committee members and everyone, for being here and your willingness to listen. Just a few points as you consider the things that you described in your opening comments, Senator. Obviously equalization and the concept

EDUCATION COMMITTEE
September 18, 2012

of equalization and any distribution model, which is really what the TEEOSA formula mechanisms are designed to do, is to distribute scarce resources to those most in need is most important to a district like Grand Island Public Schools where we educate many children that are in poverty, have ESL issues. Our needs far outweigh our resources locally. We are dependent. We, as a single school district, use 5 percent of the total state aid distributed in the state. And so we are critically dependent upon that as a resource to carry out our mission. And so equalization is paramount to us. As you consider changes to the formula, I hope that you will take an approach where you think about the mechanisms within the formula, adjustments, allocations, allowances, anything that you put in there, as something that school districts will act as an incentive to pursue. We will act in our own best interest to seek out the resources that we're so dependent upon, and that you will keep that separate, the mechanisms to distribute the funding separate from the calculation of the total needs. So in other words, let the formula work to tell you what our needs are based on the students, and then use the mechanisms and the changes in that to make the formula better. So if an allowance has run its course and it's no longer necessary, it's okay for it to go ahead and drop away. But as you consider new ones, make sure that you run those models, think about the outcome that you want to achieve, and that you've put forth your best effort to really make sure that you're achieving...or most likely to achieve what you want to achieve. We will...I mean, we want to act in the best interest of our students and it costs a lot of money to do that. I mean, as you mentioned with the 20 percent projected increase in TEEOSA, we're into a billion dollars. I don't care who you are, that's a lot of money. And we want to use that in a wise way to get our kids educated and move forward. And so I just hope that you will keep the total needs and the way you allocate those as separate pieces when you think about it. I guess I'll throw out a little wild idea, and it's nothing new because you have a learning community in the state and I think it's been challenged and upheld as far as the taxes. And in thinking about that, you know, is a learning community an idea that needs to go past metro Omaha? Do you need to think about a tri-cities learning community? A Hall-Adams-Buffalo County tri-city? If I understand the Learning Community and the levy, a 95-cent common levy, 10 cents can

EDUCATION COMMITTEE
September 18, 2012

be levied up by each district up to the \$1.05 maximum. And I don't know if I have those mechanisms 100 percent perfect because I don't work with the Learning Community. But the idea of a broader base of resources locally supporting a broader group of kids so everybody has the minimum, and then another levy on top of that that they can direct at their individual school districts seems to be something that might be worthwhile approaching in other areas than just the metro Omaha. And so I'll just throw that out as something to talk about. So maybe that's all it's worth. I don't know. [LR492]

SENATOR ADAMS: It's probably worth more than that, Virgil, but it's a fight starter. [LR492]

VIRGIL HARDEN: Well, there you go. So I don't know. I guess, I think I'm in favor of that, so I best be careful what I ask for, I might get it. So anyhow, you know, and I guess with my last comment, and I know you all believe this, but every student in the state of Nebraska regardless of where they attend deserves a quality public education. And there's a lot of people that devote 100 percent of their professional lives to ensuring that that happens and care deeply about the students. And so thank you for your efforts in that regard. And that concludes my testimony. [LR492]

SENATOR ADAMS: All right. Thank you, Virgil, for all your help on this. Questions? Senator Sullivan. [LR492]

SENATOR SULLIVAN: Thank you, Senator Adams. Thank you, Virgil, for your comments. First of all, with respect to the Learning Community, has this idea been discussed with your colleagues out here in rural Nebraska? [LR492]

VIRGIL HARDEN: Oh, well, I can't remember if any...Greg, were you at that meeting in the basement of Home Federal back when Ron Raikes was here and... [LR492]

SENATOR ADAMS: I was. [LR492]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

EDUCATION COMMITTEE
September 18, 2012

VIRGIL HARDEN: ...discussed would be the best word we could use to describe that. We discussed it. [LR492]

SENATOR SULLIVAN: Okay. Okay. All right. [LR492]

SENATOR ADAMS: From opposite ends of the room, too, as I remember. [LR492]

