

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 11, 2020

GROENE: Welcome to the Education Committee public hearing. My name is Mike Groene from Legislative District 42. I serve as Chair of this committee. The committee will 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, please turn off 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, proponent, opponent, neutral, and closing remarks by introducer. If you will be testifying, please complete the green testifier sheet and hand it to the committee page when you come to-- up to testify. If you've have written materials that you would like distributed to the committee, please hand them to the page for distribution. We need 12 copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you now. If you're not going to publicly testify or need to leave early, you can turn in a written testimony with a completed green testifier sheet. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that the testimony be limited to five minutes. We'll be using the light system: green for four minutes, yellow for one, and then red you need to wrap up and you may get questions from the committee. If you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and will be included in the official record. You've had an opportunity to-- on any bill to send in your testimony or your comments in written form prior to 5:00 of the working day prior to the hearing. The committee members before us today will introduce themselves beginning at the far right.

MURMAN: Hello, I'm Senator Dave Murman from District 38, seven counties south of Kearney, Hastings, and Grand Island.

LINEHAN: Good afternoon, Lou Ann Linehan, District 39.

WALZ: Lynne Walz, District 15, Dodge County.

BREWER: Tom Brewer, District 43, 13 counties of western Nebraska.

KOLOWSKI: Rick Kolowski, District 31, southwest Omaha.

GROENE: Senator Pansing Brooks and Morfeld have indicated they'll be joining, but late. To my right at the end of the table is committee clerk, Kristina Konecko; to my immediate left is the legal counsel,

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Chris Jay; research analysis [SIC], Nicole Barrett, will be joining us for a couple of bills later. The pages are Nedhal, and I think by the end of the session I'll get that name right, Nedhal, and Noa is the other page. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. I would also like to remind-- lastly, we are an electronically-equipped committee. The information is provided electronically as well as in paper form. Therefore, you may see committee members referencing information on their electronic devices. Be assured that they are looking up answers-- facts that they may ask you questions about or contacting their staff in their offices to make sure that we give pertinent and knowledgeable questions to you. And that begins the hearing, LB1076 with Senator Bolz.

BOLZ: Good afternoon, Education Committee members. My name is Senator Kate Bolz, that's K-a-t-e B-o-l-z, and I have a brief bill to introduce to you related to the Community College Gap Assistance Program. The bill essentially would expand eligibility for the Gap Assistance Tuition Program to Nebraska's tribal colleges. Those colleges are Little Priest Tribal College in Winnebago, and Nebraska Indian Community College program campuses in Macy, Niobrara, and South Sioux City. The Gap program was created in 2015 to address Nebraska's critical shortage of skilled work force across the state in a number of fields that require specific credentials, these middle-skill jobs include certified nursing assistance programs and training programs like precision metals and manufacturing. I'm grateful for the committee's support of the Gap Tuition Assistance Program through some changes we made with this committee last year and through your recommendation to continue funding the Gap Tuition Assistance Program through lottery dollars in your interim study report this summer. The Gap Tuition Assistance Program, I think, has been a success. And currently there are 304 approved programs in the 12 in-demand occupation areas all across the state. And these programs have produced graduates that have individuals with credentials and skills that are needed in our communities. Again, LB1076 just takes the program's current program eligibility and extends it to Nebraska tribal colleges. These colleges serve the people of the Omaha and Santee Dakota nations and offer a number of courses in in-demand fields that the Gap program already serves, such as carpentry, welding, accounting, and health sciences. We don't expect this to expand to a significant number of students. And you will note that there is no estimated fiscal impact. But in terms of opportunity and inclusion, those students who will participate and who do want to

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attend a college in our tribal system should have the opportunity to do so. By expanding to tribal colleges, we can provide students more opportunity and produce more skilled workers. So I'm happy to answer any questions. Pretty short and sweet from me this afternoon.

GROENE: Senator Brewer.

BREWER: Thank you, Mr. Chairman. These are just two-year programs, correct?

BOLZ: That's right.

BREWER: OK, I just--

BOLZ: And actually, the Gap Tuition Assistance Program is for less than two-year programs. But you may at any of these colleges, pursue a degree or credential that is less than two years and doesn't otherwise qualify for scholarship assistance. And that's really the niche we're trying to fill.

BREWER: Very good. Thank you.

BOLZ: Yeah.

GROENE: Clarify, these are four year colleges?

BOLZ: They are two year colleges. Let's see--

BREWER: Yes.

GROENE: So community colleges?

BOLZ: They are community colleges, Little Chief-- let me flip back here, the two, two colleges are Little Priest Tribal College in Winnebago and the Nebraska Indian Community College campuses in Macy, Niobrara, and South Sioux City.

GROENE: Any other questions? Thank you.

BOLZ: Thank you.

GROENE: Proponents?

MICHAEL OLTROGGE: Good afternoon. Chairman and members of the Education Committee, thank you for your time. My name is Michael Oltrogge, O-l-t-r-o-g-g-e. I'm the president of the Nebraska Indian

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Community College, and I am here today to testify in support of LB1076. First, a brief introduction to the tribal colleges in Nebraska, NICC began in 1973. In 1996, the Winnebago Nation withdrew and started Little Priest Tribal College. Both tribal colleges in Nebraska offer associate degree and certificate programs, are accredited by the Higher Learning Commission of schools and colleges, are open enrollment institutions, and are a political subdivision of the state which we're located. The programs that will be impacted immediately in-- at NICC would include our certified nurse aide programs and our medication aide programs. Our nurse aide program started in 2015, and since that time, NICC has enrolled 365 students in coursework. The college has had 171 participants successfully complete their state boards, roughly 65 percent of those successfully completing are working in the community or in surrounding communities. The other 35 percent are taking care of relatives in their homes. We are also currently in contact with four CNA students who are in nursing programs. The college is able to start the nursing program with grant funding to cover student tuition, supplies, and books. However, that program funding has ended and these programs that lead directly to employment are not by themselves Pell eligible. I would expect that our med aide program, which is projected to begin this year, to have a smaller enrollment, yet still be able to make meaningful contributions to the local economy as well as the economy of the state. However, I would be remiss if I did not mention that the biggest impact of these programs will be for the successful students and their families. These programs can help change lives. Further programs of the college may develop in time would be other programs such as CDL, EMT, welding, solar training, programs like that. And I thank you for your attention and your time, and I am happy to answer any questions to the best of my ability.

GROENE: Senator Walz.

WALZ: Can you just go over those stats, the beginning, the nursing 365-- I'm sorry, I missed it.

MICHAEL OLTROGGE: Yes, since we started the program in 2015, we've had 356 students go through the CNA coursework. Of those, we had 171 who have successfully completed their state boards.

WALZ: Thank you.

MICHAEL OLTROGGE: No problem.

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GROENE: Any other questions? Thank you, sir.

MICHAEL OLTROGGE: Thank you.

GREG ADAMS: Senator Groene, members of the committee, my name is Greg Adams, A-d-a-m-s, representing the Nebraska Community College Association. I'll keep my testimony very short, but it was important to my board that we were on the record in support of this bill. Obviously, we're concerned about the amount of gap money and where we're at down the road. But first things first, this is fair. Very simply, it's fair to do to include them. So with that, I'd take any questions that you might have.

GROENE: Are they members of your organization?

GREG ADAMS: I'm sorry. No, they are not. They're not officially, but they do attend some of our meetings.

GROENE: And why is that?

GREG ADAMS: You'd have to ask them that.

GROENE: But it's their--

GREG ADAMS: I'm sorry.

GROENE: --choice?

GREG ADAMS: Yep.

GROENE: All right. Your dues are too high probably. Any other questions?

GREG ADAMS: We should talk. [LAUGHTER]

GROENE: Any other proponents?

GABRIEL BRUGUIER: Hello, members of the Education Committee. My name is Dr. Gabriel Bruguier, that's G-a-b-r-i-e-l B-r-u-g-u-i-e-r. I'm a member-- an enrolled member of the Yankton Sioux Tribe, and I hold my Ph.D. in philosophy from the University of Nebraska-Lincoln and I work at the University of Nebraska-Lincoln as the education and outreach coordinator for the Mid-America Transportation Center. And I'm here today representing the Nebraska Commission on Indian Affairs. The executive director, Judi gaiashkibos, is out of town and she asked me to be here today. So I'm here to testi-- today to testify on behalf of

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our agency in support of LB1076, have the expansion of the Community College Gap Assistance Program to include eligible programs in the tribal colleges that were aforementioned. So our Commission works to help assure that all tribal members are afforded equitable opportunities in the areas of housing, employment, education, healthcare, economic development, and human and civil rights in-- within Nebraska. And we believe that LB1076 would help to ensure that Nebraska tribal college students would be afforded more equitable educational opportunities at our tribal colleges. So in my role as the education outreach coordinator for MATC, I have a great deal of experience working with native students of all ages through our various outreach programs, which include our sovereign Native Youth STEM Leadership summer academy, the Roads, Rails, and Race Cars after-school program, and in our MATC Scholars Program for travel college students. In 2019, these outreach programs impacted around 101 students in Nebraska. And the Mid-America Transportation Center's education priority is increasing the number of students from under-- underrepresented groups in STEM education and transportation-related careers. And so while this tends to emphasize pursuing a four-year degree at a college or university, our experiences have helped us realize that this is not the only path for some students. The interests and abilities of some students are better matched to a vocational or technical program of study. And such programs can be the first step to a fruitful career. One aspect of postsecondary success that we emphasize with our native students is financial support. Self-funding a program of study of any kind is a barrier for the vast majority of native students. But this is often overcome by the availability of financial aid scholarships. However, the program of study is not eligible for financial aid, the barrier persists and this exacerbates the already existing barriers that native students face as they navigate their postsecondary career. So therefore on the grounds of equitable opportunities and to fill much needed jobs that don't require a two to four year-- or two- or four-year degree or traditional status as a full-time student, I'm here today to testify in support of LB1076.

GROENE: Questions? Senator Brewer.

BREWER: Thank you, Mr. Chairman. Well, I feel guilty, I, I called you Gabe for years now and should have calling you doctor, so I apologize for that.

GABRIEL BRUGUIER: It's only recent, so apology accepted.

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BREWER: Can you share a little bit more about your STEM Leadership Academy?

GABRIEL BRUGUIER: Yeah, the STEM Leadership Academy is a one-week program that's held here on-- in Lincoln on the University of Nebraska campus. And it's open to all high school students, native origin in the high school. And last year we had 33 students, over 75 percent of them did come from rural or reservation areas. And we offer programming that is developed by university professors and we go on many field trips and-- yeah, it's just a terrific program.

BREWER: And if I remember correctly from being down there, did you not give each one of them a bicycle?

GABRIEL BRUGUIER: That's correct, yes.

BREWER: And you threw in a helmet, too?

GABRIEL BRUGUIER: And locks and other safety equipment.

BREWER: Good, that's probably a good call. That program has been at the university campus for how many years now?

GABRIEL BRUGUIER: Since 2017.

BREWER: OK. All right. Thank--

GABRIEL BRUGUIER: Prior to that, it existed through the Commission and that was initiated in 2013. But only since 2017 has-- have they partnered with MATC.

BREWER: Very good. Thank you.

GABRIEL BRUGUIER: Um-hum.

GROENE: Did, did you attend one of these schools for your pre?

GABRIEL BRUGUIER: I did not, no.

GROENE: You went directly to the University of Nebraska and all the way through your doctorate?

GABRIEL BRUGUIER: I only attended the University of Nebraska for my doctorate program. Prior to that, I was in University of Minnesota,

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Morris. And prior to that, it was at the University of the Americas in Puebla, Mexico.

GROENE: So you're, you're an immigrant to Nebraska then?

GABRIEL BRUGUIER: Yes, I'm a South Dakota transplant.

GROENE: Good.

GABRIEL BRUGUIER: I like to call myself.

GROENE: We'll take you. Anyway, thanks.

GABRIEL BRUGUIER: Thank you very much.

MIKE BAUMGARTNER: Good afternoon, Chairman Groene, members of the Education Committee. My name is Mike Baumgartner, M-i-k-e B-a-u-m-g-a-r-t-n-e-r. I'm the executive director of the Coordinating Commission for Postsecondary Education, and I am here today to support LB1076. Last year, you passed an act to expand the Gap program to additional areas that will benefit the economy. The expansion that would get with LB1076 is another way to grow the program by extending it to the two tribal colleges. We were contacted by, by the colleges over the past year asking us about their ability to participate. We contacted the Attorney General's Office and determined that they were not eligible to participate without legislative change. Brought the matter to Senator Bolz's attention, and that's how we ended up with the bill we have today. I don't expect the addition of Little Priest Tribal College, Nebraska Indian Community College to add significantly to the demands on the program fund. But I do hope that there is significant demand for the funds at the two schools. We are able to contract within existing appropriation limits for fiscal year 2021. And after establishing which programs are eligible and how many students might apply for gap funds in the future, they'll be able to estimate the costs for the subsequent biennium's budget request. I'd be happy to answer any questions that you have.

GROENE: They're not a state college are they-- they're a national college of the reservation? Are they under your purvey?

MIKE BAUMGARTNER: They're not state entities. They are, they are tribal entities. So yeah, that's--

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GROENE: So are they under your purvey as a coordinating commission as far as--

MIKE BAUMGARTNER: No, no, no, they're not.

GROENE: --classes offered and things--

MIKE BAUMGARTNER: No, no, they do participate in the Nebraska Opportunity Grant. They participate in the Access College Early grant, and they do receive some funding for students who attend through the community college.

GROENE: So they're in the, the NOG?

MIKE BAUMGARTNER: Yeah, they are, they're in NOG.

GROENE: Is that because this body did something like this for that program?

MIKE BAUMGARTNER: No, all, all of the-- the NOG statute spells out exactly who's eligible, and that would be degree-granting institutions located in Nebraska that are offering undergraduate degrees so they're just included under that.

GROENE: So in original legis-- original legislation, it was, it was added to make sure they were covered?

MIKE BAUMGARTNER: They were just included in the way that the bill was written, because that includes all private institutions as well.

GROENE: So do you know-- I should of asked the president of the college, but do you know how they fund it? Do they have a property tax base? Northeast Community College doesn't tax that area for their community college.

MIKE BAUMGARTNER: I think I would-- I can tell you how the funding goes through the community college funding formula for this, and it's a very small amount, it's, it's \$54,800 for Nebraska Indian Community College.

GROENE: What's that? What is funded?

MIKE BAUMGARTNER: They receive funding for FTEs that are not otherwise reimbursed through, through federal programs that they have on campus. So if they have Nebraska students who aren't reimbursed through a

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federal program, our community college funding formula directs the money to them through Northeast Community College. But in terms of other funding, I would have to-- I don't, I don't know.

GROENE: So to receive it, if I remember right, you have to have received the Pell Grant, right? Or eligible for the Pell Grant?

MIKE BAUMGARTNER: Not, not for Gap, for Gap, you can't be eligible for a Pell.

GROENE: That's right, it has to be the poverty, yep. Trying to keep them all separate.

MIKE BAUMGARTNER: Yeah.

GROENE: Thank you. Any other questions?

MIKE BAUMGARTNER: Thank you.

GROENE: Thank you. Any other proponents?

DAWNE PRICE: My name is Dawne Price. Good afternoon, committee. Last name, P-r-i-c-e. I am the dean of student services at Nebraska Indian Community College. I support students that go through all of our associate degree programs, as well as assist students in all of our certificate programs as well. I am in support of LB1076. In regard to the questions that were just asked, Nebraska Indian Community College does not receive state funding except for our nonenrolled students through Northeast Community College. We do not receive tax base from the state of Nebraska. The tax base of Thurston County, Knox County, and Dakota County goes to Northeast Community College. Our students need this funding so that they can continue to help their community members and increase the incomes in their households. Thank you for supporting LB1076. Do you have any questions?

GROENE: Senator Brewer.

BREWER: No, I'm good.

GROENE: So would you clarify? They don't have an area of property tax within their nation they don't have a-- they don't get to tax, of the property tax to support their schools.

DAWNE PRICE: The tribal nations do not tax their, their people.

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GROENE: But the land is taxed by the Northeast Community College?

DAWNE PRICE: The land is taxed by the county and the county taxes go to Northeast Community College.

GROENE: And, and the appropriations where we give to the community colleges, you don't share in any of that either, the state appropriations?

DAWNE PRICE: Very little, only for our non-native attending students.

GROENE: So most of the government support comes from the federal government then?

DAWNE PRICE: Yes.

GROENE: Thank you. Any other proponents? Opponents? Neutral? Close, Senator Bolz. We received letters of support from the Holland Children's Center [SIC], and National Association of Social Workers, Little Priest Tribal College; no opposition, and no neutral.

BOLZ: I'll be very brief, we've already taken a lot of time on a very small change. But I do want to provide to the committee the summary of funding from the tribal colleges, which is from grant and contract revenue, tribal appropriations, tuition and fees, tuition waivers, investment interest income, and donations. So I'll ask the page to make some copies and share that around with you to answer your questions regarding funding stream. And then I would very briefly request that you consider if the committee thinks favorably of this bill, rolling it into your priority bill related to the lottery funding. It's my understanding that the Speaker is not likely to do a consent calendar bill this year.

GROENE: What's that?

BOLZ: Just--

GROENE: I was looking at your letter.

BOLZ: You're, you're fine, you're fine, Senator. I, I just wanted to mention that it's my understanding that Speaker Scheer is not considering a consent calendar bill this year. If you think favorably of this bill and if you consider it appropriate, perhaps we could

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discuss rolling this change into your lottery funding bill, which has been prioritized by the Education Committee.

GROENE: Thank you.

BOLZ: Thank you. Thank you, committee.

GROENE: That ends the hearing on LB1076. Open the hearing on LB1080. Welcome to the committee.

LATHROP: Good afternoon, Mr. Chairman and members of the Education Committee. My name is Steve Lathrop, L-a-t-h-r-o-p. I'm the state senator from District 12. And I'm here today to introduce LB1080. Before I get started, I'd like to note that the vast majority of teachers in our schools would never engage in the kind of behavior this bill is intended to prevent. We have great teachers in the state and it's unfortunate that the actions of a small group or a small number of those individuals have us here today. With that said, my goal with this bill is to ensure that every school in the state is prepared to prevent, detect, and report potential inappropriate conduct by teachers and other school employees towards their students. I brought LB1080 following discussions with families who have been impacted by these situations. Those meetings were happening around the same time that a series of stories on this subject appeared in the Omaha World-Herald and in some other media outlets. I'm sure many of you have seen these and read the story. Our hope is that we have found some measures that will significantly improve Nebraska's approach to this issue. LB1080 would require every school or school district in the state to have a policy regarding appropriate conduct between staff and students. At a minimum, these policies would need to describe and prohibit grooming. They would need to clearly define which communication platforms are appropriate for teachers to use with students. They would need to describe the process for reporting suspected misconduct, and they would need to prohibit any sexual interaction between students and staff for a minimum of one year after the student finishes school. Finally, the bill also lays out potential consequences of violating these policies that range from disciplinary action to firing or loss of a teaching certificate and a referral to law enforcement depending upon the circumstances. I want to thank the school board officials and administrators, the NSEA, and the Department of Education for consulting with us on this bill. As you might know, the Judiciary Committee will also hear several proposals on this subject next week, which attempt to address the most severe forms of misconduct that aren't already covered by our criminal

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statutes. My hope would be that we can address this issue from both angles. And with that, I'm happy to answer any questions that you might have. And I would ask for your support of LB1080.

GROENE: Questions? Senator Brewer.

BREWER: This is more of an FYI. Of course, I did take note of the fact that when you came up, half the room left, but don't take that personal.

LATHROP: It happens. It happens.

BREWER: Color-coded bills and you got a green, OK. That's good to get a green.

LATHROP: Oh, that's encouraging.

BREWER: Thank you.

LATHROP: Thank you.

GROENE: Senator Linehan.

LINEHAN: Thank you, Chairman Groene. It's good that you're an attorney. What is,--

LATHROP: I am.

LINEHAN: --what is-- so if there's a sexual relationship between an adult and a 15-year-old, it's against the law.

LATHROP: That would be statutory rape.

LINEHAN: How about a 16-year-old?

LATHROP: Sixteen-year-old is the age of consent.

LINEHAN: So there-- that's not against the law even if you're a teacher?

LATHROP: Not yet, but it probably will be before the end of the session.

LINEHAN: OK.

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LATHROP: We have four bills dealing with this subject. So the age of consent for a person or an, an individual is 16. After that, then our criminal statutes don't cover the 17-year-old that has a sexual relationship with a, a 30-year-old person. The bills that are in front of the Judiciary Committee, some, some of them talk about having a sexual relationship even beyond the age of consent, so 16, anybody that's in high school where it wouldn't otherwise be a crime. It will be if they have a relationship or a sexual relationship with an adult. Some of them do that in terms of school personnel and some of them do it in more broadly what the person in authority. And so we'll hear four bills next week on the topic, each with their own ideas for how we get to that issue and how we address it and what kind of a crime or how severe the punishment should be.

LINEHAN: So right now, if, if an adult, whether it be a teacher or another adult, has a sexual relationship with a 16-year-old, it's not illegal?

LATHROP: It's not a crime.

LINEHAN: Not a crime. OK. Thank you very much.

GROENE: Any other questions?

LATHROP: Assuming they're competent and not disabled in some other respect, intoxicated, being not able to consent.

LINEHAN: Right.

GROENE: You're the lawyer. "Grooming means building trust with a student and individuals close to the student in an effort to gain access to and time alone with the student, with the ultimate goal." That's my problem, I mean, at that point, with that comma, how do you know or the person in authority know that, that is the purpose with the ultimate goal? How do you know the ultimate goal is?

LATHROP: So--

GROENE: Is this-- you know what I'm saying?

LATHROP: No, I do.

GROENE: I'm, I'm fully on board if the crime was committed, but is there a crime prior to being the sexual contact?

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LATHROP: Well, this doesn't have anything to do with crime.

GROENE: All right.

LATHROP: Right? So we're not making a crime out of this. What we're doing is requiring some policy. That's the first thing I'd say in response to your question. The second is grooming is something that's not easily defined. Right? One teacher could put their arm around a student and it would be maybe appropriate if the student was hurt. It's a one time occurrence and another teacher might put his arm around a student several times in a week. Grooming is sort of a pattern of behavior that is intended to develop that close relationship that, that provides the opportunity for the sexual relationship. I'll leave it to the school districts to try to define what those activities are. I think most people who see it happening know what it is. They're like that guy's doing-- you know, he's, he's spending-- he's directing all of his attention to a particular student. He's putting his arm around that person or hugging them too often or having physical contact or setting them up to be in a situation where they're close, like the trainer on the basketball team or someone who's going to end up ultimately having-- or providing opportunity for the, for the predator.

GROENE: But I, I still don't understand how you're asking an administrator or school personnel to ascertain or to know to see inside that person's mind that their ultimate goal is sexual contact, contact.

LATHROP: Right. That's an attempt to distinguish between the, the one time where somebody puts her arm around a child because their,--

GROENE: Teacher does it to every kid in the class.

LATHROP: --their feelings have been hurt or something. I think people know it when they see it. I'm gonna use a, a poor analogy, once a Supreme Court judge once said that you, you-- it's hard to describe porn, but you know it when you see it and that's a little bit like grooming. It's hard to, it's hard to define because it can take many different forms. But ultimately it is when you are directing a great deal of attention to a student when it becomes physical, when you isolate them from people who might discourage that activity or might become concerned by that activity. And oftentimes it's creating an opportunity, having them stay after class, having them be the, be the mentor for a child. Those kind of activities. So it's gonna end up at

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the end of the day, I think, Senator, being one of those activities that is judged by looking at a series or a time line and-- that would create suspicion that that activity is going on.

GROENE: Do you know if the schools have a policy now that an employee cannot be-- have contact with a student outside of the, the-- their function as a teacher or their extracurricular activity? What bothers me, couldn't the schools make a policy that says, hey, you can't go see a kid at their house or you can't go drive around with a child?

LATHROP: Well, I think that's exactly what, I think that's exactly what we'll see with some of these policies. I-- at one time, I coached a, a youth soccer team for a, a Catholic school in Omaha. They made me go through a training. The training included a lot of these things you should never do, like you're never gonna take a kid home in the car by yourself without another person there. It protects the teacher or the, the coach, it protects the student. And I, I think we can leave it to the school districts to develop what that looks like. We have some school districts that already have these in place. And I think this just requires it of everyone and to inform the staff before the school year and have them acknowledge that they understand the policy.

