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Education Committee
October 03, 2013

[LR182]

The Committee on Education met at 1:30 p.m. on Thursday, October 3, 2013, in Dunning, Nebraska, for the purpose of conducting a public hearing on LR182. Senators present: Kate Sullivan, Chairperson; Jim Scheer, Vice Chairperson; Bill Avery; Tanya Cook; Al Davis; Ken Haar; Rick Kolowski; and Les Seiler. Senators absent: None.

SENATOR SULLIVAN: Well, good afternoon, everyone. It is 1:30 so I think we will get started. I'm Kate Sullivan. I'm Chair of the Education Committee for the Nebraska Legislature, and I'm very glad to be here at Dunning. And I think before we actually get started with the introductions of the committee, we'd like to hear a welcome from Superintendent Hafer.

DALE HAFER: (Exhibit 1) First of all, welcome to the beautiful Nebraska Sandhills. We're glad to have you. Prepared a little letter here for just kind of an official welcome. Dear committee, on behalf of our district I would like to officially welcome you to Sandhills Public Schools. We are honored to be your hosts for this public hearing related to interim study LR182. Public school finance is certainly a challenge in Nebraska. The decisions to be made related to funding Nebraska's public education are certainly not easy. Whether it's districts large or small, we feel strongly that every public school student in Nebraska deserves equal access to educational opportunities to the maximum extent appropriate. Any student, whether they are from urban situations such as Omaha or rural situations such as here in Dunning, are entitled to equitable resources, courses, teachers, and facilities to help ensure they are career and college ready for a global community. Again, we welcome you to our district and thank you for your diligent efforts to ensure that all student educational needs in Nebraska are addressed and met in the most equitable fashion possible. Thank you.

SENATOR SULLIVAN: Thank you, Mr. Hafer. And we are glad to be here at Sandhills Public School. We've already had two hearings. We were in Hastings yesterday morning and in McCook last night, and that's where we spent the night. And then we will be on the road again next week going to Omaha and Crete and Macy. So we're getting a good view of the state and a good variety of school districts, so we are pleased to do that. As I said, I'm Kate Sullivan, Chair of the committee. I represent District 41, I'm from Cedar Rapids, Nebraska. District 41 is a nine-county area in central Nebraska. I'd like the other members of the committee to introduce themselves, and start with the Vice Chair.

SENATOR SCHEER: I'm Jim Scheer. I'm from District 19, which is all of Madison County and a little part of Stanton County in northeast Nebraska.

SENATOR DAVIS: I'm Al Davis. I represent this particular area, the most beautiful part of the state, its 13 counties, 16 school districts, and I'm very pleased to be here in

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Dunning. And thank you very much for hosting us.

SENATOR KOLOWSKI: I'm Senator Rick Kolowski from District 31, the southwest part of Omaha and the Millard and part of the Elkhorn districts. Thank you.

SENATOR SEILER: My name is Les Seiler. I'm from Adams County and Hall County except the city of Grand Island.

SENATOR COOK: My name is Senator Tanya Cook. I represent northeast Omaha and Douglas County.

SENATOR HAAR: My name is Ken Haar. I represent Legislative District 21, which is northwest Lincoln and part of northwest rural Lancaster County.

SENATOR AVERY: I'm Bill Avery from District 28. I see a couple of my constituents here. I am...represent the south-central part of Lincoln, which includes Lincoln High where they're from.

SENATOR SULLIVAN: Thank you, members. And we also have some staff people that help with the logistics and the recording of this hearing. To my immediate left is Tammy Barry, who is the legal counsel for the committee as is LaMont Rainey who is also handing out some documents right now. And to my far right is Mandy Mizerski who is the committee clerk, and she's going to be recording these hearings today. So just to give you a little background, we are conducting these public hearings because of LR182 that came into being at the end of the legislative session. And that resolution charged us to take an in-depth look at how we finance and deliver public education K-12 in this state. And as I indicated, we're having several public hearings. Here to date we've had a series of Executive Sessions where we've had various people come present to us and have gathered a lot of information. I will tell you, though, at this point, the committee has really not reached any conclusions or recommendations. We are still very much in a listening stage, and that certainly is why we're here today. I'm also, by virtue of the fact that I'm Education Chair, I also sit on the Tax Modernization Committee. I see several people who have been...who were testifying at some of those meetings we've held already here today. And I'm glad that you are because at all of those hearings we have held so far, funding for public schools has come up, so there is a direct link. And one thing I can be sure of is that the Tax Modernization Committee and this committee will be having some conversations because there is a direct link between the two. So one of the things that the committee decided early on as we started looking at LR182 was to start with a blank slate. So I want you to know that we haven't been or will not be just looking at the formula as it exists right now. We want to look at perhaps thinking outside the box. Certainly in the press release that we sent out prior to these hearings, we identified some talking points all the way from, you know, let's look at how we might achieve property tax relief. We brought up something like an educational trust fund as

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an idea. But they were all very broad concepts. We purposely did not attach any specifics to them because, again, we're looking for reactions and thoughts from the general public on these issues. So as far as the logistics for this hearings, we will handle it very much like we do with our committee hearings in Lincoln. We have green sheets over here. We'd ask that, if you're going to testify, you fill one of those green sheets out completely, bring it over here to the end of the table and give it to LaMont and Mandy. We need to when you come up to the table have you spell your name...say your name and spell it. Again, we are recording these hearings and that's what these little boxes are for. So you don't want to lay any papers on top of that because then it makes it difficult for the hearing to be recorded. If you'd rather not testify but have some written comments, you can submit those as well. Just make sure that that's identified as such that you want the committee to have access to those. If you have handouts, we ask that you have enough copies--12 copies--for every member of the committee and the staff. I think that's probably about all. We don't have a huge group here today but we have allotted two hours for this committee hearing. I'd like to start off by limiting testimony to five minutes. So we ask that you, first of all, turn off your cell phones. But we've got a cell phone up here not because it's on but just because we're trying to use it as a timer. So that's...and that reminds me, I think I better turn off my cell phone as well. And I think that pretty much covers everything. So with that in mind, I think we will start the hearing and ask for the first testifier. [LR182]

HENRY EGGERT: (Exhibit 2) My name is Henry Eggert. [LR182]

SENATOR SULLIVAN: Did you fill out a green sheet, Henry? [LR182]

HENRY EGGERT: Yes. [LR182]

SENATOR SULLIVAN: Okay, very good. Thank you. [LR182]

HENRY EGGERT: H-e-n-r-y E-g-g-e-r-t, superintendent, Thedford Public Schools. This is from the September 25, 2013, front page of the Omaha World-Herald. "OPS shorted again on funding: Legislature might be asked to tweak shared tax system for metro area districts." And then if you haven't seen it, I just have one copy, trying to conserve on paper. You know how it is, funding. Anyway, and it shows for the most part the losses of the Learning Community. When I read something like that...and right now, Thedford doesn't receive any state aid, hasn't received state aid for the last three or four years. But I look at the bigger picture down the road. And I know you guys are going to collectively think of ways to help everybody regarding how schools are funded. When I read something like that and knowing how the political game can be played, it's a concern as far as seeing meaningful change that will help all school districts such as ourselves way out here, because we represent...as they represent some of the larger communities, we represent some of the smaller communities. And wherever there are people there are kids, there need to be schools. And as my colleague stated in his

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opening statement, you know, fair and equitable: what they have is what we need to have also. So when I read that out of the Omaha World-Herald, "OPS shorted again on funding: Legislature,"--and again that's their opinion, stating--"might be asked to tweak shared tax system for metro area districts," that's what I think and see. I see what we are experiencing now and what may be moving forward with the way the TEEOSA formula is working right now and where it may remain. Now I know you guys are going to look hard at trying to do something different with it. Hopefully that reflects all of our needs and concerns. I have something else I would like to say that kind of goes a little bit along with that. Our concern across rural Nebraska is that nearly \$200 million in equalization aid has flowed out since 2008-2009. Regardless of what has happened to levies, local taxpayers have had to pay at least that amount just to keep even not to mention dealing with any growth. Districts may have levy capacity available but their taxpayers, particularly ag land, have shouldered dramatic property tax increases. This change has been at the root of the dramatic growth in the number of nonequalized districts since 2008-2009 now at 114 of the 249 school districts. The tax equity portion of TEEOSA, Tax Equity and Educational Opportunities Act, is highly questionable at this point, particularly when the disparity in education opportunity beyond Rule 10 continues to be an issue. And that's all I have to say. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Eggert. You mentioned that you were...Thedford is a nonequalized school district... [LR182]

HENRY EGGERT: That's correct. [LR182]

SENATOR SULLIVAN: ...and has been so for the last three years. [LR182]

HENRY EGGERT: Probably four now, going on four now. [LR182]

SENATOR SULLIVAN: Okay. So you don't receive any equalization aid? [LR182]

HENRY EGGERT: No. [LR182]

SENATOR SULLIVAN: What other kind of state aid do you receive? [LR182]

HENRY EGGERT: What we receive...now depending upon who I'm talking to, option or open enrollment, depending on which term you want to use, some will say that's state aid. When I talk with others, no, that's not state aid. So we receive that. But when I build a budget, I don't count on any of that as far as when I'm building a budget. You never know what that's going to be. That also goes to the idea of not being able to forecast what we may be getting. So when I build a budget based off of what's been happening to me, I don't consider any of that. Can't. To me, that would be a poor way to build one with the hopes that you're going to get this or you're going to get that. There's no guarantee. And, again, because of the ag values going up, that allows me to do what I

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need to do. But when we're looking at my constituents around the area, the ranchers, it's harder on them. They're shouldering, for the most part, all the responsibility other than a little bit of aid here and a little bit of aid, federal dollars here, if we're not...you know, if you want to talk Title and SPED which I don't feel is necessarily relevant at this point, we receive some dollars from that. But again, when we're looking at meaningful dollars and cents to help out, whether it's my district or any other district around here, and most of these districts around here because whether it's ag ground tied to ranching or whether we're talking to farming...farm ground, that's shouldering what we do. And that number of 114 of the 249 is only going to grow. And so with that, we continue to move forward. I feel at least comfortable right now that, you know, I have that at my disposal. But I can't take a whole lot more credit on that with the idea of the way I build a budget. It's simply because the ag values have gone up. And again, we stir the pot or there are other circles. In other words, there are other issues with inside that as to how it grows, the ag ground, whether we're talking the farm ground or the ranch ground, how that grows. There are issues within there. And then we have our own issues. And when we're dealing with our constituents...and some of our people now have realized because all of us sit there and say, it's necessarily the school. Sorry folks, we point down to Lincoln as far as where we feel the concerns are at. You know, whether it's from the Education Department to...and for the most part, we point to Lincoln as far as with the legislators as far as what we feel needs to happen. And what I continue to see from an urban situation here is the idea--and they probably can justify it--is their needs are going to continue to grow, particularly in the Omaha and the Lincoln areas. You know, they're going to be able to, whether we're talking special education, ELL, with those type of needs, they're going to be able to build a very good case. And when we're looking at from a political standpoint, we also look at where the votes are at too. I mean, these are just other layers on here. And what I see here is--you know, just reading that statement right there--it's pretty straightforward as to what we're going to continue to face out here. And now it's even growing to the--I'm going to use school terminology--the B and C schools. In other words, these real small schools like this, we've been facing this for a while. Now it's a growing concern and you guys are obviously hearing that. The nonequalized schools are going to continue to grow, and you're going to hear more about that. And there are going to be some schools, some school districts that they need that state aid. They need that state aid on top of whatever they get from, you know, assessed valuation from property taxes. They're going to need that. And that's where the rubber is going to meet the road, I feel, for you individuals here. Not so much for me right now. You know, our ship has sailed three or four years ago. And for some of the districts out here, it sailed even further back than that simply when we're talking about state aid. But we all hold our breath. If there's a change with the ag value changes or the idea that the economy changes, of course we'll all have issues then. So, you know, we understand a lot of this out here, and, you know, we hope that there's some meaningful change coming down the road, so. That's all I have to say. [LR182]

SENATOR SULLIVAN: What about educational opportunities. What do you think are

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some of the challenges you have with your school district and the declining enrollments? [LR182]

HENRY EGGERT: Uh, well, we need to...regardless of our size, we need to be able to provide everything for our students that we find everyplace else. Distance learning, as an example, is not the end-all, cure-all to what's happening. You know, we need to have those same type of teachers in our school systems that we find in other areas in the urban hubs. So we need to make sure that we are attractive to them. And let's face it, it comes down to dollars and cents. So we need to be able to have a high enough base salary, we need to be able to have the defined benefits for these people so we can attract good people out here. So capturing and retaining good educators is always a concern of ours. We feel that we could use some greater flexibility from time to time as it pertains to Rule 10, being able to provide opportunities for kids but then not feeling hamstrung with some of the rules and regulations. In other words, if we're not going to get state aid, then throw us a bone, okay? All right, for all school districts that aren't receiving state aid and haven't received state aid, you're not going to have to fill out a whole bunch of forms; or petition, advocate, in a manner to run your school in the manner that it needs to be run given your circumstances as to where you're at with the idea of Rule 10, as an example, sitting there saying you've got to follow all of these. That needs to be looked at from the standpoint, look at their particular situation. Now we can do some things with waivers, as an example. But, you know, if we're not going to be receiving state aid then maybe there should be some concessions down at our end. What are you going to say to us? Hey, if you don't follow this, we're going to...oh, we can't hold your state aid because you're not getting any. I mean, and again, that's one big brush stroke and, you know, some of that terminology has been used before in the past. Okay. We're not. So, you know, recognize our situation. If you can compensate us in some other way that's meaningful, we would appreciate that too. Obviously, we would like money too. You know, we get right to the point. So I don't know if I answered your question. But those are some of the things that are running through my mind, and these are some of the things that we talk about, bits and pieces. I'm sure there's going to be some other of my fellow superintendents get up and bring up some other points too or validate what I'm saying. [LR182]

