

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee March 26, 2019

GROENE: [RECORDER MALFUNCTION] public hearing. My name is Mike Groene from Legislative District 42, I serve as Chair of this committee. The committee will have three appointments first, then we'll take up the bills in the posted agenda. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones and other electronic devices, move to the chairs at the front of the room when you are ready to testify. The order of testimony is introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green testifier sheet and hand it to the committee page when you come up to testify. If you have read material that you would like distributed to the committee, please hand them to the page to distribute. If you are not going to publicly testify or need to leave early, you may turn in written testimony with the completed green testifier sheet. We need 12 copies for the committee members. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that testimony is limited to four minutes, five minutes. We will be using the light system. Green for four minutes, then yellow, and then finish up for one minute. If you would like to-- before you see the red. We'll skip over that because the hearings are-- this our last hearing for the year. Would the senators like to introduce themselves?

MURMAN: Hello, I'm Senator Dave Murman from Glenvil: Clay, Webster, Nuckolls, Franklin, Kearney, and southwest Buffalo County.

LINEHAN: Good afternoon, I'm Lou Ann Linehan from western Douglas County, to include Elkhorn, Valley, and Waterloo.

WALZ: Hi, I'm Lynne Walz. I serve Legislative District 15, which is Dodge County.

BREWER: Tom Brewer, I have District 43, which is 13 counties of western Nebraska.

GROENE: Senator Kolowski is out today. We expect Senator Pansing Brooks and Senator Morfeld here, they have not indicated otherwise. To my immediate left is research analyst Nicole Barrett. To my right at the end of the table is committee clerk Trevor Reilly. And our pages are-- if they would stand-- Erika Llano, a sophomore at the University

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of Nebraska-Lincoln studying political science and sociology; and Maddie Brown, a junior at the University of Nebraska-Lincoln studying political science. And I'd like to compliment them, they were not absent a single time this year. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. You might see senators on their laptop or on their-- typing on their phones. They are corresponding with their staff to make sure they are well-informed when they ask you questions. They're not playing games. Thank you for coming today. We'll start with our first appointment. And is this the one they're calling in, Trevor? Our first appointee to the Board of Trustees of the Nebraska State College Systems is Robert Engles. He is a first-time appointee. Is that what-- he's a reappointment to the, to the board. Mr. Engles, are you there?

ROBERT ENGLES: Yes, I am, Senator.

GROENE: Would you like to brief us, the committee, on your background and why you want to remain on the, on the board?

ROBERT ENGLES: Yes, I will. Thank you very much. First of all, I want to appreciate the concession you have giving me in allowing me to testify via telephone, as this allows me to stay in my office in Auburn and work today. And my background, just real briefly, I served 12 years on the Auburn Public School's Board of Education. I was mayor of Auburn for eight years, and for the past eight years I have been serving on the Nebraska State College System. And we are the governing, governing board for the colleges at Chadron, Peru, and Wayne, Nebraska. And at this time I'd be glad to answer any questions you may have.

GROENE: Any questions? You-- I didn't catch it all. You have a background with the college system?

ROBERT ENGLES: I've been serving on this board for eight years.

GROENE: And you originally applied for it because you have an interest in the state colleges when you were an administrator for the public schools?

ROBERT ENGLES: Well, when I applied for this job I was filling an open seat from former Senator Floyd Vrtiska. And the Governor Heineman, I believe it was, appointed me to this spot. And I have a real passion

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for public education, and particularly the mission of the three colleges at Chadron, Peru, and Wayne.

GROENE: Thank you. Is there any other questions from the committee? Is there a proponent here for Mr. Engles?

PAUL TURMAN: Chairman Groene, members of the committee, Paul Turman, I'm the Chancellor of the Nebraska State College System. That's spelled P-a-u-l T-u-r-m-a-n. I certainly want to be here to support the nomination to reappoint Robert Engles to the board. As you all know, I've only really been here and working with Mr. Engles for the last three months. But I think I can certainly attest to the fact that he has a very strong commitment to the mission that our system has and, in particular, I think his vision for making sure the students are well-served, that we are driving student success, and meeting kind of the expectations on metrics related to graduation rates, improving our-- the progression that we have from students from year one to two. He serves right now as the chair of our committee for student affairs. We're broken into three different committees: student affairs, academic and personnel, as well as finance and facilities. And he's done a very effective job over the last few years of managing that group and keeping us moving in the right direction as it relates to improving some of those metrics. I'll also say that, just on a personal level, I think me now coming into this position, having the continuity of reappointing board members who have been working tirelessly to make sure that the mission is fulfilled, I've begun to lay out and working in consultation with the board to outline a series of strategic initiatives that Mr. Engles certainly supports. And I feel that we'll be able to continue to improve upon our system into the future. So I would ask that you would support the Governor's nomination as you begin the deliberations on this appointment. So I'd be happy to answer any questions that the committee might have.

GROENE: How many members are on the board?

PAUL TURMAN: There are seven appointed members. One is Matt Blomstedt. He's not appointed by the Governor. It's within the statute or the, the constitution it denotes that the Secretary of Education will also serve in that capacity.

GROENE: And are they appointed regionally?

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PAUL TURMAN: I don't know that there's a requirement that that's the case, but they are spread across the state currently, yes.

GROENE: Thank you. Any other questions? Any other proponents? Opponents? Neutral? We didn't receive any letters in proponent, opponent, or neutral. That closes the hearing on the reappointment of Mr. Engles to the Nebraska State College System Board. Our next appointee would be the reappointment of John Chaney to the Nebraska State College System Board of Trustees. Whenever you're ready, sir.

JOHN CHANEY: OK, thank you. My name is John Chaney. I am asking to be reappointed after my first six-year term. I've been on that board for six years and now going into my seventh year. And I'm currently chair of the finance committee and have been for the past five years. I was on the committee my first year and then assumed the chairmanship after that. My background, I was a banker in Auburn, Nebraska, for 40 years. I recently retired from, as the CEO of the Auburn State Bank. My background education is a degree in business administration from the University of Nebraska, and I have also-- I have degrees from a couple of graduate banking schools in Wisconsin and also in South Carolina. And in the past I've served as president of the Auburn Chamber, the Peru State College Foundation, Nebraska Diplomats, Nemaha County Hospital Foundation, and the Development Alliance in Nemaha County, and the Auburn Rotary Club. So that's kind of my background. I have this list of questions here. I don't know if I want to go through those or you want me to, but I can. But is that a good idea to go through your questions here or answer some of those?