GROENE: Thank you, sir. Any other questions? You gonna stay around for closing?

LATHROP: Yes, I will.

GROENE: Proponents?

LISA ALBERS: Chairman Groene and members of the Education Committee, my name is Lisa Albers, A-l-b-e-r-s. I am here representing Grand Island Public Schools Board of Education and the Nebraska Association of School Boards in support of LB1080. Having robust minimum standards school policy is vital in protecting students from predators that are in positions of authority over children. Proper school policies are one step to ensure the teacher harms no other children while still protecting the school district. While many districts already address these issues within their policy, LB80 [SIC] assures that all districts will have a minimum standard language which will clarify boundaries for their employees. This is where it's gonna get hard for me. Let me give you an example of why these policies are important. Our daughter was groomed by a frequent substitute teacher at her high school. He asked her to babysit for his new baby at the beginning of her senior year. He confided in her, he manipulated her, and he gave

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her alcohol. The abuse by the teacher was discovered after I read text messages on her phone. This teacher manipulated her into being alone with him while he fed a friend's dog. It was at this friend's house that he had sex with her. This was less than two weeks after she graduated from high school. She was 17 years old. He was twice her age, married, with a child. While we will never know if a stronger school policy would have prevented this incident, we must send a message to school employees that actions like his will have consequences. Administration will take action. Grand Island Public Schools responded swiftly after the incident was reported. The teacher was immediately told he would not be working at the district any longer. However, it did take two years for the teacher to be investigated, not by our district, but by the state. Strong school policy is the first immediate step in discouraging the potential for an authority figure predator occurrence. School districts are not police. A school district should never make the determination if the police should or should not be called in these situations. The police should always be called. Our daughter was 17. The age of consent in Nebraska is 16. We were told no crime was committed. We have watched our daughter suffer from the aftermath of this abuse by this teacher. This event has had life altering effects on her. We can only begin to understand the consequences of grooming and manipulation on a young person's development. As I have seen with our child, it is a very, very long road. Please vote favorably in moving this bill to the floor. You can take a step to protect students by updating school policy before taking a bigger step with updating laws that can alter the age of consent as it relates to students and authority figures. Thank you for your time. Are there any questions?

GROENE: Senator Linehan.

LINEHAN: Thank you very much for being here today.

LISA ALBERS: My pleasure.

LINEHAN: And brave for being here.

LISA ALBERS: Thank you. Thank you.

LINEHAN: Do you know if this particular teacher lost his license to teach?

LISA ALBERS: He did, permanently.

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LINEHAN: But just in the state of Nebraska-- but he did lose his license in Nebraska?

LISA ALBERS: He did.

LINEHAN: OK. Thank you very much for being here.

LISA ALBERS: Certainly, yes.

GROENE: I'm assuming now Grand Island has a pretty strong policy?

LISA ALBERS: Grand Island does a really good job with their policies. However, I'm on policy committee, we met yesterday and we have brought this policy back three different times. And we're, we're getting-- our attorney is giving some input now as to-- we follow statute a lot, and just on the appropriate wording and we're still not, we're still not done with it. It just takes-- it takes a long time.

GROENE: In hindsight, after you-- was there people that came forward and said they knew something didn't look right?

LISA ALBERS: I knew something didn't look right.

GROENE: You--

LISA ALBERS: I, I--

GROENE: --prior to finding a text?

LISA ALBERS: There's a reason I was looking at her phone and it was just too little, too late.

GROENE: Thank you. I understand. Senator Walz.

WALZ: Thanks. Thanks for coming. I, I am-- this has nothing to with Grand Island Public Schools but I'm wondering why it took two years for the state to investigate this. Do you have any ideas on why?

LISA ALBERS: Well, I don't think they had enough investigators. Part of, part of the issue-- so our human resources person turned it right over to them. So as I understand it, and I'm sure that they can speak to this, you know, it just goes on a pile. The investigation goes on a pile. And so he couldn't work at GIPS, but he could work at other districts. And so that was another kind of burden that our daughter had to carry, was because she was in college trying to get on with her life, and then she would get phone calls periodically. And it just

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kind of like ripping off the Band-Aid. And so his teaching certificate wasn't revoked until it was almost two years to the year-- to the month after it had been reported.

WALZ: OK. Thank you.

LISA ALBERS: Yeah. Anything else?

GROENE: Thank you.

LISA ALBERS: Thank you.

GROENE: Next proponent?

MADDIE FENNEL: Good afternoon. Thank you, Senator Goene and members of the Education Committee. My name is Maddie Fennell, M-a-d-d-i-e F as in Frank -e-n-n-e-l-l. I'm the executive director of the Nebraska State Education Association, and I'm here to represent our 28,000 members in support of LB1080. I would like to thank Senator Lathrop for bringing this bill. It is one of several that the NSEA will be supporting to address inappropriate relationships between school employees and students. NSEA is in full support of strengthening the penalties for educators who take advantage of their position to coerce students, also called grooming, into a sexual relationship. There is no acceptable reason that an educator in a PK-12 school district should be in a sexual relationship with the student regardless of the age of the student. If that does occur, the educator needs to face consequences even greater than revocation of their teaching certificate. It is also important that each school district have a clearly delineated educator- student communication policy. When I was teaching, the first assignment my elementary students had was to memorize my phone number, which I sent home to all parents so they could call if they needed help with homework or other situations. I had many calls to discuss homework, grades, attendance, missed assignments, and other issues. I even took a 10:00 call from a parent who was in urgent need of insulin and ran her to the pharmacy. But times have changed. With the advent of social media, each school district must develop and clearly communicate to their staff how and using what medium they may communicate with students. These policies must be thoughtfully prepared, NSEA recently had to work with the staff that were asked in the middle of the teaching day to immediately sign a new social media policy. That policy included a provision that staff were never allowed to friend a school district alumni on social media, even though some of the staff were alumni. And how does this

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policy work for a staff member who also has children in the school district and wants to monitor their children's social media? Under the proposed policy, those teachers would be barred from friending their classmates and some of their colleagues. The intent of the policy was well-meaning, but because it was developed in a vacuum without the input of educators, it had unintended consequences. NSEA supports LB1080 because we believe that it puts systems in place that will positively affect student safety while placing appropriate consequences on those who choose to violate the trust placed in them as a professional educator. We ask you to advance LB1080 to General File. Thank you.

GROENE: Any questions? Aren't you in a hard spot, as you got to represent that individual, too, as a member? I'm just asking the hard--

MADDIE FENNELL: Sure.

GROENE: --rock and the hard spot of the union. So how do you when your member's accused of-- grooming--

MADDIE FENNELL: Um-hum.

GROENE: --and they're asking for legal help?

MADDIE FENNELL: We would make sure that the appropriate process was put in place. But our first interest is educators coming in. We didn't become educators to become a part of the union. We became educators because we care about kids. So our first instinct is always gonna be to take care of kids. As an organization, we also have a duty to protect our members. And so we will look at these grooming policies and we will make sure that people aren't caught up in these unintended consequences. However,--

GROENE: Just as you did with the social media.

MADDIE FENNELL: Yes, absolutely. However, we have to make sure that our kids are safe and we do know the signs to grooming. In fact, we've had educators who have turned in their colleagues and things didn't happen. And those members have reached out to us and said that they feel stymied when they've turned in their colleagues. So we're working very closely with NDE, with Senator Lathrop, and with others to make sure that everybody understands what to look for, how to stop this,

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and how to keep reporting it until something is done so that our kids are safe.

GROENE: I guess I'm dumbfounded that there just isn't a common practice that you do not socialize with a student. You're never seen alone with them, you don't go to a movie. I mean, we had one in North Platte they caught at the movie. I mean, I don't understand why that isn't a policy that immediately you're fired if you're seen driving around with a student and it isn't, it isn't a function of the school, FFA, or something.

MADDIE FENNELL: Well, it needs to be very clear.

GROENE: That doesn't exist?

MADDIE FENNELL: It, it-- we have 244 school districts, so it ranges the gamut to nothing is there, to policies that are in place like this one that had good intent but poor execution. So we need to make sure and we're working with NASB who will help these school districts come up with these policies so that they are very well-written.

GROENE: I guess I understand that. They're in small towns, you're neighbors, and your, your kids go to school with the kids whose parents are a teacher and they go home together.

MADDIE FENNELL: Right. Well, and I know in, in my time, I've had kids who-- one of the things I always said to my students, is you never have to be homeless, you can always call and we'll work something out. And I've had students who've come to live with me with the knowledge of their parents because they didn't have anywhere else to live. Now in some school districts, that wouldn't be allowed. So we have to be careful that we're putting lots of things in place or-- you know, if you have a social media policy and it says you can only friend your, your children, well, does that cover if you have foster children? So we just want to make sure that all the bases are covered in these things.

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

MADDIE FENNELL: Thank you.

GROENE: Next proponent?

BRIAN HALSTEAD: Good afternoon, Senator Groene, members of the Education Committee. For the record, my name is Brian Halstead,

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B-r-i-a-n H-a-l-s-t-e-a-d, with the Nebraska Department of Education. We fully support LB1080. We certainly would ask you to make sure this becomes law, that the Legislature speak to this very issue so that it is clear to everyone about the appropriate boundaries and how grooming of students is totally inappropriate. In response, I believe, to Senator Linehan's question about did that person lose their certificate in another state? Any educator who gets their certificate suspended or revoked by the State Board of Education is immediately reported to the National Clearinghouse, who shares that information with all of the states in the United States, plus all the territories that the federal government has. As to whether that individual held a certificate in another state, it is reported for all other states to access. So I'll stop there. I'll take any questions you might have on the bill.

GROENE: How many have you suspended license in the last year? How many do you average a year?

BRIAN HALSTEAD: I'd, I'd have to go back and pull the numbers. Suspension by definition of the Legislature means the certificate's invalid for a set period of time. Once the time's up, it's automatically reinstated. Individuals who engage in sexual relations with students, they get revoked, which means it's canceled.

GROENE: How many other instances is there? Is that the only one?

BRIAN HALSTEAD: Of?

GROENE: Of behavior?

BRIAN HALSTEAD: Oh, you can get discipline for a whole number of misconduct as an educator.

GROENE: Not disciplined, revoked-- license revoked.

BRIAN HALSTEAD: Revoked, you can commit felonies, you can-- there's a whole laundry list. There's a Web page that has every revocation order since January 1 of 1990.

GROENE: Could you get the number for me, how many have been revoked under the last five years?

BRIAN HALSTEAD: Sure. I'm sure I can get that. Yeah, it's gonna be close to 300 in almost 30 years.

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GROENE: Thirty years.

JOE DEJKA: Well, it's, it's--

BRIAN HALSTEAD: I'm looking at Mr. Dejka, he did the article. He pulled the numbers we gave him, the numbers, I was hoping he remembered the exact. But it's, it's an extensive number, which is far too many. Keep in mind right now in Nebraska, there's probably between 55,000 to 60,000 individuals who hold some form of certificate or permit that allows them to teach, counsel, provide special services, or administer in all of the schools in this state, about 25,000 may be full-time employed, others part-time employed. School system of the state, 367,000 children are enrolled in public, private, denominational, or parochial schools. So I'm gonna to tell you, 300's way too many, everybody in this room would like it to be zero. This, this bill would help address that so everybody clearly understands what the expectations are.

GROENE: All right. Thank you. Oh, Senator Linehan.

LINEHAN: And maybe this is not-- I hope I can say this right. So the teacher, if they have a sexual relationship with the student, their license is-- and it's proven they're guilty, their license is revoked whether the child is 17 or 18 years old?

BRIAN HALSTEAD: Yes,--

LINEHAN: OK. Thank you.

BRIAN HALSTEAD: --it is an ethical violation for them to do so. It's been prohibited since the 1980s in the rules and regulations the state board has adopted. It's not a crime in the state of Nebraska if you happen to be 16 years of age or older, which is what I believe the Judiciary Committee is gonna hear next Thursday is several bills to make it a criminal offense.

LINEHAN: But you'd lose your license?

BRIAN HALSTEAD: Yes, absolutely.

LINEHAN: OK. Thank you.

GROENE: Any other questions? Thank you, sir. Next proponent?

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KYLE MCGOWAN: Good afternoon, Chairman Groene and members of the Education Committee. My name is Kyle McGowan, K-y-l-e M-c-G-o-w-a-n, and I'm representing the Nebraska Council of School Administrators in support of LB1080. We applaud Senator Lathrop's efforts to address some completely unacceptable, unprofessional, and absolutely criminal behavior. Parents expect a safe learning environment for their children, and the very least we can do is provide staff members who are committed to helping students rather than abusing them. We believe that the definition of grooming, albeit difficult to define, is well-defined in this bill. We also believe the mandatory reporting requirements will result in safer school environments. We spoke to Senator Lathrop about the bill and worked with him. He-- one of the questions that we had and I just heard part of the answer from one of the testifiers was regarding to the one year from graduation of a student following up if there's any sexual encounters with a staff member one year after graduation, and he explained to us why that was important. And we agree. Looking forward to getting to a position that we think is more common in which educators are policing other educators. So we fully support LB1080. Thank you.

GROENE: Any questions? Thank you, sir. Next proponent?

JACK MOLES: Good afternoon, Senator Groene, members of the Education Committee. My name is Jack Moles, J-a-c-k M-o-l-e-s. I'm the executive director for the Nebraska Rural Community Schools Association, also known as NRCSA. On behalf of NRCSA, I wish to testify on behalf of-- or in support of LB1080. We certainly support the spirit and intent of the bill. It's a subject matter that I had to deal with as a superintendent. It's a subject matter that I do not believe can be tolerated, and I believe LB1080 would be a positive step in addressing concerns. Echoing what Mr. McGowan said, extending the intent of the bill for a year after the student graduates or leaves school would be difficult for administrators to monitor and, and control. But we do believe that that clear separation does need to be created. The clear separation between the student and teacher relationship. And I know it-- or understand that this is kind of a common time frame in, in several states. So in closing, NRCSA does thank Senator Lathrop for introducing LB1080 and encourage you to advance it.

GROENE: Any questions? Senator Murman.

MURMAN: Yes. Thank you for testifying. I do know of a situation, it's been years ago, but where a couple got married right out of high

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school. So if I understand it correctly, this would include losing your license if it happened within a year out of high school?

JACK MOLES: Yeah, like, like I said, for an administrator, it might be a little difficult to monitor that year out thing. But more than likely, within that time frame, there were some grooming going on before, before the, the student graduated or left the school.

MURMAN: OK. Thank you.

GROENE: Any other questions? Thank you, sir.

JACK MOLES: Thank you.

GROENE: Next proponent? How many people are testifying on this bill? Guess we got. Any opponents? Neutral? Senator. Letters of support: National Association of Social Workers, Nebraska Alliance of Child Advocacy, Ralston Public Schools, and School Social Work Association of Nebraska.

LATHROP: I'll be brief. And first, I want to thank the committee for their attention to the subject matter and, and thank the testifiers as well for being here today. I would just point something out because there was a question or an issue about how long it takes the Commissioner of Education to investigate a complaint. And the difficulty is that if it's not a crime, then they can't bring in law enforcement. And so what we're doing-- these two things, I think, are best happening in tandem, because as we make the activity criminal over in the Judiciary Committee, hopefully we can bring these to the floor and, and have them move together. If somebody is involved in a relationship with a 17-year-old student, that is-- that will be a crime. And when it's a crime, then somebody can call law enforcement. Right now, you call them and they say there's no crime there, so we can't conduct an investigation. It goes to the Department of Education. They have a lot of things they investigate. And as you heard, it took two years to investigate the circumstance in Grand Island. So I think they very much complement each other. I would appreciate your support and look forward to any concerns the committee may have.

GROENE: A clarification again.

LATHROP: Yes, sir.

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GROENE: There's two issues here, there's the grooming and then there's the actual sexual contact-- conduct that's legal because they're 16.

LATHROP: That's exactly right.

GROENE: That, that line's hard, too. How does the, how does the Department of Education take somebody's license away because of the assumption they were grooming to--

LATHROP: So my expectation, Senator, would be that it would go something like this. Somebody, somebody sees a teacher do something, hug a kid, spend a lot of time with a kid, have the kid eat lunch with them. Different, different things that make somebody's radar go off, if you will. And they represent what are typical grooming activities. I would expect initially they'd be counseled, teacher, person. You know, we see what's happening, it, it, it-- this is not appropriate. You're using your own cell phone to text this person, whatever those things are. Initially, I would expect some counseling to happen. And then if it persists, then it can, then it can escalate. But I don't think the first time you put your arm around a child, which can be interpreted as grooming or not grooming, depending on the circumstances, you end up having your license revoked or being subject to suspension.

GROENE: So what you want to encourage is the administrator to step in right away and say that doesn't look good, you better stop. And then if he sees it happening--

LATHROP: Precisely, precisely.

GROENE: --that person doesn't stop, well then something-- thank you. That closes the hearing on LB1080.

LATHROP: OK. Thank you. I appreciate it.

GROENE: Senator Wayne, welcome to the committee, again. LB1-- 1134.

WAYNE: Thank you, Chairperson 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. One of the things that we pride ourselves on, in particularly Douglas County, is public school choice. But one of the issues we have with public school choice is, particularly in my district, we abut to Bennington to a little bit to the west of us. But I also have Fort Calhoun, and Fort Calhoun is actually in my district.

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There's parts of Fort Calhoun that come into Douglas County. Underneath current statute, if you were to opt out-- or opt to a different school district, you could only do it once. So theoretically, you have to go back to your home school if you want to make another decision. If a parent chooses, they want to send their kids somewhere else besides maybe Fort Calhoun because it's too far to drive, they would have to go back to Northwest. And what if that kid or that parent decides that they want to send their kid to Millard? Underneath current statute, that is really not allowable. And so this would simply change it from one time to five times. And it would also allow students who sometimes we have a lot of dual and programs-- dual programs. We know that Millard has-- Westside has launched a new career path around steel and trades. This bill would also open up the possibility to have students move back or at least share the opportunity to go to different school districts to get those classes that sometime are not affordable in their own school. So it's really simple, changing it to one to five. I'm amenable to 10, 12. If we're gonna have public choice, we should allow public choice and let parents make that choice. With that, I'll answer any questions.

GROENE: Senator Walz.

WALZ: Thank you. Thank you, Senator Wayne. How many times in a year? I mean, could they do this five times within a year? Or would there be some type of a limit on how many times per year you could do that?

WAYNE: I'm open to an amendment per year. The, the issue is particularly in the western part where my district ends and actually it's more in Senator DeBoer's district, where you have school districts that are-- OPS is literally building a high school on 168th and Fort because a lot of parents would option enroll their kid or move, move their kid over to somewhere else, particularly Millard, because it was closer. But the only option after that is to go back to Burke underneath state statute. And so what if it's easier to go to Bennington, which is just a half mile the other way? So we're trying to solve that. But yes, I understand that we shouldn't probably allow them to move around five times within one year. But I, I do think an amendment limiting the, the years-- how many moves in a year is fine but--

WALZ: OK. That would just-- that would have be my concern.

WAYNE: Yeah, no problem with that.

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GROENE: Senator Kolowski.

KOLOWSKI: Thank you, Mr. Chairman. Senator, if a district is growing by leaps and bounds and they declare that this school is at a maximum and cannot take any outside the district, if you're living in the district, of course you need to attend there, but would that hold up as far as what you're looking at where a district can say that?

WAYNE: No, this wouldn't change the capacity requirements that are outlined. If you can't-- I mean, for health safety reasons, if you can't put more bodies in there, you can't put more bodies in there. This is just a bill saying that, again, there are people in my district, in my neighborhood who went to a different school district and the only option they had was to come back to, in this case, Northwest. And they were looking at, well, maybe we want to go to Elkhorn, I would at least like to have the option. And if it's a public school, why not allow them to have that option?

KOLOWSKI: But if the district says, no, we're at capacity.

WAYNE: Then they're still stuck within that choice within their district to maybe to find a different--

KOLOWSKI: That board language holds that. Thank you.

WAYNE: Yes, that, yes, that will still hold.

GROENE: Senator Linehan.

LINEHAN: So are you saying from kindergarten-- I didn't even know this was [INAUDIBLE], kindergarten through senior year in high school, you can only change schools once?

WAYNE: That's how I read the law. I mean, you-- they-- I mean, obviously, they allow it to happen, I think. I mean, I know at OPS, I think, we did. But I think that's contrary to what law says.

LINEHAN: OK. All right. Thank you very much for bringing this--

WAYNE: I did review it. I also had my legal staff review it, and that's how we read it.

LINEHAN: Thank you.

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GROENE: So student B comes walking in the door at OPS and he wants to attend there and he's from Elkhorn. Does the enrollment official check to see if this person used that option once before in their life? How would you do that?

WAYNE: It's a great question. I think-- well, you have to get their school records so you would know if they moved from somewhere, you wouldn't just take a student--

GROENE: That's right.

WAYNE: --at the high school level without their school records. So you would have some, some idea of that.

GROENE: But the school-- there's no provision here that says the school has to say, no, you've optioned once we're not taking you.

WAYNE: No, but what gives them the authority to do it? I don't see the authority-- I don't see enabling legislation based off a statute that says they can. It says that once. That's how I read it, only once.

GROENE: All right. Thank you. Any other questions? Thank you.

WAYNE: Thank you.

GROENE: Proponents?

SCOTT LAUTENBAUGH: Good afternoon, Mr. Chairman, members of the committee. My name is Scott Lautenbaugh, L-a-u-t-e-n-b-a-u-g-h. I'm here representing K-12 Inc. I'm not gonna go on and on because Senator Wayne explained that this is a very simple bill. I think Senator Linehan expressed some surprise that that was the state of the law. I was surprised in my life by that once, too. It is the case under existing law that you can transfer once to another district. There are some exceptions there. You can go back to your own district or if the district you transferred to merges or ceases to exist, those exceptions do exist. But otherwise, the circumstance where if you leave your home district and you aren't happy with the choice you've made over time, your only choice is to either move or go back to your district or pay the money for a parochial school. So this is a very simple, straightforward thing that, I believe, addresses a shortcoming in our law. You should-- we should defer to the parents to the extent humanly possible, if you will, and being able to option into a different public school district once just seems woefully insufficient and is frankly often, frankly often a surprise to people. So we're

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happy Senator Wayne is bringing this to light. There could be some issues with the bill as far as reinserting the exceptions that do currently exist, because they do make sense if your district dissolves. That shouldn't count as one of your five options. There's probably no magic in the number five either, really. But one just seems very, very small with all of the options that are available today and districts abut against other districts and other districts and other districts and some of the more populated areas and certainly some of the less populated areas, too. So this is an important change. It's good for parents. It's good for kids. You will likely hear, and it was raised in the questioning, that will this-- would someone transfer five times in one year? And it's hard for me to imagine a parent doing that to their child that wouldn't already be doing so many other things wrong with that child that social services would already be involved. You would have to assume a rational parent here or else this whole system doesn't work. It'd be reasonable to say you transfer once a semester or only at the semester or only at the year, limited in that way. But I think we should maximize the options parents have, and this is one way to do it. I'd be happy to answer any questions you might have.

GROENE: Senator Kolowski.

KOLOWSKI: Could you tell us how athletics comes into play with this situation?

SCOTT LAUTENBAUGH: I would assume similarly to anything else when you are transferring to a different district. I don't know specifically how they would deal with eligibility necessarily that might be an issue. Not every student is an athlete, though. And if there are problems with eligibility and that student has to sit out a semester because they've transferred, we, we have that now.

KOLOWSKI: Thank you.

GROENE: What about the school district? We already hear about more mobile society getting worse, parents moving from-- now you've got all these school hoppers jumping from school to school because they got C's and they ought to get a B or because they want to play sports and they were a C team. And you've got the school trying to fit these kids into a class, but with different backgrounds in education, it seems like a little bit of a burden on the schools, too.