SENATOR SULLIVAN: No boxing gloves on, huh? [LR492]

VIRGIL HARDEN: No boxing gloves on, just a mutual agreement to disagree. You know, unfortunately I think a lot of people feel that there has to be winners and losers to that model somehow. You know, if you can take a step back and say, okay, can we...you know, from the business official's seat on the bus in the last couple of years in Nebraska, it's a pretty wild ride. I mean, Grand Island lost \$10 million of state resources in one year. The prior year, we went up something like \$8 million in revenue, so an \$18 million swing in two years. And I'm supposed to balance that and make that work, and 80 percent of our costs are fixed costs to salaries and benefits for all classes of employees. That's not a real stable thing. That's not really in the best interest of students in the state of Nebraska. I know you believe that and we all know that that was a large part due to the federal funding cliff. But it is something that as a state, you know, we have resources that we have in the reserve, we need to manage those. And I guess you asked a question, I forgot to mention this in my testimony, but you'll always hear me harp about the fact that the state probably has a responsibility to think about putting together some type of state aid to schools stabilization fund. And I don't know that a funding revenue to make that work, but the concept behind it is, what, a quarter of the entire state budget goes to funding education or better. [LR492]

SENATOR ADAMS: Include higher ed, I think it's higher ed. [LR492]

EDUCATION COMMITTEE
September 18, 2012

VIRGIL HARDEN: Okay. Well, I'm just talking K-12, but we'll put higher ed in because we care about them too. You know, as far as education and the commitment on the state's part as far as its total resources, it seems like if we want to be serious about stabilizing the funding revenue to those entities that rely on that, we should think about some mechanism to stabilize the highs and the low. And it's no different than an equalized-type system of funding schools. Having some mechanism so when the times are really good, money goes into reserve that can't be touched for anything but state aid to schools and higher ed, and then when things are bad, that's drawn down from. It just seems to have these up and down swings is not good. And I think we can do a better job of managing that on a state level in my opinion. And that's not meant to be a criticism. I'm just trying to express to you from a local business official's seat on the bus the frustration that we have with trying to manage those extreme funding changes.

[LR492]

SENATOR SULLIVAN: When you mentioned allowances and adjustments are put into the formula to address either certain needs or a direction that we think is important to go, and perhaps that sometimes an allowance has run its course and should be removed, are there areas of concern that perhaps we aren't addressing in those right now that perhaps we should consider? [LR492]

VIRGIL HARDEN: Well, you currently have them on your list that you're thinking about eliminating. You know, structural time allowance has been, you know, something that just seems like it can be manipulated because there is a constructional time on just a few minutes in the day. Is it days that you're interested in? Is the cost of that, you know, real and genuine to all? Some school districts have extended their school year five, six, seven days. And, you know, in Grand Island that's a \$260,000 bill for every day based on our just teacher payroll. And so if we had added ten days, that's very real money that we're, you know, going to spend out the door. And so there is indeed a need for that. But that's also a choice that we made to spend those dollars for that additional instructional time. It seems to me like you'd be better to have a rule, a new Rule 10, that

EDUCATION COMMITTEE
September 18, 2012

says, here's a standard, have a higher expectation for the minimum, fund that, and so that school to students across the state are getting the same level of education and you have that in basic funding. [LR492]

SENATOR SULLIVAN: You mentioned that every child in the state deserves to have a quality education no matter where they are, and I couldn't agree with you more. But you also...we also recognize the changing demographics of this state and the challenges that go with it. I guess I'd like you to, if you've got any thoughts on how our educational system may need to change to address that. [LR492]