GROENE: Where did the questions come from?

JOHN CHANEY: I got them from you, didn't I?

TREVOR REILLY: They were just questions that you might ask on a confirmation hearing.

JOHN CHANEY: Oh, just to help me prepare for this. So maybe it would be best if I just field questions that you might have for me.

GROENE: Yeah, field questions. OK any questions from the committee? Just out of curiosity, did you talk to Mr. Engles to apply for the board? Or it just so happens the two of you are from Auburn?

JOHN CHANEY: You know, I had applied for that position earlier and Bob got the appointment. And then my name was already in, I guess.

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GROENE: Oh, and then you-- he was appointed first and then you were?

JOHN CHANEY: Yeah, I was about a year behind him.

GROENE: All right.

JOHN CHANEY: Yeah.

GROENE: Just took the nomination list and--

JOHN CHANEY: I guess that--

GROENE: I was just curious.

JOHN CHANEY: Yeah, that's how that happened.

GROENE: And now you reside in Omaha?

JOHN CHANEY: Yes. I retired to Omaha about a year ago.

GROENE: But your heart is with the community, with the State College System, not the--

JOHN CHANEY: Yes.

GROENE: --university system?

JOHN CHANEY: I'm a huge believer and, you know, found the Peru State College Foundation, learned about how Peru State operated. And then these past six years, my job has been, of course, to overlook the finances and then any building project. Since I'm retired, I was able to travel to all the campuses, so I'm on each campus probably four times a year estimate. And I have a granddaughter at Wayne State. And, you know, I have just developed a real love for the State College System and I think it really fills an important position in this state in that we accept all high school graduates in Nebraska. Anybody can get in that wants to get in. And I think 47 percent of our graduates are first-time college graduates and they're from poor economic backgrounds. And I really feel that it's a great benefit to our students in the state and it's a great benefit to the state because so many of our students come back to live in the state, I think a real high percentage. I'd have to get that for you, if you wanted it. So they become productive taxpayers as well. So I think everybody kind of comes out ahead on the thing, so I'm glad to be part of that. I-- when you get to be my age, you just want to try to do something good for

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your state. I love this state, and being a retired banker, I know everybody from all these communities. And I, I want to give back some, and I think this is a good opportunity.

GROENE: I'm going to ask you one more question then Senator Brewer has a question for you. What, so like Wayne State, I know, had a building project, pretty good sized one--

JOHN CHANEY: Yes.

GROENE: --not too long ago. And they had community involvement.

JOHN CHANEY: Yes.

GROENE: So you, you aid them in ideals as the board on how to raise the funds? And do you approve the building projects as the board?

JOHN CHANEY: Yes, we do. We have a kind of system-wide management program. It used to be years ago that there were a lot of competition between campuses, and now there's a masterplan for all the campuses and everybody kind of just works together to try to promote the most critical need on each campus.

GROENE: Prioritize building projects.

JOHN CHANEY: And Wayne State was one where there was no program like that in the state. So it was a good opportunity for Wayne to step up and keep that program going and enhance it. And, of course, now we've got the math science project and Chadron that we're trying to upgrade. And we always kind of work on projects that we think are critical.

GROENE: Senator Brewer.

BREWER: Thank you, Mr. Chairman. Well, you were reading my mind. I was going to ask you about the math and science at Chadron State. I was out there and President Ryan gave me a tour. And impressive to see how much their facilities have improved out there, especially everything associated with their sports. And then he did give me a quick tour of the math and science building and explained that was really the weak link out there right now, that they really needed that. Have you seen the plans for that expansion?

JOHN CHANEY: Yes, I have. And I also toured the building a couple times before that decision was made and I understand that the link to the RHOP programs is really important. And in order to bring that up

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to, you know, to keep that relationship going, it's important. And, of course, to supply people in the medical professions to western Nebraska is really important too.

BREWER: Well, I was, I was impressed by the fact that the way he explained the plan was that they used the existing facility while the new expansion is done, and then they leapfrog to the new facility and allow the old facility to be reset. But they're, they're keeping the footprint of that old facility, just bringing it up to standard.

JOHN CHANEY: Yes.

BREWER: As many times you want to bulldoze everything and start over, it looked like they actually used a little common sense with that.

JOHN CHANEY: Yes.

BREWER: Anyway, thanks. Thanks for applying for this. If we didn't have folks like you to volunteer for this we wouldn't have anybody to have oversight.

JOHN CHANEY: Thanks. I try to do a good job, and I haven't missed any meetings in the past six years. So I'll try to, if I'm reappointed, would try to do the same.

GROENE: One more question. Does the board live in Omaha? Is there a concerted effort by the state college system to recruit out of Omaha and Lincoln?

JOHN CHANEY: Yes.

GROENE: And how do they do that, to bring kids west into rural Nebraska?

JOHN CHANEY: Well--

GROENE: It seems to be the flow for historically has been the other way, rural kids ending up in Lincoln in Omaha for college.

JOHN CHANEY: I know that Wayne State actually has a recruiting person state, you know, that's actually a resident of Omaha. And, of course, Peru is not very far down the road. And, you know, that, that's where the growth is in the state. And, of course, the state colleges are interested in enrollment growth to keep our finances flowing properly. And, of course, my son is a counselor at OPS middle school and, you

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know, he recognizes that the state colleges have many opportunities too, for those students in the inner city particularly. But I would have to get back to you on the exact strategies on that. And each campus kind of has their own strategies on how to do that so.

GROENE: I appreciate that, thank you. Any other questions? Thank you, sir.

JOHN CHANEY: OK, thank you.

GROENE: Is there any proponents?