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SCOTT LAUTENBAUGH: It certainly is. And I would say that lots of things are burdens on the schools, but the default position should be what the parent wants for that child within limits. Again, if you-- if a parent is moving a kid around five times to five different districts in one year, that's, that's unreasonable. And, Mr. Chairman, I believe you asked a question about does the district have to take them under the existing law if they've already transferred once? I think the more likely thing might be that the district they are trying to leave, that they've transferred to might object for loss of the funds. So if the law says you can only transfer once and funds follow the student, you could see the, the district that the student moved to once resisting then trying to hop a second time. It might not be the incoming new district, but the one that they have relocated to that objects to the second transfer, if you will, under existing law.

GROENE: Any other questions? Senator Murman.

MURMAN: I-- my understanding is that you can only option before the start of the school year and there's a deadline, you have to sign up to do that. Is that still true? And is it possible to option during the middle of a school year? I didn't think that was true that was possible.

SCOTT LAUTENBAUGH: I know under the existing regimen, there is a deadline. I believe it's in March to make this request. And I don't see that this bill is meant to change that, really. So I assume that same circumstance would have obtain that you could not change schools several times in one year-- districts, I should say, several times in one year. You would have to make that-- meet that deadline, as you do under existing law for the one time you transfer.

MURMAN: Thank you.

SCOTT LAUTENBAUGH: And if that's not the case, it bears clarifying, certainly, with an amendment.

GROENE: Do you know in a district like Elkhorn or Millard or OPS where they got multiple high schools, can a parent ask for their child to attend a different high school within their-- or a grade school within a district.

SCOTT LAUTENBAUGH: I believe that's the case. I don't know if there's specific restrictions within the districts on that. I, I know people

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do change high schools and middle, middle schools. I'm not sure how the districts handle those internally. I just don't know.

GROENE: All right. Thank you.

WALZ: I just have one real quick question.

GROENE: Senator Walz.

WALZ: So I-- can you just kind of help me understand what problem is this trying to solve?

SCOTT LAUTENBAUGH: I have actually-- this, this is not a hypothetical issue. There are people who are surprised when they find out you can transfer one time and if you aren't happy with where you've gone, your only choice effectively is to go back to where you came from or pay for a private school. And it's specifically-- I mean, I'm, I'm from Omaha, there are several quality districts all bumping up against each other throughout Douglas County and the larger metropolitan area. The problem it is trying to solve is just that, when we-- a parent exercises their one choice for their child and then finds that there's an issue with the chosen district and you have to go back to the place that you've already decided was not right for your child. Most people don't understand that's the way it is I would, I would submit.

GROENE: Senator Kolowski.

KOLOWSKI: With our discussion, please understand that the district can say this high school is closed.

SCOTT LAUTENBAUGH: Yeah.

KOLOWSKI: Numbers wise, this-- no one's coming in from anywhere. And this is the situation because of size, because of the numbers that we have, that they can declare that from that perspective, and it happens also.

SCOTT LAUTENBAUGH: I'm sorry, Senator. I believe Senator-- as Senator Wayne stated, this does not design to change that in any way. The schools have to have that control.

KOLOWSKI: Right. Correct.

GROENE: We already have a problem in rural Nebraska where we got actual schools recruiting option. I mean, they put advertising around

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the centers, North Platte, Norfolk, Columbus. They actually advertise. So now I could see a competition not just between the big school and the little school, but between the five little satellite schools competing, well, you didn't like it over here so come over here and we'll guarantee you a B+ or-- could you see that problem happening in rural Nebraska?

SCOTT LAUTENBAUGH: I honestly would believe that competition solves more issues than it creates. And that's generally a rule of life, in my estimation. But also, I believe it applies here as well among the school districts, they, they should compete with each other for those students and those parents.

GROENE: All right. Thank you. Any other-- Senator Kolowski.

KOLOWSKI: The question of eligibility and one that would begin in that particular school they transferred to could be an issue depending on the board and how they write things.

SCOTT LAUTENBAUGH: Yes.

GROENE: Do you know anything part-- about the second part of this bill that was never mentioned? Each school board shall allow the part-time enrollment of students who are enrolled in the school district and who are also enrolled in the private, denom--

SCOTT LAUTENBAUGH: I believe what that's trying to address is-- currently now, as I understand, if you're enrolled in a parochial school, you can also take courses in a school district. This is meant to allow basically enrollment between one public school district and another public school district, not just between a parochial school and the-- a school district. So it would allow-- basically allow dual enrollment in two public school districts, which is not allowed currently.

GROENE: And both-- the student counts for an FTE in both schools?

SCOTT LAUTENBAUGH: Pro rata would be the assumption.

GROENE: All right. Thank you. Any other questions? Thank you, sir.

SCOTT LAUTENBAUGH: Thank you all.

TOM VENZOR: Good afternoon, Chairman Groene and members of the Education Committee. My name is Tom Venzor, T-o-m V-e-n-z-o-r,

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executive director of the Nebraska Catholic Conference. And we're not speaking to Section 1 of this bill, more so to Section 2, sort of impartial support. And, and then also to raise a little bit of concern with how the bill is currently drafted, but wanting to work through an issue there. So in terms of that Section 2, I'll sort of sort of address a little bit of the problem there first, the way it's drafted currently we would be concerned that it might undermine the statute as it's written. So for our students in our parochial schools and our Catholic private schools, etcetera, you know, they enroll in the parochial school, but they don't necessarily enroll in their local public school. So and that's why in the original statute it said that if you are a resident of the public school district and you are enrolled in the parochial school, then the school board shall allow you part-time enrollment. And so by striking the language, and a resident of the school district and making it enrolled in this school district, that just created a little bit of a problem in terms of having to sort of essentially force the hand of our parents to have to enroll in the public school district before they could actually be given part-time enrollment in the school. And that's just sort of impractical for our parents because on the whole we aren't enrolling in the local public school, they're enrolling in the parochial school. So you know, our thought there would be just if we can sort of preserve the-- it's a little bit confusing and if, if I need to work through that and the questions happen to do that, it took me several times to figure it out as I was reading it. But, you know, happy-- we think that if sort of what Senator Wayne's getting at, I think you can continue to do what he's doing and then still preserve the original statute. But then I would also say what he's actually putting into place would actually have a beneficial effect for some, very few of our kids in our schools. So for example, every now and then, you know, you'll have a, a kid who-- let's say they're-- I'll use an example of a, of a kid I know. So they were going to school, for example, at, at-- they were a resident of Scribner-Snyder Community Schools, but they were going up to West Point Central Catholic for, you know, just for high school. OK. And so while they were there, they also wanted to take part-time-- like, you know, ag classes or welding classes at West Point Public Schools. However, the, the issue they ran into was because they weren't actually a resident of West Point Public Schools, they couldn't, you know, be-- do part-time enrollment at that school. I think with the small change that Senator Wayne is making, that would actually provide more ability for that kid who's going from one public school district actually attending parochial school in a, in a school-- attending parochial school in a school district where there's

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a, a different public school district that would allow them to gain sort of part-time enrollment at that local public school. And we think that that would be good. Again, that's a pretty rare scenario where that happens. But hopefully that's not all too confusing. If it is, feel free to ask questions. But we think that we can preserve the underlying statute and still do what Senator Wayne's attempting to do. With that, happy to take any clarifying questions.

GROENE: Any questions? Thank you, sir.

TOM VENZOR: OK.

GROENE: Proponent? Opponents?

BRYCE WILSON: Senator Groene, Education Committee, I'm Bryce Wilson, B-r-y-c-e W-i-l-s-o-n. I'm with the Department of Education. The Department of Education opposes LB1134. We have-- the Department has concerns with the stability and continuity of education with essentially kids moving from district to district. Just-- there's a lot of research around that and what that can do to kids and their education. A couple other things, I guess we have also concerns with tracking specifically around the partial enrollment or part-time enrollment, the option enrollment, concerns of those kids are enrolled in two public school districts and reporting whose kid is, is it for reporting purposes? Those types of things that it raises some concerns that would need to be worked through on, on all that as well. There were a couple of things I just wanted to clarify as well on the option enrollment rules: one, that a kid can option enroll to a different district at any time during the school year. The March 15 deadline that was referenced is only a deadline for the resident school district to have any say in whether that kid can option out or not if it's before March 15, the resident district has no say in that kid's ability to option to a different school district. If it's after March 15, then the resident district can say-- can turn the kid's option enrollment application down or decline it. Also there, there is more than-- a statement was made that the kid only gets one option enrollment from kindergarten through 12th grade. One of the exceptions that's outlined in the current language is anytime that a kid changes school buildings. So even if, even if you have a, a one-building school that has K-12 all in the same building, so a smaller school district, if we would consider when they move from-- if their school's K-6, 7-12, we would consider that change between sixth and seventh a, a school change, they would get a second option at that time, or it depends on either the option or resident district when they have a

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grades or a school configuration change. So if one district is a K-5 and another is a K-6, that kid would essentially get a second option at either fifth grade or sixth grade, depending on what district they're going to. So any time there's building changes, the, the current law allows them to have another option at this under the current law.

GROENE: Questions?

BRYCE WILSON: Is there any questions?

GROENE: So-- Senator Kolowski, go ahead.

KOLOWSKI: Just, just for repeating what was said earlier, if the district is maxed out they can, they can say to that student and that family, we cannot take you at this time or anyone else because of max number.

BRYCE WILSON: Yeah, a school district is required to have a policy that outlines what their requirements are and how many option kids they can have. And if they are exceeding that, they would still be able to turn the option enrollment application down.

KOLOWSKI: Thank you.

GROENE: Senator Murman.

MURMAN: Thanks for testifying. I think when you first started, you said something about when students change too often or take classes in more than one district it's difficult to keep track of things. Could you expand on that a little bit?

BRYCE WILSON: Well, one of, one of the concerns would be on reporting so that if we have kids that are enrolled, dual enrolled in multiple public school districts and they have to report dropouts or they have-- they're reporting for the testing and all, all the different requirements that have to be reported, whose kid, when a kid drops out, who-- which district reports that kid, and there's a lot of other factors along with that as well.

MURMAN: Thank you.

GROENE: So student aid goes to one school, and he's reported as a full-time student, then he takes another class in another school because it's not offered in, in that one public school, welding. Then

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is-- is he considered a part-time-- part of a full-time equivalent, a piece of a full-time equivalent to that school?

BRYCE WILSON: Well, currently that can't happen. But if that was allowed to happen, we--

GROENE: Would this bill allow that to happen?

BRYCE WILSON: Well, it would allow a kid to be enrolled in two public school districts at the same time. So you may have-- our system is built so that a kid, a public school student, can't be more than a one FTE.

GROENE: But in this case.

BRYCE WILSON: So we'd have-- there'd have to be some work done to try and figure out-- so its potential that, you know, one district, if they had seven periods, and a different school district had eight periods and a kid took six in one and one in the other, will you have, you have a situation where that kid's not gonna be a full FTE, potentially, depending on which districts you're using as the primary district and, and how that FTE works out. It would be, it'd be-- there'd be some hoops to have to jump through to try and work through some of that-- the data issues there. Not that it couldn't be done, but that would be--

GROENE: So he'd be split, he'd be a fraction.

BRYCE WILSON: Yeah, so-- I mean, in theory, say one kid took half a day at one school and half a day at another school, then they'd be a .5 FTE at each school district in a, in simple scenario.

GROENE: Wasn't 75 percent, 25?

BRYCE WILSON: Yeah, same thing. And we have that-- like, under the current law, a kid can be a homeschool kid, an exempt student for, you know, the majority of day, but take one or two classes at the resident public school district and then they're only gonna show up as a .25 FTE at the resident public school. They won't show up as a full FTE right now under that scenario.

GROENE: So it is split now, they have report him as a,--

BRYCE WILSON: Yes.

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GROENE: --a partial student to each one, hopefully make--

BRYCE WILSON: Well, right now they can't dual enroll in public schools.

GROENE: They can't, this would allow that?

BRYCE WILSON: Yes.

GROENE: And then-- but his full-time equivalent would be split if the paperwork was done correctly?

BRYCE WILSON: I would-- yes. And we would have to work-- we would have to do that, yes.

GROENE: If a student decided, and mom and dad decided, not to kid, that's what worries me about five times, mom and day says, all right, we transferred you here, it didn't work out, you didn't make the team, next year you're going over here. Could that school that's here say-- do they have to say, no, that you've already had your one transfer?

BRYCE WILSON: Right now-- so if a kid's in high school and he's, he's already used as one option and he's say a junior, he's not gonna have that school building change and he's already used his option, then both districts should be saying you can't--

GROENE: Do they have to?

BRYCE WILSON: Yes, by law they can't. If they, if they allowed the kid to option in and it was determined that they had done that, essentially a letter would, would be sent out to the school district saying, on what grounds did you enroll this student? And we would wait for a response from them. If no response happens, we have the authority to withhold state aid in property taxes from that school district. And under that scenario, it's never-- in my ten years we've never had anything like that. If a school found out that they had enrolled a kid they shouldn't have, they fix the situation.

GROENE: So even if they're an equalized district, they shouldn't be-- I can understand the payment of the unequalized district getting the \$9,700 for that student. You wouldn't-- if they took the child and said, all right, we're willing to take the child, fill our classroom. You can catch that, that, that that child on his second option and not pay them the option money?

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BRYCE WILSON: We don't-- we would not catch that. The school districts,--

GROENE: So it's self-policing,--

BRYCE WILSON: --the school districts--

GROENE: --it's self-policing?

BRYCE WILSON: --would need to catch that, yes.

GROENE: Yeah, self-policing.

BRYCE WILSON: Our system may be built so that we can start tracking some of that, but at this time we don't.

GROENE: Thank you.

BRYCE WILSON: But it wouldn't-- equalized, nonequalized wouldn't matter in that scenario because an equalized district would get funding for them, a nonequalized district could get funding for that student.

GROENE: Both of them would but in a different way.

BRYCE WILSON: Yes.

GROENE: Thank you. Senator Walz.

WALZ: I just need to have some clarification on a couple of things. So my daughter attends a private school and I'm pretty sure, and you can correct me if I'm wrong, but I'm thinking that there are kids that attend the Catholic school that go to the public school to take Spanish 14 or something that's not offered at the-- is that then considered a dual enrollment?

BRYCE WILSON: Not-- when we say dual enrollment, we're talking dual enrollment in public schools.

WALZ: OK.

BRYCE WILSON: So, yes, that, that is allowed. I mean--

WALZ: That is allowed?

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BRYCE WILSON: Yes, yes, absolutely.

WALZ: And then at that point is the public school-- you know, if they're going half the day to take these classes and half the day at the private school, is the public school getting that .5 FTE then at that point?

BRYCE WILSON: Yes.

WALZ: OK.

BRYCE WILSON: They-- the public school would get recognition for the time that the, the student is in, in, in a seat in their school or being served by them, but not for the other half of the day while they're at the, the private school.

WALZ: Yeah, and I know [INAUDIBLE]--

BRYCE WILSON: But that would only be, that would only--

WALZ: --half the tuition.

BRYCE WILSON: What's that?

WALZ: And I know it's not half the tuition. But I'm just--

BRYCE WILSON: Yes. But they, they would also-- like I said, they would-- that only works for the resident school district under current statute. They could not, as the scenario was presented earlier, if they had-- if it was a Scribner-Snyder student and they went up-- he was correct in that they went to West Point Central Catholic for some classes, they couldn't then just skip over to West Point Public Schools and take classes because that-- they were not residents of West Point Public Schools.

WALZ: Right. Yep.

BRYCE WILSON: That would be a part-time option enrollment which isn't allowed by under current statute.

WALZ: OK. Thank you.

GROENE: Senator Kolowski.

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KOLOWSKI: Thank you, Mr. Chairman. Do you have a staff or a number of staff members that check on the eligibility of people making transfers, especially for athletics?

BRYCE WILSON: We don't-- we do nothing with athletics at the Department of Education. That would be--

KOLOWSKI: You may not do anything, but coaches are doing things. Do you have anyone who checks on that?

BRYCE WILSON: No, we do not.

KOLOWSKI: Thank you.

BRYCE WILSON: We get phone calls a lot. [LAUGHTER]

GROENE: From the other coach. Any other questions? Thank you, Bryce. Any other opponents?

ANN HUNTER-PIRTLE: Good afternoon, Chairman Groene, members of the committee. My name's Ann Hunter-Pirtle, A-n-n H-u-n-t-e-r hyphen P-i-r-t-l-e. I'm the executive director of Stand for Schools. We certainly support parent choice, but we have several technical concerns with LB1134. First off, the bill omits most of the exceptions for why a transfer wouldn't have to count under the current law. So I'd like to draw the committee's attention to lines, 8 through 19 of the bill language which are struck in LB1134. So line 10, except that the option does not count toward such a limitation if such option meets, (a) The student relocates to a different resident school district, (b) the option school district merges with another district, (c) the student will have completed either the grades offered in the school building originally attended, (d) the option would allow the student to continue enrollment in a school district, (e) the option would allow the student to enroll in a school district in which the student was previously enrolled as a student, or (f) the student is an option enrollment option student-- or is an open enrollment option student. Unclear whether those conditions would now have to count in the five times that are being contemplated in LB1134. We also are concerned that lowest common denominator shopping for both academics and athletics would become pretty common under this type of practice. My dad was a high school principal for ten years here in Lincoln and he can tell you about the many parent phone calls he received about my kid didn't make the basketball team. You're an idiot. That sort of thing. And we do have concerns about that kind of, of shopping under

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LB1134. And finally, you know, changing schools and school districts is a major decision that parents should make with care. We certainly support parent choice. We think the Legislature needs to strike a balance between supporting that choice and encouraging that it be an informed choice. And so some of the technical parts of LB1134 concern us for those reasons. Happy to take questions.

GROENE: Any questions? Thank you.

ANN HUNTER-PIRTLE: Thank you.

GROENE: Any other opponents? Neutral testifiers? You want to close Senator Wayne? Opposition was the Nebraska Association of School Boards, no proponents, no neutral.

WAYNE: Thank you. Just to clarify, as Mr. Venzor said, we are open to the amendment to fix that. That wasn't what we were trying to do. And as far as the exceptions, if that's the, if that's the opposition, we're fine with the exceptions. That-- not gonna blame anybody in Bill Drafting or nothing, I should have caught that. But we're OK with the exceptions. But I do want to highlight something. Two things: one, according to the fiscal note from the Department of Education, this is only a \$300-- \$3,800 software problem. So the testimony didn't reflect \$3,800, it made it sound like it was a very big problem, but we're talking about software. Saturday morning we can go out and buy over the course of the country 300 Powerball tickets and by the next day we know where it's at, where it's sold, and who won. We have the capability and the software to do this. And having somebody transfer one time per year, it doesn't seem to cause that big of a, a software issue or tracking issue. Furthermore, part of the second part of the bill, I did briefly touch on it, but to me, this is a no-brainer. We allow parochial students to have the option and dual enroll, but we don't allow public students the option to dual enroll in other public schools. That doesn't make sense to me. And particularly when you have to decide between a program of maybe going to Metro Community College and paying for a certificate or maybe dual enrolling at Millard where I can get that same certificate for free in class. I think parents should have that option because the kids down the street from my house that are in parochial school have that option. My public school kids who are down the street from my house don't have that option. So we are actually limiting choice for our public school kids versus our private school kids, which I think is a huge problem. So that's all I wanted to point out, is that actually we are giving more choice for those who are enrolled in private school rather than public school.

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And I think particularly in Omaha, with the new high schools coming on, on board and some of the programs that are happening at Westside and Millard around trades and in Omaha Public Schools with their CNA program, I think kids might want to go enroll in that program and should have the ability to do that without having to go to a private school versus going to pay for it at Metro Community College. That saves the kids a lot of money in the long-term. So if we're about public choice, let's not limit public students' choice.

WALZ: Questions? Senator Linehan.

LINEHAN: Senator Wayne, you, you understand that if a child lives in the school district, even in a parochial school, it's not quite the same as two different public schools.

WAYNE: No, but they have--

LINEHAN: They're only paying tuition to go to parochial school.

WAYNE: Correct. I understand. I'm just talking strictly about the choice.

LINEHAN: Yeah. So I do think you highlighted a concern of mine that's like a bigger concern the committee needs to look at. So are you saying if a child is in OPS and they want a dual enroll at Metro, they pay full tuition?

WAYNE: It depends on the program, there is tuition costs. But sometimes in particular, and I'm thinking of one, Millard offers that same program for free with underneath their program. So I think that kid from OPS should be able to access Millard's program if Millard will take them.

LINEHAN: So do you think maybe as a state we should have a standard for children who are dual enrolling, who's paying and who's not paying?

WAYNE: I think as a bigger conversation after this bill goes out and pass, we should have a bigger conversation that if both K-12 and community college are funded by the state, we should look at how that funding is used.

LINEHAN: So do you know if a senior or junior is going to a public school and they're enrolled in that school, they're one FTE, so if

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they spend half their day at the community college, are they still a full-time student at the public school?

WAYNE: Yes, I believe so.

LINEHAN: So even though this child's there only half a day, they're getting-- they're counted as a full-time equivalent?

WAYNE: Yes.

LINEHAN: OK. Thank you very much.

WALZ: Other questions? Other questions? Senator Murman. Thank you.

MURMAN: Yes, I would just like to clarify, if a student is going to a public school, they cannot go part-time at another public school.

WAYNE: Correct.

MURMAN: But if they're a private school they can.

WAYNE: Yes, that's what I was trying to highlight with the choice.

MURMAN: Thank you.

WALZ: Other questions? I have one other question.

WAYNE: OK.

WALZ: Would, would dual enrollment include on-line schools?

WAYNE: I think that's up to the school. We don't have a, a statewide policy regarding on-line schools. So I know in OPS we started an on-line school. So I-- I'm assuming if the school district would allow that to be counted towards their FTE, they should be able to.

WALZ: In your bill?

WAYNE: In my bill, it's still, it's still a local decision. My, my bill doesn't change that local decision. That is still a local decision by the school district.

WALZ: OK. Any other questions? Thank you, Senator Wayne.

WAYNE: OK. Thank you.

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WALZ: That closes LB1134 and it opens-- we're gonna open with LB1073. Senator DeBoer.