VIRGIL HARDEN: Well, I don't know that I have any prepared thoughts on that. But the changes in education that are occurring very rapidly that I think impact all school districts are certainly technology and the change from a textbook to a personal computing device, and that levels the playing field for a student with ESL issues or poverty or a student rural-urban. It just levels the playing field. They gravitate towards it. They're interested in it. It's engaging. It's helpful. So technology...and then on that same front having, you know, opportunities outside the traditional brick-and-mortar walls for students at the senior high level to augment, have more advanced placement type. You know, the Nebraska high school I think is a great example and with the efforts in that area. You know, we are struggling with a 2,200 student high school really designed for 2,000. We're putting into place a \$8 million career pathway institute that will probably draw 400 students out of that building. But yet in a few more years that population will continue to grow and we'll be right back where we're at. We need to have an opportunity for some of those students to, you know, educate through distance learning, things like that. So those are things that I think affect all students and all school districts across Nebraska. And so if those are things that you want to encourage, maybe there might be opportunities. And if not, TEEOSA may be the revenue mechanism to fund those activities. [LR492]

SENATOR SULLIVAN: Thank you. [LR492]

EDUCATION COMMITTEE
September 18, 2012

SENATOR ADAMS: Any other questions? Senator Seiler. [LR492]

SENATOR SEILER: When you're bidding some of your, like a purchase of trucks or buildings, are you getting adequate bids? More than one? [LR492]

VIRGIL HARDEN: Well, that's another interesting area that's really changed. We used to spend an inordinate amount of time advertising for particular products and services that we might need. Through the advent of nationwide co-op purchasing programs, we're a member of, I think over six, maybe even seven now, different programs where you can basically get competitively priced bidding for anything from pens and paper to a tractor to mow your facilities... [LR492]

SENATOR SEILER: Roofs. [LR492]

VIRGIL HARDEN: ...or buses or roofs or anything. And so the advent of that has saved us money where we don't have to spend money to go out and do a bidding for just our one thing, because that work has been done by a co-op in Minnesota. They've got a price that's good for seven years and we can do just...we can buy a John Deere tractor from that cheaper than we can from our local vendor and they can sell it to us. [LR492]

SENATOR SEILER: Can all schools belong to those? [LR492]

VIRGIL HARDEN: So anybody, anybody. It's like a \$500 nominal fee a year... [LR492]

SENATOR SEILER: Okay. [LR492]

VIRGIL HARDEN: ...that pretty much any school district can afford. And you can save that, I mean, just advertising that one thing would be \$400 or \$500. By the time you just advertise it, much less the work you have to do in-house to have somebody put that

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

EDUCATION COMMITTEE
September 18, 2012

together, to make your specifications known, all that. So that technology and that cooperative-type work has saved us a lot of time and money and we've become more efficient because of that. We haven't had to add staff. [LR492]

SENATOR SEILER: We heard testimony yesterday that their small schools in western Nebraska are having a real hard time getting bids on their projects. This would cure that problem. [LR492]

VIRGIL HARDEN: I would think it would help, but I'm in central Nebraska. [LR492]

SENATOR SEILER: Is everybody else...since nobody else wants to come forward, is everybody else here getting one bid or are you getting multiple bids? Raise your hand if you're getting multiple bids. And not getting multiple bids. I think we found the end of the Panhandle. (Laugh) [LR492]

SENATOR ADAMS: We need to make sure that we have our dialogue open for the microphone. [LR492]

SENATOR SEILER: Oh, no. That's good enough. I just for my curiosity. [LR492]

SENATOR ADAMS: Okay. Thank you. Any other questions for Virgil? Anyone? [LR492]

SENATOR SEILER: Thank you. [LR492]

SENATOR ADAMS: Thank you, Virgil. [LR492]

VIRGIL HARDEN: Thank you. [LR492]

SENATOR ADAMS: Next testifier. Welcome. [LR492]