PAUL TURMAN: Chairman Groene, members of the committee, Paul Turman, again, the chancellor of the Nebraska State College System. I'll be very brief. I think the conversation that I had with Mr. Chaney over lunch reaffirmed many of the things that you've already asked him. He has a very strong commitment to the system. The fact that over the last six years he has not missed a meeting, he's been a committee chair for the last five years. His background in banking is extremely important to help us make sure that we're following through with our audit compliance responsibilities. He has very good oversight. In a number of ways, he and the rest of the board are responsible for trying to whittle down the large list of requests that come from the campuses so that we can prioritize what those are and then bring what specific requests for facilities and other ongoing kind of core needs that we have. And I think John has done a fantastic job as a board member, very well-respected, and I've enjoyed just the last three months getting to know him and working with him more closely. And so I'd be happy to answer any questions you have. But I would hope that you would support his nomination.

GROENE: Thank you. Any questions? Thank you.

PAUL TURMAN: Thank you.

GROENE: Any other proponents? Opponents? Neutral? We received no, no letters. That closes the hearing on the reappointment of Mr. Chaney. We will go now to the appointment of Mr-- first time appointment for Dwayne Probe [SIC] to the Board of Educational Lands and Funds. Is Mr. Probe here?

DWAYNE PROBYN: First of all, thank you for taking time out of your busy schedules. I know with the things that are going on in the state, everybody is extremely tied up. I would make the correction. My name

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is Probyn, it's P-r-o-b-y-n. And what I'd like to do is just take a few minutes to tell you a little bit about me and how I got here and my interests in this program. And then to talk a little bit about the Board of Education Lands and Funds. My wife, Tina, and I are currently residing at 813 Western Hills Drive in Papillion. We moved out here in December of 1998 as a part of the Caterpillar Claas venture for their Lexion combine. We have five grandchildren and we have four daughters, and the grandchildren are three boys and two girls. We finally got the balance of power going in the right direction. But all that being said, we very much look forward to serving in this capacity. And I'll just give you a few comments about me and my background. I spent 37 years with Caterpillar in various different offices throughout the world. In fact, this move was our 17th move. And I keep telling my wife I think we've taken the donor towels down and we're, we're there. We've planted rose bushes, etcetera. We moved with 13 multinational families from around the world. It was a 50/50 joint venture with Claas. Claas, if you don't know them, they are the equivalent of a John Deere program except they are totally involved in Europe. And, of course, you know that Caterpillar is in the earth moving equipment. We decided that after about 10 to 12 years on the job that we wanted to move. And we had a chance to go back to Illinois but by that time we had become firmly involved with the business community here in Omaha. And we really appreciate the opportunity to stay here. My wife works for First National Bank. My next placement was to develop the Nebraska Advanced Manufacturing Coalition "Dream It. Do It." You might have heard of. I served as the executive director, just standing down in December. I was in that role for 12 years, with legal counsel helped develop the business plan and also developed the 501(c)(3) program. Metro Community College was my next stop. I was the work force development manager at Metro concentrating on developing the ACT programs and the programs that were necessary to train the different occupations. I developed the Six Sigma program, and I also provided DVDs to a large segment of the population across Nebraska. My current position is as the CEO to the Nebraska Program for the Development of Professional Concessions. And the hands-on experience that I have, I think, leads me really down a path that I've wanted to take in some time. I was born and raised on a farm in central Illinois. Our cash crops were provided by the programs that we developed with pork, and the Hampshire hogs were a big part of our, our program. Also, my mother and I had a milk route with the milk that we got from the Holstein herd, and we also provided a fair amount of Leghorn chicken fryers to the local small town, which was Glasford, Illinois. It's about 50 miles from the center of the heart of Illinois. All that

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being said, I'd like to get into just a few of the comments about what the Education of Lands and Funds are all about. We are the trustees of these lands. We have a fiduciary responsibility to the beneficiaries which are the K-12 public school children. The board and staff are firmly committed to the mission of maximizing income from the properties. We currently have 3,000 agricultural leases across the state. The board sells and trades lands as responsible for the no tax money involved with the program. The trust deposits the funds to the temporary school funds which are annually distributed to the funds of the K-12 children and students. The Supreme Court ruled that we are a trust, therefore we have the fiduciary responsibility as a beneficiary of that. The question about what appointments that I might have had in the background, I was a District 4 Commissioner appointed by the Governor of Nebraska and the Coordinating Commission on Postsecondary Education. I'm in my final year, and that will round up this coming January. I'm the past board chair of the Pine Ridge Job Corps Industry Council; former member of the Nebraska Chamber of Commerce and Industry, serving from 2000 to 2006; and I was appointed by Mayor Fahey to serve as the investment board and director on the Met, Metropolitan Community College. The history of the Lands-- and education and funds is quite interesting because this was started on April 19, 1864. U.S. Congress passed and President Lincoln signed the enabling act as a prelude. The comment that I found very much interesting was the fact if we had a lot of land, we had no money. So, as a result, that's how the trust was put into place and that's why it still exists and is so profound. The board is mandated to produce millions of dollars of income, as I said, to the proceeds that go to the school land trust and the Nebraska, Nebraska Investment Council. The investment in stocks and bonds are actually handled just like any person running a major corporation would also handle them. We like to say that we're always outperforming inflation. I have the charts here in case anyone is interested in pursuing that. One of the final things that I would like to tell you about, three years ago, the Governor was in the second cycle of providing grants for seventh and eighth graders for the Nebraska developing talent initiative from the Nebraska development, Economic Development Program. We have designed, developed, and I led a team to put together what we call the M3E, it's a metro area mobile manufacturing expo. It's a 38-foot trailer that we pulled behind a fifth wheel diesel pickup. And in the trailer we have a visual reality welder, we have visual reality goggles, we have a 3D printer, and we have a FANUC robot. This is the first year, after two and a half years of exposure, this is the first year that we've had it out in the public. We are mandated by our program grant to supply that

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information to all of the seventh and eighth graders in the OPS School District, and then we can take it statewide. But it's very interesting because this year we put that in front of 2,500 young people and it has proven to be a real seller of this STEM technology, the scientific, technology, education, and math programs that we are proposing for that level. We find that, that eighth grade is a branching off point. And with that they're in the process of developing their portfolio and laying out their courses. So this is a very good opportunity for us to develop programs for the technology grants. With that, I'll round it up and answer any questions.

GROENE: Thank you. Any questions from the committee? Senator Murman.

MURMAN: Yeah, thanks for coming in. These school lands are there as schools have closed through the years around the state. What would be your opinion on, you know, should we keep going as we have been with these school lands? You know, we aren't going to build new schools on those lands.