SENATOR SULLIVAN: Okay. Any other questions? Senator Kolowski. [LR182]

SENATOR KOLOWSKI: Thank you. Yes, sir. Could you tell us how many students you have? [LR182]

HENRY EGGERT: Approximately right now K-12 we have right around 100, a little bit under. Now we have a preschool system out here, so that puts us a little bit over 100 students. [LR182]

SENATOR KOLOWSKI: And your levy at the current time, sir? [LR182]

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HENRY EGGERT: Right now, for the General Fund is 94.5 cents. And again, we're trying to do what the Department of Education tells us, stay between that 95 cents and \$1.05. And with our building fund I think we're just a little bit over \$1. Would I like to use those extra dollars? Yeah, and we probably could have, but we keep our constituents in mind when we build that budget too. [LR182]

SENATOR KOLOWSKI: Thank you. [LR182]

HENRY EGGERT: Okay. [LR182]

SENATOR SULLIVAN: Senator Davis. [LR182]

HENRY EGGERT: (Bell rings) That must be my five minutes. Go ahead. [LR182]

SENATOR DAVIS: A couple of questions. Last year when I was campaigning here, we had a lengthy visit about the issues that you faced with regard to the forest... [LR182]

HENRY EGGERT: Uh-huh. [LR182]

SENATOR DAVIS: ...and being some exempt property. Can you kind of give the board a little bit of a heads-up on how that works in your district in terms of the amount of property that's exempt? [LR182]

HENRY EGGERT: The federal forest sits right over here, Halsey Forest. Okay? It's been there for a long period of time. There's...we receive no money because it's a federal forest, it's exempt. And a good portion of that lies within my district. Now I may have had a conversation with Tammy in the past, I don't remember. I've had it with others regarding the fact that, okay, look, you let me have the assessed valuation that that forest, those amount of acres in there, versus what I may get from time to time, which is...we had a three-year window where we received some additional funds and this come from the federal government. Like, oh, it might have been a \$40,000, a \$50,000, and a \$30,000 for three years, and it was one-time deal. That's it, it's all you're going to get. We understood that, appreciate that we got the money. But basically every year, whatever dollars are generated from that forest...and the county has needs too. And the county was very good for those three years to give us this additional money. They could have said it could have all went to the bookmobile, it could have gone to something else, but they were good enough to do that for us. I appreciate that. But for the most part, when I'm operating my district with, I don't know, how many thousands of acres that is not taxable nor do I have access to. Bill Hafer, with Dunning, he faces the same situation. He has a bit more, his whole district is bigger than what mine is. But mine is really impacted by that particular situation. And where some districts impact aid...you know, if they've got students on it then they receive additional dollars for that.

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There's nothing there for us, so we receive nothing from that. Now if there's a way that somehow that between the federal government and the state government can sit there and say, oh, yeah, any places where we see these federal grounds here and those districts are not receiving money...and, of course, this is a philosophical conversation as to, yes, we do recognize that Thedford Public Schools on the state level and we have done something about it. Well, that may have been a conversation I think that I may have had with Tammy at one point many years ago, possibly, or with somebody with the idea...I said, look, okay, we recognize that. Don't recognize it, just let me tax that ground as I tax everything else. Oh, no, that's not going to happen. Because I would gladly take that. I would gladly take that particular scenario. So if there's something between the state and the federal government that they could do to help us with any nontaxable ground and further recognize that we could use some more money in lieu of that, I would really like that. Where the impact aid really works is like a Bellevue or like for Macy, Walthill, because they have the students there. Now that wasn't always the case and that changed, I don't know, 15 years ago to where now...I was over at Macy at one point and at Walthill. What they had there the state at the time said, look, whatever you get with the federal dollars, we adjust your state aid accordingly. That doesn't happen now for the most part. There's federal dollars, you get those, okay, here's what you're going to get from the state. At the time when I was there at Walthill, as an example, that didn't exist. [LR182]

SENATOR SULLIVAN: Are there kids on forest land? [LR182]

HENRY EGGERT: There could be some for Dale's, not many. [LR182]

DALE HAFER: None at this time. [LR182]

HENRY EGGERT: Huh? [LR182]

DALE HAFER: None at this time. [LR182]

HENRY EGGERT: None at this time. He's had a handful, but not enough to impact or make any kind of difference. [LR182]

SENATOR KOLOWSKI: Ma'am. [LR182]

SENATOR SULLIVAN: Yes. [LR182]

SENATOR KOLOWSKI: Help me with the cattle. Do they graze on the land? Are there cattle grazing on the forest land? [LR182]

HENRY EGGERT: Yeah, they're...yes, there are cattle that graze on the forest land and those are rental agreements that go way back as I've been told. I just get bits and

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pieces on that. And that's kind of a--no pun intended--a sacred cow. If you can ever get those to come up, then people go after those right away. But, yeah, it's a good deal, you know, from a ranching standpoint. If they can get that, more power to them. [LR182]

SENATOR KOLOWSKI: Absolutely. But it really is not a good deal for you as a school. [LR182]

HENRY EGGERT: Well, again, that's a philosophical conversation from the federal to the state back and forth to sit there and say we probably need to do a better job to fiscally reimburse school districts that have these particular situations. As it stands right now, don't get anything. [LR182]

SENATOR KOLOWSKI: You bet. [LR182]

SENATOR DAVIS: And, Henry, you would not be alone in that. We would have Chadron and... [LR182]

HENRY EGGERT: Oh, yeah. [LR182]

SENATOR DAVIS: ...Crawford and Valentine and Cody-Kilgore and any number of districts that might be affected. [LR182]

HENRY EGGERT: Right. But when you hear the impact to aid issue, it's a little bit different for us than what it is back around when you're dealing with Bellevue or when you're dealing with the Native American schools. It's a little bit different simply because they have all of the students there and that is recognized. I've probably taken up more than five minutes. [LR182]

SENATOR SULLIVAN: No, that's fine. [LR182]

SENATOR DAVIS: Can I just ask one more? Talk a little bit to us about the challenges of educating kids in a very sparse area. [LR182]

HENRY EGGERT: Well, the challenges are, I mean, on several different levels. First of all, I feel, I firmly believe--maybe I'm too old--the idea that we need to have a teacher in the classroom--now I know things have changed--a live individual in that classroom. We do use distance learning but I would rather have that individual there, that connectivity. It's disconnected one step if we have to go with distance learning. So if we, you know, if our funds are such to where we can provide and put that teacher in the classroom, that's what we like. The challenges that we have--this ties to Rule 10 on this too--we don't like to get overly creative with it and then have to talk with the state regarding, all right, we're holding two classes at the same time with one teacher. Our curriculum...we like to have a varied and diverse curriculum. In the same breath, you know, it doesn't

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allow us to have those additional teachers that you might find in the urban hubs where they have this varied curriculum. Okay? And they've got the students and they've got the teachers there, the wherewithal to really justify and validate that. And we do work with the state. The state is open somewhat when we're setting up our curriculums. There are times that, you know, our numbers dictate that we would like to do something more but we can't. So it's tied to the number of students that we have. It's also tied to the teachers that we can put in front of those students. So that's an ongoing issue for us in that context. And, you know, we are open to, like I said, the distance learning. What affects us out here? Two big things: time and distance. Okay? Whether you're talking a Dunning to Thedford, Thedford to Mullen, etcetera, we all have these distances. We accept that. That's part of who we are and what we do, and we make it work. We would like to see greater recognition of that out here or empathy or whatever from the people down at the Legislature as far as what our needs are and, at times, what we have to do to make it work. You know, wherever you go in every school system there's good teaching happening whether it's in Mullen, Thedford, Dunning. You know, good teaching happens everywhere. Wherever there are patrons, there are going to be kids, and those kids' needs need to be serviced in a comparable manner that we find that takes place back in the urban hubs. So we're going to continue to try and do that, we just hope everybody understands those particular challenges that we have. Our declining enrollment, yes, tied to our curriculum, tied to the staff that we can put in place for it, those are ongoing challenges. If there was a way that we could grow more kids, we would do that and put them into our school. So those are some of the ongoing concerns. Sometimes we don't have the ultimate answer for it. We just need it to be recognized. We're not using it as an excuse. This is who we are, this is what we do, this is in the manner that we do it. We just need, I think, greater understanding at times. And, again, you know, the Department of Ed works with us fairly well on some of these particular situations. As an example, voc ag and voc tech. You know, right now I would like to have a voc ag/voc tech teacher. They're as scarce as hen's teeth at times. You know, we would like to separate out...I want to separate out my preschool. I have probably the only combination in the United States--and I'm kind of proud of this--I have a half-time preschool, voc ag/voc tech teacher. She. She. Now again, now you're talking about creativity, we make it work. And I know Dale and my other counterparts here can express or go back to their own creativity as to what they have to do. We make that work. I'd like to separate that out. And hopefully, you know, if there would be some more funding, that helps me when I'm talking with my board as far as separating that out. I'd like to have that preschool teacher all by herself. And then I'd like to see if I could go out and find a voc ag/voc tech teacher. Right now, that's what we do. So that's one of the things that I'm faced with as far as that because out here ranching is extremely important. And not only ranching, but if you're looking at farmers, we still feel it's extremely important for kids to be able to work with their hands. We also see it with our community colleges. You know, a four-year college education may not be what is in the best interest for kids at a particular age. If we can continue to put them into the junior colleges to enhance or explore those technical jobs, then some of them may be able to

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branch off further as they mature into a four-year college. So my point is, like with the voc ag and voc tech, it's still extremely important out here. It really fills a big need for us when I'm filling out that curriculum report--you know, as far as the instructional units--in a meaningful way. If not, then we have to look at going in a different direction. And there are some schools now, as example, with voc ag and voc tech, they don't have that anymore. They've focused more of their energies onto, we'll say, with their business program, as an example. But we feel it's still important. So that's one of the challenges that I face right there. I'd like to keep that going if I can. So, you know, I don't know if I really answered your question or not. [LR182]

SENATOR DAVIS: You did. Thank you. [LR182]

SENATOR SULLIVAN: Senator Haar. [LR182]

SENATOR HAAR: Sir, you said that you don't receive any state aid--and this is just something that I've been thinking about a lot--yet you get \$1,268 per student in state aid. You don't get equalization aid, but you get... [LR182]

HENRY EGGERT: Option enrollment or open enrollment. [LR182]

SENATOR HAAR: And that's about \$1,268 per student per year. [LR182]

HENRY EGGERT: Uh-huh. [LR182]

SENATOR HAAR: So what...how do you see a balancing or how do we talk about...you do receive state aid although you don't receive equalization? [LR182]

HENRY EGGERT: Right, okay. And, again, that's where I go back to the idea...and I know you stated it correctly. So I'm going to call it open enrollment option money. We receive that. Never know what it's going to be from year to year. [LR182]

SENATOR HAAR: That...I can certainly relate to that. [LR182]

HENRY EGGERT: Right. So, in other words, it's nice if we get it. I don't build a budget reflecting that. All right, and I'm not taking a swipe at the urban hubs but as an example, why can't--and this is with one brush stroke and I'm not going to pick on my other colleagues in the smaller school districts either--why not take, we'll say, \$20 million from whatever is given to--and this more than likely is going to refer to the larger urban hubs--taking them, all right, and divide that out and give all of us smaller schools who we'll say are not receiving what I would call state aid--give me \$250,000 on top of that whatever I might get with the open enrollment money. In other words, what would \$10 million or \$20 million siphoned off the top, taken off the top, and then divide that all the way out. You might be able to, what, service, oh, 40, 60 schools by taking \$20 million

and say, okay...and, again, I don't have the math in front of me right here. But, okay, look, we're going to take \$20 million. We're going to divide that all the way down. Let's see how far \$20 million would go giving to schools that receive--not counting the open enrollment money--okay, we're going to give you \$225,000, as an example. You might be able to get 40 schools, 60 schools. I think that kind of needs to be looked at. Now again, that's--I don't mean to sound dismissive and with one brush stroke--but, you know, there's a thought right there, as an example. Because on the flip side, as I said with this article right here, I know that OPS and Lincoln, the larger urban hubs--and rightfully so--are going to build a case. ELL, special education, Title, we need these dollars for these kids right here. We recognize there's life outside of Kearney but, you know, we have to take care of our needs. And I can understand that too, much the same as I'm sitting here. If I had OPS people sitting here right now, they'd probably be sitting there saying, well, okay, you're just looking out after yourself. Well, they look out after themselves too and rightfully so. But these are some of the things that, you know, I don't have a specific answer but that's one right there, taking some additional dollars. Now, you know, I don't necessarily agree with what the Governor in his position with...as far as education goes. He hasn't demonstrated to me that he does enough for education. That's another story for another time. But there's an example right there as far as taking some of the additional dollars. How far would \$20 million go to give each one of us \$250,000? I'm sure if you talked to some of the smaller school districts around here, you know, it's better than a sharp stick in the eye. You know, they would take that as a start, you know. [LR182]

SENATOR HAAR: So your suggestion would be that kind of system instead of right now the open enrollment and so on or in addition to it? [LR182]