EDUCATION COMMITTEE
September 18, 2012

DAN KEYSER: Hi. I'm Dan Keyser, superintendent at Sutherland, 891 Darlin Street, Sutherland, Nebraska. Thank you, Senator Adams and committee. And this is the first time we've seen you out in western Nebraska and central Nebraska and I appreciate that. Really feel that you really make a tremendous effort of all schools, all sizes, and all areas, trying to cover that, so. Our situation, we're at \$1.05 for our third year in a row. We also levy through a QCPUF. We just entered into a technology interlocal agreement to levy for that. And then we also have a bond levy. The last three years, we have cut our spending. Our base pay is for a beginning teacher is \$28,100. I just wanted to mention the minimum levy, 95, and the local effort rate at \$1.03; 95 and propose that the minimum levy and the LER match. Currently, they are about 9 percent different. They are proportionate to each other as far as what you can generate, LER, and what you are generating which is your levy. So I guess it's assistance with those districts that are \$1.05 and Dr. Maher mentioned that there's 50 schools at that point. But then it comes down to a fundamental question too. Should districts pay as much as they can before receiving equalization aid? And I realize that several schools, it increases as far as not receiving equalization aid, but I also realize that those schools do receive some state funding, whether it be net option funding, net income tax, or retirement aid. And then also realize the districts that are with a lower levy having trouble with their budget authority, in which I can feel that pain and it'd be nice if they had that local control, too, to do that spending, so. But thank you. We are all so different that it's an awesome task to make it equal, so. [LR492]

SENATOR ADAMS: Thank you, Dan. Are there questions for Dan? Dan, what's happening to your student enrollment at Sutherland? [LR492]

DAN KEYSER: We're pretty much...have stayed pretty stable the last three years. Our K-12 enrollment is 350, and we've been 350-360, so. [LR492]

SENATOR ADAMS: Okay. Anyone? Thank you for coming in today. Appreciate it. Next testifier. Next? Welcome. [LR492]

EDUCATION COMMITTEE
September 18, 2012

MARY LOU BLOCK: Good afternoon. Thank you for having this hearing out here. My name is Mary Lou Block. I'm a taxpayer. I'm from a family of educators. I, myself, am a registered dietitian. My husband and I are owners/operators of a small family farm that my great-grandad homesteaded in the 1880s when he moved here from Sweden. Nebraska brags about being an ag state and we're proud to be an ag state. We're also proud to have a great education system. I graduated from this high school, so did my husband's family, and my three children graduated from this school. And we found that they got a fabulous education. I think no matter where they have gone, they have been...other places have been impressed with my children's education. So I'm very thankful for that. But my request to you today is that in your reconsideration of the formula that you would take into consideration your funding resource from the ag community because ag is also a very important part of our state. I don't normally carry a 40-pound weight around with me, but today I brought it as an illustration to you to help you wrap your mind around what ag producers are carrying with the weight of the real estate taxes that we are seeing skyrocket in order to fund education mostly from the public schools. My tax bill, two-thirds of it, goes to the local public schools, but probably closer to 75 percent of it goes to education. Did I give you my name and address?
[LR492]

SENATOR ADAMS: No, you didn't. [LR492]

MARY LOU BLOCK: I don't think I did. Could I just back up and do that? Okay. My name is Mary Lou Block, and my address is 78235 Road 411 from here in Gothenburg. So it costs a certain amount to run the schools and I don't understand that. I have been talking with Dr. Teahon and trying to wrap my mind around it as I have come to him with my concerns about our real estate taxes. So I understand that there's federal and there's state and there are local taxes. Federal aid, we don't know about. State aid for most of the districts is variable depending upon all these formula things. Again, I can't speak for those. But...and my request would be that you would take into consideration