DWAYNE PROBYN: Yeah. Well, I think that the school nomenclature is just that. It doesn't mean that they're going to be building schools. It happens to be a dedicated lands, as I understand it. And please believe me, I'm very much a neophyte because I've just been to two meetings. But I think what that means is it's the land that is surrounding the schools. Furthermore, we don't like to sell it. We like to lease it, and we like to lease it with the interest in making money. Because what we're really trying to do is raise the money to give to the kids. And last year it was in the vicinity of \$45, \$46 million. And so that's how we control the leases, take the money from the lessee, and then provide that as a financial support for the K-12 student body.

MURMAN: And this \$46 million goes into-- how, how is that distributed? I guess I don't really-- I'm probably the only one on the board here that doesn't know.

DWAYNE PROBYN: It--

GROENE: Sir, we can answer that, I mean.

DWAYNE PROBYN: There is no tax money received by the board and all funding for the board's operations comes from the leasing operations. Since 2005 the total combined amount distributed to the K-12 public schools was \$531.5 million distributed from the fund that is deposited

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in the temporary school fund. And last year, 2017, that is-- not last year, but 2017, approximately \$47.255 million was distributed for the K-12 public education system. And the other significant thing that I found out very early in studying, getting ready for this presentation, every student gets money whether they're in home raise, whether they're in a completed school program, or whether they are out and about. If they are classified as a student they get, I think, it's \$133 apiece.

MURMAN: OK, thanks a lot.

DWAYNE PROBYN: Anything else?

GROENE: Thank you. Senator, Senator Linehan.

LINEHAN: This is very confusing stuff, sir, but I don't think what you just said is correct.

DWAYNE PROBYN: OK.

LINEHAN: This, the money does go for each and every child according to census, but it goes to the school where the child lives.

DWAYNE PROBYN: Right.

LINEHAN: It doesn't go to the child.

DWAYNE PROBYN: Yeah.

LINEHAN: So it goes to the public schools, it doesn't go to kids who are homeschooled or kids who are in parochial and private school. It goes to the public school in which that child lives.

DWAYNE PROBYN: OK.

LINEHAN: So it's very, very confusing.

DWAYNE PROBYN: You might be right because I thought every child got single amount.

LINEHAN: That's it, it's-- I understand why you would think that because it's what, that's the way it was written. It's supposed to go to the, according to the census of the school population. That aside, has there ever been a discussion-- when I've looked at this I've

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questioned, because when you have it in the school lands there's no property taxes generated from it.

DWAYNE PROBYN: Correct.

LINEHAN: So has anybody done a study that says, well, if we sold all this land-- and, I mean, you couldn't sell it all at one time because that would affect prices and stuff. But if you sold the land, it went back on the tax rolls, which would also generate money for the schools that that land is in, has anybody ever made a comparison to what we're losing in property tax-- not we the Legislature but the counties and the schools-- are losing in property tax revenue versus what it's generating for the-- because I understand it's a good program, generates a lot of money. But we're also losing money on the property taxing of it. Because they don't pay property taxes, right?

DWAYNE PROBYN: No.

LINEHAN: So I think it would be good for the board to look at that just because it's a--

DWAYNE PROBYN: We can sure investigate it. I, I do know that sometime back, one of the prior conversations I had with the Legislature was that someone of your colleagues had suggested that study be taken. And I frankly don't know what transpired after that.

LINEHAN: Do you know how many acres we're talking about?

DWAYNE PROBYN: Yes, I have that, 3,000--

GROENE: Three million?

DWAYNE PROBYN: Well, I don't know that I have the exact number on acres. I have the 3,000 agricultural leases is the best I can come up with.

LINEHAN: OK, I'd be interested in knowing exactly. And I'm sure it's probably-- it's my own fault I don't know. But it will be interesting to see just what the asset base is, because I think some lands have been sold. There's some investments that aren't land, right?

DWAYNE PROBYN: I would imagine that's probably the case.

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LINEHAN: I think there are. OK, thank you very much for being here today. I appreciate your willingness to come in.

GROENE: Anybody else? Sir, I understand you're, you're a new appointee, so we can't expect you to know all the details. But to give you a heads up, there is a dispute about rural Nebraska versus urban Nebraska on this front because all the ground in eastern Nebraska has been and put in investments. But you talked about the stock market. Meanwhile, further west in rural Nebraska, the land is still owned and you pay it in lieu of tax to the county. But all of the funds go east and, proportionally because the kids are in the big schools in the east, the money is generated out west and it all goes east because it is paid per student.

DWAYNE PROBYN: I understand that.

GROENE: So there's a, there's a little bit of sour grapes because-- and you can't change it, this body would have to.

DWAYNE PROBYN: Sure.

GROENE: That more of that money doesn't stay out in rural Nebraska where it's generated, where the property is off the tax rolls. You do pay taxes in lieu of to the county and everybody gets their money but, but it's double taxation basically. So anyway you might know that--

DWAYNE PROBYN: Sure.

GROENE: When you hear from some rural superintendents and school boards that they would like to see more of that money stay where it's generated.

DWAYNE PROBYN: And I can give you, we have five board members and one person is from Valentine. So we do have representation out there.

GROENE: Have a cup of coffee with him and ask him what he hears. All right, thank you.

DWAYNE PROBYN: Anything else?

GROENE: No.

DWAYNE PROBYN: Thank you very much.

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GROENE: Any proponents? Opponents? Neutral? We received no correspondence. Is it Probyn?

DWAYNE PROBYN: Yes. P-r-o-b-y-n.

GROENE: Mr. Probyn. And so that closes the hearing on, the confirmation hearing on Mr. Dwayne Probyn for the Board of Education Lands and Funds. Now we are go to LB588.

MITCHELL CLARK: Good afternoon, Chairman Groene and members of the Education Committee. My name is Mitchell Clark, M-i-t-c-h-e-l-l C-l-a-r-k, and I'm here on behalf of Senator John Stinner who represents District 48. Senator Stinner regrets that he cannot be here, but has an important agency hearing on Department of Health and Human Services to attend to over in Appropriations. After further, further consideration of the state's TEEOSA formula and the Education Committee's important work on this issue, Senator Stinner has decided not to pursue LB588 any further. He would like to offer the committee his request that the bill be held in committee. I'll keep it short and simple for you. Thank you for your time and patience. If you have any questions to clarify, I would be happy to do so.