HENRY EGGERT: Right. And then on the open enrollment issue right now--and I'm sure you...I don't know how much you guys deal with that as far as in the Education Committee...there's some more layers coming down--the open enrollment, option enrollment has become extremely watered down. Now if I said it's become a joke then that's not fair. Okay? I already said that anyway. But the point is right now, now we're looking at...we're hearing with open enrollment and option enrollment that that's going to change as far as the rules and regulations with that as far as how people can come and go. In other words, it used to be more or less, okay, you're in Thedford, you go over to Mullen. That's your one time. Okay? That's changing as I'm hearing. And some of that deals probably within the urban hubs because of some of what they're facing as far as movement around there, so it's going to become more loose and more lax. So what is that going to mean regarding dollars and cents? I don't know, maybe nothing as far as when you're talking about open enrollment and option enrollment. What helps us out here is time and distance in that particular case. I'd like to sit there and say we put that in as a design, but that's not the case. It's time and distance helps us out on that a little bit. But you get into larger urban hubs, that may have even more of an impact where you have surrounding suburban schools there having to face that. What are we going to

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do now it's become so watered down? [LR182]

SENATOR SULLIVAN: Mr. Eggert, I think... [LR182]

HENRY EGGERT: Yeah. [LR182]

SENATOR SULLIVAN: ...we'd appreciate. Thank you very much for your comments, and I think we'd better move on. [LR182]

HENRY EGGERT: You bet. Yeah, thank you. [LR182]

SENATOR SULLIVAN: Very good. [LR182]

HENRY EGGERT: I apologize to the rest of my colleagues because I know they wanted to speak too. [LR182]

SHERRY VINTON: My name is Sherry Vinton, S-h-e-r-r-y V-i-n-t-o-n. I live at 80687 Haney Lane, Whitman, Nebraska. First of all, I'd like to very much thank the committee for traveling to the Sandhills and seeking input from differing perspectives all across the state on this issue. Welcome. I think Senator Haar and Senator Kolowski who sat on a different committee earlier this spring and heard me at a confirmation hearing say that Haney Lane is a bit pretentious. It's really just a dirt trail road that we maintain ourselves. And it's a long way from a bank, a bar, and a Baptist church, and it's just as far to school. My oldest grandson started kindergarten this year, and he travels 41 miles one way on the bus. He gets on at 6:40 in the morning and off at 4:30 in the afternoon. And so I'm here today to talk about education. I'm also here as a ranch wife who needs to hire good employees to get all of our work done. This is as much a cultural issue as it is a financial issue. And, like Senator Davis knows, there aren't a lot of old ranchers around. And something young families are concerned with are schools. It doesn't really matter if you're a business person in Omaha or a rancher in Oshkosh or a mother anywhere. We all care about our kids getting a quality, basic education. And what we want are kids who are going to graduate and who are going to function in a rapidly changing society. We want to provide adequate resources for that education like the last superintendent talked about. And we want to fund our schools in a fair and equitable manner. Before I was a ranch wife I was an accounting major at UNL, and then my husband brought me home to the ranch. But numbers were my thing then. And as you all know better than me, statewide about half the cost of funding our schools comes from property taxes. Now in a rural area this means ag land almost exclusively. So changes in the state aid formula really do impact my bottom line directly. For example, Grant County District 2, which is where I'm at, we don't receive any state aid or the equalization aid like Senator Haar was talking about. I'm not sure what viable cost-cutting measures are left at the district level to lessen our tax burden. We already share administrative costs and the administrator is in Alliance. Consolidation has

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occurred. I talked to you about the distance that my grandson travels now. My own children went to country school and it was, you know, five or ten miles. But I don't see that as a viable option for providing a quality education. We can make this work, but anything more is going to be hard to have that actual face-to-face. It'll have to be distance learning or home schooling. And I don't know what is left without sacrificing teachers or some really good programs completely. If you look at the facilities and the student services and activities offered, there's already a pretty big gap when you compare, for example, Millard to a school like Arthur County where my own kids graduated. Rural districts have seen increased ag valuations. And so some of them, because the ag land value has increased, they've lowered their levy and the dollars stay the same. But...and they've kept their spending in check. They're doing a good job, but they're almost...it almost seems like they're punished, then, by receiving less state aid. So I just hope that there's a way that you can adjust the formula to account for this uniquely rural issue, as I said, that's very cultural. There's many underlying reasons for the increase in ag land values. You know, zero percent interest rates, the renewable fuel standard, recreational values, but none of those actually increase the income for ranchers. To be specific, I pulled our tax returns from the last five years. And property taxes have averaged--and this even surprised me when I looked hard at the numbers--property taxes have averaged 60 percent to 70 percent of what our net income ends up being. Now I'm not sure there's another industry out there in our state that comes close to that kind of contribution. Property taxes have increased 30 percent in just the last five years, and this is primarily due to increased school funding. Now even though we don't have the facilities or the programs offered in urban areas, like the last superintendent said, I really feel like our schools do a great job. In these surrounding counties we have 100 percent graduation rate with most of the kids going on for some type of advanced education. It might be a two-year school, it might be a tech school, it might be college, or it might be military service. Just as there are many measures of wealth, there's a lot of measures of academic success and I don't expect our programming or our facilities to be the same. We are different. Those Arthur kids that I mentioned, you know, they regularly win the state stock market game. They can compete in a real-world scenario and they actually won the national competition. So, you know, just as our state is diverse when it comes to our natural resources--you know, 35 inches of rain in the east compared to 17 out west--I'd like to point out we're very diverse when it comes to our population and our culture. And we seek to protect biodiversity in this state, and I would hope that we would seek to help protect and promote our cultural diversity that we have. Because I chose 30 years ago to invest in ag land and live in a low population density area, when it comes to school funding I'm taxed a much higher per person rate than if I'd worked as an accountant and lived in Omaha or Lincoln and invested in equities or bonds. So this disparity is getting worse because of that rise in ag land values that we talked about. And it really doesn't coincide with a rise in income. And a really poignant example or a classic example of this is last year many of you heard about the extreme drought that we suffered. The carrying capacity on our ranch was reduced by 50 percent. And yet in the eyes of the state our

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ability to fund schools or our capacity to pay was even greater than it had been the year before, and that simply wasn't true. So in closing, I would strongly encourage the committee to seek ways to better balance the local burden of funding schools and distribute that burden a bit more evenly. I would also encourage the committee to explore ways to broaden the measure of local capacity or better link local school funding with the ability to pay looking at the total tax burden per person in a geographic area versus, perhaps, just that levy rate as a measure of equity. You know, I'm really proud of our state. We have a history of finding one-of-a-kind solutions to really difficult problems. You know, you're members of the only Unicameral in the nation. We have the only integrated NRD system. We have public power. And I'm confident that you all will come up with a workable solution for everyone. Thank you. And if you have any questions, I'd try to answer them. [LR182]

SENATOR SULLIVAN: Thank you, Mrs. Vinton, very much. Any questions for Sherry? Senator Seiler. [LR182]

SENATOR SEILER: Have your real estate valuations been affected by outside investors buying your neighboring ranches? [LR182]

SHERRY VINTON: Perhaps a little, but many of the sales in our county are local. There is one that sold to a Kansas gentleman but he is also involved in agriculture. But there are sales, for example, if you get into Cherry County along the rivers, yes, those are going for recreational value and that does drive land prices higher. [LR182]

SENATOR SEILER: Okay, thank you. [LR182]

SENATOR SULLIVAN: Senator Haar. [LR182]

SENATOR HAAR: Yes. Well, thank you. I know you serve on the NET board and that's Nebraska Environmental Trust Board and you met before our committee. I thank you for that. Your grandson, which school district is he in? [LR182]

SHERRY VINTON: My grandson is in Grant County District 2. [LR182]

SENATOR HAAR: Okay. [LR182]

SHERRY VINTON: He's a kindergartner this year, Danny. And, you know, I was hesitant. I really hated to see our country schools close. But it was a cost-cutting measure to do with efficiencies and providing teachers. And, you know, we cope. He's doing well. Little kids have a lot of energy. [LR182]

SENATOR HAAR: I'm sure. [LR182]

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SHERRY VINTON: Sometimes he's asleep on the bus but, you know, it's not a big deal. [LR182]

SENATOR HAAR: So are we. [LR182]

SHERRY VINTON: I'm glad the bell rang. It woke...somebody jumped. [LR182]

SENATOR HAAR: Do you know how big that district is, how many children there are? [LR182]

SHERRY VINTON: I can't tell you how many kids are in the whole...he has ten in his kindergarten class. Our kids we sent down to Arthur because the road was better that way at the time. Danny lives on a different part of the ranch. But, you know, my daughter was homecoming queen, prom queen, and valedictorian. But she was the only girl in her class and she had six. So we're talking ultra rural, ultra small, I understand. [LR182]

SENATOR HAAR: Well, congratulations. [LR182]

SHERRY VINTON: Small-town trifecta. [LR182]

SENATOR HAAR: Thank you. [LR182]

SENATOR SULLIVAN: Thank you very much, Mrs. Vinton, for your testimony. Oh, Senator Davis. [LR182]

SENATOR DAVIS: Just a couple Sherry, I'm really glad you came today. And Ken, I think I can answer that question. There were 155 kids in the K-12 which is 1,800 square miles. Is that right? Eighteen hundred square miles. I think the thing that you brought out today that is really valuable and something that is not getting through to people in Lincoln is the amount of income that you pay toward your property tax. Do you happen to know what the levy is in Hyannis? [LR182]

SHERRY VINTON: It's low. Our levy is low. Like I said, our school district is doing the right thing. I spoke with Mr. Parish who is the principal yesterday and he said it was like .61, 61 cents, 65 cents. [LR182]

SENATOR DAVIS: Sixty-one. [LR182]

SHERRY VINTON: So, you know, and I know that doesn't make sense. I also spoke with Mr. Schaeffer in Arthur County and previously they had received no state aid so they raised their levy, so they do get state aid a little bit. But that's where...that's what doesn't make sense is you have a district that's operating efficiently, doing what they're

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supposed to do. As ag land values rise, they're trying to be responsible to their taxpayers and patrons, so they lower the levy, and then they lose their state aid. So then...the system is a little bit out of whack. [LR182]

SENATOR DAVIS: We've talked off and on about different aspects of taxation. At one time we talked about maybe a local sales tax option, which wouldn't do anything for your district but would change things in terms of the resources available in some of the larger communities who would have more ability to generate revenue that way. [LR182]

SHERRY VINTON: Uh-huh. [LR182]

SENATOR DAVIS: We also talked a little bit about a local income tax option to share the pain a little bit. And I've talked a little bit about looking at an intangibles tax which would be on stocks, bonds. Nebraska had that back in the '60s and that was eliminated. Do you have any comments on any of those three? [LR182]

SHERRY VINTON: I don't want to see anybody pay more tax. I think, as I recall--I was a secretary on our local school board when we had our small districts, and this has been 25 years ago--but there was a sparsity factor. And I think we need to recognize that it's not just about the number of students and it's not just about the levy. But we're talking about, once again culturally, keeping basic units intact. And maybe there does need to be, as the superintendent previously was talking about, a base level of funding, you know, for schools. So, you know, each county or each entity can still remain viable. So as I recall, that's kind of how that sparsity factor worked. You got so much aid per student regardless of your cost. Maybe reinstating something like that would help. I'm not sure. You know, I...for retired persons and other things...you know, we want to keep Nebraska as friendly as possible for all people. So, you know, intangibles are a thought. To me it just seems ironic that...as I said, I chose to be a ranch wife. Our investment is in that land, that is our factory, that's our business. But if I had a store front in Omaha, my business wouldn't be paying 70 percent of their profits in tax, so. Thanks. [LR182]

SENATOR SULLIVAN: Thank you very much for your testimony. [LR182]

SHERRY VINTON: Uh-huh. [LR182]

CASPER NINGEN: Good afternoon. Casper, C-a-s-p-e-r, Ningen, N-i-n-g-e-n. Just three points that I'd like to share with the committee. First of all, thanks for coming from Omaha, Norfolk, Alliance, and Cedar Rapids, and Adams County, Omaha again, and Lincoln. Thank you so much; and Adams County. We're a diverse crowd out here too. Some of us may have lived in places that had more population when we were younger. But we've, I think everyone in this room, has made the decision to live where we're living in spite of some of the shortcomings because there's so many wonderful things too in outstate Nebraska. That being said, I would invite this committee in the future or