EDUCATION COMMITTEE
September 18, 2012

agriculture. Is it so...is it appropriate to make education so heavily reliant upon ag? And I would say no for three main reasons. First, the ag industry has had good growth in the last few years, but this does not mean that it always will. Input costs change, prices rise, and prices fall. Droughts come. And, for instance, I would love to take you out to my pasture and show you what I have left to feed my cattle. There's nothing there. I would love to tell you about how we couldn't run the end gun on our pivot sprinkler this summer, midway through the summer, because our well was pumping air because there was so much irrigation being taken out of the ground because the drought is so severe. So there was a portion of the corn ground that couldn't be watered. I would love to tell you about how much I'm going to have to change my operation for next year as I anticipate that there will probably be another drought next summer or I at least have to plan that way. I'm going to have to buy more feed. I'm going to have to be very creative with what I do. And by the way, I'm primarily a rancher. That's where my income comes from. We rent out our corn ground. But I'm trying to describe to you that things change in agriculture. So when the land price valuation goes up, I don't always have extra money in my pocket to share with the school. So overreliance on ag puts a producer at liability risk. Next, not everyone in ag is making the high dollars we perceive that some ag producers probably are. Some are retired farmers who have a fixed income from the land they own. Some are small operators. Some are trying to give their son or some other young farmer or rancher an opportunity to come back and farm or ranch. These groups have limited ability to increase revenue or production on their property and they have higher costs to help other ranchers get started. Increased land valuations in combination with high levies to meet school budget needs put these people at risk too. Finally, not everyone in ag can afford to pay high dollars for the land prices that we're witnessing. Many choose a more prudent route for their operation, and others simply cannot afford it. Yet their valuations change giving the false impression to those unfamiliar with the big picture of agriculture that ag real estate is a revenue source like an oil well waiting to be tapped. It's not so. The state education funding shifts and sends fewer dollars from the state back to the local district and this drives up their taxes even more from no risk taking of their own, but it puts them in jeopardy. What should be done

EDUCATION COMMITTEE
September 18, 2012

with the formula? Well, one, if the formula change is going to put ag at risk, then I would caution you. I don't think we want to do that to the basis of our economy. It trickles down. It will affect everybody. Also, work to relieve the tax burden on ag. Valuations should be tied to acquisition price. The people who are willing to pay higher prices for land probably can pay higher taxes. I bought my land at \$300 an acre in an estate settlement 11 or 12 years ago; \$500...and that was for grassland, \$500 an acre for the irrigated land. Now we're seeing, you know, a place down by Paxton in this fall sold for \$8,000 for irrigated ground. One over in Lexington, pastureland similar to mine, \$1,300 an acre. So you see it creates an incredible thing that I have to work with when I go to balance my budget. Seek additional funding elsewhere. Certainly there's other places in this state that are experiencing an economic boom. I think of one place that I would recommend is how about the business owner or the professional that doesn't pay real estate tax and yet operates a business in a rented building? Why isn't there some kind of a school tax for them? Yeah, surely they're paying a real estate tax on their home perhaps, but it's not on their business. Mine is on my business. And remember that ag pays taxes not just on their real estate, we also pay in via our income tax and our sales tax. So we are bearing this burden three different ways. Finally, work to control spending, which I am so thankful that I'm hearing that. But I guess this is the time for us as Americans to be courageous. We're seeing the spending out of whack all over the place and we have to be courageous, cuts have to be made. I can't have everything I think that I need either. So I guess in summary, I guess I will say that I have personally seen my income tax increase nearly 50 percent in the last two years. It's gone up 22 and 23 percent each of those two years. My valuation for this next year looks as though it's kind of leveled off because I understand that they take a three-year average on the valuation increases. So hopefully I'm at this level now for a few more years. But to be honest, I'm looking ahead when I'm going to have to carry a 250-pound weight, and why that matters to me is that I have a boy that would like to come back and ranch. And quite honestly, I don't know if I'll be able to be viable with that kind of a tax bill unless something changes, let alone to bring him back. And so that would be my request to you that you would consider your ag economy and work toward some equalization there

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

EDUCATION COMMITTEE
September 18, 2012

of revenue. [LR492]

SENATOR ADAMS: Thank you, Mary Lou. Are there questions? Mary Lou, I would tell you that I applaud your courage for coming up here and very literally describing the issues that affect you. [LR492]

MARY LOU BLOCK: Thank you. [LR492]

SENATOR ADAMS: I would tell you that what we do with state aid certainly does affect your taxes. On the other hand, I am a member of the Revenue Committee and what you're saying to me really belongs in that committee, the way that we value property and the emphasis on it. Our aid distribution formula responds to the money that we get from those taxes. [LR492]

MARY LOU BLOCK: Sure. Um-hum. [LR492]

SENATOR ADAMS: But your argument is legitimate and I will take it back to that committee. [LR492]

MARY LOU BLOCK: Thank you. [LR492]

SENATOR ADAMS: And appreciate your willingness to come up and testify. [LR492]