DeBOER: Good. For a second, I thought I was going to have to say somebody other than Chair Groene. Good afternoon, Chair Groene and all of the senators on the Education Committee. My name is Wendy DeBoer. For the record, that's spelled W-e-n-d-y D-e-B-o-e-r and I am the senator from District 10, which is Bennington, Omaha-- northwest Omaha and those areas. I'm pleased to introduce to you today LB1073, a bill related to school finance and by extension, to property taxes. This bill is the result of many month-- months of discussions with stakeholders, research into our school finance system, conversations with legislators in other jurisdictions, and conversations with other senators within this body. I will begin by saying that I am now, as I was when I began running for this office, committed to finding property tax relief for our citizens with special focus, focus on those whose property taxes are the highest while I am also committed to protecting our public schools and their funding, both now and in the future. I believe this bill addresses, albeit perhaps not exhaustively, both of those commitments. As you on this committee are all aware, but perhaps not all Nebraskans know, the state of Nebraska does not levy or collect the property taxes. Property taxes are collected by your local governments, your counties, your school districts, the NRDs, et cetera. So property taxes are not directly levied by your state government. That is, they're not directly levied by us. So the way to lower property taxes from the state level is to direct money from the state to some of those local governments so that they don't need to collect as much in property taxes. We already do this in a variety of ways. LB1073 would send additional funds to the school districts throughout the state so that they could have enough funds to pay for their expenses and still be able to lower property tax levies. It's a fairly simple bill once you understand the basics of the formula. It makes three changes to our school finance formula, two of which are fairly minor, one of which is substantial. And it adds the School Finance Review Commission, similar to what-- the bill that I brought before you guys last year, which you may remember. First, the two minor changes to the formula. LB1073 lowers the LER rate from \$1 to 99 cents. This change sends extra money to the already equalized districts that are up against their levy lid; districts like Senator Linehan's Elkhorn Public Schools, Senator Morfeld and Pansing Brooks' Lincoln Public Schools, Senator Groene's North Platte Public Schools. The LER is the Local Effort Rate and is the amount of-- the local property taxes are supposed to kick in when determining how much

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state aid to send. Lowering it means that more state aid would be called for in the formula. The second change is to lower the rate at which agricultural land is calculated as a taxable asset for school districts in the state aid formula. LB1073 lowers the amount that agricultural land is counted against a school district from approximately 75 percent to approximately 55 percent of the assessed valuation. This change recognizes that-- excuse me-- this change recognizes that agricultural valuations are, at the moment, somewhat falsely inflated due to the steep rise a few years ago. LB1073 starts from the premise that this probably temporary increase in these properties' values should not be counted against the schools for how much money they should raise from local property taxes before getting state equalization aid. Instead, by lowering the percentage that they are counted as resources within the formula, some school districts will get additional funding through the formula and some will be brought into equalization. More state funding means more money for school districts and less they have to raise through property taxes. But the biggest change to the formula is to institute a basic funding payment from the school to every district in the state for every student in the state. This rather substantial change will send revenue from sales and income taxes out to every school district based on a calculation of what a basic education costs in that district. This is a number which already exists in the formula and under LB1073, 7.5 percent of the cost of every student is distributed to each school district-- of the basic funding. This is on top of the state aid, which is already received. This sends money to school districts that have so much land wealth around them compared to the number of students they have that they are very, very far from reaching the local contributions required to qualify them for state equalization aid. These are mainly rural and very rural districts, some as-- such as some of the ones in Senator Brewer's district. I should note here, however, that there was a drafting error when we wrote this bill. Because basic funding is a number already within the formula, our drafting it also as an allowance and adjustment within the formula led to a recursive circle of adding the number in and taking it out. So long story short, we have an amendment. I think I had that passed out to you, which reflects my original intentions with this bill and the intent upon which we modeled it. That amendment, AM2375, which I've passed out, strikes a few paragraphs and then makes the new basic funding be offset in the equalized schools by their equalization. So equalized schools get no new money from the basic funding portion of this bill. We've been working with the Fiscal Office and we think we have the language correct now. And the new fiscal impact of the bill

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would be \$132 million in 2021, \$135 million in '21-'22, and projected at \$142 million in '22-'23. I should note that the amendment also brings the bill in-line with the new certification dates that we passed last week in Senator Groene's LB880. So that is the other piece of the amendment. After we have made these corrections, then the bill reflects our original intent. Once the three changes to TEEOSA have been made, every school district gets more money from the state. So every school district will need to collect less in property taxes to reach their budget. One of the chief advantages of this approach to school finance is that this bill is scalable. That means that if we find we have more resources to distribute to school finance and by extension property tax relief, then we can use the same method to pull on the various levers already within TEEOSA and this new lever of basic funding to address the financial situations we cannot even plan for that will come to us in the future. Now some folks have asked me, just because we have given the school districts more money, how do we know, absolutely know, that they will lower their levies and give property tax relief to their people? The simple answer is because they've done it in the past. State funding to K-12 education is inversely related to local property taxes levied by the school districts. If you look at them long term, they've tended to move together. When we send more money from the state to the schools, they don't have to raise as much from property taxes. But additionally, we know that school districts are concerned about property taxes. School boards are concerned about what their people are paying too. School board members are community members. That's why so many levies-- or it's one of the reasons why so many levies are below their levy limit. Those school districts with low levies have room to raise their levies, but they don't. It's a matter of local control. Local people understand their local situation. They know when a new school bus needs to be purchased or when the windows on the school need to be upgraded and hopefully create long-term savings in energy costs. Local elected officials are in the best position to lower their own property taxes and to keep their budgets in check. I hear at least once a week on the floor of the Legislature that we don't want to make-- Lincoln making decisions for everyone. Let's let local decision makers who run into their constituents at grocery stores and churches, even when we are all here in Lincoln during the session, make the decisions for the local community. We have the obligation to provide for the education of our children, even if we were not having a discussion about property taxes. Even then, I would bring this bill because we ought to be funding our schools from the state at least on the national average. Some of the farmers have told me that if corn were at \$8

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again, they wouldn't be complaining as much about property taxes, but I would still bring this bill because we are constitutionally required to keep up our end of the bargain and put more money into schools from the state level. We should not be relying so much on the property taxpayer, regardless of the cost of corn. We should do this regardless of the taxpayers saying that valuations have gone up. We should pass this bill giving more money to our K-12 education from this state because it is our duty to do so. We are fortunate that this year, we have an excess in our budget so that we can provide more money to our schools. Let's, let's, let's put that money in. Let the local school boards lower their property taxes accordingly. I understand that there's going to be quite a few people testifying after me. Many in the education community, the agricultural community, et cetera, will be testifying in favor of this bill. There are a few schools who still have concerns about how the state will balance the budget in lean years in the long run so some will testify in neutral or even opposition. I want to thank everyone who's been meeting with me about education policy throughout the interim. I am committed to continuing to work with all the stakeholders as we develop the best long-term, sustainable policy for our entire state. I know some of you on this committee might have some concerns still and I want to assure you that I'm still open for trying to find creative solutions that everyone can agree will mostly get to all of the concerns. So thank you very much and I'm happy to take questions now.

GROENE: Any questions? Senator Brewer.

BREWER: Well, first off, thanks for taking on property tax, this idea. I know you put a ton of energy into it and I like the concept. I'm trying to completely understand it-- what the effects are. I'm still kind of working through-- real quickly, we went through \$135 million in '20; '21-'22, \$142 million; and '22-'23-- what was 2021 again?

DeBOER: Yeah, let me get back to that page.

BREWER: All right.

DeBOER: \$132 million in 2021, \$135 million in '21-'22. And it looks like the projections-- the Fiscal Office is kind of just sort of figuring this out because we drafted it the wrong way. So it would be \$142 million in '22-'23.

BREWER: '22-'23?

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DeBOER: Yeah.

BREWER: All right, thank you.

GROENE: Senator Linehan.

LINEHAN: Thank you, Chairman Groene. So on the basic funding at 7.5 percent, is that for every school?

DeBOER: Yeah, that is for every school. And that's why the fiscal note was wrong at first because they weren't basically counting it against the equalization aid. So the fiscal note, if you look at it-- well, I don't know where it is in my folder, but if you look at it, the fiscal note has-- the biggest chunk of that fiscal note is for that basic funding.

LINEHAN: And that's incorrect?

DeBOER: That's correct that--

LINEHAN: It's wrong.

DeBOER: You are correct that it is incorrect.

LINEHAN: It's wrong. So there's no foundation aid?

DeBOER: No, it's just the basic funding. Every student gets the percentage of their-- whatever their basic funding is, 7.5 percent of whatever that number is in the formula for that school district.

LINEHAN: So every school gets 7.5 percent, but every child is not getting the same amount of money?

DeBOER: No, it is-- it's per child. So they won't get the same amount per child--

LINEHAN: Right.

DeBOER: --but they will get an amount per child.

LINEHAN: They'll get an amount equating to what they spent the year before?

DeBOER: Yes and then what, what will happen is they will do the basic funding calculation within the formula, determine what the basic funding is when they do the olympic average, and they figure out what

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the basic funding of-- or no, that's the other thing-- when they figured out what the, what the, the basic funding would be for that particular school district. And then they'll multiply that by the number of students that are enrolled in that district that year. And that's the amount that will get-- times point-- or 7.5.

LINEHAN: OK, all right. Thank you.

DeBOER: Yeah.

GROENE: It says here "basic funding aid shall be included in the calculation of formula need." And then it also turns around and said it will be considered a local resource. So it's added to needs and then subtracted as a resource?

DeBOER: So I don't know. Are you looking at the original draft?

GROENE: Yes, I'm looking at Section 35.

DeBOER: Yes. Unfortunately, we didn't catch this mistake until yesterday afternoon when we got the fiscal note. So what we had is we had it as an adjustment in an allowance. So that's where it gets added back in. What it will instead say, if you look at the amendment--

GROENE: So I guess--

DeBOER: --is it's just going to be-- you would get the money and then it gets counted as a resource against you, yeah.

GROENE: So then only nonequalized districts will be seeing extra state aid?

DeBOER: That's right.

GROENE: And really, it's-- basic funding is by a school district.

DeBOER: Yeah.

GROENE: And then if you happen to have 80 school-- students or 90, it's divided into the-- basically, you're given 7.5 percent of the school's basic funding.

DeBOER: Yes, but it depends on how many students they have.

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GROENE: Doesn't make any difference if they've got 80 or 90, it's 7.5 percent of that total.

DeBOER: I mean, you could calculate it out or not.

GROENE: So how did that-- the equalized-- how does the farmer in an equalized district or the people in an equalized district get tax relief?

DeBOER: Well, part of that is this 55 percent within the formula. So if you lower the agricultural valuations to 55 percent within the formula, recognizing that--

GROENE: So you're doing that.

DeBOER: Yeah.

GROENE: Then you're also taking the-- and the person in an equalized district in Omaha and Lincoln--

DeBOER: It's the LER.

GROENE: --North Platte--

DeBOER: That's because of the LER.

GROENE: --one penny--

DeBOER: Believe it or not, that actually-- if you look at the fiscal note, that part of the fiscal note is right. And you look at that-- it actually does amount to more money than you would think.

GROENE: So OPS is going to get a lower LER than most people-- equalized aid. Basically, it's an offset.

DeBOER: Um-hum.

GROENE: Any other questions? Senator Pansing Brooks.

PANSING BROOKS: Thank you, Chairman. Thank you for bringing this, Senator DeBoer. I echo what Senator Brewer said about we all know that you've worked really hard on this and have been passionate about, about bringing this forward. And it was yeoman's work so thank you for that effort. I'm trying to wrap my head around all of it. So I was-- I guess I'm, I'm interested-- so I presume you set up the, the School Financing Review Commission to sort of help follow and organize all of

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this. So I assume that at some point, they might-- if-- would they help with-- if there's some overreliance on property taxes, how would they come to the rescue or what would happen?

DeBOER: Yeah. No, thank you very much. One of the reasons for having something like a School Finance Review Commission is because in the long run, if we don't have someone minding the store, as it were, then we can get into the situation like we are now, where we had agricultural valuations go up so precipitously that the formula was not able to accommodate that change, that sort of external change. And we cannot anticipate what all of those external changes would be. You know, I've talked with the original framers of the TEEOSA formula in 1990, those senators who brought the bill that I could talk to, and, you know, they couldn't have anticipated all of the things that has happened in the 30 years since, nor do I think we can anticipate that 30 years now coming. So having some other folks around who are experts in that area, especially in an era when we're in term limits that can say, hey, uh-oh, we've got this problem and the TEEOSA formula is not able to handle it-- so that's going to be in place with the School Finance Commission to have those there.

PANSING BROOKS: OK. Yeah, I mean we can't pursue the whole future and neither could the people in the '90s so--

DeBOER: No, they could not.

PANSING BROOKS: So I think that-- I'm interested, too, whether or not there are-- I think you mentioned it, but I, I can't remember exactly if you said any schools will be losing any funding.

DeBOER: No, no schools would be losing any money because this is just additional funds that we should have already been paying that we're adding in now to the mix.

PANSING BROOKS: OK and I'm concerned and have been concerned about foundation age per pupil. So why is this not that?

DeBOER: Well, one of the problems with foundation aid per pupil is that we know that the, the school districts in, for example, your colleague Senator Brewer's districts have-- not very many students, but their cost per student is very high. And so if you give them a certain dollar amount per student, it's not going to help them as much as it would if you give them something like a basic funding, which

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recognizes that when they don't have the economies of scale, it's more expensive to educate a child.

PANSING BROOKS: So you think it, arguably, is not foundation aid per student?

DeBOER: Well, we call it basic funding.

PANSING BROOKS: OK. All right, I don't have any further questions. Thank you, Senator DeBoer.

GROENE: Senator Walz.

WALZ: Senator Walz.

GROENE: You need to get your hand higher.

WALZ: Sorry. If, if in the future, we weren't able to fully fund this bill as written, where would those cuts-- where would we be cutting?

DeBOER: So that's a very good question, Senator Walz. And part of this bill says in its intentions that because we're adding this basic funding piece in last, that-- one of the things we talked about with the school districts is that that ought to be the, the piece that sort of comes out first, last-in, first-out sort of thing. And so that is reflected in this bill that that is the intention to fully fund the equalization because those school districts don't have the ability to raise the money otherwise because they're often at their levy lids.

WALZ: OK. Thank you.

GROENE: Any other questions? To clarify on your commission, who, who-- I know the Governor appoints two members or--

DeBOER: I think the Governor appoints everyone.

GROENE: Oh, the only one he doesn't appoint is the commissioner. This is an unelected board making recommendations to the elected. What's the difference between this and Blueprint Nebraska? Why don't the education establishments go out and create their own commission, then come back and then try to lobby the, the elected officials?

DeBOER: Well, for one thing, this puts-- gives them the kind of, I don't know, legislative stamp of approval that they are-- they are tasked with doing this not just once in a while where we have some

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interest in doing something like a Blueprint Nebraska, but perennially. This is something that they are tasked with doing perennially because sometimes it will be easy. We'll know that things are running along pretty much like they have been for a long time. We're not going to really have to do much to the TEEOSA formula. And then sometimes, it will be hard. And these folks will have to be in place for when those hard times come.

GROENE: It seems heavily weighed to government employees.

DeBOER: Well, if, if we need to modify it because you don't think the weight is, is proper, I'm, I'm open to doing that.

GROENE: Thank you. Senator Linehan.

LINEHAN: Thank you, Chairman. And I'm sorry was-- I just had to step out for a bit-- but you said, I think in your opening statement, that you've got historical data that shows when state aid went up, schools dropped their levies.

DeBOER: Yeah, I do have that. I can get that to you.

LINEHAN: Can you do it by school district?

DeBOER: Can I do what by school district?

LINEHAN: Where their aid went up and then show how much their levies went down?

DeBOER: I don't remember, but I will get you what I have.

LINEHAN: OK, thank you.

GROENE: That calls for the question-- you know, every equation has two variables.

DeBOER: At least.

GROENE: Multiplier times-- levies have all gone down. I see some representative school districts in rural Nebraska where the levies have gone down quite a bit, but their asking skyrocketed.

DeBOER: You mean because--

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GROENE: They're sky-- has their asking historically gone down or their levies?

DeBOER: As I recall, it was levies, but I will get you the data because I don't want to say something wrong. But as I recall, it was levies.

GROENE: --correlate that to their asking. I mean, that's, that's the real problem, how many--

DeBOER: Yes, I-- no, I totally understand what you're saying. Let's, let's look at the data. I mean, obviously, that's something that we can look at and talk about it.

GROENE: Thank you, Senator.

DeBOER: Yeah.

GROENE: Any other questions? Senator Linehan.

LINEHAN: I just want to speak up for Elkhorn here. They are at \$1.05, but they-- part of that is their building fund, which-- you can go over \$1.05 if you have a building fund so they're not maxed out.

DeBOER: OK.

GROENE: Any other questions? Thank you. Proponents?

DAVE WELSCH: Good afternoon, senators. My name is Dave Welsch, D-a-v-e W-e-l-s-c-h. I serve as the president of the Milford Public Schools Board of Education. I have served on two school boards for a total 27 years. And most importantly, I am here as a farmer and ag landowner. I am here to testify in support of LB1073. First of all, I would like to thank Senator DeBoer for extending the invitation to interested parties to visit with her this past summer on the issue of property tax relief and education funding. The result of these conversations, in which she listened and learned from what we had to say, is LB1073. Secondly, I believe that LB1073 was written without the false assumption that school spending is a reason for increased property taxes. Even though the Governor and some senators have proclaimed this over and over again, it simply is not true. Education spending over the past ten years has increased about 3.2 percent per year, while the state budget has increased about 3.3 percent per year. So both our state senators, all of you, and locally-elected school board members like myself are doing equally well in limiting spending over this

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ten-year period. And that is why this bill does not include any additional efforts to try and take away the local control of locally-elected school board members. Third, this bill is a good start to provide property tax relief. It takes the first step to provide relief in the areas that have been hit the hardest by increased property taxes. These areas are rural Nebraska and especially rural equalized school districts such as mine, Milford Public Schools. This bill has taken a fiscally-responsible approach of not trying to promise more than what the state budget can afford. That being said, this bill should not be the final step in providing property tax relief for the state. In past sessions, many senators have said that certain bills were just too much for the state to absorb in one shot. This bill takes a targeted approach to those taxpayers that have been hit the hardest with the opportunity to go further next year to provide more relief as needed. I would also like to point out the attachment and-- am I still on the green light there? You've got a color blind guy here trying to look at your light so--

[LAUGHTER]

DAVE WELSCH: --let me know when it switches to yellow. Governor Ricketts many times has said we need a local-- and he said this in the State of the State Address-- we need local spending restraint because over the past ten years, local governments have raised local property taxes 54 percent, while inflation only grew by 17 percent. While this quote is consistent with what Governor Ricketts has said, it's an inaccurate statement. He's comparing spending to property taxes. He's comparing apples to oranges. So as you look down through this handout, you'll see from the school year '10-'11 through '17-'18 at Milford Public Schools, these are our numbers. And as you well know, during this time, ag land values doubled. And yes, we are a rural equalized district. We have been ever since TEEOSA was put into place in 1990. And just to summarize, our general fund operating expenses during that seven-year period went up \$800,000, a 12 percent increase; seven years, we averaged a 1.7 percent increase. Looks like spending restraint to me. Our property tax request went up 50.9 percent in those seven years. We were asking for an additional \$1.7 million. Why was that? Our state aid during those same seven years went down \$1.6 million. Property-- state aid goes down, property taxes go up. It's almost dollar for dollar in our district during that time period. As you can see, we only increased our actual tax request to \$130 when you consider the state aid that we lost. So again, that, that is an apples

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to apples comparison. State aid goes down, property taxes go up. I'd be happy to answer any questions that you have.

GROENE: Questions? Senator Pansing Brooks.

PANSING BROOKS: Thank you for coming, Mr. Welsch. I appreciate it and I also really appreciate this little example. Too infrequently we are given information as specific to what is actually happening.

DAVE WELSCH: Thank you.

PANSING BROOKS: And I really appreciate you bringing this forward.

DAVE WELSCH: Thank you. And this would be very representative of other rural equalized districts during that time period. We used to have a lot more rural districts that were equalized, but because of the valuation increase in ag land, they became unequalized at this time.

PANSING BROOKS: OK, thank you very much.

GROENE: Senator Linehan.

LINEHAN: Thank you, Chairman Groene. So I've seen this before because you've given this to us before. So I looked at your AFRs for Milford Public Schools from '06 to '07.

DAVE WELSCH: OK.

LINEHAN: And it is true that you have been cutting or reducing your funding since '13-'14. But unless the AFR is wrong, in '13-'14, you increased your spending 11 percent.

DAVE WELSCH: That's correct.

LINEHAN: And the year before, 4 percent.

DAVE WELSCH: Yeah, but I'm going over a seven-year average with the numbers that I've given you. The reason we jumped so much that one year is because we had got some remodeling in our district and used the short-term loans to do that over a two, three-year period. We had the resources, so we paid off that loan that one year and that's why our expenditures jumped.

LINEHAN: So how much do you have, like in-- do you use a building fund?

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DAVE WELSCH: Typically, we have not but in the last few years, we have started to levy into our building fund.

LINEHAN: So these numbers on this sheet don't include your building fund. This is just your general allowance?

DAVE WELSCH: That would be correct. And I would guess during those seven years, I don't believe we levied a building fund levy.

LINEHAN: OK.

DAVE WELSCH: I might miss it by one year.

LINEHAN: Because as we all know, you know, numbers can jump all over the place. So it's-- we can all pick out-- because I've got a list here of what spending went up in school districts across the state between 2017 and 2018 and '19. And we're all the way from people cutting 5 percent to people increasing 18 percent. So it's, it's not this whole, like, we're all under 2 percent. It's just not what the numbers show.

DAVE WELSCH: I didn't say that. I said that over the last ten-year period that education spending has increased approximately 3.2 percent and state spending has increased 3.3 percent. We're doing equally well if you consider--

LINEHAN: In just your general fund, you're just talking about general fund here?

DAVE WELSCH: Correct.

LINEHAN: Right, so not building fund, not anything that's outside the exclusions, not all-- what really shows up on your AFR, that's not your general funds. Well, that is your general funds, but there's a whole bunch of stuff that's outside the general funds. It's not showing up in any of this stuff you're showing us, right?

DAVE WELSCH: That could be. I did not gather that information, so I can't answer specifically to that, but I would guess that there are some expenditures outside of the general fund; there are for all districts.

LINEHAN: Thank you.

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GROENE: Senator Murman.

MURMAN: Yes, thanks for coming in to testify. I represent a district that I think has all nonequalized rural school districts and that would be typical for rural Nebraska. We have property tax rates that have increased as much as 200 percent on ag land in this amount time from 2011-2018. Do you have an idea of what this bill would do to, to those kinds of districts?

DAVE WELSCH: In nonequalized districts, the basic funding would be where they would gain the most. Districts that have received very little state aid over the years would have a significant increase in the amount of funding that they received from the state through the basic funding portion. For ourselves-- again, we're a rural equalized district. We would gain from the lowering of the valuation in the TEEOSA formula on ag land. For myself, personally-- and you can see how well we tried to restrain our spending from 2010-17. From 2010, my personal property taxes were \$11,000 on approximately 400 acres. In 2015, they were \$22,000. They doubled in five years. And the only reason they doubled is because the state did not provide the funding that they should have for our school district. And I'm still paying that price today. It's not quite \$22,000, but it's still-- I think we're at \$19,000 for those same acres and we need relief. Part of the reason that our district tightened our belt so much over those seven years, we expected the Legislature to take action. And although there's been some minor action taking, nothing significant has happened. And I believe that LB1073 would-- I still wouldn't call it significant property tax relief, but again, it's a step in the right direction. And I believe the funding goes to the area of the state that's been hit the hardest by increased property taxes.

MURMAN: Yes, I do agree that equalized rural districts have been hit the hardest, but they are the exception to the rule in greater Nebraska. Typically, there is an economical licence to the school districts and property taxes on ag land have increased very substantially--

DAVE WELSCH: Right.

MURMAN: --in that time. And I don't think this bill will do very much at all to improve the situation in nonequalized school districts.

DAVE WELSCH: It brings in a new component of 7.5 percent of their basic funding and that will-- it's funding that they've never received

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from the state. It's their-- their state aid support will-- I can't say it's going to skyrocket, but it will increase, I believe is-- a fair amount. And so they can lower their property taxes because of that new funding source of the land from the state where right now, they get very little funding from the state. About all they get is allocated income tax and that's not even consistent across districts-- some districts. I haven't divided it out by district as far as their student enrollment goes. Some districts might get-- I would-- I think I could speak accurately that some districts get twice as much money per student in the allocated income tax than what other districts get. So I don't believe that that's really a fair way to distribute state funding to our school districts is through the allocated income tax.

MURMAN: Does this bill still allow allocated income tax? I guess it does.

DAVE WELSCH: I don't believe they've removed that. In Senator DeBoer's closing, you can maybe ask her that question.

MURMAN: Thank you.

GROENE: Other questions? Thank you, sir.

DAVE WELSCH: Thank you.

GROENE: Next proponent.