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any other committee to choose a location that's further west also for a hearing to accommodate some of the great distance that we have. I know a lot of people drove a long ways to be here just like the committee did, and that would be beneficial. One part of the formula, I guess, of the TEEOSA formula that continues to confound school administrators...and I serve as a school administrator in Hemingford, Nebraska. I've been there for 11 years. I've been in education for almost 60 years as a child and as a student and as a teacher and then, finally, as a superintendent. It's ongoing and it will continue to be that way in Nebraska. What a wonderful state, what a wonderful place to live. But I know that the ranchers and the farmers, in particular, are maybe reaching a breaking point or certainly a straining point to pay their taxes. It's not that they want to stop supporting the schools. It's not that the local schools aren't doing a good job taking care of that investment. But it's reaching a point, perhaps, where it's in the...I guess it was suggested in Scottsbluff at the Modernization Committee meeting that the use of the land itself and the profits derived from the land that, in Colorado and in parts of the country, that gives you a rating where you're able to pay taxes if you have fewer cows or if you have fewer acres or if you're raising three or four crops or raising no crops, the...your tax bill won't be the same as the neighbor. They'll be rated a little bit based on the usage and based on the profits that you gain from there. It would be a nightmare maybe to start figuring, but that's worth considering because that does fund most of the school districts, the farm and ranch land. The one thing that I...and then again when we're starting over, if we could take like...if, in fact, Senator Sullivan, we could take the TEEOSA formula and start fresh and as a couple of the previous speakers had suggested have a per student amount of money, that would be wonderful even if it was a small amount, because there would be patrons in every school district in the state that would say, hey, we're getting something in state aid. And of course the kids in Omaha, of course the kids in Lincoln and Grand Island and Sioux City, they come with greater numbers. They come from a lot of different countries and lands. They come with a lot of different economic issues. So that formula wouldn't stay simple like it did when it began; it would start to be a little thicker book as Bryce will be able to tell you. The state department understands. But that being said, however fresh of a start you're able to bring or a fresh look that you're able to bring to this, thanks for letting people come and testify and share their thoughts. I would certainly like to say that there's one piece...we don't receive...the only state aid that we receive is from our option enrollment program in Hemingford. We are blessed with the number of kids that have come to our school and have added not only educationally to our school but that \$7260 apiece, that's wonderful; what a wonderful part. So the option enrollment program, the Unicameral and your committee's support for that to continue is very important, first of all, for the kids to be able to go where they feel they can get the best education and, secondly, to have some financial support behind it. What a wonderful piece of state aid that is. So even if we don't receive anything else because we are blessed with a large county with lots of ag land, we do still receive a substantial amount in state aid that would be option enrollment. So thank you for that. Questions? [LR182]

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SENATOR SULLIVAN: Senator Haar. [LR182]

SENATOR HAAR: Do you find that, for example, your figure is \$1,925 per student in state aid total? [LR182]

CASPER NINGEN: Nineteen seventy, yes. Or actually, \$7260. [LR182]

SENATOR HAAR: Okay, well, this is 2013-14. Anyway, it's close to that. Do you find that that goes up and down a lot or is that fairly stable? [LR182]

CASPER NINGEN: It's stayed very much the same for the last ten years. I mean, the amount per student has stayed the same. [LR182]

SENATOR HAAR: Right, right. [LR182]

CASPER NINGEN: As far as the numbers, there are three numbers that I can tell you: 86, 14, and 9. We have nine students in our large school district that are home schooled. We have 14 that optioned to other districts, and we have 86 that optioned in. Three of our classes, basically three of our grades of 30 kids apiece come from outside our school district. That's amazing. [LR182]

SENATOR HAAR: It speaks well of your district. [LR182]

CASPER NINGEN: Well, I hope it does. It certainly has been very positive. [LR182]

SENATOR HAAR: So one of the things that's come up in our discussion is an education trust fund that could help smooth out the good and the bad years. Do you see that as a positive or a negative? [LR182]

CASPER NINGEN: Consistency would...something...all of my younger colleagues behind me, that's something that they would welcome when it comes to budget time to not see state aid increase and then...and really, this is...we used to say the state aid would go down and then come up and then go down, so that has changed. It just stays down. (Laughter) So that part of consistency...you know, I'm sure everyone would love to have additional funding if we're in the smallest school in the state to the largest schools in the state, if we're a school that seems to have everything they need to a school that seems to not have much. So that's going to be common. But to bring consistency to it would be wonderful. Expectations and planning in the future would be much easier. [LR182]

SENATOR HAAR: You younger colleagues, you don't seem that old. [LR182]

CASPER NINGEN: I'm going to vote for you. (Laughter) [LR182]

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SENATOR HAAR: Well, you can't. [LR182]

CASPER NINGEN: Well, thank you again. [LR182]

SENATOR SULLIVAN: Thank you, Casper. Thank you. [LR182]

SENATOR SEILER: Just...excuse me. [LR182]

SENATOR SULLIVAN: Oh, excuse me. [LR182]

SENATOR SEILER: It seems to me like once we get past Kearney--we had hearings in Gering last year and Gothenburg--and it seems like once we get past Kearney going west, we run into the same problems that the superintendent brought up earlier: time, distance, and a declining population. [LR182]

CASPER NINGEN: Definitely. [LR182]

SENATOR SEILER: But inefficiency of dollars because if you had five students taking chemistry, you've still got to have a chemistry teacher. [LR182]

CASPER NINGEN: Correct. [LR182]

SENATOR SEILER: Where if that chemistry teacher is east of Kearney, he's probably got 35 in it, and that levels out those costs per student. I was hoping somebody would have a brilliant idea of how to solve that problem but... [LR182]

CASPER NINGEN: Let me tell you what a terrible thing that could happen in public schools. In Rule 10--which, again, started out this thick and now it's much thicker--it speaks to accreditation and it speaks to numbers of books and numbers of teachers. At Hemingford, we have 400 students preK-12. We could have, quite literally, one elementary teacher but we still need two science teachers and two math teachers and two English teachers and we need a foreign language teacher and we need a history teacher. Those are all specified and required. So what Henry was talking about earlier might be an opportunity at the secondary level, at least, to relax Rule 10. We're blessed with great teachers. We're blessed with the teachers we hired this year. The lists of applicants were very short. So they were good but very short. If there was a way for a small school even with fewer students than we have to have a broad field endorsement and have credit in science, for instance, for biological science or for earth science, that would be wonderful. And broad endorsements used to accomplish that, and that's changed a little bit. If in mathematics or in...I'll give you an example. In English we had a teacher with a master's degree in English who was certified through her institution for middle grades so she could teach grades four through nine. When she taught

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sophomores, even with a master's degree in English, we received a black mark for that and had to do some additional course work. So if there was some flexibility like has happened in the past with shop classes and ag--real-life experiences equal college--if we could do something for the smaller schools. Again, if you live in Hemingford or if you live in Adams County, for instance, if there's a teacher or two that left and came back, they want to come back home. If you're in Omaha, there's quite a few teachers that want to come back home or that can. They'll feel comfortable and they've been there and it's no big deal. Not too many come back to Cedar Rapids probably, and not too many come back to Hemingford. The teachers that we hire largely are from the Panhandle. They're from Scottsbluff or they're from Chadron or they're...they know the Panhandle. They're comfortable. Their spouse isn't going to run away if they move out there. They're going to say, this is ranch land. Look, you can see the stars, there's no traffic. Those are a couple of the big things that are so important. But because we're a small school we don't have many graduates go into education. We also, then, don't have as many come back to apply for jobs. And so there are some schools that are probably having a hard time hiring people or having them stay there because they might jump to a larger school. So in that realm of state aid, like Henry said earlier, to be able to offer a respectable starting salary helps anyway. So if you're from the eastern part of the state then you're more apt to at least apply there and to come out and experience the change of pace. [LR182]

SENATOR SEILER: Could I follow up on that? [LR182]

SENATOR SULLIVAN: Sure. [LR182]

SENATOR SEILER: Is there any programs right now, the students graduating with large debt, to be able to say if you came to Hemingford and taught you could get a reduction on your student loans? Has that program disappeared or is it still there? [LR182]

CASPER NINGEN: No, the program, I think that's still there. Almost every school in the state qualifies as a low-income school.... [LR182]

SENATOR SEILER: Okay. [LR182]

CASPER NINGEN: ..when it comes to repaying those non...there's no interest on those student loans... [LR182]

SENATOR SEILER: Right. [LR182]

CASPER NINGEN: ...and you can repay them if you serve so many years. That, I believe is still in place. [LR182]

SENATOR SEILER: Is that helping you any? [LR182]

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CASPER NINGEN: It has in the past. For a moment, you know, if there was some other incentive, though, it is what I said earlier. We choose to live where we live because there are far more good things than there are bad. We have relatives in Omaha and we have relatives in Lincoln. We love to go visit them and we love to be there, but we enjoy where we live the rest of the time. [LR182]

SENATOR SEILER: Sure. I understand. [LR182]

CASPER NINGEN: Yes, Senator Davis. [LR182]

SENATOR DAVIS: One question. At our prior hearings we talked about poverty issues. Do you feel that you've got all the people on the rolls on the free and reduced that are there or are you missing a significant percentage of your numbers? [LR182]

CASPER NINGEN: There continue to be a number of people who feel it's important to not apply to them. There are a few that might miss the opportunity, but we give them multiple opportunities and we stress that it helps the entire school. More than that, it helps you pay your lunch bill because there is no paying your lunch bill. So we have some few families that will resist that to not want to take help, but then they're unable to pay their lunch bill. And so that's a little bit of a difficulty. [LR182]

SENATOR DAVIS: Do you have any idea the percentage? What is your poverty percentage? [LR182]

CASPER NINGEN: It's 48 percent K-12. [LR182]

SENATOR DAVIS: Forty-eight. Do you have any idea what your percentage would be of nonparticipants? [LR182]

CASPER NINGEN: I don't without the people...but, you know, we might approach 50 percent, you know, or a little bit over. It's higher in the elementary than it is in secondary. [LR182]

SENATOR DAVIS: And is that an increasing number as time has gone by? [LR182]

CASPER NINGEN: No. It's stayed pretty constant, I think. You know, as you notice in Alliance or as you notice in Norfolk or places like that, if a person wants to, they will find a job. And so we don't have many people that are sitting around not looking for a job. But there are some people who because of where we're at--it's Hemingford, it's a village of 900 people--you have to have a strong back or you have to have an accounting background. You have to work at a desk or lift things. [LR182]

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SENATOR DAVIS: Uh-huh. [LR182]

CASPER NINGEN: It's just there's not a lot of in-between jobs so a lot of physical labor and then a few office jobs. [LR182]

SENATOR DAVIS: But, you know, but it isn't people that are out of work really. It's people that are working but are working at a very low rate of compensation. [LR182]

CASPER NINGEN: Correct. Correct. These are people that are...they have jobs but they still qualify for free. [LR182]

SENATOR SULLIVAN: Senator Haar. [LR182]

SENATOR HAAR: I've been trying in my mind to think of somehow for schools that are really getting very small we need a different model. It doesn't exactly fit Rule 10 and so on. And last year we had a bill from Senator Adams and I can't remember all the specifics but where it will pick some schools that are failing--and these would probably be in the larger cities and so on--and work with them in special ways. Do you think that if we thought on the other end of the spectrum and were looking for different models for small schools that there would be takers to provide special resources and so on to develop some new models for small schools? [LR182]

CASPER NINGEN: The one limiting factor that you would see is the distance between towns or the distance between school districts. I think everyone in the west...everyone in the central part of Nebraska and the western part of Nebraska would welcome additional resources or would welcome additional curriculum to make their schools stronger and a more equitable place to attend. But it's difficult. It's one thing to say, can we share chemistry teachers with a town that's ten miles away? Or what we do instead, can we share chemistry teachers with towns that are in other states and 200 miles away over the TV? Because that's really...the technical aspects have improved greatly. As Mr. Eggert said, it's not the same as having somebody in the classroom. That's certainly preferable, I think. [LR182]

SENATOR HAAR: It becomes especially difficult, the subject matter, when you come to high school. [LR182]

CASPER NINGEN: It is. It's very specific. And then, again, we want...some of our kids that don't attend college, we still want them to be very well versed in economics and be able to balance their checkbook and know who the members of the Unicameral are and know...you know, be well equipped even though they don't choose to go to college. And many of our kids do. It doesn't happen every year, but we had three or four kids that went far out of the state. Our Merit Scholar finalist went to Yale. How wonderful. [LR182]

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SENATOR HAAR: Uh-huh. [LR182]

CASPER NINGEN: Hispanic little girl. Her whole family, you have to say, the library is closing, the library is closing. They're just a very focused family. And that's really good to have those high spots. But we also have a number of the kids that are looking at the bell and looking at the clock and wondering what time it is. And so we have to find ways to involve them too because we don't want those folks to be part of our community or some other community that aren't prepared. [LR182]

SENATOR HAAR: So you're kicking kids out of the library. [LR182]

CASPER NINGEN: We are, at times. [LR182]

SENATOR HAAR: That's great. Thank you. [LR182]

CASPER NINGEN: Thank you. [LR182]

SENATOR SULLIVAN: Thank you very much, Casper. [LR182]

SENATOR SEILER: I have one more. Excuse me, I have one more question. Do you participate with Chadron State and Kearney State on practice teaching teachers? [LR182]

CASPER NINGEN: We work very closely with Chadron. [LR182]

SENATOR SEILER: Do you get compensated for that or... [LR182]

CASPER NINGEN: The compensation comes in the form of waivers, tuition waivers. So we have so many hours, then, for each kid that comes down and student teaches. And that means that our existing teachers, then, can go take a class at Chadron, if they have two or three hours put together of credit, for no cost. [LR182]

SENATOR SEILER: But that doesn't help the student that's coming down for books or for housing and food. [LR182]

CASPER NINGEN: No. No. I remember the good old days 40 years ago where... [LR182]

SENATOR SEILER: Do you think if we had a program like that, like an intern for a doctor or a dentist, that if they spent time in the small communities you'd be able to attract more teachers? [LR182]

CASPER NINGEN: I think so. I think that's true. Whenever you're able to help

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somebody along like that, it can't hurt. [LR182]

SENATOR SEILER: Thank you. [LR182]

CASPER NINGEN: Thanks again. [LR182]

SENATOR SULLIVAN: Thank you. [LR182]