GROENE: Any questions? Thank you. Is there any proponents? Opponents? Neutral? We received no letters of proponents; one opponent from the superintendent of the Elkhorn Public Schools; and neutral, none. That closes the hearing on LB588. That takes us to LB656, Senator Wayne. Is Senator Wayne here? Should we just go to-- do you have a lot of testifiers?

WALZ: I don't think so.

GROENE: All right, let's go to LB358 with Senator Walz. And we will return to the LB656.

WALZ: I think this works out pretty good, I'll just take the money that Stinner and Wayne would have asked for. Thank you, Chairman Groene and members of the Education Committee. For the record, my name is Lynne Walz, L-y-n-n-e W-a-l-z, and I represent Legislative District 15. I'm here to introduce LB358. LB358 intends to provide incentives for more school districts to offer preschool programs for their children in their districts through a change in the TEEOSA funding. As a former elementary school teacher, I know firsthand how important early childhood education is for the success of a child in and out of the classroom. Early childhood education is an opportunity for growth

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and prepares students for kindergarten. Preschool promotes social and emotional development. Preschool promotes language and cognitive skills. It also develops motor skills and boosts pre-math and pre-literacy skills. I can continue on, but I think that-- I think I thought maybe there were other educational professionals that will speak after me on the importance of preschool and investing in our children's education at an early age. However, I do want to take a couple of minutes to explain the other factors I see in this bill as well. The Education Committee has already heard numerous bills this year that I think if we invested more in childhood education we would have seen a decrease in the amount of difficulty and frustration that kids face today. Early childhood education would not completely solve these problems, but it would allow for teachers to work with children to diagnose problems and to give students a better chance to succeed in the future. Early childhood education is important for a variety of reasons. The U.S. Chamber of Commerce Foundation, an affiliate, an affiliate of the U.S. Chamber of Commerce, focuses on work force, work force development to strengthen business by advocating for early childhood education. LB358 seeks to incentivize all districts to consider preschools. It would also provide incentives to consider higher quality and longer periods of time for preschools. This bill would provide assistance to all school districts, not just equalized districts in the learning community. This would help rural and urban communities provide education our kids deserve without being forced with tough and unpopular decision to raise prop-- to raise property taxes. The intent of this bill is to provide funding for equalized districts through the TEEOSA formula and create an additional allowance separate from TEEOSA for nonequalized districts who normally don't receive state aid. Under the TEEOSA formula, kids in the preschool age would be classified as 0.8 of a student rather than 0.6. Students in early childhood education have been weighted lower because of the length of the school day than that of the K-12 student. However, the cost of the student is relatively the same. For example, preschool students require more attention, which causes smaller class sizes. This would theoretically weight the students more appropriately for the actual cost of their education. LB358 also has a transportation component that would allow districts to be reimbursed for up to 80 percent of the costs for additional transportation services. This is an important component for low-income families, rural schools, and others, as it may be difficult to pick up students if their school day is shorter than the regular school day. Finally, LB358 allows refunds to be consorted through the ESU, educational service units, to increase the probability for preschools if the

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number of students and/or resulting funds are not enough for standalone programs. ESUs are already providing preschool service in some of these areas. This would allow school districts to contract with the ESU who would then provide the service. I've worked with numerous educational professionals and have asked for input from the Department of Education on this issue. This is an important conversation to have. And while I expect some adjustments may be needed to this bill, I would encourage the committee to work with me on the legislation so that we can advance the best bill to help our children and the future of the state. Thank you, and I will answer any questions I could.

GROENE: Questions? Thank you. Proponents.

MADDIE FENNEL: Thank you, Senator Groene and members the Education Committee. My name is Maddie Fennell, M-a-d-d-i-e F-e-n-n-e-l-l. I'm the executive director of the Nebraska State Education Association. I'm here representing our 28,000 NSEA members in support LB58-- LB358, as well as the Nebraska Council of School Administrators; the Nebraska Association of School Boards; Greater Nebraska Schools Association; STANCE, Schools Taking Action for Nebraska Children's Education; Nebraska Rural Community Schools Association; and Educational Service Unit Coordinating Council. I get to be everybody's voice today I guess.

GROENE: Thank you.

MADDIE FENNEL: Save us all a little bit of time that way, right? While Nebraska's schools demonstrate excellence in preparing students for the challenges of college and career, a growing number of children are finding themselves on the wrong side of the achievement gap. As more and more children enter the K-12 system unprepared to learn and thrive, school districts must commit more money and resources to address these problems, often with mixed degrees of success. Perhaps you can relate to this situation to the old Fram oil filters ad campaign that warned: You can pay now or you can pay later. Increasing access to quality early learning and development opportunities for children at risk can offset rising education expenditures later in the K-12 system. Nebraska must investigate innovative ways to organize and prioritize its sparse fiscal resources to achieve savings. One solution involves an adjustment to the TEEOSA formula, which this proposal helps fulfill. LB358 incentivizes school districts to provide quality early childhood education programs by increasing TEEOSA formula reimbursement from 60 percent to 80 percent. High quality

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experiences and interactions with adults during the preschool years encourage children's continued mastery of language, literacy, number sense, problem solving skills, and social competencies as they approach entry into the K-12 system. Just because they're little doesn't mean they're any less expensive to educate. Early childhood students deserve to be supported and weighted for state aid just as much as they're older full-time fellow students. We ask you to vote in favor of advancing LB358 as amended to General File. I've included some of the plethora of research that is out there on the importance of early childhood education. And I find it interesting, as I was waiting for this hearing to begin I read something that was just posted that Illinois has just committed that within the next four years they're going to have universal four-year-old across the state because they know the importance of that. So we are going in the right direction with LB358. Any questions?

GROENE: Do you understand that in our constitution it's K through-- this is a free choice by a local school board to decide to do this and how to spend their funds that are available to them? And the 0.6 was a compromise back then, not because of the cost of education, because some school districts decided not to pre-K. So this is a choice by a local community to do it. And the state has trouble funding that.

MADDIE FENNEL: I understand. I think it's like we say, though, it's, you know, pay now or pay later. Yeah.