AMANDA MCGILL JOHNSON: Hello, Chair Groene, members of the Education Committee. I'm Amanda McGill Johnson, A-m-a-n-d-a M-c-G-i-l-l J-o-h-n-s-o-n. I am a member of the Millard Public Schools Board of Education. I'm the first of five representatives of the Greater Nebraska Schools Association here to share our perspectives. We are sharing our testimony today in a way that shares our support and concerns for the spectrum of school finance measures proposed in the bill. We appreciate the elements of this bill that better balance state funding of education with local property taxes while working to address the needs of all public school districts in Nebraska. First of course, it establishes a study committee to review state funding of public schools. We support any in-depth measure to take a close look at, at how we can better improve our education funding. And obviously, school funding is very complicated and making incremental changes and really studying and bringing all the right people to the table to really study the issue is always a wise thing to do. Second, LB1073 lowers the Local Effort Rate from \$1 to 99 cents. Because Local Effort

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Rate is used in determining resources, this change increases funding for all equalized districts. Large equalized districts who have generally kept spending increases low over recent years may see some relief, increasing our ability to lower property tax levies, much like Millard Public Schools did last year. For fiscal year 2019-20, we were able to drop our levy 2.5 cents when property values and state aid came in better than we expected. Changing the Local Effort Rate is also positive because it is likely to result in schools receiving future equalization aid who without this change, may fall just short. Third, within this school funding formula, LB1073 lowers the value of agricultural land from 72 percent to 52 percent. Similar to lowering the Local Effort Rate, this change is a positive step towards allowing more schools to lower property tax levies, as compared to if they receive little or no equalization aid. And fourth, LB1073 creates a new basic funding component to state aid equal to 7.5 percent of each school district's basic funding. This basic funding would be included as a resource in determining state aid for equalized districts such as Millard Public Schools and would not increase our funding. It would create a new source of state aid for unequalized school districts. Traditionally, Millard Public Schools has opposed concepts such as basic funding. The concern of equalized schools is that-- nonequalized schools-- those with larger value of property per student are generally below the statutory levy maximums and have the ability to make up any lost state funding. Equalized school districts that are more student rich and property poor are generally at or near the statutory maximums on property tax levies. Therefore, equalized school districts often cannot make up lost state funding through higher levies. However, Millard Public Schools recognizes that property tax relief is important in all parts of Nebraska. LB1073 addresses this need while protecting equalization aid first, alleviating our concerns that property tax relief will be accomplished on the back of equalized schools. Therefore in future years, if state aid must be reduced due to revenue shortfalls, those districts with the ability to levy more will lose state aid first instead of equalized districts with little or no ability to raise more local revenue. We're attempting to take a first step in trusting that future Legislatures will live up to this promise. On the other hand, when state revenues are adequate to fully fund equalization, we understand the wisdom in permitting basic funding to go to all nonequalized districts to assist them in lowering their levies while still maintaining a high-quality education. We believe that this is a cost-effective approach that can be maintained over time. We'd like to thank Senator DeBoer for introducing this bill and the Education Committee for considering a school funding measure

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that is thoughtful and balanced. This bill honors all school districts and public school students, ensuring that all communities receive funding from the state. We would also or we would respectfully request the committee advance the bill to permit for some immediate changes to school funding that are likely to lead to significant property tax relief without resulting in Draconian long-term cuts to school revenues. We also look forward to the opportunity to provide input as to the long strategic thinking about school funding statewide under the study committee proposed in LB1073. Thank you for your consideration and we'd welcome the opportunity to continue in discussions regarding school funding. Thank you--

GROENE: Senator Linehan.

AMANDA MCGILL JOHNSON: --and I'm happy to take questions.

LINEHAN: Thank you, Senator Groene-- Chairman Groene. So Millard has a levy override, right?

AMANDA MCGILL JOHNSON: Correct.

LINEHAN: And that was passed with a vote of approval?

AMANDA MCGILL JOHNSON: Absolutely, yes.

LINEHAN: So what is your levy right now?

AMANDA MCGILL JOHNSON: It-- for the total levy combined with the, the building funds is at \$1.24. Yeah, \$1.24.

LINEHAN: \$1.24?

AMANDA MCGILL JOHNSON: Um-hum.

LINEHAN: That's your total, not your bond?

AMANDA MCGILL JOHNSON: Yeah. Yes, exactly. That's the total combined--

LINEHAN: OK, what's your general fund with just your building?

AMANDA MCGILL JOHNSON: It is-- with just the building-- so you're asking for the override and the building?

LINEHAN: Um-hum.

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AMANDA MCGILL JOHNSON: What is that? Yeah, I, I don't have that directly in front of you. I'm sorry, Senator. I didn't bring the specific statistics on the--

LINEHAN: OK, I've got it here somewhere. I'll find it, but--

AMANDA MCGILL JOHNSON: Um-hum.

LINEHAN: --when you say you, you dropped the levy, which you did--

AMANDA MCGILL JOHNSON: Um-hum.

LINEHAN: --and I appreciate that very much, actually, because your valuations went up something like 7 percent.

AMANDA MCGILL JOHNSON: Yeah, they did go up.

LINEHAN: So did your tax asking go down? The money that you-- like if I lived in Millard School District, when I get my property tax bill this year, will it be less for Millard Public Schools than it was last year?

AMANDA MCGILL JOHNSON: I don't want to answer that incorrectly, Senator, and so I will follow up with you on that.

LINEHAN: OK, I'd appreciate that.

AMANDA MCGILL JOHNSON: Yeah, I don't want to take that wrong.

LINEHAN: Because we-- they're constantly hearing-- ever since they didn't raise their levy, but if your valuations go up 70 percent--

AMANDA MCGILL JOHNSON: Well, we also got more money from the state and so there were several million more that we weren't anticipating that also contributed to that so I--

LINEHAN: So your spend didn't go down.

AMANDA MCGILL JOHNSON: Huh?

LINEHAN: Your spend-- what you're spending did not go down.

AMANDA MCGILL JOHNSON: No, we still had about a 3 percent increase in our--

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LINEHAN: So you had a 3 percent increase this year.

AMANDA MCGILL JOHNSON: Right.

LINEHAN: OK, thank you very much.

AMANDA MCGILL JOHNSON: Um-hum.

GROENE: Senator Murman.

MURMAN: Thanks for testifying.

AMANDA MCGILL JOHNSON: Yeah.

MURMAN: I can totally understand how this bill would help most urban districts like for instance, Millard. But in the last seven years or so we're talking about here, 2012 up until now, most rural school districts that are, that are unequalized, which is-- almost all rural school districts have totally funded their schools from property taxes.

AMANDA MCGILL JOHNSON: Yes.

MURMAN: The 7 percent basic funding that would be provided in this bill would-- over that period of time would be about 1 percent per year of increase in state aid. So rural districts that are unequalized, which is almost all of them, are still almost totally-- you know, over that period of time, funding their schools from property taxes. And of course, the property taxes-- it's, it's almost all ag land in rural areas or 70 percent or so. So I don't think this bill is going to do--

AMANDA MCGILL JOHNSON: Doesn't go as far as--

MURMAN: --hardly anything to help--

AMANDA MCGILL JOHNSON: --you would like it to.

MURMAN: --in rural districts.

AMANDA MCGILL JOHNSON: Well, I-- I'll just say one thing on that and you'll hear from other school districts of urban areas that are opposed to even this, this amount. I, I feel that it's a step in the right direction. And do we need to be doing more to make sure all of our districts are feeling valued and are able to provide what they need to their students? Absolutely. In order to improve education for

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all students, we are starting to recognize that we need to make sure all students doesn't just mean in our area. And so we certainly want to be a part of that conversation and how we can help in ways that are as equitable as possible to make sure all of our districts are getting their needs met.

MURMAN: Thank you.

AMANDA MCGILL JOHNSON: Um-hum.

GROENE: Senator Linehan.

LINEHAN: Thank you, Chairman Groene. So I found your levy with the building fund. It's \$1.0960.

AMANDA MCGILL JOHNSON: OK, thank you.

LINEHAN: So if this bill would become law and we drop the Local Effort Rate to 99 cents, then Millard would have 10 cents of their levy that would be-- not be counted when it comes to what your equalization rate-- right? Because right now, if it's \$1, you've got 5 cents that you don't include--

AMANDA MCGILL JOHNSON: Um-hum.

LINEHAN: --we don't include about what you're spending. So that would almost double what we wouldn't include because you've got the levy override, is that right?

AMANDA MCGILL JOHNSON: I think so.

LINEHAN: OK, do you know how much of that LER dropping to 99 cents goes to Millard?

AMANDA MCGILL JOHNSON: I do not.

LINEHAN: OK, thank you.

GROENE: Any other questions? Senator Kolowski.

KOLOWSKI: Thank you, Mr. Chairman. Amanda, thank you for being here today. Do you know how many of the students we've gained in Millard schools in the last five years?

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AMANDA MCGILL JOHNSON: Not many. Yeah, we sit at about 25,000 students, give or take a little. You know, it goes up and down every year, but it's stayed right at about that level.

KOLOWSKI: And programmatically, you've added programs over those five years--

AMANDA MCGILL JOHNSON: You know, we do--

KOLOWSKI: --in different ways?

AMANDA MCGILL JOHNSON: Yeah. I mean, we've had to make lots of cuts. We've cut dozens of teachers over that time period as times have gotten tough and we have to tighten our belts too and hence, we went for the levy override. But we continue to explore different programming for different high schools. For instance, we have early college-- working on a new AP program. So we're continuing to try to make improvements to give more kids in Millard options.

KOLOWSKI: Absolutely, thank you.

GROENE: If you don't know the answers, that's fine, because this isn't--

AMANDA MCGILL JOHNSON: I apologize--

GROENE: That's fine. No--

AMANDA MCGILL JOHNSON: I didn't come with those--

GROENE: I don't expect you to--

AMANDA MCGILL JOHNSON: --numbers in front of me and I don't want to misspeak.

GROENE: But does Millard get more money or less money at the end of the day with this bill?

AMANDA MCGILL JOHNSON: I-- the equalized districts would get a little bit more, yeah.

GROENE: A little bit more?

AMANDA MCGILL JOHNSON: Um-hum.

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GROENE: You go down to 99 cents, but you still keep your max levy at \$1.09?

AMANDA MCGILL JOHNSON: Um-hum, that's my understanding.

GROENE: So you're going to get more equalized districts, but when it comes to troubled times, you're going to take the money away from the small schools because basic funding has to be cut first?

AMANDA MCGILL JOHNSON: Well, right now, that basic funding isn't in there at all-- isn't in the formula at all.

GROENE: How would you feel if you never had any state aid?

AMANDA MCGILL JOHNSON: I know, I know. And that's why our district is, is here saying that we want to move.

GROENE: So if we have troubled times, you get to keep your bonus from this bill of another penny that basically translates in equalization aid, but the rural districts have to take the cut.

AMANDA MCGILL JOHNSON: I understand what you're saying, Senator.

GROENE: I hope the Farm Bureau doesn't sit up there and favor this bill. Thank you.

AMANDA MCGILL JOHNSON: All right. Any other questions?

GROENE: Thank you. You've been great. I love it when elected officials sit there.

AMANDA MCGILL JOHNSON: You're welcome.

TERRY HAACK: Good afternoon, Chairperson Groene and members of the Education Committee. My name is Terry Haack. I'm superintendent of Bennington Public Schools. That is T-e-r-r-y H-a-a-c-k. I appreciate the opportunity to speak to you today. I am a supporter of LB1073. Bennington Public Schools believes in the principles of TEEOSA and supports the prioritization of equalization aid. We understand and support the importance of state assisting districts when local resources are not sufficient to cover the needs of students. Our district believes Senator DeBoer has crafted legislation that aligns with our belief about equalization aid, yet provides some form of property tax relief. You have heard the tenets of the bill from both the presenter, Senator DeBoer, and others. Certainly, we understand

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the reduction of ag from 75 or 72 down to 55, 52. Coupled with the lowering of LER, we believe that this factor is a good compromise. It allows for some property tax relief, yet provides a necessary means reduction for schools. Although our district is not in total support of foundation aid, we do appreciate the need of school districts to receive some funding support from the state. We believe LB1073 addresses that desire to receive financial support, yet maintains the necessary principles of equalization of funding for basic-- for funding based on local resources and state support for education. The 7.5 percent basic funding component provides a consistent level of state support for nonequalized districts, yet language in the bill provides safeguards for equalized districts by ensuring equalization aid be fully funded before the funding of other components of the bill. Finally, the reinstatement of the School Finance Revenue Committee to study financing of public schools in Nebraska. No one argues the fact that TEEOSA is a complex school funding formula. Bennington Public Schools believes that equalization aid and the need for a state funding formula to consider multiple factors when determining appropriate aid for school and children. For a growing district like Bennington, persistent growth puts a lot of pressure on both our facilities and our general fund budget. Our school district has experienced an annual growth rate of over 10 percent the last ten years, yet we are still one of the least amount of revenue per student in the state of Nebraska and that has been very consistent. One of the factors that I believe the committee asked is how much has budgets grown over the last several years? And anywhere from 5 percent cuts to as much as 18 percent. We could easily be one of those districts in the high-percentage increases in budget. The fact that we could have as much as 13 percent increase in student population in one year and add a school building, when we've gone from one building to six in the last 15 years, creates a tremendous amount of pressure on one budget and one year. So we appreciate the fact that this bill does take into account some flexibility, does provide some relief in agricultural values, and then-- yet it takes into account growing districts like Bennington Public Schools. We understand that our rapidly-growing school district is somewhat of an outlier when it comes to the state aid and TEEOSA funding formula, but we still think that the 3,200 students in Bennington Public Schools deserve that support moving forward. We appreciate the efforts of the committee. We certainly appreciate the efforts of Senator DeBoer in looking at this, trying to tackle a very complex, yet important issue. Our school district is

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willing to move forward, help with this legislation. And certainly at this time, I'd like to answer any questions that the committee has.

GROENE: Any questions? Senator Murman.

MURMAN: Yeah, I'm going to ask you a similar question--

TERRY HAACK: Yes.

MURMAN: --by the way, thanks for coming in-- that I asked the previous testifier. Your Local Effort Rate is going to go down with this bill.

TERRY HAACK: That's correct.

MURMAN: And that will be replaced by state aid.

TERRY HAACK: To a certain extent, you're right.

MURMAN: So--

TERRY HAACK: Keep in mind that ag land values go from a 75 down to a 55.

MURMAN: Only in the TEEOSA formula.

TERRY HAACK: That is correct.

MURMAN: So unless you're an equalized school district, that's really not going to do any good. So-- and that's almost all rural school districts.

TERRY HAACK: But also, keep in mind that there is a 7.5 factor that would provide monies to your school district--

MURMAN: So--

TERRY HAACK: --or the-- many in your district.

MURMAN: So over the last seven years, that will average out about-- or eight years-- about 1 percent of yours and property taxes went up as much as 2 percent so--

TERRY HAACK: But I do understand what you're saying. We do believe this is a step. We don't believe this is a total, a total fix for the rural schools in that regard, but we believe it's a step in the right

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direction. And a school finance committee put forth could help address those issues moving forward.

MURMAN: At the same time, rural areas' valuations are going down so it's hard-- getting to be hard all the time for agriculture. But we'll have to increase levies in rural areas just to keep up with, you know, keep the same property taxes.

TERRY HAACK: We in Bennington are at our cap. If-- please keep in mind that property taxes come in, particularly for a home, usually a year behind when that student comes into the school. A state formula for TEEOSA also counts last year's students calculated for this year's aid. We understand the plight of the rural area, but we want you to consider a growing district like Bennington as well, who typically is a year behind in revenue for growing students. And those students are there that we need to educate them.

MURMAN: We have other bills that do the same thing that did include the growth factor also, but--

TERRY HAACK: They include growth factors, but not in the manner that this one does.

MURMAN: Thank you.

GROENE: Senator Linehan.

LINEHAN: Thank you, Chairman Groene. Thank you for being here very much.

TERRY HAACK: Thank you, Senator.

LINEHAN: Isn't there a growth factor in the TEEOSA formula now? Because I know this is particular to you and to Elkhorn and to Gretna. You do-- I understand that they buy a lot-- pay property taxes a lot, which is about a tenth of what the-- how this is going to be. And you have to wait two years to get-- isn't there supposed to be something in the formula that addresses that now?

TERRY HAACK: There is a student growth adjustment in there, Senator. And you're correct, the community has to apply-- the school district has to apply for that by October and they have to make a best guess as to what those number of students are moving forward. That's well before a housing count, well before any kindergarten roundup, anything that you put. So you're actually looking at a historical value,

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historical numbers to try to make a best guess in that regard. That then is aided by the fact that the following year there's a recovery so growth adjustment--

LINEHAN: If you're over, yes.

TERRY HAACK: Both ways.

LINEHAN: OK.

TERRY HAACK: If you're under-- if you-- I'll say underguess-- if you underapply or over--

LINEHAN: OK.

TERRY HAACK: And so typically a district like Bennington will forecast under so that it's not penalizing the year-- the following year. So yes, there is a calculation in there.

LINEHAN: So do they, do they give you credit from student-- one overgrowth or is it, like, you have to have 20 before they give you credit or how does that--

TERRY HAACK: You have to have-- in order to apply for it, you have to have 1 percent growth or more and I think there's a limit of 25. You'd have to ask the department on that 25 total students.

LINEHAN: So in your case, it would be 30. Didn't you say 3,400?

TERRY HAACK: No, you cannot apply for--

LINEHAN: No, no I mean number of students you have in Bennington.

TERRY HAACK: 3,200 in K-12, almost 33 in pre-K-12.

LINEHAN: So 1 percent would be-- you'd have to be over 30 before that would--

TERRY HAACK: I understand what you're saying, yes; 1 percent in growth, yes.

LINEHAN: Yes, that's what I got. OK, thank you for being here. And you're-- excuse me-- I was not talking about Bennington when I was talking about 18 percent, nor was it any equalized school.

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TERRY HAACK: OK, thank you, Senator.

LINEHAN: You're welcome.

GROENE: I have seen your numbers. If we can get anybody as efficient as you, we wouldn't-- what we've done, we wouldn't be here. But you do have very low cost per student, but you do have the student adjustment, which matches the enrollment, the funding for that year, is that correct? That is correct.

TERRY HAACK: There is a, there is a factor within state aid that could allow you to guess and make that occur.

GROENE: And you do do that because you said historically, you're gaining 300 students, about 10 percent a year.

TERRY HAACK: Historically, we've gained over 10 percent per year over the last decade.

GROENE: If they lower the LER one penny and you get one more penny, are you going to pass that onto property tax relief to your constituents?

TERRY HAACK: There are many factors for me to say yes or no to that, Senator Groene. If we were to open a building, it would be very difficult to do that because you have the operating cost for that building to open. The TEEOSA formula doesn't consider that percent.

GROENE: So you're looking at this--

TERRY HAACK: New school in the--

GROENE: --those GNSA schools; that they're smarter looking at this as just more state aid?

TERRY HAACK: Pardon me, Senator?

GROENE: This bill basically is just more state aid with no reduction in your asking-- your levy authority. Is it not true; you're going to get one more-- LER is going down, but your total asking--

TERRY HAACK: The LER would go down. There would be some additional state aid that would go with that, that is correct. But I cannot answer for the local board as to what they would do with that.

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GROENE: Any other questions? Senator Pansing Brooks.

PANSING BROOKS: Thank you, Chairman. So it's my understanding you'd get-- you will get a tiny bit of state aid by lowering the Local Effort Rate, right?

TERRY HAACK: That is correct.

PANSING BROOKS: What is that?

TERRY HAACK: We have approximately \$1.5 billion in assessed valuations, so you figure about \$150,000.

PANSING BROOKS: OK, so I'm looking at the fiscal note. There's \$132 million that will be raised, but of that, I think only about 13 goes to-- uh, to the equalized schools, right?

TERRY HAACK: I believe so. I haven't looked at those numbers.

PANSING BROOKS: OK, well maybe I could ask Senator DeBoer later. Thank you very much. So I'm-- what I'm saying is it's really not a high margin going to the equalized schools-- of the aid.

TERRY HAACK: I believe that would be with the--

PANSING BROOKS: Yeah.

TERRY HAACK: --7.5 percent.

PANSING BROOKS: Thank you.

GROENE: Any other questions? Do you think average adjustment works? So the question when-- Bennington's cost per pupil by average daily membership is \$9,900 and you get \$77,000 in average adjustment. And Lincoln Public Schools' average cost is \$11,500 and they get nearly \$4 million.

TERRY HAACK: You're asking if I think it works; can you explain that, sir?

GROENE: Do you think it works fairly?

TERRY HAACK: Well, I think it's an important component in TEEOSA, yes.

GROENE: \$77,000 you receive--

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TERRY HAACK: I'm not talking about the money. I'm talking about the component. And the reason being is that you have larger schools, which tend to be more efficient, have a lesser cost per student. As you know, the TEEOSA formula and the basic funding-- so you have a lesser basic funding that goes with each student. So I believe that averaging adjustment is appropriate in TEEOSA.

GROENE: But you get your-- all your allocations on top of that, is that not true?

TERRY HAACK: There are adjustments and allocations that go with that, sure.

GROENE: Any other questions? Thank you, sir, for coming forward.

TERRY HAACK: Thank you.

JACK MOLES: Good afternoon, Senator Groene and members of the Education Committee. My name is Jack Moles. It's J-a-c-k M-o-l-e-s. I'm the executive director for the Nebraska Rural Community Schools Association, also referred to as NRCSA. On behalf of NRCSA, I wish to testify in support of LB1073. It is our belief that LB1073 would lead to property tax relief in our schools without putting new constrictions on the ability of school districts to meet the needs of their students and their communities. LB1073 contains two aspects which NRCSA supports. They're also included in the Revenue Committee's LB974 that would be reducing ag land valuations inside the TEEOSA formula and also providing all districts with state funding of a minimum percent of its basic needs. As stated earlier, we appreciate that there are no new constrictions placed on school districts. NRCSA believes that locally-elected rural boards of education have worked hard to meet the needs of their school districts, even in the face of rapidly-diminishing state funding. They have done so using the current levy and spending limitations that are in effect. We believe that those current limitations are effective. The greatest example I can provide of this is that most rural districts are not close to where they could possibly be in terms of property tax levies. Part of the reason for that is that a great percentage of board members in rural districts are from the ag sector. A survey I conducted last year of NRCSA members showed that about 60 percent of the board members in Class C and D-size school districts are from the ag sector. The people hit hardest by the high ag land valuations are the very ones making the decision on how much to levy each year. NRCSA does have a concern that funding for the bill is built on projections of positive

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increases in state revenues. We do have a concern about what happens when state funding is reduced based on lagging state revenues. It is our belief that state funding to help provide property tax relief should include a new source of revenue. In closing, NRCSA greatly appreciates the efforts taken by Senator DeBoer to actively seek input from a variety of stakeholders and the development of LB1073 and we thank her for including NRCSA in those discussions. NRCSA is willing to be part of any further discussions concerning this bill.

GROENE: Any questions? Senator Linehan.

LINEHAN: Thank you, Chairman Groene. Thank you very much, Mr. Moles, for being here-- Dr. Moles. Have you compared LB974-- what NRCSA schools would receive under LB974 to what they would be under this bill?

JACK MOLES: Actually, no because we haven't seen any modeling really. But aside from that, if I had the best of both worlds, I'd have the, the funding from LB974 with the nonconstrictions in LB1073. [LAUGHTER]

LINEHAN: [LAUGHTER] Wouldn't we all? More money and no limit.

JACK MOLES: That's all we want.

LINEHAN: That's all you want. OK, that's very good. I understand your position. Thank you very much.

GROENE: Senator Murman.

MURMAN: Thanks, Senator Groene. Thank you for coming in to testify. My question is very similar. How much property tax relief will this really provide in rural districts?

JACK MOLES: Obviously, we'd like to see more. We do believe it's a step in the right direction. As, as Senator Linehan just alluded to, there, there would be more money to the rural schools, the nonequalized districts in LB974. But again, we go back to constrictions, it would account for some. We'd like-- again, we would like to see more.

MURMAN: Could you be more specific?

JACK MOLES: I'm sorry. I didn't answer your question.

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MURMAN: It seems like-- to me, it's a very small amount. I mean, compared to the increases in the last ten years or so--

JACK MOLES: Um-hum.

MURMAN: --it's very minimal. Thank you.

GROENE: Never before has a law been written that the rural schools take the hit first on state aid. They were put in, in, in law that your basic funding would go first and your's apparent-- and as the--

JACK MOLES: Senator, that, that is a hard one for me. I-- yeah, personally, I'd prefer that not be there. You know, every bill is not perfect. Hopefully we can work on something--

GROENE: There seems to be a concept of thought in the business offices and public schools that property value means wealth, that if you got that taxing authority, you shouldn't get any state aid. Does a rural school board member believe that?

JACK MOLES: Not at all, not at all.

GROENE: So they're saying that there's-- another bill out there says if the state cuts you, that you'd get 100 percent of-- you'd be able to raise your levy and recoup it. I know rural schools already could do that because they have the levy limit, but the urban schools could raise their levy just like you have to raise your levy to make up that loss. Don't you think it'd be fair if both school districts had to do that?

JACK MOLES: Like I said, like I said, personally, yeah, I agree with you.

GROENE: And you just told us three or four times-- you've testified that the rural school districts don't spend what they could.

JACK MOLES: Right.

GROENE: So why are you concerned about lowering the growth factor?

JACK MOLES: Because of the-- as far as-- well, if the state revenues weren't there and you lowered--

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GROENE: In the formula, if you took, say the CPI-- because I know that's a big "anti" to you, but why would you worry about it in the rural school district? You're not spending that much anyway.