CAROLINE WINCHESTER: (Exhibit 3) Caroline Winchester, C-a-r-o-l-i-n-e W-i-n-c-h-e-s-t-e-r, and I'm superintendent of Chadron Public Schools. I certainly want to thank you for the opportunity to testify and bring our perspective on the state aid formula. I would like to encourage the committee to review the history of state aid funding so we can learn from the past and develop a state aid system that is based on sound educational policy for all students across this very diverse state. My first point is that we need to increase state aid funding and that funding source needs to come from some new sources and not property tax. In my opinion, currently too few people share the responsibility for the state obligation of financing public education. State aid is economic development. It's an investment, not a state-induced cost. The current formula and any formula developed will only work best when it's fully funded. School districts are more alike than different, and they're charged to educate all students and the challenges associated with this worthy calling. At Chadron we recently endured a reduction in state aid of \$1.6 million, which necessitated the closing of four rural schools, reconfiguration of our in-town schools, reduction in staff both certified and noncertified, and a loss of academic programs. In addition, patrons soundly defeated a bond issue to repair aging infrastructure and safety concerns, not because they did not recognize the need for the repairs but because they were unable to continue paying the levy on a bond. Our facility issues have not gone away, and our financial position is weakening. We even have borrowed \$1 million to replace a dying HVAC system in our primary building; but \$9 million left of needed repairs to roofs, HVAC, lighting, windows, and safety fire sprinkler systems remain. Because of dollars flowing into repairs which we can no longer delay and the drastic loss in state aid, we cannot support the needed academic programs desired by our patrons. I'd first like to address some strengths of the formula. I think there are strengths, including the equalization piece about needs minus resources. I think we need to continue the need components of special education, transportation, distance education/telecommunications, poverty, limited English proficiency, early childhood, and summer school. I would like to see you also continue to increase special education funding outside of the formula. Special education is a mandate which is not fully funded by either the federal government or the state and these unreimbursed costs then shift to local taxpayers. In addition, state spending for special ed would reach all districts. Another thing I would like to consider that would be new for the formula is a facility needs piece for aging facilities. Aging facilities are not unique to Chadron, they are not unique to the state of Nebraska; it is a national issue as well. One change to the formula to consider would be additional funding for facilities for

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building improvements or deferred maintenance, energy efficiency, security, and technology projects. I would ask you to consider giving preference to those building fund dollars to districts with the greatest needs using criteria such as, you know, perhaps buildings built before 1970, current facility studies, failed bond issues, poor energy efficiency, and districts that are already at the maximum levy of \$1.05. Additional funding for this needs to come from a new revenue source and not property taxes. Chadron Public Schools is 24th from the bottom in valuation per student at over \$400,000, while our neighbors are at least double if not triple with one neighboring district ten times the valuation. Our district levy is at a maximum \$1.05 while our neighbors are less, even as low as 60 cents. Our valuation is low in part due to the large number of acres and buildings that are tax exempt. State aid does not make up for the loss of this property tax. With such a low valuation per student, we cannot generate sufficient dollars. Even if given the opportunity to, say, raise the levy lid 5 cents, for us that only generates \$200,000 while our neighbors would be able to generate any...you know, \$400,000 to \$600,000 or even more. Another thing to consider is an additional needs component for after-school programs and geography. Just like with early childhood, research affirms the increased learning from after-school programs. So I'd like to consider adding after-school to the needs like early childhood and summer school. In addition, geography is an added need not recognized in the formula. Districts in the Panhandle experience additional costs. One of those, particularly, that you probably may not be familiar with is what they call mobilization fees. In addition, you've already heard people talk about increased travel. We have increased substitute costs are required just so our students and our teachers can have the same opportunities as the rest of the state. Another area of concern to consider is to give us additional budget authority due to...similar to what you do for retirement, and that's for the unfunded mandates of Obamacare. Projected increases for our district are approximately \$175,000 next year to cover groups that we currently are not offering health insurance for. I encourage you to be bold, focus on data, avoid special interests, and incorporate sound educational policy for all students. Before finalizing your recommendation, also please consider meeting with the Tax Modernization Committee to discuss the recommended changes beyond state aid to schools. I'd just like to thank you again for the opportunity. [LR182]

SENATOR SULLIVAN: Thank you, Dr. Winchester. Any questions? Senator Avery. [LR182]

SENATOR AVERY: Thank you, Madam Chair. Welcome to Dunning. [LR182]

CAROLINE WINCHESTER: It's three and a half hours away for us. [LR182]

SENATOR AVERY: It is for us too. You mentioned...you're the first person to mention additional costs because of the Affordable Care Act. Do you think or know what impact, then, Medicaid might have on these costs to your school district? [LR182]

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CAROLINE WINCHESTER: Well, if you're talking about...not all school districts may experience this because some school districts were already maybe, perhaps, paying their nine-month employees. Is that what you're...anyway...referring to? [LR182]

SENATOR AVERY: I don't know where your costs come in...what costs you incur because (inaudible) of the Affordable Care Act. I just know that we had a real struggle in the Legislature last session to expand Medicaid to help offset some of the costs to the state because we're going to be paying about \$251 million in additional fees and taxes because of the Affordable Care Act. And that's...it doesn't matter whether we extend Medicaid or not. Medicaid money I thought might offset some of that. [LR182]

CAROLINE WINCHESTER: Well, I think you've brought up a very good point and you might want to visit with my board president when she testifies. She's more knowledgeable on this issue. But we've had discussions that there are some areas between Medicaid and schools that are very similar and experience some of those same costs. And funding to ensure that our students have good health opportunities also helps school districts in learning, you know, and those types of things because we...and it also is part of that poverty issue that we deal with because students that are not well, do not have good health, don't do as well in the classroom. [LR182]

SENATOR SULLIVAN: Senator Davis. [LR182]

SENATOR DAVIS: Thank you very much, Dr. Winchester, for coming. I always appreciate visiting with you. You heard me ask the question about local option sales income or intangibles tax. Do you have any opinion on that? Do you think that would be something that would be helpful in the Chadron situation given the fact that you've got, let's say, the Walmart store which does draw a significant number of people from outstate even? [LR182]

CAROLINE WINCHESTER: Yeah. As I said, our valuation per student is very low. And when I figured it up, I get approximately a little over \$4 million right now in state aid. If all that property were taxed even at \$1 I would get \$5 million. I would come ahead by \$1 million. At Chadron we would be fortunate because we would have an opportunity, you know, if there were sales to help offset the lack of property tax that we can generate, it would certainly help us. However, I have, you know, some of my constituents would not have those particular opportunities unless you tagged their purchases, you know--which could be done--and allow that sales tax to go back to where people live. But if you would take that additional sales tax, though, and put it in the pot so we had a bigger pot, you know, that would help, if you understand what I'm saying. And in that way, then, you're not tied to that. But definitely, additional revenue coming in from sales to help balance it. Our property tax owners cannot...I meant...our people, you know, they've had drought for ten years. Some of our patrons were burned out. They had absolutely no

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income-producing ability on their property and yet their property taxes went up 13 percent. [LR182]

SENATOR SULLIVAN: Thank you, Dr. Winchester. [LR182]

CAROLINE WINCHESTER: Or valuation, I should say, went up 13 percent. [LR182]

SENATOR SULLIVAN: All right. [LR182]

SENATOR DAVIS: I've got a couple more, Kate, if you don't mind. And, you know, when I talk about the local option sales tax which I think has probably got no chance of passing, but, you know, I think it can be a way to offset some property tax which would be my objective. But in light of the fact that you're doing a lot of cutting and things with your budget, what are you doing? Who does that hurt the most? Does that hurt the average student, the high-ability student, the SPED students? Who do you think is the most affected? [LR182]

CAROLINE WINCHESTER: Well, I don't know that it's an area in particular. I mean, it hurts all students. Particularly, for instance...and fine arts is an area that we...at the time we were looking at reductions we had a local music teacher retired, an art teacher retired, and those maybe...you know, because of that and, you know, when you have to look at rifting or whatever, then you start shuffling around. So I have an art teacher and a music teacher that go back and forth between the high school and the middle school. I have a music teacher that now does both vocal and instrumental. We've had to reduce offerings. And I get a very strong appeal from my students and my patrons that we would like to increase those offerings, you know. And we just cannot do it. Everybody is aware 80 percent of our budget is salaries and you have to be very cautious to rehire and add on because it's a continual cost and it is not, you know, and it's a big part of your budget, so. [LR182]

SENATOR SEILER: Ma'am, did you say 8 percent or 80 percent? [LR182]

CAROLINE WINCHESTER: Eighty percent, excuse me, I might have misspoken. [LR182]

SENATOR SEILER: Okay. I thought that was awfully low. [LR182]

CAROLINE WINCHESTER: No, it's 80 percent. [LR182]

SENATOR SEILER: Eighty percent. [LR182]

SENATOR DAVIS: You talked about keeping certain things in the formula. You didn't say anything about teacher education as an adjustment or teacher time or student days.

Do you have any opinion on that? [LR182]

CAROLINE WINCHESTER: Well, I would like to comment on that. I think you have to...I think when you look at the formula you need to look at things that belong in the formula, first of all; and secondly, that good research can support. And we certainly, at Chadron, encourage our people to get their master's degrees and beyond. I really think that is valuable. I do not know that that's something that needs to be in the state aid formula. And it's also very difficult to measure the increased performance from getting a master's...I meant, there's certainly...I know it has enhanced my education. And I know it enhances people's education, but that alone is not what helps in the classroom. You know, some of the big pieces that will help in the classroom are those inter...for instance, down in the...for younger children are intervention strategies. You know, we used to kind of count, you know, elementary...you know, and the formula used to give us \$1...or excuse me, one student counted as one but if you had more poverty you got to count them as more than one, but elementary only counted at .6. And that was because, well, you know, you can do that. But I'm not so sure anymore that that maybe is a valid assessment on elementary education because of the demands, the research. We know they have to be reading at grade level before they hit the second grade or we're just never going to catch them up. In order to do that...and we know, we measured, we've used DIBELS, we've used data, we know when kids are falling behind. We try to reach them with interventions immediately, but that is not cheap. And in some of our cuts that we did, one thing we lost was a reading coach which is an extremely valuable piece of material to help mentor teachers and get kids where they need to be. We're fortunate right now, our test scores are holding. But, you know, without that piece, I don't know. We scramble hard to find enough people that can do interventions for our kiddos. That's one reason the after-school program I think you need to look at because that has enabled us to get some of those interventions to our kids that are not successful. We have really good dialogue between our classroom teachers and the people that are doing the after-school programs. They let them know we've got a student that, you know, he doesn't get his homework in or is behind. Or this student needs more practice in reading, this student needs more practice in math. So those interventions now are critical in getting the job done. And we don't see any way...you don't see that funded. I know some of your testimony talked about that, well, there wasn't any data to show that paras help. But if you have a para that's been trained and is used appropriately...I'll get on my soap box. I don't think paras ought to be making copies and doing bulletin boards. But if they're effectively...if they...first of all, they have to have training. And secondly, being used effectively in the classroom to provide those interventions for students that need more time because a lot of our...all our kids can learn. It just takes some of us a little longer than others. And they need that more time, they need that more practice. [LR182]

SENATOR SULLIVAN: Senator Cook. [LR182]

SENATOR SEILER: That's true with legislators too. [LR182]

SENATOR COOK: Okay. Thank you. Thank you, Madam Chair. And thank you, Dr. Winchester, for coming this afternoon. I'm going to assume that you believe that poverty belongs in consideration as part of the formula. And we've had some conversations among ourselves and had data presented about the impact of poverty and how it might be the same or different in an impacted urban area and a rural area. Would you speak to the impact of poverty on achievement in a rural, sparsely populated school district? [LR182]

CAROLINA WINCHESTER: You know, I've stated before, I think we're more alike than different. And I think poverty is poverty. Oftentimes in rural areas you can't recognize the poverty maybe as readily as you do in an urban area. But it is a very real factor, and it does induce increased cost. You know, we try to have...you know, there's snow coming to Chadron, but we will probably have school and, you know, my gauge there is if we can't get the parking lots open by 6:00, we have school, because 90 percent of our kids are there. But part of the issue is, you know, we need...those kids have to have a place to go. We have...we're a very unique community in that we have a very well educated part to our community but we also have a very high poverty part to our community. And so poverty brings issues with it that needs more instruction. Some of these kids are in and out of our buildings, and so that gets back to that intervention piece that's so critical because they may be here today, two or three places--you know, you have the same things--and then they're back again. And, you know, we look at achievement. If we can take our students that, you know, start in kindergarten and go all the way across--and I don't think this is just with Chadron--you'll find your achievement is very good. But dealing with kids that come in and out and their needs that they need to have, it's not cheap. Like I said, we're struggling now to get enough people that we can do the interventions to give them more practice to get them caught up. I meant, we Walk to Read, we use DIBELS and other assessments to make sure they're at the proper level of difficulty for them. That's a really big help. And we have trained our teachers so everything is continuous so that students, you know, can move or take more time. But it is not cheap to do that and, you know, as you well know. Those are just a few of the things, not to mention the health issues those kids have. You know, there's a number of mental health issues. We just recently--and fortunately we do a lot of collaboration in the Panhandle and we're able to collaborate with another group to receive funding for this--but we just recently did mental health first aid training for all of our staff because of the increased number of behavior issues that we see, you know, and all of these factors. It's becoming a national issue. It's the next national epidemic. And so poverty, you know, it brings increased costs. And those are just a few of the things. [LR182]

SENATOR COOK: Thank you very much. [LR182]

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SENATOR SULLIVAN: Thank you, Dr. Winchester, appreciate it. [LR182]

SENATOR HAAR: Can I ask a question? [LR182]

SENATOR SULLIVAN: Oh, okay. [LR182]