GROENE: And you understand that Illinois keeps doing this and they're broke.

MADDIE FENNEL: I know, I know. I'm not saying I want to be like Illinois. I don't want to send our superintendent to prison or our Governor. So, yeah, no. They're doing one thing right. I'd like to point out one thing right.

GROENE: They can't fund it. Senator Linehan.

LINEHAN: They're doing two things right. They also have a tax credit scholarship program.

MADDIE FENNEL: Well, we might disagree with that, but that's OK.

LINEHAN: What are we going to take money away from?

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MADDIE FENNEL: I know that's always the concern. I know that's always the concern.

LINEHAN: It startles me, frankly, that some of these associations are on here. Because you have, is NRCSA on here? NRCSA is, yes. So NRCSA, which gets no equalization aid and STANCE, which gets very little equalization aid already through TEEOSA, would support taking another \$10 million. I don't, I don't get the whole group thought here. When, when we're working desperately to try and help the schools that aren't getting equalization aid, that they would be supportive of a program to spend more money.

MADDIE FENNEL: My response to that, not to speak for anybody else, but my response to that would be that they understand the importance of early childhood. And I think that all of us are coming to more and more of an understanding of the importance of early childhood. Of course, the problem is the reality. If we could just stop where everybody else was at fund really early childhood and let everybody catch up, that would be great. But that's not the reality we live in. So it is a struggle to figure out how do we both fund this, that we know will make a difference down the line, and still meet the kids that we know aren't making, you know, are suffering from that--

LINEHAN: Well, it is complicated because we, at least I think most of us, feel that we have an obligation that we're not quite meeting on K-12. And now we're going to, instead of like trying to focus on that problem--

MADDIE FENNEL: And studies would show that if you could focus on the preschool it would, it would lessen what you have to focus on in the K-12.

LINEHAN: Well, then do you think any of these organizations could bring us money where they could say that we could really--

MADDIE FENNEL: I'll go back and ask them.

LINEHAN: OK, I appreciate that.

MADDIE FENNEL: Sure.

LINEHAN: Thank you.

GROENE: Does it concern you at all that more of these pre-K programs have started with government funding it has harmed the free enterprise

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pre-K programs in the churches and in the communities? Because anytime you give a young parent free versus sacrificing the pay for some type of tuition, they're going to take free.

MADDIE FENNEL: I think it's parents not just choosing to take that which will help their families financially, but it's also the education piece of it. Which in schools it's heavily focused on education. I think that we're finding such a difficult time in so many places to find the people that we need in these programs, whether they be private or public. I don't know that there's a significant amount of competition in that.

GROENE: That's not what I hear. So anyway, thank you. Any other questions?

MADDIE FENNEL: Thank you.

GROENE: Thank you. Next proponent.

ANN HUNTER-PIRTLE: Good afternoon, Chairman Groene, members of the committee. My name is Ann Hunter-Pirtle, A-n-n H-u-n-t-e-r-P-i-r-t-l-e, I'm the executive director of Stand for Schools. We're here today in support of LB358 because it would incentivize school districts across Nebraska to consider expanding their early childhood education offerings, especially by providing support for nonequalized districts to do so through an early childhood education allowance. Early childhood education is a smart and sound investment now and in the future. It helps balance the opportunity gap young children in poverty experience from the time they enter kindergarten when compared to their wealthier peers. And a wealth of research indicates that early childhood education programs when followed by strong K-12 education may help increase earnings, improve health, and reduce crime in the long run. We need to do more to improve Nebraskans access to high-quality preschool and early childhood education programs. Stand for Schools believes in investing in our children and our state's future. For these reasons we support LB358 and urge you to advance it to General File. Thank you.

GROENE: Any questions? You make an assumption I haven't seen the studies that said the child who has pre-K versus somebody who starts in kindergarten. And by the third grade, what I have seen, there is no difference.

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ANN HUNTER-PIRTLE: So I think we need to be mindful that that nothing is a silver bullet, right? Great early childhood education sets us a child up to do well in their early years of school, but we have to continue investing in them, not just in terms of money, but in terms of time and staff resources and parents' attention and love. There's no replacement for that, of course.

GROENE: --program has been around forever and that was an education program. There's no evidence that those students have done better.

ANN HUNTER-PIRTLE: I'm happy to provide some evidence to the contrary.

GROENE: What's that?

ANN HUNTER-PIRTLE: I'm happy to show you some evidence to the contrary.

GROENE: Thank you. Appreciate it. I know you do that type of research. That's why I asked it.

ANN HUNTER-PIRTLE: Thanks.

GROENE: Anybody else have a question? Thank you.

ANN HUNTER-PIRTLE: Thank you.

GROENE: Any other proponent? None. We received no correspondence, proponent, opponent, or neutral. Senator Walz, you want to close? That ends the hearing on LB358. Senator Wayne, we will go to, thank you for-- LB658-- LB656, excuse me.

WAYNE: Good afternoon, Chairman Groene and members of the Education Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent Legislative District 13, which is north Omaha and northeast Douglas County. Today, LB656 is a rewrite of our TEEOSA formula, where we actually repeal the TEEOSA formula and instead do a new Nebraska education formula. The formula is very simple. It's \$4,750 per student based upon fall membership; \$500 student-- per student based upon very sparse schools; \$600-- or \$1,600 per free lunch student, \$800 in addition to the free-lunch student if their district or their school is over 50 percent of poverty. I think the way it's written is district, but it should have been school. And then \$1,600 per English limited proficiency student. This also has a hold-harmless provision because it would require some transitioning if some schools were to lose money. Because I agree with Senator Linehan that if we are