MARY LOU BLOCK: Yeah. I appreciate you listening. It's nice to be able to have a place to express it and I would be happy to express it elsewhere. Thank you. [LR492]

SENATOR ADAMS: You bet. You don't have to take that weight away right now either. You could wait until we're done. (Laughter) I'd hate to see that thing drop on your foot now when you pull it off the stage. [LR492]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

EDUCATION COMMITTEE
September 18, 2012

MARY LOU BLOCK: Okay. I do have some ideas that I kind of came up with on other ideas for funding that I would put in there. [LR492]

SENATOR ADAMS: Okay. Fair enough. [LR492]

MARY LOU BLOCK: (Exhibit 1) And they're in my notes here. [LR492]

SENATOR ADAMS: All right. Thank you. [LR492]

MARY LOU BLOCK: Thank you. [LR492]

SENATOR ADAMS: Next testifier. Next. Typically I don't have to work so hard to get somebody to talk. [LR492]

MATT FISHER: I'm Matt Fisher. I'm the superintendent at Northwest Public Schools in Grand Island, 2710 North North Road is the address there. A little leery about coming up to testify because I couldn't...didn't know for sure if I'd remembered the address. I'm new there. I guess just to pick up on a couple of thoughts that have been shared, I think that the testimony that we just heard really emphasizes some of the need that there is for what Virgil had suggested earlier in terms of a stabilization fund for the highs and lows because that is, I think, a real challenge not only for schools but for the taxpayers. And obviously that's, I think, something that really needs to be considered. Like Virgil, I don't have any real good answers for how that comes to be. But I do think that as you take a look at the full formula and what you're really going to do with that in terms of school finances, I do think that that's a very good piece. So I would agree with Virgil on that one. I don't know if we're ready to embrace the whole tri-city learning community yet, but who knows. Maybe that is the answer to some of our issues. Beyond that, I do think that...and, you know, you pointed out, Senator Adams, that this is not the Revenue Committee, but I do think that the Education Committee and we as educators have a real obligation to really encourage the Revenue Committee to fully fund whatever

EDUCATION COMMITTEE
September 18, 2012

formula we get. And I think that's really the root of a lot of the issues that we've had, obviously, is the inability to fund the formula the way it was. I don't think a lot of us would have had a lot of issues with the formula as it's existed in the, you know, previous states if it was fully funded. The issues had come along when we weren't able to fully fund things. And so I do think that, you know, we all have an obligation to encourage the Revenue Committee to really explore avenues. And I think as Mary Lou suggested, there are probably some things out there that, you know, need to be looked at. I think it is a little dangerous to base so much of our funding on real estate taxes. You know, the ag economy has been at an all-time high, you know. And if you follow ag economies at all, you know that typically highs are followed by valleys that come along after those. And so I think that, again, the reason for stabilization and also a reason to take a look at other funding sources. Beyond that, I guess the other thing that I would just encourage being a part of the work that NRCSA and GNSA did. I think there was some very good dialogue that took place in those couple of days that we met in Kearney. And I think that there wasn't wholesale, I guess, agreement with everything that came out of that. But I do think that the efforts that went into that were legitimate. I think everybody did really try and put aside their individual ideas and what they felt like was the best for their school and tried to really look at what was best for funding of all schools in the state. And so I do think that the work that was done there really needs to be considered by the committee as you move forward and look at this challenge and task. I think that's probably all I have to share. I'd certainly be happy to answer any questions. [LR492]

SENATOR ADAMS: All right. Let's find out if there are any. Committee? No. Well, they're going to let you off the hook then. [LR492]

MATT FISHER: All right. [LR492]

SENATOR ADAMS: Hey, thank you for taking the time though. [LR492]

MATT FISHER: Thank you. [LR492]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

EDUCATION COMMITTEE
September 18, 2012

SENATOR ADAMS: Next testifier. Anyone? I think I'm auctioning something off here. Well, I'll...please. Come on down. [LR492]