SENATOR HAAR: You said you lost \$1.6 million in one year. Was that a surprise to you or was it something... [LR182]

CAROLINE WINCHESTER: Seven hundred and fifty thousand dollars, and that was the first year I was there so I had the unique privilege to be able to cut the budget that much. And so I'm surprised I'm still here. But \$750,000 of that was federal money, you know. But you have to understand, the state took that money and subsidized, you know, the state aid formula with it. [LR182]

SENATOR HAAR: Uh-huh. [LR182]

CAROLINE WINCHESTER: Seven hundred and fifty thousand was not. The rest of it was. Well, actually, we were looking originally at a cut of \$1.2 million and then all of a sudden they shifted things and I lost another \$400,000. I called Bryce at the state department and said, what happened? He said, oh, you just ended up in another cost grouping. And that's another issue too is the unpredictability of the...currently for those of us under 900, the unpredictability of those cost groupings. And that's why I said, just size does not make everybody the same. You know, we offer preschool, we offer after-school programs. Our geography causes us to have more costs than somebody that may be our similar size. But like I said, we lost \$400,000 just because we shifted a cost group. Nothing...and the problem there is it's nothing we can control whatsoever because we don't know when you're doing numbers where you're going to end up. [LR182]

SENATOR HAAR: Well, knowing what you do, I'm not surprised that you're still there. [LR182]

SENATOR SULLIVAN: Thank you again for your testimony. [LR182]

CAROLINE WINCHESTER: Yep. Thank you. [LR182]

SENATOR SULLIVAN: Could I have an indication of how many people are yet to testify? Okay. Thank you very much. [LR182]

TRAVIS MILLER: (Exhibit 4) Good afternoon. I'm Travis Miller, T-r-a-v-i-s M-i-l-l-e-r. I serve as the superintendent at Bayard Public Schools. Senator Sullivan, Education Committee members, I'd like to begin by thanking the committee members for your work

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to fulfill the state's responsibility to educate our youth. As you know, a solid educational system is essential to the development and continuance of an enlightened citizenry. And your efforts in this regard are deeply appreciated. My testimony today reflects the school finance situation at Bayard Public Schools, which is quite different than that of the situation in many other rural schools in our state. Bayard Public Schools is a small Class C-2 school district located in the North Platte River Valley between Scottsbluff/Gering and Bridgeport. The Bayard Public School District is highly dependent upon equalization aid for the proper education of our students. Our state aid allocation for the current year is over \$2 million and represents 35 percent of our anticipated district receipts for this year. Our school district valuation is \$241 million, which is a small valuation when compared to many of our peers. Our valuation per pupil is in the bottom 20 percent of school districts with just over \$500,000 in valuation per pupil which stands in stark contrast to the top 20 percent of our school districts where valuation per pupil ranges from \$1.5 million to \$4.3 million per pupil. As an equalized district, we are highly reliant on TEEOSA to meet our educational obligations to our students, our parents, and our patrons. Like many of the other school districts across the state, we share a commitment to efficient and wise use of the resources that are entitled to us by our taxpayers. Some steps that we have taken as a district include sharing a language arts teacher with Minatare Public Schools, cooperating with Bridgeport Public Schools and Garden County Schools for the transportation of our special needs students, participation in an interlocal agreement for the purchase of natural gas, and other strategies for the cooperative use of our resources. And in my written materials I have a list of some of the strategies we're using to try and be efficient educationally and financially. Given our district's financial situation, I would encourage the Education Committee to work to fully fund TEEOSA. I would also encourage the committee to examine strategies to ensure that adequate resources are allocated to those districts that have limited local resources. In particular, I would encourage the committee to ensure that equalized districts continue to receive equalization aid that is sufficient to ensure that the educational needs of all of Nebraska's students are met. I believe there are several aspects of TEEOSA that are working. The general premise of using needs minus resources to determine state aid is an appropriate state policy. It is an appropriate, it's not inappropriate. It is appropriate as state policy. As you're well aware, the quality of education a child receives should not be dependent upon the zip code in which the parent lives. Funding allocations that are based on meeting a certain level of need provides an opportunity for the state to fulfill its constitutional obligations to educate our youth. Of course, this policy would be even more educationally sound if the formula were fully funded year after year instead of revised to meet appropriations. I realize that's a fiscal reality that you face every year, but fully funding the formula would be the most sound educational policy. One important component of the TEEOSA formula that I would strongly encourage you to keep as a matter of sound policy is the minimum levy adjustment. The minimum levy adjustment is sound policy both from the perspective of distribution of the state's resources for education and also from the perspective of tax equity. The minimum levy adjustment ensures the state's resources

are allocated to districts that do not have sufficient local resources to provide an appropriate education. From a personal perspective, this is also a policy that promotes a level of fairness in the tax system. As a resident of a school district that is taxing near the \$1.05 lid, I do not believe that the sales and income tax that I pay should be distributed to communities that are not willing to tax themselves at some minimum level, currently 95 cents. The minimum levy adjustment is sound policy that ensures that the state's resources are allocated to those districts that have limited local resources. I've heard some experts say that the Tax Equity and Educational Opportunities Support Act is about tax policy as much as it is about support for educational opportunity. From the standpoint of the taxpayers in my school district, the impact of the current structure is far from equitable. Landowners in our school district are paying a levy of \$1.049998 while a neighboring district in our county levy is 95 cents. As you know, there are districts in the state with levies significantly below the 95-cent threshold. With wide ranges in school district tax levies it would be difficult to say that TEEOSA is providing tax equity. Property taxpayers in districts such as mine are bearing a significant burden related to the cost of education. However, I do need to point out that our patrons are very supportive of our school and they do a great job of ensuring that their taxes are paid year after year and they keep us going. However, I'm concerned about the long-term viability of a system that disproportionately impacts landowners yet does not meet the educational needs of our students. I know there are many school districts in the state that are nonequalized under the current funding of TEEOSA. I also know that you're going to have considerable pressure as an Education Committee to commit additional resources to districts that are currently nonequalized. However, as a matter of principle, I would strongly encourage the Education Committee and the full Legislature to avoid taking any action that would benefit nonequalized districts at the expense of equalized districts. I think it's okay to take action to benefit nonequalized districts. I just hope that you don't do so at the expense of those districts that are equalized. Finally, I believe that the committee has received written testimony from Mr. Rob Bligh of Omaha. I would reiterate the following assertion that Mr. Bligh provided in his written remarks. "One of the most useful changes in Nebraska's system of school finance that is available to the Legislature would be passage of the state aid bill two weeks before the statutory educator rehire date of April 15 or the RIF date. A rational alternative would be to extend the RIF date to two weeks after the date upon which the Legislature passes the state aid bill." I know there's a lot of politics related to the April 15 date, however, it is essential that school districts have time to respond to changes in the TEEOSA formula to ensure the financial stability and sustainability of our institutions. This is a matter where some political willpower by members of the committee can have a positive impact on school district operations throughout the state. In closing, I again thank you for your time, your commitment to our state, and for your dedication to promoting an enlightened citizenry for future generations of Nebraskans. [LR182]

SENATOR SULLIVAN: Thank you very much. Any questions? Very good. [LR182]

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MIKE MEISTER: I'm Mike Meister. Meister is M-e-i-s-t-e-r. I live at 2426 Third Avenue in Scottsbluff, Nebraska. And with respect to Superintendent Dr. Winchester, it's four and a half hours because we lose an hour when we cross the time line. But in fairness to Senator Avery, it is uphill from Lincoln. That being said, I am not an educator. I am an attorney by profession and every so many years I decide to run for public office. This was an issue that I had looked at a couple of years ago when I was in the race for Governor and was floating an idea that only one district superintendent ever voiced--actually it wasn't even a superintendent, it was just a patron of the district--who voiced displeasure at my idea. And as I listened to Dr. Winchester today I want to float that idea again because I think that's really what we're here about is ideas. You know, we're talking about money. Well, do we get this money, do we got that money? Well, I don't think you have to talk about money. I think you can talk about in kind, I think you can talk about structure and infrastructure and ways to do things differently. I'm a firm believer in breaking out of the box and figuring out other ways to do things. Several years ago I ran into my superintendent of schools in Omaha of all places. He was attending a conference and I was down there also attending a conference and we happened to run into each other at breakfast. And as we talked I said, Rob, let me ask you a question. If you didn't have to worry about the buildings, you didn't have to put roofs on them, you didn't have to worry about HVAC, you didn't have to worry about the safety considerations, you didn't have to worry about putting all the money into the ADA compliance rules and all the other stuff, could you educate the kids on the property tax you collect? And he told me, oh, that would be a piece of cake. I could do that easily. And from that conversation an idea was born. And that idea was that the state would take control of the properties, the buildings, the hard building and then rent that back to the district for a nominal fee of \$100, \$200 for the year. The state would be responsible for the maintenance on the building, the new roof from the hailstorm, the damage from a bad HVAC that leaks all over. But the state as the landlord would simply take over the cost involved in taking care of the properties. The school is still responsible for hiring the teachers, doing the education, and doing the work. But you take that piece of their current puzzle away from them and take it to the state and have the state, then, determine matrixes to determine when a school is outdated. I mean, in Scottsbluff Schools we have two schools that were built by the WPA, God bless them. You know we renovated a building that, in my opinion, should have been torn down. They renovated it. It's beautiful, absolutely gorgeous. There are ways to work with the local folks as the landlord to meet the needs that they may have for a particular building or school. You don't have to worry about the bond issues. When you need a new school, here's a footprint. Here's the footprint. We have four schools. You want this elementary school, this one, this one, this one? What do you want? Where do you want to put it? You know, the locals decide where it goes. It's a partnership arrangement between the local folks and the state but the state is the landlord. They are responsible for the major upkeep of the capital projects and taking care of those things so that every district is treated the same. What I find most interesting as I was working on some of this stuff...and all you need to do as a committee is look at Scotts Bluff County. Scotts Bluff

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County is the example of why TEEOSA should go away. TEEOSA was passed in 1990 with these goals: They were going to fund 45 percent of the cost of operating public schools with state resources. They were going to equalize property tax rates. And they were going to equalize educational opportunities. Right now the state funds 30 percent--it's actually 30.3 percent--of monies to school aid. You've heard a lot of folks talk about how it hasn't worked to equalize property tax. And as far as equalizing educational opportunities--and I think Senator Cook can speak to this--you know, Omaha Public Schools, you can go from school to school and the people are working and they're trying, but from school to school it's not an equal educational opportunity. My idea of the ownership of the buildings...and I pick on District 66 but sometimes they deserve it. They've figured out this formula. They get money hand over fist, and they game the system. And the system is made to be gamed. I don't fault them for that. They do a good job for their patrons and their folks and their kids. But there are schools, as you're hearing from folks testifying today, out here that don't have those resources and can't provide those opportunities. They do the best they can, they're creative, they figure it out because that's what we do. Back to my point, Scotts Bluff County is the perfect example of why you should look at this. We have two Class B schools and we have two Class C-2 schools. The Class B schools are split by a river, if you can call it that, most of the time it's pretty dry. Next year, Scottsbluff Public Schools is going to get \$1.7 million in additional state aid and Gering is going to lose \$163,000. If you go up the road from me to Morrill, Nebraska, they're going to lose \$428,951 in state aid while down the road the other way to Minatare, they're going to pick up \$252,847. Now I understand that it's a formula and I understand that we look at all the different things that we look and plug in. But these are communities...Scottsbluff to Gering is...we share a border. Maybe...and it's not even a mile apart and we share a border, and yet our school districts are treated completely differently. And then Minatare is 12 miles this way and Morrill is 16 miles that way, and they're completely different. It doesn't make sense. So what I would like to see the state do is something that makes sense. Another option that might be an idea to look at is maybe the state pays for the administrators. Patrons pay for the teachers but the state pays for the administrators. You know, that's just another thought. There are ways...what I would encourage everybody to do...and it's hard to do when you're in it looking around from the inside. I'm on the outside looking inside. Try to get out of that. If you just threw the entire system out that we currently have and you built the system from scratch and you said to yourself, how do I want the educational opportunities to look like in the state of Nebraska from Bayard to Humphrey to Westside High School. And you build a system from the ground up and start over from scratch and say, this is how we can do it, this is how we can do it efficiently and effectively and for the least cost to everybody concerned because we're being equal in our treatment of everybody. Any questions for me? Because I get to pick up my hour on the way back. Thank you very much. [LR182]

SENATOR SULLIVAN: Thank you very much. [LR182]

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LAVON HOOD: (Exhibit 5) Hello. My name is Lavon Hood. I'm the director of finance at Scottsbluff Public Schools. Thank you very much for this opportunity to provide feedback and input. I attended the Tax Modernization hearing in Scottsbluff recently and got the impression that some people think that the TEEOSA formula is too complex and should be scrapped. I feel equalization aid is a necessary element to fund schools. There are differences in districts that make each one of us unique. They have different needs and have different drivers. Some examples of these unique items include poverty, ELL, homeless students, mobility, special programs, access to services. The current formula helps in this uniqueness. Here are some details. Scottsbluff's poverty is at 57.4 percent. This is an increase of 42 percent over the last ten years compared to the state average increase of 34 percent. Equalization helps fund expenses related to this. From 2008-09 to 2012-13 Scottsbluff's ELL population doubled. Equalization aid helps fund the expenses related to this. In the past two years, unaccompanied youth have increased from 21 to 59. Equalization aid helps fund the expenses related to this. Scottsbluff's mobility is at 18.16 percent compared to the state average of 11.8 percent. This means one out of every five children move in or out of our district in a calendar year. Our highly mobile students are at 8.68 percent, which is almost double state at 4.86 percent. It is proven that when a child moves, it puts them behind academically approximately six months. Equalization aid helps us fund the expenses related to this. Special education programs and behavior programs in Scottsbluff that we have put into place have made us kind of a hub in the Panhandle for other districts who are struggling to support the needs of their students. And equalization aid helps us fund the expenses for this. Expenditure differences: For example, to send a teacher from the Panhandle to an NDE training in Lincoln takes approximately two days' driving time--one to get down there, one to get back--plus the duration of the training and you have to pay for a sub to make that happen. There's mileage expenses for the trip which would run approximately \$550 for round trip, plus the additional costs for hotel expenses and meals. Equalization aid helps us fund the expenses related to this. Some schools have the ability to help fund education locally better than others. For example, Scottsbluff does have a valuation of approximately \$1.2 billion whereas Gering, across the river, has only a \$600 million valuation. Therefore, Scottsbluff has two times the amount of levy potential with only one and a half times the number of students. Equalization aid helps both of us make up the difference for that. Other areas I would like for you to consider: Schools throughout the nation are focusing on safety and security but we are all struggling to fund it. Building infrastructure is another area we're also struggling to fund. Scottsbluff's schools has eight buildings or eight school buildings. The newest one is 50 years old. We just did a facility assessment on that building and the cost to bring this building up to code--this does not include bringing it into the twenty-first century in terms of curriculum and infrastructure--is \$19 million. With poverty levels greater than 50 percent in this community, they can't afford a bond issue. Are there ways to improve the equalization formula? Absolutely. The instructional time allowance and teacher education allowance could be phased out. While both items address important areas, both things are items that schools do have some control over. So the equalization formula, is it complex?