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funding a huge portion of education at the local level we should be able to put some restraints and some controls around that. And one thing in this bill is everybody says classroom size is a big deal, so I focused on classroom size. From K-3, 20 students is the cap. And if anywhere from 18 to 20 students there should be an additional adult, which would be a para in most cases. From K-- or from fourth grade through eighth grade, 22 to 24 students. And a cap being between 22 and 24 there should be a para, but the cap being 22 you could go up to 24 if you had a para. Nine through-- freshman year through high senior year, 25 students cap and there also is a para requirement. As far as the control limits at the local level, we would lower the levy to a dollar and then any school that received additional dollars based off of this formula would be required to lower their rate to 85 percent of what we give them. So that would be a 15 percent windfall, if that's what you want to call it. And that's for growth. And we limit, right now it's 2.5 percent, we go to the consumer price index. And if you want to go over your levy, it is two-thirds of a majority vote by the legal, legal voters of the school district. It's a pretty simple bill. But now I want to talk a little bit about the amendment that was passed out. The amendment that was passed out is a conversation that I continue to have, and this is real simple. If you can share people for athletic and extracurricular activity purposes, you can probably share resources and join schools. So what I would require underneath this bill and underneath this amendment was, if you are sharing-- if a high school or right it's just high school-- I would probably amend it further to include all schools-- but if you're amending, if you are a high school and you can share students for extracurricular activity purposes then you would have to conduct a feasibility study and report to the Department of Education and also your school board within two years of why you shouldn't merge that other school that you can't-- that you use to compete on the athletic field. And with that, I will answer any questions.

GROENE: Any questions? Senator Brewer.

BREWER: She was first.

LINEHAN: No, that's OK. Go ahead.

BREWER: All right, Senator Wayne. First off, I like the fact that you took the time to try and figure this out. TEEOSA scares people now, and probably justifiably so. Let's, let's take the information you

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just gave me there. So if a regular student is going to receive how much again?

WAYNE: \$4,750.

BREWER: All right, now if you're out in the middle of nowhere, let's just say Mullen, Nebraska. Simply because of the location and the requirements to bus them in, they're going to fit in that category that gives them an additional \$1,600?

WAYNE: \$500, \$500. So for sparse students they would get an additional \$500. And that's to deal with transportation cost and those kind of things that are out in sparse districts.

BREWER: And for example I think Mullen sits in what they call a hub zone which is, you know, the, I guess, economic status of that particular area. Does that get formulated into anything that you have there?

WAYNE: No, it does not.

BREWER: OK, so what else would-- because what I'm trying to picture is I know that's where almost some of our most expensive students are, just because you have to have X number of teachers, no matter how big the classrooms are. So I don't agree to something that hurts them. How would your formula keep them from falling into a position where the school would literally have to close because there just wouldn't be enough because of their small number of students?

WAYNE: So in those districts if, if they have free lunch they would get additional dollars. If they have English as a second language they will have additional dollars. But more importantly, this would provide, this would offset some of their local property taxes. So they would be getting money right now, because I'm assuming Mullen is not an equalized school district, so they're not getting the equalization aid. In this formula, every school district across the state would get some form of state aid, well, they would get state aid and it would be at that base level. So they would additionally get dollars off stop-- off the top that they currently aren't getting right now underneath the, the state formula. But they still have their local levy that they can still do. We do put a cap on it, but they can override that cap with two-thirds majority vote of their local voters. The purpose of this bill is, one, whether you live in Omaha whether you live in Mullen, the state should be helping fund your education. That's just

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the basic. Now, there are factors that a, that should be included such as poverty and English second language and sparsity. Omaha doesn't deal with the same issues that you would deal with in sparse, sparser areas. So we have to compensate for that. But at the end of the day, if we want to have a real conversation about property tax relief, it starts with our TEEOSA formula. And the only way to fix that is for the state to put in money in TEEOSA. And that includes the unequalized school districts to about a tune of \$739 million. And if I'm reading the fiscal note right, that's going to decrease property tax levied by the bill about \$1.2 billion. So we're talking anywhere from \$700 to \$1.2 billion dollars of property tax relief according to our fiscal note. And that's only going to cost the state \$700 million to make sure every school every student across the state is receiving at a baseline \$4,750 from our state.

BREWER: I'm going to, I'm going to do some more reading but I like your concept. I think it's, it's thinking out of the box and getting us to focus on what we need to do to actually make a change.

WAYNE: Thank you.

GROENE: Senator Linehan.

LINEHAN: I actually forgot. I'm trying to figure out, but I forgot there's a fiscal note. I was-- so have you-- I would assume there's some-- Hastings. I'll just grab Hastings because we all know that, because they have been here and testified, they get 66 percent of their funding from the state now. So they would be one of the schools you'd have to hold harmless.

WAYNE: Hastings, the tribes, and South Sioux City, no matter what formula we put in on a per student basis, they will end up losing. At the \$4,500 or \$4,700 mark Hastings loses a couple, I think, \$150,000 to \$200,000. Still significant, but not as significant. But South Sioux City, because they're landlocked, and quite honestly because we won't have a conversation about consolidation up there due to racial reasons, and I'll say that, they hurt. And then the state aid from-- we are 100 percent state aid for tribal. So it's just by nature they will have to be held hold harmless and there probably will have to be something to do after the two years of hold harmless for those individual schools. But those are the only two school districts when we ran the numbers seemed to be harmed. And the point of bringing this up higher than the average, right now, if we were to do about \$3,500 to \$4,000, there are winners and losers. So I picked a number that's

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just above high to where I can get 99 percent of the school districts all be winners. That way I don't have people come in and testify against my bill. But there probably still will be some.

LINEHAN: Thank you very much. Thank you, Chairman.

GROENE: Any other questions? Thank you. Proponents? Opponents? Opponents?

DAVE WELSCH: Good afternoon, senators. My name is Dave Welsch, I'm with Milford Public Schools. I've been a board member there for 20 years, currently serving as president. I'm also a farmer south of Milford and an ag landowner. I'll kind of visit a little bit until the handouts come around. I'd like to visit with you a little bit about the TEEOSA formula. I do not believe that it needs to be scrapped, I believe it has worked fairly well for almost 30 years now. But the main problem, as I think most of you know, is that the TEEOSA formula was not able to keep up with the sudden doubling of ag land valuations over a five-year period, and that's what these handouts will be representing here. To some degree, TEEOSA has always been tweaked a little bit in every legislative session. Sometimes they change the local effort rate. If they need to save some money on the state budget, they raise the local effort rate. If they've got a little bit extra money, they can drop it down to try to provide more equalization aid. And other aspects of TEEOSA have been tweaked over the years. Hopefully the handout that you've got there, the first one I want to talk about is just on ag valuation. At the top it says ag valuation reduced to 40 percent within the TEEOSA formula and \$126 million added to the formula. And the reason you need to add that money if you change the formula is to hold harmless any school district that would not have equalization aid. In this situation the potential general fund levy reduction, for 83 school districts they could potentially lower their levy by 15 cents. And you go on down the line, 10 to 15 cents, 16 school districts; and then 21 school districts could lower it a nickel to 10 cents. But you'll notice there is 88 schools that would have no levy reduction by lowering ag land valuation within the TEEOSA. But the next chart right below that, those 88 schools, there's only 2 of them that would have a levy over 90 cents. And those already received 30 to 34 percent of their formula needs through state aid. And as you can see, you know, below 60 cents, the vast majority of schools that would not receive additional aid are already have a fairly low levy that I think most people would, would enjoy having that 60 cent levy or lower. The bottom part then just shows the number