JACK MOLES: Well, because if we had the, if we had the funds coming in from the state, we'd be able to keep those levies down. If you take those funds away, we do have to raise those levies back up.

GROENE: There's another bill out there that wouldn't take that-- funds away. They'd give you 15 percent basic funding.

JACK MOLES: There's a lot, a lot of other restrictions in there that we're uncomfortable with.

GROENE: And the bill is with free money from the government-- restrictions. Thank you.

JACK MOLES: Thank you.

GROENE: Any other questions? Thank you.

JACK MOLES: Thank you.

KYLE MCGOWAN: Good afternoon, Senator Groene, members of the Education Committee. My name is Kyle McGowan, K-y-l-e M-c-G-o-w-a-n. I'm representing the Nebraska Council of School Administrators. It might be relevant in this discussion that NCSA represents and has members in all 244 school districts. So that's the large schools, medium schools, small schools. You'll, you'll hear from different representatives of those sizes. We have a 25-member legislative committee that represents all those sizes and different administrative positions. That committee supports LB1073. Obviously, that doesn't mean that different individual school districts represent or are in favor or oppose this bill. I just want to talk about three highlights that were mentioned amongst our legislative committee on this particular bill. We think it's very important to have a School Finance Review Commission. This existed years ago. I believe the state appropriates \$1 billion. It, it would make sense to us to create a commission that understands the formula in-depth and reviews it, since \$1 billion is still a lot of money in Nebraska. We, we do support equalization aid. I understand the-- some concerns with that, but frankly, some students cost more than others to educate. And that's important if we mean to educate all, that we educate all. LB1073 also requires districts and ESUs to publish a summary of their revenue sources and expenditure reductions

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or increases along with the current and future cost savings. So those are just three pieces. I'll let other districts talk more specifically about the impact of LB1073 to them. I do thank Senator DeBoer for taking on this challenge and for her efforts to enlist the suggestions of many, many groups. And with that, I'll stop.

GROENE: Have you looked at this commission-- the make up?

KYLE MCGOWAN: Yeah.

GROENE: I'd say 11 out of 16 would come basically-- from equalized districts. Do you think-- if this commission existed, would they be coming forward-- recommendations to do LB1073 or LB974?

KYLE MCGOWAN: Repeat that again? If they--

GROENE: If this commission existed, do you think they would be here telling us-- giving us advice that LB1073 is the answer?

KYLE MCGOWAN: You know what? I, I don't know. They might just say put it in the property tax relief fund, you know? I, I mean I do think that having a group that looks at it in-depth and knows it in-depth and is required to review it-- I think the Governor has a lot of authority over who's on the commission. I like to think our Governor represents all of Nebraska.

GROENE: Thank you, Kyle. Any other questions? Thank you. Proponent.

JOHN SCHWARTZ: Good afternoon, Senator Groene and members of the Education Committee. My name is John Schwartz. That's J-o-h-n S-c-h-w-a-r-t-z and I'm here-- I'm the superintendent of Norris School District and I'm here today as a representative of Norris in STANCE. This testimony is in support of LB1073. The characteristics of Norris give us a unique vantage point to understand the complexities associated with providing property tax relief while concurrently ensuring adequate school funding for all Nebraska children. We are equalized, growing in student enrollment, represent one of Nebraska's earliest and largest successful school consolidations in or among Nebraska's lowest per-pupil spending districts. A substantial portion of our large 230-square mile school district is agricultural land. And yet within our boundaries include nine other communities, one of which is among Nebraska's fastest-growing cities and others of which are either experiencing modest growth, stability, or decline in population. We are neither urban nor rural and yet at the same time,

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we are both. We support LB1073 because in reviewing its components, we find it to be a balanced approach to addressing both issues. The aspects of the bill we support are as follows: basic funding aid. The basic funding provision of LB1073 will provide a provision of aid per student to currently nonequalized school districts. This will provide more funding from the state to currently nonequalized school districts to offset a proportion of local effort. Second, equalization aid safeguards. Should state revenue come in below future projections, the bill is easy to modify and ensures that equalization aid is provided before funding other components of the bill. This is critical for many of the already equalized school districts, such as Norris, that do not have the ability to further raise their levies to offset any reductions in equalization aid. Third, reduction in the Local Effort Rate from \$1 to 99 cents. Lowering the Local Effort Rate will reduce formula resources and provide more aid to equalized school districts. Fourth, reduction in agricultural land value to 55 percent within the formula. With this provision, more school districts will qualify to receive equalization aid. It also provides property tax relief for already equalized school districts such as Norris and many others within STANCE which have substantial agricultural land. And then finally, the School Finance Review Commission. Achieving meaningful property tax relief and ensuring adequate funding for schools are often portrayed as competing objectives. We appreciate that this bill would reinstate the review commission to bring together a diverse group of stakeholders to thoughtfully analyze the relationship between those two objectives, develop a common understanding of the variables, and work towards a shared vision to serve Nebraska. I'd like to conclude by respectfully requesting that the Education Committee advance LB1073. We believe it's a thoughtful and balanced piece of legislation that honors both the need to provide property tax relief without jeopardizing funding for Nebraska schools. Thank you.

GROENE: Senator Linehan.

LINEHAN: Thank you, Chairman Groene. So I am-- I understand the STANCE schools are going to-- in a tough place. So if we reduce your valuation-- your ag land by 55 percent inside the formula, what do you think that does to your levies? Have you looked at that? How much do your levies drop?

JOHN SCHWARTZ: So I can speak to Norris variables, Senator Linehan, because I think the proportion of your overall valuation that is

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agriculture would impact the overall levy impacts so it would be hard to infer for all districts. So for--

LINEHAN: I'm just asking about Norris.

JOHN SCHWARTZ: Yeah, OK, perfect. We have about a \$1.6 billion valuation. About 25 percent of our valuation is agricultural land, so it's about \$400 million. And so if you look at the drop of 75 percent to 55 percent, that's somewhere around a 25 percent reduction. So we would be looking at somewhere in the neighborhood-- this is napkin math-- somewhere in the \$110, \$115 million in adjusted valuation decrease. That would be agricultural based. And then you would need to figure out what the corresponding levy impact of that would be. And then you'd calculate in the drop in Local Effort Rate and other variables. So it would be hard to say, but it would certainly result in Norris-- in property tax relief for those with agricultural land. There would be no question about it--

LINEHAN: OK, so--

JOHN SCHWARTZ: --to the tune of over \$100 million.

LINEHAN: -- you can't levy a different thing on ag than you levy on your residential. It's got to be the same levy.

JOHN SCHWARTZ: Correct, but the adjusted valuation would reduce the, the tax asking of that agricultural land.

LINEHAN: Not if it's just inside the formula.

JOHN SCHWARTZ: For the portion of the formula it would, correct.

LINEHAN: Right, for the formula. You would get more money, but then the money comes to Norris. And then you have to figure out what you can drop your levy, but you can only drop the levy as much as the state aid came in.

JOHN SCHWARTZ: Correct, so--

LINEHAN: So you have to drop your levy--

JOHN SCHWARTZ: --there's a presumption that the, the formula would deliver the-- with the components that I know to be true today.

LINEHAN: Right, but you would have to drop your levy equally.

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JOHN SCHWARTZ: Correct.

LINEHAN: So if you went from \$1-- let's say you're at \$1.05 and you could drop it to \$1, just to make the math simple. You'd still have to tax the ag guy at \$1, just like your residential person.

JOHN SCHWARTZ: It would be \$1 on the adjusted valuation, though, wouldn't it not, Senator Linehan?

LINEHAN: No, no. That's why, that's why it can't just be inside the formula. If it's just inside the formula, your ag guys are not going to see the deduction-- the reduction in their property taxes because you can't have a different levy for your residential and commercial than you have for your ag. So what will happen is the ag guys will be at 50. You'll get more aid because inside the formula-- I'm not asking you a question, sorry. It, you know--

JOHN SCHWARTZ: But, but to your point, you're probably-- I'm just doing a little bit of quick math in my head, Senator Linehan-- you're probably looking at around 5 or 6 cents levy reduction correspondingly--

LINEHAN: For everybody, though.

JOHN SCHWARTZ: --with our overall valuation, correct.

LINEHAN: For everybody so your ag-- your, your residential and commercial taxes will go down just as much as your ag taxes.

JOHN SCHWARTZ: I would want to work those numbers out before I answer that question, Senator Linehan. But I think our property taxpayers at Norris would realize some, some property tax relief as a result of LB1073.

LINEHAN: I agree that they should, considering it's quite a bit of money, but, but it would be equally--

GROENE: Shared.

LINEHAN: --across the board. It wouldn't go to ag more than it would go to the Quik Shop.

JOHN SCHWARTZ: Before I answer that question, I'd probably want to see a little bit more modeling done that--

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LINEHAN: OK.

JOHN SCHWARTZ: --Senator Linehan, so I don't think it would-- at this point, I don't think it would do me any good to, to try and guess.

LINEHAN: No, you're right. OK, thank you.

JOHN SCHWARTZ: Yep.

LINEHAN: I'm just trying to figure out how that works. OK, thanks.

JOHN SCHWARTZ: Other questions? Senator Murman.

MURMAN: Thank you and thank you for coming in to testify. If you were a consolidated district-- and I applaud you for that, trying to be more efficient. But if you were a consolidated district a little ways west and were totally reliant, in the last ten years, on property taxes to school-- to fund your school and still, you know, wouldn't be equalized, would you change your testimony? Well, how would you change your testimony?

JOHN SCHWARTZ: I think I understand your question. So you're, you're asking if, if Norris was nonequalized and we were looking at this bill, how might we change our testimony?

MURMAN: Yeah and still consolidated, you know, did whatever you could to cut costs.

JOHN SCHWARTZ: Boy, that's a, that's a conversation with the board that-- the best I could infer is what Jack Moles had to share a little bit ago as a representative of NRCSA-- would probably be a similar stance to what we would consider as a school district. But for me to say that without a conversation with our board with entirely different variables than we have today would, would, would be inappropriate.

MURMAN: Do you think it would substantially reduce your property taxes?

JOHN SCHWARTZ: So again, that, that 7.5 percent is going to be based on what your basic funding is per pupil. And again, just to use simple math, if, if your-- the state average is \$9,800 basic funding-- if my memory serves me correct-- in this year's formula so round that up to \$10,000 and 7.5 percent of that would probably deliver \$750. Is that fairly accurate math, folks? Anyone got a calculator to run in here? And I've got 1,000 kids at \$750,000. I would probably need to figure

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out how much each penny of my levy generates and it becomes a math problem at that point, Senator Murman.

MURMAN: So the basic funding is computed-- you're computing that per student. Is that the way--

JOHN SCHWARTZ: I believe that's how the bill calls for it, sir, yes.

MURMAN: OK, I understood it was the total cost to the, the school.

JOHN SCHWARTZ: So it's whatever your district's basic funding model is within the TEEOSA formula and it would be 7.5 percent of that, which would vary from one district to the next. So, for example, Norris is around \$8,800 in basic funding and I think the statewide average is just a smidge under \$9,800. As a district, I-- it would be hard for me to know what that might look like for some of our more rural school districts.

MURMAN: Thank you.

GROENE: Do you understand what Senator Linehan was saying? And by the way, remember that-- Senator Linehan, I didn't say-- ask what's the question? She does it to me in Revenue.

LINEHAN: I know.

GROENE: Anyway, that when you tax that farmer, it's going to be at 75 percent of valuation outside of the formula.

JOHN SCHWARTZ: Sure. Doing the, doing the math in my head, as Senator Linehan asked me that question, it is about a 5 or 6 cent overall levy impact in terms of, of the, the levy change that would result as a result of ten--

GROENE: But the doctor who lives in-- out in the country there and works at the hospital and he's going to get the same property tax relief as that farmer outside the levy. You're going to lower the ag land in the levy, which is-- total valuations will go down. You will get more state aid, but when you tax outside the levy with this bill, the farmer is going to get hit at 75 percent yet and, and-- so everybody is going to get a tax cut, not just the farmer. That's what's wrong because you tax outside the levy, outside the formula, not inside the formula. So my farmer is at 10 percent and 10 percent

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of my ag land-- North Platte is ag land. Those guys won't get one nickel of tax relief by lowering it to 55 percent.

JOHN SCHWARTZ: I think that's probably going to vary from one district to the next. And again, I think it's going to depend upon a whole host of vari-- variables.

GROENE: There's another bill that it doesn't; everybody gets treated the same.

JOHN SCHWARTZ: And I think you know what the concerns are that we have with LB974 from my prior testimony. It is-- with regard to STANCE.

GROENE: You've been very good.

JOHN SCHWARTZ: OK.

GROENE: But I do-- you understand why I'm a little skeptical when a government employee runs-- that testifies? More money makes your life a lot easier, so when I see a superintendent testifying, sitting there and going-- is this about the taxpayers or is this about my budget being easier?

JOHN SCHWARTZ: Well, I think for me, it's about our children and our staff that serve those children. And I guess what I see every day, Senator Groene, are teachers that work extraordinarily hard to serve kids, administrators that work extraordinarily hard to serve kids, and school board members who care deeply about their local communities. And so I guess I would like to believe that I'm a representative of that as well.

GROENE: Thank you.

JOHN SCHWARTZ: Yeah.

JASON HAYES: Senator Groene and members of the Education Committee, my name is Jason Hayes, J-a-s-o-n H-a-y-e-s. I am the director of government relations for the Nebraska State Education Association, testifying in support of LB1073. Specifically, I want to speak on the School Finance Commission component of the bill in Sections 1 and 2. Since it has been 30 years since the state created the Tax Equity and Educational Opportunity Support Act, a comprehensive study should be conducted and review improvements by providing state aid to education. NSEA supports school finance reform, which will provide a stable and growing support base for public schools, assure equitable educational

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opportunities for all students, and reduce the state's overreliance on property taxes for school support. We urge the committee to support LB1073 and advance it to General File. Thank you.

GROENE: Thank you, Jason. Any questions? Thank you. Next proponent.

ANN HUNTER-PIRTLE: Good afternoon again, Senator Groene and members of the Education 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. Our organization supports LB1073. I'd urge us all to remember what these funds go to at the end of the day and that is children's education in our state. As you consider your options this session, we urge you to support proposals that would provide property tax relief without requiring harmful cuts to our public schools. We believe LB1073 accomplishes this goal. LB1073 does protect equalization aid, stating that it's the intention of the Legislature to fully fund equalization aid before any other component of the bill. This important provision protects targeted state aid to the school districts that need it most. Since Nebraska has chronically underfunded K-12 education, it is smart and necessary to target those state dollars to where they're most needed. Next, we support the funding flexibility in the bill. Although we have some concern that the funding of LB1073 relies on projected revenue growth, the bill does allow lawmakers the flexibility to adapt if projections are not met. We would prefer that the Legislature consider proposals to introduce new revenue streams to fund public schools from income and/or sales taxes. But we believe LB1073 strikes the best balance between providing property tax relief and protecting K-12 education. Finally, we strongly support the bill's proposal to create a School Finance Review Commission. In the late '80s, facing a similar challenge of a need for property tax relief and a strong desire to protect school finances, the Legislature convened a School Finance Review Commission to study the topic and make recommendations, convening stakeholders from education, agriculture, and business, studying a variety of options, and working for two years toward a viable compromise. The TEEOSA formula was born after hundreds of hours of work. We owe it to Nebraska's children and to the future of our state to devote equal care and attention to these questions today. We applaud Senator DeBoer's leadership and willingness to confront this issue in a way that's sensitive to the needs of all Nebraskans and support her bill's framework for reaching a lasting solution to these

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problems. For these reasons, Stand for Schools urges you to advance LB1073 from committee. Thank you and happy to take questions.

GROENE: Just one question, on what basis are you making that broad statement that we have underfunded public schools in the Legislature?

ANN HUNTER-PIRTLE: Well, we've-- according to the 1990 TEEOSA formula, we've-- it's been fully funded in three out of the last 16 years and that Nebraska ranks 49th in the country for per-pupil, state-level funding to K-12 education.

GROENE: You're correct on that, but you're not correct on overall funding-- the taxpayers in Nebraska. I think we're 15th, 16th in the nation.

ANN HUNTER-PIRTLE: That's right and I think that reflects local leaders' commitment to funding our public schools, but as we all know, the reason we're sitting here is because we have a huge overreliance on property taxes. And that--

GROENE: So your comment referred to the state side of funding, not taxpayers in Nebraska--

ANN HUNTER-PIRTLE: Correct.

GROENE: --for public education.

ANN HUNTER-PIRTLE: Correct.

GROENE: Thank you.

ANN HUNTER-PIRTLE: Thank you.

GROENE: Senator Murman.

MURMAN: Thank you for testifying. I've noticed that schools in some parts of the state, especially the ones that receive a lot of funding from-- that are equalized, receive a lot of funding from the state, have a lot more programs, a lot more activities, you know, indoor swimming pools, all those kinds of things, and newer schools typically. And they receive half their funding or so from the state.

ANN HUNTER-PIRTLE: Um-hum.

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MURMAN: And the schools that don't get funding from the state typically don't have all of those amenities. Is that fair to the students in our state?

ANN HUNTER-PIRTLE: No, it's not. And to correct that problem, we need a sea change in how we fund public education in the state, which is-- and I think to appropriately address the magnitude of that sea change, there needs to be a school finance study akin to the one that was done leading up to the TEEOSA formula. These are really complex issues with a lot of unintended consequences. I really appreciate Senator DeBoer's efforts here, but I think she'd be the first to say that it's really hard for one senator to write a bill that can comprehensively take a look at all of the moving pieces in the state and address a 30-year problem, right? And that's why I think the, the commission is so needed to take a look at the, the problem comprehensively and from a long, long view historically and find solutions.

MURMAN: Will the funding changes in this bill do anything substantial to change the situation?

ANN HUNTER-PIRTLE: I think it's a step in the right direction and it's better than, than the nothing that those schools are getting from the state currently.

MURMAN: Thank you.

ANN HUNTER-PIRTLE: Thank you.

GROENE: Any other questions? Thank you.

ANN HUNTER-PIRTLE: Thank you.

GROENE: Next proponent.

BRUCE RIEKER: Chairman Groene, members of the committee, my name is Bruce Rieker. It's B-r-u-c-e R-i-e-k-e-r. I'm vice president of government relations for Farm Bureau here testifying in support of portions of LB1073. One, Senator, I want to thank you because I don't think there's been as many people interested to see if I would sit in the chair after you called out Farm Bureau and to see what I had to say then you helping gain a little bit of attention. Second, you'll notice that John and Connie know that you never sit next to me because when lightning strikes, you may get hit. So now with that, yes, this is a complex issue. This bill isn't perfect. LB289 wasn't perfect last year. We saw how many iterations of that? LB974 is still under work.

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It's a complex issue and I welcome the opportunity to sit here and testify before you. I'm not going to go through all the accolades. We do like three parts of this. One is lowering the ag land valuations. Two is lowering the LER. And three is the basic education funding because basic education funding delivers Millard to rural Nebraska, both ag and nonag, than foundation aid does, especially to the unequalized schools. And we have the evidence to prove that. So we at Farm Bureau prefer the basic education funding component, but we do support LB974 and I will make that clear in this. LB9-- and this isn't because you called me out, but LB9-- we told you this before the hearing. LB974 is still our priority and I'll just get right to the bottom line. And I know that there's some modeling that we need to do in this thing, but based upon the changes that I've heard and I haven't been able to get a hold of Jay Rempe, who, who is our senior economist, to do all the modeling. But my back-of-the-envelope math shows that this isn't to exclude-- we, we believe that there needs to be property tax relief for everyone, not just ag. And I know that lowering the ag land valuations could make this look like it's just ag, but this bill, to my best ability-- using the raw math or the math that I had coming into this from Jay-- this bill would generate about \$80 million of property tax relief for ag. LB974 and the reason we support it-- and we understand why the schools have issues with it-- provides us \$157 million for ag and \$290 million for residential and commercial. It's a much bigger bill. It is a lot more property tax relief. Nobody has talked about how much relief it is. We've talked about percentages and meaningful and substantial. I'm here to tell you and I will double-check these numbers on this bill, but we have calculate-- I have calculated using Jay's scientific math and I will go back and verify this-- that this one's about worth \$80 million to us and LB974 is \$157 million to us in year three. And it's just slightly over \$290 million to residential and commercial in year three. With that, I'll close and take any questions and try and answer them.

GROENE: Senator Linehan.

LINEHAN: Is there any guarantee in the bill in front of us-- it's in my papers-- that property taxes will go down \$10 million--

BRUCE RIEKER: No and there's--

LINEHAN: Excuse me?

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BRUCE RIEKER: There-- no, there is no guarantee.

LINEHAN: Thank you.

BRUCE RIEKER: And there is no guarantee in any of the bills that we've seen that if the state comes up short, that you wouldn't rob the Property Tax Credit Fund or something else to pay the shortfall. So there are no guarantees in any budget. There are no guarantees in any bill, but we're ready to take the ride.

LINEHAN: But you understand the difference between this bill and LB974?

BRUCE RIEKER: Absolutely, I--

LINEHAN: So in LB974, there is a guaranteed property tax relief.

BRUCE RIEKER: Right.

LINEHAN: There is not a guaranteed property tax relief in this bill.

BRUCE RIEKER: Right.

LINEHAN: Thank you.

BRUCE RIEKER: I understand the difference between these two bills.

GROENE: Any other questions? Senator Murman.

MURMAN: Thank you for coming in and thank you for confirming my-- I just figured it in my head. I didn't even use the back of an envelope so I appreciate you being more accurate, but--

BRUCE RIEKER: Well, we have a saying at Farm Bureau. I know-- I've used this in other places. And Jay's going to kill me for this, saying it publicly, but on our dollar bills, we say "in God, we trust." At Farm Bureau, we say in Jay, we trust. He does the math.

MURMAN: He does a good job. So to me, LB974-- if you talk about substantial probably tax relief where it's really needed, is it just barely may be enough, but this bill is about half or--

BRUCE RIEKER: Um-hum.

MURMAN: --or something like that. I just don't think it gives enough property tax relief where it-- really been paid if big increases have

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happened over the last ten years. It, it does do some good things for future property tax relief, but all across the board-- and I know I'm supposed to ask a question, but I just thank you for confirming some of those figures.

BRUCE RIEKER: You're welcome.

GROENE: Any other questions? Senator Pansing Brooks.

PANSING BROOKS: OK. Thank you for coming, Mr. Rieker. I appreciate the position that nothing is perfect and that the enemy of good is perfect and so we have to look at various different options. And so I appreciate your coming forward with this. So my understanding-- it was more than \$80 million because it was \$132 million and about 13.5 goes to the equalized districts. So to me, that's quite a bit more than \$80 million.

BRUCE RIEKER: Yeah and I was-- I backed it down based upon what was explained as far as the changes in the fiscal note. If I am wrong and I may be-- I mean, initially, where we started with the calculation coming into today was at \$115 million for ag and \$201 million for everyone else. That's what we started with. And I pledge it to all of you on the committee, we will-- I will have Jay run the numbers, but based upon what I understood Senator DeBoer to say that there was a correction that needs to be made and how it would adjust the fiscal note. That's what-- that's the calculation I made. But coming in, we had estimated those other numbers.

PANSING BROOKS: OK, well, I guess we'll have to ask Senator DeBoer to explain it because having spoken with her at one point, my understanding is the numbers don't gel with what you're saying right now.

BRUCE RIEKER: OK.

PANSING BROOKS: We can, we can see it. We'll listen to Jay and we'll listen to Senator DeBoer--

BRUCE RIEKER: Yeah.

PANSING BROOKS: --and anybody who's looking at this.

BRUCE RIEKER: And I'm not going to put-- I mean, Jay and Connie work well together in matching up the numbers too. And so I'm sure that Jay will confer with Connie and the Legislative Fiscal Office because we

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try and when we do these analysis, we try to see if we're in the same ballpark with each of those other ones, so--

PANSING BROOKS: Well, there's no question that Ms. Knoche is also brilliant on numbers. So I'll hear from her on that too, but thank you for coming forward with this testimony.

BRUCE RIEKER: You bet.

GROENE: How do you think lowering the LER will help agriculture-- to 99 cents?