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Sure it is, but there are very complex issues that the formula is addressing. I also wanted to point out that my superintendent was unable to join us but he did have his comments in writing and I'll go ahead and turn those in as well. So thank you for your time. Are there any questions? [LR182]

SENATOR SULLIVAN: Very good. Any questions for Lavon? Senator Davis. [LR182]

SENATOR DAVIS: You and Gering are so close together. [LR182]

LAVON HOOD: Yes, we are. [LR182]

SENATOR DAVIS: Do you do much working together with each other to share costs and share responsibilities? [LR182]

LAVON HOOD: We do quite a bit. Actually, we drive together just about every time we come to a meeting. So it does help to share the burden of some of those expenditures from that perspective. We also have formed an interlocal co-op where we do our...we outsource our transportation of our students so we do that together. [LR182]

SENATOR DAVIS: So if you had...say, Gering had a building that was not being used fully, you needed a new building, would that be something that you guys could do together to renovate a building and share anything? [LR182]

LAVON HOOD: That would be more a question, I think, for the boards and for the communities. [LR182]

SENATOR DAVIS: I'm just throwing that...just as an interesting question, you know. You're not the only... [LR182]

LAVON HOOD: It is a very interesting question. I would love to see something like that happen. In actuality, would it? I would say probably not given our communities. [LR182]

SENATOR DAVIS: Are both districts at the same levy? [LR182]

LAVON HOOD: Yes, we are both at \$1.05. [LR182]

SENATOR DAVIS: Thank you. [LR182]

LAVON HOOD: Thank you. [LR182]

SENATOR SULLIVAN: Senator Cook. [LR182]

SENATOR COOK: Thank you, Madam Chair. And thank you for coming today. This is

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an idea that has been bandied about. Is your district able to take money through private foundations the way policies are set up or is that something that we would--I guess I'm asking myself a question--have dominion over? If there were a founder interested in coming in and lending assistance in terms of the bringing the building to code or perhaps starting over with a brand new building for \$19 million, is that something that you're capable of doing? [LR182]

LAVON HOOD: Well, it's interesting that you bring that up. Just recently Roger Frank, who is just recently deceased, gave a building to the district and we are now using that for our district office. And the former district office we have turned into an alternate high school. [LR182]

SENATOR COOK: Thank you. [LR182]

LAVON HOOD: Uh-huh. [LR182]

SENATOR SULLIVAN: Thank you very much. [LR182]

LAVON HOOD: Thank you. [LR182]

SENATOR SULLIVAN: Welcome. [LR182]

SANDY ROES: (Exhibit 6) Good afternoon. My name is Sandy, S-a-n-d-y, Roes, R-o-e-s. I come here to you today as the board of education president for Chadron Public Schools. I have a little bit different take. I felt the value of coming today and have taken a day of vacation so I appreciate the opportunity. I thank you for this opportunity to testify on the education funding issues experienced by the Panhandle and Nebraska constituents. I have no envy for your task but greatly appreciate your openness for input and potential solutions. As a current seven-year-plus school board member of Chadron Public Schools as well as a seven-year-plus school board representative from the rural schools, I've had the opportunity to partake in decisions that affect the learning environment of our future, the children of our state. Along with those decisions that affect our future leaders, I have had the fortune or misfortune in observing how those same decisions affect the tax burdens of our property owners and depress the economic growth to our local community. Decisions that start at the rural school affiliation process with eventual closure through balancing a budget with a significant state aid loss of over \$1.6 million have impacted our community by eliminating jobs that resulted in family relocations affecting our community's economic status as well as the morale of those remaining to absorb additional responsibilities and inheriting the insecurity of what the future funding formula would do to affect their own personal lives. Schools systems have the ability to set a community climate. Quality schools provide good outcomes for youth which affect crime rate, help recruit professionals seeking jobs within the area, and provide visual stability to a community by activities that are held in

or around the facilities. In my mind, not only do school systems educate our future leaders but schools provide economic stability to communities. With that being said, it is very important to reassess how funding is provided for the valued service. We cannot continue to place the burden on our rural property owners. Chadron Public School landowners pay disproportionate taxes as is evidenced by our valuation per student rate--it was mentioned earlier we are the bottom 25--compared to several of our local counties of Sheridan, Sioux, and Cherry. Area residents recognize the need for quality schools but cannot continue to pay taxes at a higher rate than average, especially with variables that have plagued our region through drought and fire. Solutions I would like to encourage are to increase the state aid, and what I'm really meaning is fully fund the current state aid formula; provide adjustments to agricultural land valuations because of the disproportionate burden placed on our rural agricultural patrons, utilize the use value taxation structure that many of our neighboring states use; provide after-school program funding, educational results are proven; and provide a rural allowance for the frontier areas, western Nebraska Panhandle area in particular--we have expenses such as mobilization that is very unique to our remoteness; provide an additional funding source for schools with aging building structures, schools that have completed recent energy audits, unsuccessfully bonded for school improvements and/or have had buildings and infrastructure that is older than 1970. All of the solutions above are not products of my own, believe you me, but are processed, informed discussions that have involved patrons, school board members, parents, and business leaders who have a genuine concern for maintaining quality, effective school systems and a process that encourages economic stability that supports our local rural agricultural taxpayer. Please consider these options as you determine the outcome for funding that affects not only quality schools and education but the needs of our local rural agricultural taxpayer which has felt the brunt of the current funding system for several years. I again thank you for this opportunity. And, Senator Avery, I'm the one that has a Medicaid expansion viewpoint. So if that's appropriate I would be more than happy to share my view. [LR182]

SENATOR AVERY: Well, I'm curious about the added cost to the school district occasioned by the implementation of the Affordable Care Act. It didn't come up in any of the hearings. This is the first I've heard of it. And I was wondering if the expansion of Medicaid might provide some relief for a school district. [LR182]

SANDY ROES: And that's how I understood your question as well. And exact statistics I could not give you, but theoretically, yes, because of what Dr. Winchester was referencing was our entry level positions that we have not been paying or having to provide insurance. They are nine-month employees, which now with the ACA that is going to be something that we are responsible for. Entry level positions are usually the lower-paying positions which, of course, the incomewise would fit into the expanded Medicaid realm. So very likely those particular positions would. The other part that I feel is appropriate is the education funding formula does have a partnership with the expanded Medicaid option. And what my focus is on that particular thought is as you

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mentioned earlier poverty brings in issues for young people. Mental health issues are higher and physical issues usually are with that same population. If you can expand Medicaid and there is that opportunity for health and wellness within that population, whether it be physical or mental, they come to school prepared and ready to learn; and ultimately that affects your funding needs for schools because you have kids that are performing at a higher level. So I don't see them as two separate. I see them more as a partnership. And I think that that particular thought should be explored more to see how the benefit of both of those programs together could save on the school side as well as the Medicaid opportunity for better lives of our population, so. [LR182]

SENATOR AVERY: Good argument. I'll keep that in mind. [LR182]

SENATOR SULLIVAN: Any other questions for Ms. Roes? [LR182]

SANDY ROES: Again, thank you. [LR182]

SENATOR SULLIVAN: Thank you. [LR182]

HOWARD GAFFNEY: (Exhibit 7) Since I'm a man of few words, as Senator Davis can attest to, I won't take more than five minutes unless there's some questions. Good day, Senator Sullivan and members of this committee. I've put thing down on paper because I can get led off on a turkey trot easily, but this won't take long. But many of my thoughts here today... [LR182]

SENATOR SULLIVAN: Excuse me, sir. Can you give us your name and spell it? [LR182]

HOWARD GAFFNEY: Oh, Howard Gaffney, H-o-w-a-r-d G-a-f-f-n-e-y. [LR182]

SENATOR SULLIVAN: Thank you. [LR182]

HOWARD GAFFNEY: And I own and operate and manage a farm/ranch operation 20 miles down the road. And while my family has long been working the land in western Nebraska, we do have a few teachers among us in our ranks. But a lot of what I have to say here on paper today are not just necessarily my thoughts, thoughts of neighbors and friends when we visited over the back of a pickup box or at a feed store or at a parts store, coffee shop, maybe even our local pub. First of all, I want to thank you for your efforts to study the state and formulate and try to make time to listen to Nebraskans about what changes we believe would be beneficial for our schools and students. To begin, I believe it is important to recognize that Nebraska really does offer quality of life. And our good schools--which, hopefully, most of you have enjoyed in your younger years--colleges and universities have a great deal to do with this quality of life here in Nebraska. Whatever the Legislature does to change the state aid formula, first

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and foremost it should protect the good things state aid has provided. I'm really very supportive of the fact that Nebraska has a needs-based formula. But I'm not sure those needs are, as defined, as up to date as they should be. So I encourage this committee to commission a comprehensive study to determine what our educational needs really are today. I don't know the last time a comprehensive study was completed, but I believe it was more than a decade ago. And a great deal has changed in the last decade as many of the superintendents and principals that are here today can attest to. Both have some of the same needs and some are different. All should be recognized in the formula that might also provide aid to some districts that are currently not receiving any aid. Also, the state of Nebraska is sitting on a \$600 million surplus right now. Some of my neighbors would suggest that some of this surplus be used to provide property tax relief through an increase in state aid to education. And some of the surplus should be set aside in an educational trust fund to help alleviate the wild swings that we have in state aid funding in our schools when the economy slows and revenues dwindle. As former school board members, I'm pretty sure that Senator Davis, Sullivan, and Scheer know first hand how difficult it can be to craft a school budget when state aid amounts are in constant flux. I believe the bottom line is making sure all--and I emphasize all--of our public schools in the state have the resources they need to provide a quality education. The future prosperity of our state and our communities is really at stake. I really do thank you for your time and for your work and coming out here to what some people--and maybe some of you would consider--the middle of nowhere. But it's home for many of us, so thanks again. [LR182]

SENATOR SULLIVAN: Senator Cook. [LR182]

SENATOR COOK: Thank you, Madam Chair. And thank you, Mr. Gaffney. We have a term of art or a term that is used in our conversations around TEEOSA and state aid as a whole. And that term is "fully funded." When I say that to you, what does that mean to you? [LR182]

HOWARD GAFFNEY: Well, I've worked under the guidance and direction of one of the senators here today, Senator Davis, when I finished my career as an educator at Hyannis. I received a phone call, I think, the third year I was up there. And a person from Lincoln said, sir, you are missing a form in our office and if you don't have that in by 4:30 today faxed to us, you are going to lose your state aid payment. I was not probably in the best of moods that day and so I said, why don't you take my birthday away too. And there was a pause. Well, what do you mean by that, Mr. Gaffney? I said, we don't get any state aid, so when do I have to have this form in? I didn't know for sure what she was even asking for. She said, well, now that I think about it, would Tuesday afternoon at 4:30 work? And this was the Friday before. And so, you know, I don't know whether that answered your question for sure, but that's kind of what happens in some of the sparsely populated areas of our state. [LR182]

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SENATOR COOK: Okay. All right. What I was asking was more related to the cost of an education of a student, soup to nuts, the building, the lights versus what we do now. [LR182]

HOWARD GAFFNEY: You probably have school districts in this state that can get by with \$6,000 per student. [LR182]

SENATOR COOK: Okay. [LR182]

HOWARD GAFFNEY: Some of these rural schools that you've heard from superintendents, it could be as well as \$23,000... [LR182]

SENATOR COOK: Okay. [LR182]

HOWARD GAFFNEY: ...not because we are overpaying the teacher... [LR182]

SENATOR COOK: Right. [LR182]

HOWARD GAFFNEY: ...buying new buses. It's because we have just a few students. So if you would probably ship out some of those good athletes from Omaha that don't get a chance to play back there and put them in our schools out here, we would solve lots of problems. [LR182]

SENATOR SULLIVAN: Just a minute. I'd like to ask you a little bit about your comment about doing a study on the needs. Who best to establish that? Do we ask our superintendents who run our 249 schools? [LR182]