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of schools and what their current general fund levy is. Greater than 90 cents, there's 80 school districts. That could be reduced to 26 under this proposal. Seventy-five cents to 90; there's currently 50 school districts, that could drop to 43. And then less than 75 cent levy could drop from the current 114 school districts to 175. So and then the second handout. Obviously that that proposal is going to significantly help rural districts. It doesn't do a whole lot for our urban districts. Even though many of them are equalized they obviously do not have much ag land. And so the second handout talks about ag valuation to 40 percent, but also talks about supplemental aid which was a little bit of what Senator Crawford had in her bill. And that supplemental aid outside of equalization would run \$151 million would need to be added. And these are somewhat estimated numbers. The initial 40 percent ag model was conducted by OpenSky, that's where I draw those numbers from. The supplemental aid was a fairly easy calculation. Just take the number of students times the \$488, I believe it is, and work that into their levy reductions here. So just following that through, with the combination of those two programs you could have 100 school districts that would drop their levy by 15 cents or more. And there would be 95 schools that would be only able to drop their levy by a nickel. But out of those 95 schools, again, the vast majority of them already have a levy below 60 cents. And at the bottom you can see the change. Again, the same numbers of 80, 50 and 114 on the current levy. And then the potential new levy could be only 15 schools with the levy over 90 cents, 32 from 75 to 90, and 197 districts across our state could have levies below 75 cents. So with that, I believe there are other options out there. But this is pretty simple and straightforward, something that most people can understand. So that's why I wanted to present it to you in this fashion. Take any questions if you have them.

GROENE: Any questions? Thank you, sir.

DAVE WELSCH: Thank you.

GROENE: Thank you for all the work and thought you put in this session.

DAVE WELSCH: This was my last chance to come before the Education Committee this week, so I appreciate your time.

GROENE: Well, when Kolterman is term limited, you can run.

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DAVE WELSCH: Pardon?

GROENE: When Kolterman is term limited you can run.

DAVE WELSCH: All right.

GROENE: If you're not smart. Anyway, no. Thank you, sir. Any other opponents? Neutral? Senator Wayne, would you like to close?

WAYNE: I just wasn't sure if those numbers my bill related or not. But OK. So I don't think they are so.

GROENE: OpenSky.

WAYNE: OK. Well, then I feel like I had no idea. I didn't know I was-- I thought maybe I didn't read my bill. I'm pretty sure I read it. OK. Thank you, sorry. I'm done.

GROENE: OK. You got a hearing?

LINEHAN: Yeah, I got a question because OpenSky didn't come, they just sent a letter. So have you seen OpenSky's letter?

WAYNE: No, I have not.

LINEHAN: OK. One of the things they say here is over the past 10 years average spending growth was not dramatically different. By size of school system increases the lowest average spending growth is for schools with a 1,000 to 2,000 students, 2.9 percent; while the highest growth is in schools with more than 5,000 students, 3.7 percent. The state average was 3.5 percent. This isn't going to work because you haven't a chance, but I would appreciate it very much if the committee can give you a copy of this letter and then you can get back to us with some of their points. Because I wish they were here so we could ask, but they didn't come to testify.

WAYNE: Were they in favor or against?

LINEHAN: It was against.

WAYNE: Oh, go figure.

LINEHAN: But they do have some information which is worth a discussion that you should look up. They didn't send you the letter?

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WAYNE: They might have in my email but--

LINEHAN: All right, thank you, Senator Wayne.

GROENE: Question.

WAYNE: Yes, sir.

GROENE: I don't see it here, haven't had the chance, but the cost is \$739 million, \$740 million the second year, you don't apparently do anything the first year. And you \$400 and some of that is property tax relief?

WAYNE: On the back of the fiscal note, in the chart it says calculation of change in property tax per bill. And with the \$400,000 which I think is what you're referring to, is a net change in school district resources. But above that it talks about actual tax, tax levied and then what it would be and then to decrease. So how I read that.

GROENE: All right, I see the \$1.2 billion versus \$739 million.

WAYNE: Correct. It would cost us \$739 billion.

GROENE: So you're, you're adding another \$300--

WAYNE: I'm adding--

GROENE: Well, \$200 and some million to spending.

WAYNE: No I'm adding \$700 million to spending.

GROENE: No, but you're offsetting. I'm talk, I'm talking overall spending.

WAYNE: Overall spending, yes. And so that \$200 is that gap for the 85 percent. I don't, I don't believe in reducing them one for one, dollar for dollar the money we give. But we should reduce. If we're going to give a school district who's not equalized a dollar then they should be able to reduce their spend by that dollar since we're giving it to them. But I'm not going one for one, I'm going 85 cents for a dollar.

GROENE: So you're increasing--

WAYNE: Yeah.

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GROENE: --15 percent of your spending is an increased spending.

WAYNE: Fifteen percent, yes. Well, that's the only way to calculate growth. Otherwise you're two years behind. We can change that number to mean whatever.

GROENE: Thank you. That-- any other questions?

LINEHAN: Can I ask a clarifying question? But that's just the first year you do that, right?

GROENE: Yeah.

LINEHAN: OK, yeah. It's not 15 percent every year. It's just the first year is 15 percent.

GROENE: It's not biennium.

WAYNE: Yes.

LINEHAN: Yeah, OK.

GROENE: All right, thank you.

WAYNE: Thank you.

GROENE: Any other questions? That ends the hearing on LB656 and that ends the hearings today. We'll go into exec session to look at one bill and some of--