BRUCE RIEKER: It just reduces the Local Effort Rate by 1 cent, but I don't have a dollar figure to put on that, Senator Groene. I don't know.

GROENE: But the max levy in the whole state is at \$1.05?

BRUCE RIEKER: Right.

GROENE: I'll use Schuyler because I'm familiar with that area.

BRUCE RIEKER: OK.

GROENE: I have family that lives there on a farm. Would that do anything for them or do you think Schuyler would still be at \$1.05 at the end of the day with their financial situation?

BRUCE RIEKER: Boy, I, I wish I was clairvoyant for all 240-some-- I don't know. And I'm not trying to dodge the question. I don't know.

GROENE: Do you know that the easiest thing for the Legislature to change is the LER?

BRUCE RIEKER: Sure, they've proven that time--

GROENE: It's hard to change valuations.

BRUCE RIEKER: --and time again. That's a part of how we got here.

GROENE: I'm doubting this fiscal note on ag land at 55 percent because it looks to me like the Fiscal Office assumed that the same thing was happening that's been happening in LB792 [SIC]; that the valuation is also lower outside the levy, the adjusted valuation that we tax. So how do you assume-- because it doesn't-- the bill doesn't. It just doesn't. How do you-- explain to me how, by lowering it inside the

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formula, but not outside the formula, helps the farmer in a equalized district?

BRUCE RIEKER: In an equalized district, it doesn't.

GROENE: But they're the ones that are hurting the worst.

BRUCE RIEKER: Well, but the other components do. The, the basic education funding and things like that help.

GROENE: So it doesn't help them in the equalized district, doesn't help them in an unequalized district because their levy just goes up. So how does the 55 percent help a farmer?

BRUCE RIEKER: Well, I will say this; that our calculations are that reducing it from 75 to 55 are worth \$52 million in the aggregate. But specific to districts, I don't have that answer.

GROENE: In LB792 [SIC], it's \$52 million because it's inside and outside the--

BRUCE RIEKER: You mean LB974?

GROENE: LB974.

BRUCE RIEKER: OK.

GROENE: This bill doesn't do it inside and out--

BRUCE RIEKER: OK.

GROENE: Farmers gain nothing.

BRUCE RIEKER: Um-hum.

GROENE: And you're sitting there as a proponent?

BRUCE RIEKER: Well, I am sitting here as a proponent. I'm also sitting here to say that I, and I think a lot of my colleagues at Farm Bureau, have learned a lot through this discussion. We will continue to work with all of you, you know? And as-- I mean, I told them that I'm going to stick, stick or stay here throughout this because as we get into this debate and if it's LB974--

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GROENE: The 13 you agreed-- that you thought was great was a 7.5 basic funding.

BRUCE RIEKER: Oh, we'd love that to be a lot higher.

GROENE: There's another bill that has it at 15 percent.

BRUCE RIEKER: Um-hum. That's better, yeah.

GROENE: And no-- do you like the provision that the first thing that gets cut is basic funding?

BRUCE RIEKER: No and I-- you know, yeah, that's-- you know, that, that is a portion of this bill that we don't like-- is that-- I mean, that intent of that, you know, the, the larger-- well, the schools or the equalized schools would remain funded because, you know, it's-- and I'm going to go to LB974. And I heard that, you know, the schools talking about there are no guarantees. There's one guarantee in this situation that the property owners are the backstop for all of this. If you don't fund education at the state level, the property owners pick up the bill. And so the ultimate guarantee for everyone is property owners, but that's why we're all here. It's to try and fix this.

GROENE: One last question to correct the record. You said in LB974 you did your analysis and you thought ag got \$158 million and residential and commercial got \$290 million?

BRUCE RIEKER: Yes.

GROENE: The entire cost of the thing, the third year is only about \$275 to \$280 million, \$290.

BRUCE RIEKER: OK.

GROENE: The Fiscal Office estimated the third year, ag would get 65 percent of the money. Your numbers make no sense. If you come up with-- \$448 million is what you stated for the record of what the third year would be and it's only-- it's less than \$300 million.

BRUCE RIEKER: OK.

GROENE: So, so you might want to check your numbers.

BRUCE RIEKER: Yeah.

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GROENE: All right, thank you. Any other questions? Thank you, Bruce.

BRUCE RIEKER: You're welcome.

JOHN HANSEN: Good afternoon, Chairman Groene, members of the Education Committee. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union. We are here today in conceptual support of LB1073. We like some of the things that are in it and we have some problems with some of the things that are both in it and not in it. And so from-- standing back, taking a look at, at the size of the ask, we're of the opinion that we need to be able to come up with something that actually gets 33 votes. And I've been doing this for 30 years and 33 is the magic number when it comes to counting votes. And so as I look at the strategy that we employed last year relative to trying to move forward with property tax relief and come up with a new way to fund K-12 education, we put all of our eggs in one basket. That didn't turn out to be a very good strategy. We did not have the necessary votes to be successful and I just want to remind the committee that 100 percent of nothing is still nothing. And so while we're talking about hypotheticals, about which bill we like the best and all of those kinds of things, I like a bill that gets 33 votes. And so here's what I would suggest: it would be a good idea to provide some competition out on the floor of the Legislature and I think LB1073, if massaged enough and modified enough, is worthy of consideration. I think it ought to go out to the floor. I think it provides a vehicle that we can look at. And I would tell this committee the same thing I told the Revenue Committee is that when my board was contemplating all of the different bills before us about what it is we should do, they asked me in my 30 years, have I ever remembered a bill that became law, that dealt with education, that enjoyed the universal opposition of the entire education community? And I said no. And so their question was, well, then what are we-- what are we doing here? We have to have something that enjoys support. And there isn't anything that we're going to get that gets 33 votes that is not a grand compromise, that gives a lot of ground in a lot of different places. And we've been working in our coalition for some years-- the last few years between education and ag and saying that we both have to give and we both have to take and we both have to come together and that, you know, I-- the 7.5 percent basic funding is a start. I view LB1073 as a start. It's a-- at least provides a running gear that we could start, that we can adjust as we get more money. Again, I don't see how you get a structural fix to the structural problem that doesn't realign the revenue streams. We need a new and

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additional source of revenue. Betting, betting the farm on the additional revenue that we have this year for either LB1073 or LB974, in our opinion, is sucker bait. You, you couldn't walk into your ag loan officer's-- a bank and say last year, I had the best darn crop I've ever had. And so based on that, I have a new normal for borrowing money based on the new yields I got last year that I didn't get last year, the year before, or the year before that or the year before that. And so when we, when we look at where we're at here, we have altogether too much reliance on property to fund K-12 education. We need more income and sales. We would be much happier with this bill if it had a dedicated source. But like LB974, it takes available money and tries to put it to some sort of positive use. So there's, there's a, a list of things that we like about this bill. And one of the things we like is the fact that Senator DeBoer spent a great deal of time talking to a large number of folks and sitting down and saying, from your perspective, where are we at and how do we get to where we need to go? And so we give her high marks for her effort. And I'll end my comments and be glad to answer any questions in the off chance that I might actually be able to do so.

GROENE: Senator Linehan.

LINEHAN: Thank you, Chairman Groene. Have you modeled this bill for any of your school districts, any school district-- Senator DeBoer's bill-- have you modeled it for any school district?

JOHN HANSEN: I, I do not have that--

LINEHAN: So--

JOHN HANSEN: --no.

LINEHAN: --you don't know if this, this reduces taxes on ag land or how much it reduces taxes on ag land; you don't, you don't know that?

JOHN HANSEN: No, we just know that it increases the total amount of dollars spent on K-12 education and that generally speaking, there's always been a trade-off between the amount of state funding and the amount of local property taxes that make up the shortfall. So if we increase income and sales tax to fund K-12 education, we're likely to get some property tax relief.

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LINEHAN: We're doing-- historically, that hasn't proved to be the point. Did you say earlier in your remarks that there had to be some give and take on both sides?

JOHN HANSEN: Yep.

LINEHAN: So in this bill, Senate DeBoer's bill, what are the schools giving them?

JOHN HANSEN: Well, I think that having, having done this for a while, I would say that we have more acceptance of the idea of providing some sort of basic funding to all schools.

LINEHAN: So you're saying that this--

JOHN HANSEN: In this bill, then, then-- which has been a stumbling block for a long time and I see some movement. I think there's some schools that are still going to oppose this bill over that issue, but I see a lot more schools saying for the good of the whole, we're going to have to do a better job of sharing.

LINEHAN: So you're saying that Greater Schools are saying it's OK to give some money to the NRCSA schools?

JOHN HANSEN: Yep.

LINEHAN: OK, thank you.

JOHN HANSEN: Yep.

GROENE: Any other questions?

JOHN HANSEN: And I would also just say that, you know, I, I don't have the modeling. I rely on NRCSA's analysis. They represent primarily--

LINEHAN: NRCSA has already said they haven't analyzed it.

JOHN HANSEN: They haven't analyzed it, but they're in support of, of the bill and they represent rural schools; I represent rural schools.

LINEHAN: It's amazing you're supporting bills that nobody figures out how it's going to affect their taxpayers.

JOHN HANSEN: If, if we had that kind of for-sure information, there would be a lot less bills that got testified on one way or the other.

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LINEHAN: You could, you could take this and figure out what's going to happen. Nobody's done it. I mean, if you lower ag inside the formula, right?

JOHN HANSEN: Yeah.

LINEHAN: So when the tax bills go out, what are they going to tax ag at outside the formula? When the bill goes to the ag producer, what's he going to pay his taxes on?

JOHN HANSEN: It's going to be the-- I understand it and maybe Senator DeBoer--

LINEHAN: It's going to be what?

JOHN HANSEN: It'll be the outside formula.

LINEHAN: Which is how much?

JOHN HANSEN: 75 percent--

LINEHAN: OK. So I don't know how you get a tax cut then.

JOHN HANSEN: --which is not the part-- which is not the portion of the bill that I like.

LINEHAN: OK, thank you.

GROENE: Senator Murman.

MURMAN: Thanks a lot.

JOHN HANSEN: Yep.

MURMAN: I guess I don't totally understand why this bill came through Education and LB974 came through Revenue. But I'm wondering if LB974 would have come through this committee, would it have gotten more support from education-- the education community?

JOHN HANSEN: I, I-- it's an interesting question and I-- woe be it, woe be it for me and it's certainly over my pay grade to outguess how it is the bills get referenced. But I would say that I've been here a long time, and I, I thought I used to understand the system, but I apparently don't today because, you know, I'm not able to accurately guess where bills go anymore. And I don't know, I mean, I, I think that, I think that the basic components of the bills drives the

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response from the different players. I, I-- yeah, so whether it is in this committee or, you know, Revenue Committee, I think the players are probably going to weigh in about the same way. That's my guess.

MURMAN: Thank you.

GROENE: Question--

JOHN HANSEN: I--

GROENE: --a historic question since you said you were here 33 years.

JOHN HANSEN: No, 30.

GROENE: 30.

JOHN HANSEN: I've been here 30 years, but 33 is the number--

GROENE: At one time, at one time, there was a 20 percent income tax rebate, all right? That was really big for agriculture. Where were you when they took it away?

JOHN HANSEN: I was president of Nebraska Farmers Union and I opposed it.

GROENE: Where would-- where was--

JOHN HANSEN: We started at 20 percent and then we, we moved down to-- what are we now, 2.3?

GROENE: You couldn't pull 17 rural senators together to stop that change, as powerful of a lobby as you are--

JOHN HANSEN: Well--

GROENE: --in ag?

JOHN HANSEN: Sometimes my power is disappointing.

GROENE: [INAUDIBLE]

JOHN HANSEN: But we did notice it and we did oppose it. And we, we also said that it was a mistake to take away the only oversight that we had in LB1059 relative to being able to make adjustments. And so the mechanism that we used to have that at least took into account the variables that happened in order to make sure that LB1059 was doing

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what it was originally intended to do, we took that mechanism out. It was, seems to me, three, maybe four years into the process. We also said that was a mistake because you no longer had any kind of way to adjust for variables that you couldn't foresee at the time when you, you know--

GROENE: Thank you.

JOHN HANSEN: --when you originally did the bill.

GROENE: Thank you. And I'll ask-- answer Senator Murman's question so that it's on the record. I'll ask you the question. Did you know a large percentage of LB974 is in Chapter 77, which is a revenue? And there's about-- a mix of half and half. So anyway, that's why it ended up in Revenue, not here.

JOHN HANSEN: I am, I am willing to take your word for it.

GROENE: Thank you. Any other questions? Thank you, sir.

JOHN HANSEN: Thank you very much and good luck.

JORDAN RASMUSSEN: Good evening, Chairman Groene and members of the committee. My name is Jordan Rasmussen, J-o-r-d-a-n R-a-s-m-u-s-s-e-n. I serve on the policy staff at the Center for Rural Affairs. Behind the concern that rural residents have for our state's overreliance on property taxes for school funding is the desire to maintain and continue to improve the quality of education provided to Nebraska students. LB1073 strikes this balance by drawing more state aid into schools while also not usurping the authorities given to school boards to provide the education and resources needed for their schools. LB1073 is a policy that will help strengthen our rural communities and schools. One way to reduce the property tax bills for Nebraska's agricultural landowners is a reduction in the taxable value of the property, ag land property. This is a very basic action and the reduction within the-- keeping with the TEEOSA formula remedies some of our concerns with the state's tax imbalance. And it helps remedy some of the issues that we've been seeing over the last 15 years as ag land prices have skyrocketed. In turn, this reduction in the taxable value of ag land also draws more schools into equalization. We looked at a model that had been provided to Senator DeBoer's office and we estimated about 14 more schools would be drawn in. I'm not a-- math is not my forte, but those are the numbers that I was able to come with-- up with in that calculation. And of all those schools, they're all

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rural schools. So to say that there's no benefit to other schools that are coming in that will receive additional equalization aid, I would say it's inaccurate. Rural and nonequalized schools also stand to benefit from this legislation through the addition of basic funding component. By the state coming to the table to cover 7.5 percent of the cost of basic education, school districts that, that remain nonequalized will receive state funding, providing relief from the reliance upon property taxpayers to cover such a large portion of education funding. This is a strong step forward to account for the cost of education that all schools, no matter-- for all schools, no matter their zip code. We're also supportive of the addition of the School Finance-- or the reestablishment of the School Finance Review Committee to provide the oversight for the funding formula. Education has changed dynamically since TEEOSA was first enacted and looks different across the state. While revisions have and continue to be made to the formula, the addition of oversight from an array of stakeholders will allow for opportunities to make recommendations for modifications and updates to help make the formula work better for our schools and students. This legislation also provides the needed guardrails should revenues not meet projections while there are opportunities that we see to help increase and introduce new revenues to help offset some of those concerns that, that exist when it comes to rural schools taking the hit on some of those issues there. Yet we find that in this current iteration, this is accomplished without unnecessary constraints that are placed upon our schools and hold-- that holds both the schools in the state accountable. This bill takes the step that rural Nebraska is calling for forward. We strongly urge the committee to vote LB1073 out of committee for the betterment of our schools, our rural communities, and our state. I'd thank you and welcome questions.

GROENE: Any questions? Thank you.

JORDAN RASMUSSEN: Thank you.

GROENE: Next proponent.

CONNIE KNOCHE: Good afternoon, Senator Groene and members of the Education Committee. My name is Connie Knoche, C-o-n-n-i-e K-n-o-c-h-e, and I'm the education policy director at OpenSky Policy Institute. We're here today to testify in support of LB1073. Nebraska relies more on local property taxes to fund public schools than 48 other states. LB1073 could reduce our reliance on property taxes while maintaining the equalization principle of the school's funding

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formula. LB1073 accomplishes three distinct goals while keeping the formula intact. First, the plan increases state aid to all school districts, allowing them to, to reduce property tax levies, providing property tax relief for Nebraskans in a way that isn't punitive towards Nebraska public school students. Second, many school districts with ag land lost significant amounts of state aid as agricultural land values skyrocketed. It would increase state aid for these districts, reducing their reliance on property taxes. Third, it would ensure that a portion of the basic funding is distributed to each school district. The merits of this approach are as follows. First, it's easy to understand. It doesn't change the taxable valuation of real property for schools. Therefore, not forcing cuts to school districts that are at or near their maximum levy. It distributes revenue among both equalized and nonequalized schools. It reduces the taxable value of ag land in the formula and restores equalization aid to rural districts that lost most, if not all of their equalization aid due to the doubling of ag land values. This action will restore equalization aid to ten districts that were previously not equalized because we lowered the local-- lowered the ag land value so more became equalized in this form. And it brings the total number of equalized districts to 94. Lowering the Local Effort Rate helps urban and rural districts. The basic funding component provides a consistent level of state support for nonequalized school districts. The difference in this proposal versus what we talked about in LB974 is LB974 provides foundation aid on a per-student basis and guarantees foundation aid on a per-- guarantees basic funding-- 15 percent basic funding on a per-student basis. What LB1073 does is provide 7.5 percent of the total basic funding going to all school districts. So there's a difference in how it's approached within the formula. And it doesn't put any additional spending limits or levy limits on schools. They already have spending and levy limitations. One of the questions I was asked before is if additional money went to schools, how do you know that they will lower their property taxes? Many of the schools are at their spending limit. They can't spend any more than they have. Any additional revenues they get would have to be used to lower property taxes and everyone knows that property taxes are a big issue for all taxpayers in this state. And so it would be up to the school board to decide how they want to fund their school, what they want to do with the revenue that's received. This proposal has several important safeguards. First, since the funding of the proposal is relying on revenue growth, which is a concern of ours, it is easy to modify should the revenue come in below projections in any given year. Second, it states that equalization aid must be fully funded pursuant

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to the TEEOSA formula before funding the components in the proposal. And finally, it reinstates the School Finance Review Commission to study the financing of public schools in Nebraska. And I'd be happy to answer any questions that you have.

GROENE: Senator Linehan.

LINEHAN: Thank you, Chairman Groene. Have-- I'm assuming you're familiar with both the fiscal note on this bill and the fiscal note on LB974?

CONNIE KNOCHE: Yes.

LINEHAN: So could you explain to me why, on this fiscal note-- and I know you're not the Fiscal Office, but you have been sending a lot of paper around about this bill. So the Fiscal Office, on this note, says if we reduce ag to 55 percent, it's \$76 million-- \$76.5 million, OK? In LB974, it says if we reduce ag land by 55 percent, it's, like, \$40 million. How could there be such a discrepancy?

CONNIE KNOCHE: Well, I believe-- and you'd have to talk to Fiscal on it, but I believe it's because LB974 does a lot of things within the formula.

LINEHAN: But this is line by line, it's on the fiscal note. This says ag to 65 then 55 and then it goes over three years and the first year-- so that's only to 65, it's about \$22 million. And then I think it goes to 60 in the second year; it's \$46 million. Then down to 55; it's \$38 million. So I just-- I don't know how the numbers can be-- is this because-- that, that would cost more, but this would cost less because we'd just do it in one year?

CONNIE KNOCHE: I'm not sure.

LINEHAN: You didn't notice that discrepancy?

CONNIE KNOCHE: No, I-- but also in this LB1073, it lowers the Local Effort Rate from \$1 to 99 cents so that might have had something to do with it.

LINEHAN: OK, then can you explain-- and I know that Senator DeBoer tried to explain, but in the, in the fiscal note on this bill, it says basic funding at 7.5 percent would cost \$252.6 million-- or the first year-- let's go to first year-- \$227 million. And on LB974, it says if we give 15 percent basic funding-- so double what this bill does-- I

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can't-- oh, yes, because this was very interesting to the Revenue Committee. It would cost-- if we went to 15 percent basic funding, it would cost \$4.4 million.

CONNIE KNOCHE: That's because they're doing that on a per-student basis instead of the total basic funding.

LINEHAN: Who's doing what on a per-student basis?

CONNIE KNOCHE: LB974 does it on a per-student basis. You get 15 percent of your basic funding per student. You either get your foundation aid or 15 percent-- up to 15 percent of the basic funding per student and that's why there's differences.

LINEHAN: So the rural schools will get a lot more money under LB974?

CONNIE KNOCHE: No, not under-- no. They would under LB1073 because of the basic funding. It's the total basic funding for the school, 7.5--

LINEHAN: Have you modeled that?

CONNIE KNOCHE: Yes.

LINEHAN: Could you share those models with us? Because maybe I'm getting wrong models from the Fiscal Office.

CONNIE KNOCHE: I'd be happy to talk with Fiscal as well, but Fiscal is doing it on a per-student basis under LB974.

LINEHAN: But--

CONNIE KNOCHE: That's why it's so much less.

LINEHAN: --they've also got basic-- we've also got basic funding in LB974 at 15 percent.

CONNIE KNOCHE: Per student versus 7.5 percent of the total basic funding per district.

LINEHAN: OK. Well, there's some discrepancy. I'll have to talk to Fiscal.

GROENE: Other questions? Senator Murman.

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MURMAN: If I understand correctly, LB974 has foundation aid, which is per student.

CONNIE KNOCHE: Which I believe is \$972 per student or something like that; first year, first year is \$972 per student.

MURMAN: And then, and then basic aid-- basic funding on the third year and that's per school district--

CONNIE KNOCHE: Yes.

MURMAN: --the total cost of the school district so they're two different things.

CONNIE KNOCHE: Well--

MURMAN: And here basic funding, I think, is per school district, isn't it?

CONNIE KNOCHE: LB1073 has it-- the total basic funding per school district at 7.5 percent, but what it does in LB974 is on a per-student basis and that's why it's different.

MURMAN: Well, in LB974, the foundation aid is per student. The basic funding--

CONNIE KNOCHE: Well--

MURMAN: --is per student in the school district.

CONNIE KNOCHE: No, its per student-- both of them are per student.

MURMAN: The only time LB974 provides basic funding, I think, is in the third year if the foundation aid, which is per student, doesn't amount to-- get numbers to 25 percent.

LINEHAN: 15.

MURMAN: 15 percent of the school-- total school funding--

CONNIE KNOCHE: Right.

MURMAN: --so.

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CONNIE KNOCHE: LB1073 provides more funding to schools that are not equalized because of this basic funding component.

MURMAN: OK, but it's-- but we're getting confused on our definitions of--

CONNIE KNOCHE: Yeah.

MURMAN: --if it's per student or per school. Thank you.

GROENE: Basic funding-- what's your definition of basic funding per student?

CONNIE KNOCHE: That's when you take the adjusted general fund operating expenditures of the ten larger and ten smaller and take out the two highest spenders and two lowest and then do the, the average for that group.

GROENE: What is figured first by the Department of Ed; basic funding for the school or for the student?

CONNIE KNOCHE: They determine it for the school--

GROENE: So then--

CONNIE KNOCHE: --first and then--

GROENE: --basic funding, then, per student is the number of students divided into the basic funding for the school?

CONNIE KNOCHE: And that's used for the net option for funding per student. It's a statewide average basic funding per student. But otherwise, basic funding isn't on a per-student basis in the formula. It's just the total that goes to each school.

GROENE: But each school has their basic funding--

CONNIE KNOCHE: Yes.

GROENE: --and their per-student basic funding, which is students divided into the school's basic funding.

CONNIE KNOCHE: And the only time that's used in the formula is when you do net option funding-- that calculation.

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GROENE: LB974 uses 15 percent of the school's basic funding for a floor.

CONNIE KNOCHE: Per student for a floor, yeah.

GROENE: Per-- it's the same thing. Anyway, with the array, it might vary a little bit, but it's basically the same thing. So when you tax on the amount-- August 20 versus what's in the formula, all right? I mean the formula uses last year's--

CONNIE KNOCHE: Um-hum.

GROENE: --so you got a school district like Norris. You're going to lower their, their valuations inside the formula.

CONNIE KNOCHE: Right.

GROENE: All right, but they get a tax at 75 percent of ag land on August 20, is that correct?

CONNIE KNOCHE: Right, but they'll have additional revenue that they get from the state so they won't have to tax as much as they would be.

GROENE: So Norris is-- they testified-- Norris is-- probably got a lot of unused budget authority, don't they?

CONNIE KNOCHE: I'm not sure what they have.

GROENE: Well, they're at \$1.05. So any of those schools that got ag land, they could spend up to their unused budget authority. They could, they could take their wide gap of what they could tax on August 20. But depending on what's in the formula and as long as they got unused budget authority, they can spend it all; is that true?