JACK OSTERGARD: Thank you. My name is Jack Ostergard. My address is 412 11th Street, Gothenburg, Nebraska. I'm a retired rancher. Been a neighbor to Mary Lou's family for three generations. And I would like to say that in the 1930s farms and ranches were lost because of the inability to pay taxes. Last year, the taxes on my ranch took 30 percent of my net income from the ranch, and it's only going to get worse because of the inflated values of the land. Thank you. [LR492]

SENATOR ADAMS: You bet. Are there questions for Jack? Anyone? Thank you, Jack. Anyone else who wishes to testify? Come on over. Senator Hansen, can we get the registration, testifier's registration from Jack? Thank you. Please. [LR492]

GLADE MILLER SMITH: My name is Glade Miller Smith. I have a short, humble submission. I'm very out of my league understanding this in this debate. But just an additional representation of family farms in Nebraska and as a young family farmer, as I would love to continue our family farm with my wife and my own child as we're growing our family here and we've been here for several generations, but as I do look at the challenge, I'd like to reiterate the numbers specifically as a businessman that it is not overblown, the proportions, that we are dealing with. And as I look at \$1.6 billion coming from property taxes and 96 percent of the property in Nebraska is agriculture, and so as agricultural lands do provide income, they do produce, and so it is a sustainable source of revenue and I understand that. I understand that the ability to tap into that sustainable revenue source. But to play the numbers to be sustainable, a profit has to be able to be produced. University of Nebraska, South Dakota, generally speaking college agriculture departments would put it \$100 a profit per cow unit. This is my realm, to figure out how to run the school with all these people wearing suits and ties. But for sustainable property taxes, if you made \$100 a cow over a ten-year period, you're around the

EDUCATION COMMITTEE
September 18, 2012

average. Our pasture north of Cozad--Glade Miller Smith, 76585 Road 421, Cozad is my address--it takes about seven acres to run a cow. The property taxes are \$7 an acre. To someone living in downtown Lincoln, \$7 an acre would seem pretty cheap. It takes seven acres, that means we're looking at about \$50 in property taxes. If we'd like to make \$100 profit on that cow, you're asking for 50 percent of our income. As I'd love to stay in Nebraska and grow and expand our operation, I look at the surrounding states and see a property tax rate of upwards of ten times less. And you can find dairy farmers, for instance, that fled California because of regulations which has prohibited financial success there. Now they're in Kansas. Now they're in New Mexico. Now they're all over. I'm legitimately looking at...if it would continue down this path and I can go 200 miles to the south or the north and find a piece of property that costs me ten times less to own, my own property that costs me that much less to own that I don't have to pay the government, at some point that has to be taken into consideration because it's not financially viable. I love Nebraska. It's the good life. I'd like to raise my kids here. My dad graduated from Cozad. I graduated from Cozad. But...and I understand and respect that as far as the tax appraisals that's not specifically your department, but anything you can do to generate funds to pay for all the good programs. You know, if you had money, ask them what to do with it and they'll give you good ideas. To get the money, I give you a pretty big check every year and I would ask that you not ask for more. Thank you.

[LR492]

SENATOR ADAMS: Fair enough. Are there any...would you be willing to answer some questions just in case there are some? [LR492]

GLADE MILLER SMITH: If for some reason you had one, go ahead. (Laughter) [LR492]

SENATOR ADAMS: All right. Senator Sullivan, do you have any questions? Senator Seiler? Thank you for your willingness to testify. We appreciate it. [LR492]

GLADE MILLER SMITH: Thank you. [LR492]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

EDUCATION COMMITTEE
September 18, 2012

SENATOR ADAMS: Next testifier. Next. I can tell you're working on somebody back there. [LR492]

DALE GRONEWALD: Apparently you're into the out of their own realm testimony right now. My name is Dale Gronewald, 79...76970 Highway 47 here in Gothenburg. [LR492]

SENATOR ADAMS: Dale, before you leave today, would you be willing to fill out one of those registration sheets and put them... [LR492]

DALE GRONEWALD: Sure. Certainly. [LR492]

SENATOR ADAMS: Oh. We've got one back there for you. [LR492]

DALE GRONEWALD: Thank you so much. [LR492]