HOWARD GAFFNEY: I think you've had several of them point that out today. I just kind of reiterated what I already had on paper probably to you. They have some excellent answers. But it varies from district to district big time. It's just...you know, take for instance, this building. Beautiful building. Travel 35 miles to the east, they're doing a great job of educating their kids at Taylor. But that building is nowhere near what this one is, or at Hyannis, for example. But I like that idea that Mr. Meister brought up. Let's maybe turn some of this building over to maybe the state to regulate and help cover those costs. We could probably cover what it takes to do the rest of what we need to do in many of these districts if that was the case. I thought it was a good idea. [LR182]

SENATOR SEILER: I have one comment on that. And as that testimony was coming in, I could see the state building a brand new high school in Scottsbluff and an old building in Gering. [LR182]

HOWARD GAFFNEY: Gee, wouldn't it...but Hyannis has to travel, I think, 34 miles to the closest school and it's...you know, and we'd probably look at doing co-oping with

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sports and this and that to get by. Gee whiz, why don't we just build one school up there right next to the river, one side or the other, flip a coin on it. And say, hey, it takes care of both these districts and they're Class A now. [LR182]

SENATOR SULLIVAN: Any other questions? Senator Haar. [LR182]

SENATOR HAAR: Yes. Did you get the forms in by Tuesday then? [LR182]

HOWARD GAFFNEY: I had a wonderful secretary to work with. She said, Howard, I'll take care of it. I'll see that the superintendent signs off on that. [LR182]

SENATOR HAAR: Okay. Well, just one point. And this is something as we talk about all this, every school district receives state aid but not all of them receive equalization aid. And that's a part of, I think, our whole discussion here is, you know, what goes where (inaudible). [LR182]

HOWARD GAFFNEY: Well, we had a few option enrollment students. I wouldn't say we didn't get anything, but it's all how you probably interpret the term as our Thedford superintendent pointed out to you too. [LR182]

SENATOR HAAR: But, you know, as we talk to taxpayers and so on, when they hear they don't get any state aid, not really technically true. And maybe it's a minor point, but I think it's also important. I'm glad you got the forms in. [LR182]

SENATOR SULLIVAN: Thank you for your testimony. [LR182]

HOWARD GAFFNEY: Thank you. [LR182]

MARK HAYNES: (Exhibit 8) My name is Mark Haynes, M-a-r-k H-a-y-n-e-s. I'm a Dawes County resident. I'm here basically representing myself and the agriculturist point of view. The school aid that you referred to, I think, are school lands that constitutionally you cannot deny those people the money no matter how wealthy or poor they are. [LR182]

SENATOR HAAR: That's part of it. [LR182]

MARK HAYNES: Isn't that correct? [LR182]

SENATOR HAAR: That's part of that total state aid. [LR182]

MARK HAYNES: The money that comes from school lands. [LR182]

SENATOR HAAR: Uh-huh. [LR182]

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MARK HAYNES: So it's a different formula than TEEOSA. [LR182]

SENATOR HAAR: Uh-huh. [LR182]

MARK HAYNES: Okay. From 2002 to 2012, agricultural land property tax valuations have risen annually 8.94 percent. The state's total valuation has risen 5.64 percent annually during that same time period. The property tax valuations have grown sharply on ag land while residential and commercial property have grown at around 4.5 percent. The tax burden continues to shift to agriculture regardless of income. For 2013, ag land valuations have gone up 22.8 percent statewide. Out of the \$13.5 billion total state increase in valuation, ag land represents \$11.1 billion. By adding all of the ag land real estate, ag improvements, farm site, residential, and personal property on ag it will represent about 40 percent of the state's total valuation. That leaves you all the residential left across the state at another about 40 percent and that remaining 20 percent on all commercial, industrial. So while the farm population continues to dwindle and currently makes up less than 5 percent of Nebraska residents, the question is why is 5 percent of the population providing 40 percent of the funding for schools with 6 percent of the state's income? Public education is the state's responsibility according to the state constitution. It's the state's responsibility. Sixty percent of that, you're making it up to be a local tax and it's the state's responsibility. State aid: It shouldn't be state aid, it should be looked at as somehow county aid to provide for all of these kids' education across the state. The state's total income for 2012 was \$80 billion. Farm proprietorship was \$5.4 billion, a disproportionate share of the tax burden to the property owner. Clearly, there are other entities in this state who can help share in the tax burden of education. Douglas County and Lancaster County the past 15 years have grown in property tax valuations slower than the state average. Douglas County grows about 4.17 percent and the state averages 5.62 percent. Lancaster County is 4.4. Like I say, the state averages 5.62 percent. But yet they're the two fastest growing counties in population. How can that be? They're also well above the household median income for the rest of the state, Douglas and Lancaster. Under the current formula, they gain the state aid and rural counties are losing. Of the \$2.5 billion in TIF money statewide, Omaha accounts for \$1.6 billion of that \$2.5 billion. That's enough valuation to eliminate Dawes, Sioux, and Sheridan County, is what they gain in TIF. This distorts state aid. If you look at the Nebraska Advantage Act, LB775, other business subsidies that go to Lancaster and Douglas County, this takes money out of the state aid pot when you rebate back businesses. The main beneficiary of these subsidies are going to these counties, they're not benefiting the state. I believe education is one of the most important things that our state should fund. We should not exempt businesses as they are a primary beneficiary of a well-educated work force. Under the current program, many are exempting from contributing to education funding. These programs do not all benefit the Nebraskans, they only benefit mainly metropolitan Nebraska. I believe education funds and related tax programs should benefit all Nebraskans, not select

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areas. [LR182]

SENATOR SULLIVAN: Thank you for your testimony. Any questions? Senator Davis. [LR182]

SENATOR DAVIS: I'm really glad that you brought this information, Mark. You always are full of statistics and data, which I think is useful. Is there any TIF property in Chadron that you know? [LR182]

MARK HAYNES: Do I what? [LR182]

SENATOR DAVIS: Any TIF property in Chadron? [LR182]

MARK HAYNES: There was a Walmart, then they paid it off early. There was a motel here that went off. There is no TIF money in Dawes County currently. And I do realize this is scattered all over the state but the main beneficiary...and it is distorting. [LR182]

SENATOR DAVIS: And you...I'm sure you're aware of this, but I'm repeating it basically for the good of the people that are here. TIF is tax increment financing and it is...the process is gone through by the city so the school district has no control over whether a property is TIFed or not. [LR182]

MARK HAYNES: You know, if you...you could TIF somebody, but how about if the local and the property owners in that county had to make up the difference for the schools and not a state where it's a burden on the state? That would be something to consider. Now when I mentioned that \$80 billion too, I'd go back and say that if you...you can break that down for yourself. It's on the Web site, it's available. But when you get \$12.8 billion of that money being basically it's just interest and dividends, and when you start looking at the amount of money that's generated, it's not ag. I mean, we've just come from a state that was an agricultural state, that's where most of the people lived were in the country. And now we're less than 5 percent of the population. So we need to shift the focus on where the tax base needs to be. As far as equalizing those other counties, I'll give an example is, is that when you have one county that has wasteland at \$10 and another one at \$100, how do you equalize to that, when you have one county that has a soil map that's ten years newer where a lot of your 4G land would be classified as wasteland if you had an up-to-date soil map? There's a lot of things that you can look at. [LR182]

SENATOR DAVIS: Let me ask you a couple of other questions. You heard Sherry Vinton talk about the percentage of her net income that was going to support her local schools. Do you have any idea what yours would be in Dawes County? [LR182]

MARK HAYNES: A percentage of my income? [LR182]

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SENATOR DAVIS: Your net income. [LR182]

MARK HAYNES: Oh, of my net income? Well, I'm a little different than most ag producers because I figured out long ago we had about 1,500 acres and most of that...we sold off 900 acres, mostly grass. So I'm mostly dryland. And then I also crop share 60 percent of what I farm. So I'm not a large landowner compared to most of them, and most of mine is in dry. The biggest burden in statewide is on grasslands. Go back and take a look at Bruce Johnson's studies. You'll see that it'll return you 2 percent in the Panhandle where dryland returns you 4 percent and irrigated returns you 5 percent. If you go statewide, you'll see that grasslands for the percentage of income will pay a higher property tax percentage of their income than dry or irrigated. And that could change here in the next couple of years because of commodity prices falling and land values skyrocketing on the irrigated, so. [LR182]

SENATOR DAVIS: Do you have any opinion on local option sales income tax, or an intangibles tax? [LR182]

MARK HAYNES: Well, I would be leaning more towards if you just take a look at the whole economy and see where your real property tax is. That was left up to the Legislature to define real property. And maybe it needs to be looked at a little differently than just ag land and residential and commercial and personal property. If you want a wider tax base then you could look at saying, well, you could tax everybody's total net worth but the levy would be much less. It would probably benefit agriculture. [LR182]

SENATOR DAVIS: Thank you. [LR182]

SENATOR SULLIVAN: Any other questions? [LR182]

SENATOR SEILER: I have a question. [LR182]

SENATOR SULLIVAN: Thank you. [LR182]

SENATOR SEILER: Mark, is your land out here being influenced by outside investors? [LR182]

MARK HAYNES: Oh, you know, on the dryland it's not as bad. Most of that ground up there in Dawes County is grass and then dry and very little irrigated. [LR182]

SENATOR SEILER: How about the pasture? Is it being outside investors? [LR182]

MARK HAYNES: Well, yeah. The problem with the valuation process is really this simple, is you have so much of this land that will sell strictly to an ag producer. And then

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you'll have maybe a 40-acre residential site or a recreational site that's ten times more than what the guy pays for it for ag. And instead of putting it in a residential class or a recreational class, your Property Tax Administrator shoves it into grazing land. And that really distorts the values. [LR182]

SENATOR SEILER: Okay. [LR182]

MARK HAYNES: You have very little acres that sells as residential, recreational... [LR182]

SENATOR SEILER: Does that mean... [LR182]

MARK HAYNES: ...that has a huge impact on the valuations countywide. [LR182]

SENATOR SEILER: Is that being done by your assessor or is that coming out of Lincoln pursuant to Johnson's... [LR182]

MARK HAYNES: Way more pressure out of Lincoln... [LR182]

SENATOR SEILER: Okay. [LR182]

MARK HAYNES: ...and an assessor that's really gone along with it. An example would be this year is that we had eight sales in market area one. We have four marketing areas in Dawes County where Sheridan County has one. Sioux has two, but basically it's just one. Well, we split that down according to what land brings less than the northern Panhandle because of the lack of water and mostly heavy clay soil. And then in the south they catch a little bit more rain. Then we have the Pine Ridge that cuts through the middle of it and goes into Sheridan County, and then that's to the east. And then the Pine Ridge also goes into Sioux County. And when she talked to the assessor, she said, well, in the three years that you have a sale, you only have eight sales but you don't have that many in the third year. So we would like to go out and borrow some sales in our neighboring counties, Sioux County and Sheridan County. And one of the sales that the liaison officer in Scottsbluff borrowed from Sheridan County was a sale in the Pine Ridge area in Sheridan County. We don't take those to set values in market area one because we only take sales that have the same characteristics and soil types. So we don't take the sales of the trees to set values for those folks, but we borrowed sales. We borrowed a sale in Sioux County that was actually assigned value. We used a sale that was primarily in South Dakota that was an assigned value on a 521 form. It was almost \$100 an acre higher than the appraised value of the sale. And that ratcheted us up from \$150 to \$180. And the assessor thought the Property Tax Administrator was done, but then she requested the TERC to raise us from \$180 to \$210, I believe, to equalize with Sioux County's market area one. But in our market area four, we're \$300 an acre for 4G. So we're higher straight across the board on average

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on Dawes County than Sioux County which she singled out the market area one. So the influence is coming from the property tax administration. [LR182]

SENATOR SEILER: Okay. Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Mark. [LR182]

MARK HAYNES: Uh-huh. [LR182]

SENATOR SULLIVAN: Do we have...we're already past the time. Do we have anyone else wishing to testify other than this individual? Okay, very good. [LR182]

TERRI HAYNES: (Exhibit 9) I'll be very brief. I'm Terri, T-e-r-r-i, Haynes, H-a-y-n-e-s. Most of my points have been brought before so I won't even go there. I'm with the Chadron Public Schools' school board. And, you know, my colleagues have already mentioned the difficulties in rural areas, our nontaxable land and the pressure on agriculture. I also...oh, I wanted to thank you for being part of my vacation today, too. I do have to take a day of vacation to do this but it's that important to me, and so I'm honored to have this opportunity to join you today. So as a school board member, my greatest concern is our infrastructure and our lack of funds to repair these. You know, we had a bond issue. It failed and the ag people had a strong presence and defeated that and did rightfully so. But that still leaves us with our difficulties of the increased healthcare that's coming, finding funds for our infrastructure and not utilizing property tax to do so. My hope for your consideration is to fully fund the TEEOSA formula, to integrate other types of tax to be more prominent than property tax for education, allow some funding sources for our buildings somehow that we can repair those, and mostly we need predictability. In my personal life, surprises are lots of fun, by they are not one bit fun in school funding. Thank you for your consideration. And in our part of the area we say, think outside the barn. So I'd like you to do that. [LR182]

SENATOR SULLIVAN: Thank you, Terri, for your testimony. [LR182]

TERRI HAYNES: Uh-huh. [LR182]

SENATOR SULLIVAN: If there is no one else wishing to testify, this concludes the hearing. And I thank you all for attending, it's been very helpful. (See also Exhibits 10-17) [LR182]