SENATOR ADAMS: You bet. Go right ahead. [LR492]

DALE GRONEWALD: Thank you for being here. As I said, I'm somewhat out of your realm. As your comment, Senator, saying that some of this, our contacts or...about this maybe being some reference to the Revenue Committee, I've never stepped in front of any committee. And I thought about that and I thought, my goodness. I wouldn't want to go to a Revenue Committee too! I didn't want to go here! But... [LR492]

SENATOR ADAMS: We're a lot nicer than the Revenue Committee. [LR492]

DALE GRONEWALD: I know you're a lot nicer. Yeah, I can see that. Well, let me just say what I had prepared. My name is Dale. I'm here from Gothenburg. I'm a lifelong farmer who in the last two years I've seen my son Brian (phonetic) come back to the farm. He'd gone away from college and he decided that he'd like to join the farm, the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

EDUCATION COMMITTEE
September 18, 2012

family farm. I'm farming ground that has been in my family for over a century now. As real estate values have recently increased more and more, the education...and the education budget is being funded by these higher real estate taxes I realize. Since 2007, my taxes on the farm that I live on have increased 53 percent. And with the upward valuation of the land in the last few years, we are on target for my taxes to double in the next seven to eight years. At that rate, taxes of which 75 percent I feel in just adding up my taxes are devoted to education. And in that rate, my expenses and my son's expenses for ground that we rent or ground, in this case, my son rents from me, the expenses for taxes and real estate taxes alone again as I say, 75 percent go to education, are going to increase from about \$35 to \$70, over \$70 an acre. And if that were just six years ago, that would probably have represented at probably a fifth of our total expenses. Our expenses are way beyond that right now. But it's...the rate that we're going and from this...the way that you have, we as a state have set in motion the fact that we take most of our taxes from real estate I think is just stifling to agriculture. I believe that this is unfair and unsustainable for the ag committee. You may say, well, that's good for you. Your land has doubled, and that is true and good for those that are selling. But as I have said, I'm involved in the family farm and we have no intention to sell. The increase in valuation has indeed increased my net worth but has also increased our taxes for cash flow purposes. So what am I asking? I don't know very little about all these formulas that you have, but I know that ag real estate is directly involved in this because that's where you get your funding, almost 75 percent is going to come from our real estate. And I might say as I was talking to Mr. Teahon yesterday, at the rate that we have in the Gothenburg system, we right now as agriculture and ag producers are funding 60 percent of the ag budget...of the educational budget here. And if we take at the rate of increase that the farms are going, my farm right now if you were to take it and value it according to the real estate property taxes, it's worth \$3,000 an acre right now. If I were to take it into what recent sales have been up to that \$6,000 or \$7,000 an acre, but I just took for practical purposes \$5,500; \$5,500 is going to double my taxes, my real estate taxes in about seven years. And so that's at a reasonable at \$5,500. So what am I asking? I realize that as a farmer and a rancher we are in a

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

EDUCATION COMMITTEE
September 18, 2012

minority as far as being able to vote in policy changes. You know, we're at the bottom of the totem pole. We as Jack says, you know, we buy it for retail and we sell it wholesale. We can't pass those \$70-acre fees on to our consumers. So it's a higher rate of sales tax or a higher rate of income tax in lieu of real estate taxes to fund the education will probably not be an option because we can't vote it in. So I ask that as far as the state aid and your mandates are concerned, that you try to maintain them as they are because every change puts more business on my family farm. And that's all I'd like to say. Thank you. [LR492]

SENATOR ADAMS: Well, thank you. Are there questions? Thank you, sir, for taking the time. [LR492]

DALE GRONEWALD: Thank you. [LR492]

SENATOR ADAMS: Is there anyone else who would like to testify today? Anyone else? Anyone? Well, if not, I want to, first of all, thank Gothenburg schools for hosting us today. We really appreciate it and for all of you for taking the time to be here. This is a work in progress, and I'm sure that through NRCSA and GNSA or your senators or certainly my office we'll keep you posted as to where we're at on all of this. Thank you, everyone. That will conclude the hearings. [LR492]