CONNIE KNOCHE: Well, that's up to the school board--

GROENE: Oh.

CONNIE KNOCHE: --to decide when they adopt the budget, how they want to plan their budget for the year. And most schools don't use all of their unused budget authority. They'll carry it forward and use it for when they need it.

GROENE: If you look at the unequalized districts, most of them have very little unused budget authority--

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CONNIE KNOCHE: Right.

GROENE: --and they're up against they're spending limit.

CONNIE KNOCHE: But they have a lot of room in their levy.

GROENE: Yeah, but they don't have any unused budget authority because they spent to their spending limit.

CONNIE KNOCHE: Yes.

GROENE: What makes you think the bigger school districts wouldn't do the same thing?

CONNIE KNOCHE: I think you have to trust the local governments to do what they need to do to operate their school district.

GROENE: Because right now, they can't reach their unused budget authority, is that correct? Because they're at their levy limit.

CONNIE KNOCHE: Right, the larger schools are, yes.

GROENE: Thank you.

CONNIE KNOCHE: Um-hum.

GROENE: Any other questions? Any other proponents? I thought you were getting up, I'm sorry. Proponents? Any other proponent? Opponents?

LINDA RICHARDS: Thank you.

GROENE: You're on your own-- on your time, Renee [SIC].

LINDA RICHARDS: Good afternoon, Chairman Groene and members of the Education Committee. My name is Linda Richards, L-i-n-d-a R-i-c-h-a-r-d-s, and I am a member of the Ralston Board of Education. I appreciate the opportunity to appear before you today to speak on behalf of our students, staff, and the Ralston community. I appear today in opposition to LB1073. That is in part, as I've heard many making statements with regard to what it is that they are having issues and questions about. On examination of the proposed components of LB1073, we find there are parts of the bill that we support, such as the creation of the School Finance Review Commission, the downward adjustment of the Local Effort Rate, and the change in the state aid certification day. Components of the bill that lead us to opposition in this addition of basic funding aid for school districts: basic

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funding aid, as presented in this bill, provides guaranteed money to each school district by requiring the state to add 7.5 percent of basic funding to each district as an adjustment through the formula. While the increase in state spending is needed to help offset our dependency on local property tax, we feel that this method of distribution of funds runs in direct conflict to the concept of equalization aid. Our current TEEOSA formula, though not perfect, allows for districts with higher needs and lower resources to be equalized in funding. The use of basic funding aid, when in concept, sends more state money to all districts, regardless of their ability to raise funds locally. I'd suggest that the committee consider an alternative to basic funding aid as a vehicle to distribute these funds. We believe that the best method for allowing the state to pick up more of the financial responsibility and funding lies in the increase of reimbursement for special education expenses. Adding additional reimbursement to special ed expenses each year will provide a mechanism for all districts to gain funds from the state, thus lowering some of our dependency on the local property tax. Our district has seen a great deal of growth in the area of special education expenditures over the course of the last several years. I'm referencing the graph that we have enclosed with our testimony here today to illustrate how our expenditures have increased. As you can see in each of the last five years, our special education expenditures outpaced our budget growth. This area of our budget is consuming a larger portion of the dollars we can raise each year. Changing our reimbursement percentage for special education funding would build in some relief to offset the increases we have incurred. In addition, we have included information on how we have been responsible in our budgeting process by either maintaining or reducing our school levy in each of the last five years. In summary, we are in agreement that our current state of school funding is in need of adjustment and that property taxes are an issue statewide. We simply request that further examination be put into the changes proposed in this bill. We feel specifically that the creation of basic funding aid is inherently disequalizing and contrary to our state school funding philosophy. Thank you for your time and for your continued commitment. Thank you, Senator DeBoer, for introducing the bill for consideration and ongoing conversation, which is much needed. I'd entertain any questions that you might have.

GROENE: I apologize for getting your name wrong, Linda.

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LINDA RICHARDS: That's all right.

GROENE: I know you and I should be better with that. You talked about special education.

LINDA RICHARDS: Yep.

GROENE: Is special education under the spending limit?

LINDA RICHARDS: It is for us because we're at \$1.05 and so we don't spend outside our, our, our levy to, to levy for those dollars. So what we have to spend on special education has to fall under that \$1.05.

GROENE: I didn't ask you-- you're limited by the \$1.05--

LINDA RICHARDS: Correct.

GROENE: --but special education spending by the school is not controlled by the spending limit is it?

LINDA RICHARDS: It is in what you can allocate for it, yes. I mean you-- it's how much you can spend. We have to spend--

GROENE: [INAUDIBLE]

LINDA RICHARDS: --regardless so if we're-- if we, we have a high-needs student, we don't get to limit how much we spend. The cost is the cost and that--

GROENE: You can't raise the funds for it.

LINDA RICHARDS: Correct.

GROENE: But a district that was given extra taxing ability, let's say with that valuation of ag land, and they had enough valuation that they could tax and not limited by its spending limits, pay for their special education cost, could they not?

LINDA RICHARDS: Well, right now they're having to spend-- they're having to tax for whatever the cost is. So I-- you know, this is why I'm bringing SPED to your consideration.

GROENE: I understand.

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LINDA RICHARDS: I, I want to make sure that you're--

GROENE: You're trapped, I understand. You're trapped.

LINDA RICHARDS: Yeah and I feel like, as I stated on it-- as I stated in the, in the comments, I feel like this is the best place for us to look at the disbursement, right? This bill is starting to have us have a conversation about where the priorities need to be and that's why I appreciate Senator DeBoer bringing this bill. What I want to make sure, as we articulated-- and I don't want to be disrespectful to any of you, but what we articulated-- I really don't, Senator-- but 25 years of doing this--

GROENE: I understand.

LINDA RICHARDS: OK? So what, what I have seen over those 25 years is a disregard for the costs that-- that needs side of the equation. That need side does not go away because we magically want to make it go away. And special education for my colleagues, Senator Murman, in my-- in rural Nebraska and for-- in extremely rural Nebraska, special ed costs are dramatic for them. It is a major impact to their budgets. One student moving in can take a major hit to a budget for, for your districts that you represent, Senator.

GROENE: Senator Linehan.

LINEHAN: Thank you, Chairman Groene. Thank you, Dr. Richards, for being here.

LINDA RICHARDS: I wish I were a doctor--

LINEHAN: OK.

LINDA RICHARDS: --but I-- it's just me, just little, old Linda.

LINEHAN: OK. On your SPED expenditures of almost \$5.7 million, is that, is that your-- what Ralston-- or is that all-- and then the state and the Fed picks up part of it?

LINDA RICHARDS: Could you restate that? I'm sorry.

LINEHAN: OK, so looking at your chart--

LINDA RICHARDS: So that first graph that you're looking at-- yep, yep.

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LINEHAN: So you say here in '18-'19--

LINDA RICHARDS: Yep.

LINEHAN: --it was \$5.671 million.

LINDA RICHARDS: Correct.

LINEHAN: So is that the total spend or is that your--

LINDA RICHARDS: That is the total spend, Senator.

LINEHAN: So about 50 percent of that was picked up by the state and the federal fund, right?

LINDA RICHARDS: About 42 for us.

LINEHAN: 42 percent?

LINDA RICHARDS: Yep and so if I could-- with that question-- Senator, I don't mean to interrupt you-- can I just--

LINEHAN: Sure.

LINDA RICHARDS: --tag onto that? Because it's-- I think it's important where you're going with that.

LINEHAN: I wasn't going-- I was going to the next draft, but go ahead.

LINDA RICHARDS: Go ahead. That's fine. I, I just wanted to make sure-- context--

LINEHAN: I understand the federal-- you and I had this conversation.

LINDA RICHARDS: Yeah, we have for many years.

LINEHAN: There are people who are dropping the ball on that.

LINDA RICHARDS: Yeah and that's why we're bringing it because if we go into that area and we start allocating more resources as a state in that commitment, it requires the federal government to also pony up. And you, you understand the commitment that happens when we have that. What are we under? What, what is it called? It's called maintenance of effort. And so when we pay-- when we spend in that area, we have an obligation to meet that obligation and at 118 percent more.

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LINEHAN: I wish you were right that if we spent more in special ed, the federal government would, but that's not the way-- this isn't like matching.

LINDA RICHARDS: Well, it's, it's--

LINEHAN: They don't match.

LINDA RICHARDS: Right now, we don't have anything we're leveraging. And so I think you had LR306--

LINEHAN: OK, but--

LINDA RICHARDS: --that Senator Wishart had introduced--

LINEHAN: Thank you.

LINDA RICHARDS: --that is why--

LINEHAN: You said a statement that said if we would spend more, then the federal government would spend more; that's not true.

LINDA RICHARDS: Well, if we spend-- if we have an allocation of dollars in our IDEA as we account for those-- that, that increase here locally. We, as a state, have been carrying that burden--

LINEHAN: I know.

LINDA RICHARDS: --because we will--

LINEHAN: I know.

LINDA RICHARDS: --not fight as a state to go federally, Senator, and say to them-- we, we haven't. I have lobbied with the--

LINEHAN: I--

LINDA RICHARDS: I've lobbied at the federal level--

LINEHAN: OK.

LINDA RICHARDS: --on behalf of, of school boards for 20-plus years. And every year, they say to us they're-- the state's money is--

LINEHAN: Be very careful about 20 years.

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LINDA RICHARDS: Uh.

LINEHAN: I don't think you can say that we have never-- the Feds didn't increase it for 20 years.

LINDA RICHARDS: In those 20 years, I think maybe twice.

LINEHAN: Ah.

LINDA RICHARDS: Maybe twice.

LINEHAN: I'll get you some information on that.

LINDA RICHARDS: Yep.

LINEHAN: OK, on your next chart, does this-- your cost here, is this just your general fund or does it include your building fund?

LINDA RICHARDS: It is just the general fund. As it states, it is the district general fund.

LINEHAN: So it doesn't include the building fund?

LINDA RICHARDS: No, we have no building fund, Senator. We, we have a-- right now, we don't put money into the building fund because we can't-- we don't have any money to put into the building fund. It all goes into our general fund.

LINEHAN: What is your overall levy?

LINDA RICHARDS: \$1.2525. It's 1.2525.

LINEHAN: That's your bonding?

LINDA RICHARDS: That's our full levy.

LINEHAN: Right.

LINDA RICHARDS: Our total levy is \$1.2525.

LINEHAN: But what is your-- are you over \$1.05 in your general?

LINDA RICHARDS: No, we can't be.

LINEHAN: Well, I thought it was \$1.08.

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LINDA RICHARDS: No.

LINEHAN: OK.

LINDA RICHARDS: We have dollar-- those items that are outside the levy lid, which are the exclusions that can be outside that, Senator.

LINEHAN: So you do have exclusions over the dollar--

LINDA RICHARDS: That-- yes, yes.

LINEHAN: OK.

LINDA RICHARDS: And that's the full levy, which is \$1.2525; 1.2525.

LINEHAN: There's, there's three parts and you know this.

LINDA RICHARDS: Yes, I do.

LINEHAN: There's a general.

LINDA RICHARDS: Yep.

LINEHAN: There's the outside exclusions.

LINDA RICHARDS: Yep.

LINEHAN: And then there's the bond.

LINDA RICHARDS: Yes.

LINEHAN: When you say \$1.2020, that includes your bond.

LINDA RICHARDS: \$1.2525. Yep, that is correct.

LINEHAN: Then on your-- down here at the bottom when you say your tax-- your levy stayed the same--

LINDA RICHARDS: Yep.

LINEHAN: --but, but the valuations went up every year.

LINDA RICHARDS: No, our valuation history-- and I wish-- I should have brought that document. I would love if you would-- buy-- if they put money--

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LINEHAN: If your valuation stayed put, how could you increase your spending every year?

LINDA RICHARDS: Our valuations, actually-- in that five-year period, we actually saw a reduction in valuation. We're landlocked, Senator. We don't grow by square feet in Ralston.

LINEHAN: OK. All right, thank you very much.

GROENE: Senator Murman.

MURMAN: Thanks for testifying. Since you brought it up, I've never seen figures on how much is spent per district on special ed.

LINDA RICHARDS: Yes, sir.

MURMAN: I do realize out in rural Nebraska, it would fluctuate a lot more--

LINDA RICHARDS: Yes, sir.

MURMAN: --because there's less students to average it out on. But do you have any figures? I expect it would be--

LINDA RICHARDS: I could get those.

MURMAN: --about the same whether it's rural or--

LINDA RICHARDS: I can get those numbers for you for your districts. I'll be glad to do that for you because I think it's very important for you to know that. Some of your districts in your, your region, Senator, have unfortunately-- actually have more of a negative impact on the spend that they have to do because they need to transport students. I'm blessed. I'm in an Omaha metro area. We have the resources. And so my colleagues out west, you know-- my rural colleagues, not just out west or southeast-- across the state, they, they have a major burden in this area of providing that service that they are mandated federally by law to do.

MURMAN: Yes. As I give it more thought, I guess it would be higher in rural districts for the same reason that all our costs are higher. Transportation--

LINDA RICHARDS: Transportation.

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MURMAN: --is part of it, yep.

LINDA RICHARDS: Absolutely.

MURMAN: Thank you.

LINDA RICHARDS: Thank you for the question, Senator.

GROENE: You do understand-- in your defense, a rural district-- SPED is outside the spending limits, so if they have levy authority, they can raise their levy to bring more money in for special ed.

LINDA RICHARDS: Right, again--

GROENE: In your defense, you can't.

LINDA RICHARDS: But I'm not going to shoot at any of my colleagues.

GROENE: I'm just saying.

LINDA RICHARDS: My colleagues do what they need to do, just like I do every single day. And I'm here to fight for them and that's why I'm bringing SPED to your consideration.

GROENE: Thank you. Any other questions? Thank you, Linda.

LINDA RICHARDS: Thank you, Senator.

MARQUE SNOW: Good evening. My name is Marque Snow. I'm the president of the Omaha Public School Board. My name is M-a-r-q-u-e S-n-o-w. As the board of education-- I appreciate that you have included OPS and GSNA in your efforts to provide an alternative to LB974, which ensures that school children across the state are provided the highest-quality education. We thank you and we want to-- want you to know that OPS and our partners remain committed to working with Senator Groene, Senator Linehan, as well as Senator DeBoer, who are all working to have property tax relief for the state of Nebraska. My colleagues and I have been entrusted with the responsibility of educating 54,000 of the state's neediest childrens [SIC]-- students. As members of the Education Committee, you all know the challenges that we face. We've been asked to support LB1073 as an alternative to LB974. LB1073 doesn't provide direct property tax relief. The fact that the bill provides basic funding aid to nonequalized school districts doesn't mean that those districts will in turn reduce their levy. While we agree that additional state resources should be included in Nebraska's

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school funding formula, we cannot support legislation that has a long-term negative effect on our students. Our biggest concern with LB1073, in addition to basic funding aid, is basic funding aid is simple foundation aid in another name. The reason we oppose this change is that it further-- this equalizes school funding. Historically, the purpose of equalization aid was to provide school districts with limited property tax with additional resources, which they need to be able to meet the needs for the students they serve. Basic aid funding will provide additional resources to districts that have the ability to access property tax resources, but have chosen not to. This will come at the expense of districts that already are against their maximum levy. The lack of the extending model for the long-term impact of these changes for most districts will affect the long-term-- both school districts' as well as state budget. We are very concerned about the costs of this approach-- this approach that will create pressure to fairly modify a funding formula that reduces education costs. For better or for worse, property tax is the most stable, predictable source of revenue for the state of Nebraska. Property valuations in our district lag behind other school districts-- our surrounding school districts. Prior to 2016, LB1067, which repealed the common levy, OPS' budget was fully funded at 45 percent state aid and 55 percent property taxes. Those numbers now have flipped. Because TEEOSA is such a significant portion of the state budget, the Legislature has a long history of manipulating the formula to balance the state budget. That creates a great risk for schools and students and families that we serve. We're very concerned that the state will struggle with the long-term fund-- to fully funding commitments for TEEOSA, let alone the 7.5 percent basic funding aid elements created in LB1073. We believe the concept of creating a School Financing Review Commission is a good one. However, we do have concerns of the lack of significant representation of large school districts on the commission that is currently proposed. As a district that grows, so do our commitments for our students, our employees, and retirees. Upon our arrival of the school district, Dr. Logan initiated a deep dive into the district's financials and we take our responsibility to be good fiscal stewards of the taxpayer dollar. Sound financial management and fiscal prudence will be essential to our ability to manage our responsibility to educate our students as well as stated in our strategic plan priorities. We appreciate that we are a small part of this school funding puzzle, but unfortunately, we cannot support LB1073. Thank you for your time and if you have any questions that are technical questions, we did bring our comptroller,

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Shane Rhian, who's here-- who can answer those questions for you.
Thank you.

GROENE: Any questions? Thank you for coming. I have a question. So you're-- it's the basic funding that you're against?

MARQUE SNOW: Correct. Yes, sir.

GROENE: And the state aid being diverted to rural schools--

MARQUE SNOW: Yes, sir.

GROENE: --any future piece of the pie of state funding being diverted?

MARQUE SNOW: Yes, sir.

GROENE: Thank you.

MARQUE SNOW: Thank you.

GROENE: Is he your comptroller guy?

MARQUE SNOW: He's up next.

GROENE: OK.

SHANE RHIAN: Good afternoon-- good evening, Chairman Groene, members of the Education Committee. My name is Shane Rhian, S-h-a-n-e R-h-i-a-n, and I'd be happy to address any questions about LB1073 from OPS' technical perspective that you may have.

GROENE: Senator Linehan.

LINEHAN: Thanks, Chairman Groene. Do you know how much, under the current law, OPS is going to lose in equalization aid next year-- under current law?

SHANE RHIAN: Under current law? We would project-- under current law, that equalization aid would go from \$276 million to \$272 million dollars. So about a \$4 million decrease.

LINEHAN: I think that's the old numbers, but OK. I think it's more like eight, nine, but that's probably with updated numbers that maybe aren't out there yet. Thank you.

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SHANE RHIAN: Um-hum.

GROENE: Off the cuff, but I'd love you to come in and visit with me. I've heard a number floating around--

SHANE RHIAN: Um-hum.

GROENE: --on another bill that you'd think you would lose-- I'd like to go over those with you sometime so we're on the same-- because your superintendent and, and your school board president have been really good to work with.

SHANE RHIAN: Certainly. I would be happy to have that conversation with you.

GROENE: If you could come in sometime, I'd love to talk to you.

SHANE RHIAN: OK.

GROENE: Thank you, sir.

SHANE RHIAN: Thank you very much.

GROENE: Any other opponents? Neutral?

KYLE FAIRBAIRN: Senator Groene, members of the Education Committee, my name is Kyle Fairbairn, K-y-l-e F-a-i-r-b-a-i-r-n. I'm the executive director of the Greater Nebraska Schools Association. GNSA represents about 70 percent of all the students in the state and about 80 percent of the students in the state that are-- receive free and reduced-price lunches. We'd really like to thank Senator DeBoer for bringing this bill forward. Senator DeBoer sat down with each of the education groups and worked very diligent with them to support public education in the state of Nebraska. This bill has many ideas that are supported by the school members of GNSA. The bill makes it important, important to recognize the importance of equalization aid to the schools within GNSA. These schools have no other recourse for funding if the state does not honor its commitment to fund public education. LB1073 addresses that fact by saying language that, until TEEOSA is fully funded, no foundation payment will be made to nonequalized schools. This acknowledgment about the importance of TEEOSA to equalize schools in this state is greatly appreciated from Senator DeBoer. The bill also recognizes the additional funding to all schools in the state, lowering the Local Effort Rate to 99 cents, and creating a foundation payment to all schools. That one cent costs \$13.5 million to equalized

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schools. The rest of the money is spent on foundation aid and adjustments in property taxes. This foundation payment is the reason that we're neutral on the bill today. I have many GSNA schools that still believe we need to work on some type of other formula needs system to get a foundation payment out to rural schools. The bill does not harm a local-elected school boards' ability to manage their district. Schools are not subjected to additional lids and spending limits under this bill. Current law has, current law has a number of lids in place currently that keep schools increases to a minimum. Over the period from 1993 to 2018, school spending has declined compared to personal income in this state. Nebraskans in 2008 spent less on K-12 education per \$1,000 of personal income than they did in 1993 and that's according to Nebraska Department of Education. This information shows that local elected school boards have done a great job in managing their expenses and following the laws that are already in place. Senator DeBoer's bill would put in place a commission to watch over the trends of the equalization formula in the future. This commission would be able to help the Legislature in determining swings in the property tax value and monitor how those changes affect the ability of schools to educate children they serve. This idea is a long time coming and we look forward to further communication with the Senator on this issue. GNSA would thank-- like to thank Senator DeBoer for her efforts, Senator Walz for her cosponsorship of the bill, and we look forward to continued cooperation to make Nebraska public schools the best they can be. And I'd love to have any questions.

GROENE: Senator Linehan.

LINEHAN: I think you said in your-- thank you, Chairman Groene. You said that they have no other recourse; did you say that?

KYLE FAIRBAIRN: States that-- schools have no other recourse if the state does not fund TEEOSA. They have no other recourse to come back and the only other recourse they have is eliminating staff.

LINEHAN: But you have three schools that have done a levy override, don't you?

KYLE FAIRBAIRN: They, they have done a levy override so--

LINEHAN: So isn't that a recourse?

KYLE FAIRBAIRN: That could be a recourse.

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LINEHAN: So they do have a recourse.

KYLE FAIRBAIRN: Again, it's not, not affecting, not affecting the reduction in property taxes that we're all looking for, but--

LINEHAN: No, but that's not-- you said they have no other recourse.

KYLE FAIRBAIRN: They could go to their voters and ask for an override, that is correct.

LINEHAN: But-- which three of your districts have done.

KYLE FAIRBAIRN: Yes.

LINEHAN: OK, thank you. So on your '93 to 2018, are you saying we spend more-- less per student now than we did in '93?

KYLE FAIRBAIRN: I, I didn't say less per student. I said the state department put out facts that we spend less on K-12 education per \$1,000 of personal income than we did in 1993.

LINEHAN: OK. Could you tell me what we spent per student in '93 versus what we spend per student today?

KYLE FAIRBAIRN: We spend about \$12,000 today. I have no idea what we spent in 1993, Senator.

LINEHAN: Thank you.

KYLE FAIRBAIRN: But as opposed to personal income, that's the information from the Department of Ed.

LINEHAN: But it's about how much we spend on education and that's kind of a-- I mean, I don't really know what that has to do with this, but thank you--

KYLE FAIRBAIRN: OK.

LINEHAN: --for being here.

GROENE: So you said you got no other recourse. If we could put an amendment on this that if the state cuts your funding that you could have a levy override by the majority of the board to recoup that to get through that year, would you like to see that amendment to this bill?

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KYLE FAIRBAIRN: It would be a step in the right direction, sure.

GROENE: But there's already been a step made. Anyway, so you're going to get more money with this bill, right?

KYLE FAIRBAIRN: Yes, sir.

GROENE: All because the little 99 cents, but you didn't change the max levy?

KYLE FAIRBAIRN: Yes, sir.

GROENE: That--

KYLE FAIRBAIRN: We'd get \$13.5 million out of the-- I think the cost is \$136 million. So \$13.5 million would go to equalized school districts.

GROENE: Plus some of those who get-- who have farmland in it would get some-- a lot of money too?

KYLE FAIRBAIRN: Right. Yeah, because they're losing value on the other side, correct.

GROENE: Thank you.

KYLE FAIRBAIRN: Sure.

GROENE: Any other questions?

KYLE FAIRBAIRN: Thank you.

BRYCE WILSON: Good evening, Senator Groene and Education Committee, I'm Bryce Wilson from the Nebraska Department of Education, B-r-y-c-e W-i-l-s-o-n, and I'm- if there's any questions that I can answer, I'm just here to hopefully be of help.

GROENE: Could you, could you define basic funding?

BRYCE WILSON: Yeah, sure. Basic funding is the calculation we do after we take the general fund operating expenditures or GFOE, grow it by an inflation factor-- a two-year inflation factor, subtract out all the allowances to come up with what we call adjusted GFOE. That is then averaged amongst the comparison group. We take the ten districts in size using formula students and ten districts, ten districts above and ten districts below each district, average that amount to come up with

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a basic funding calculation or amount for a school district. If it's a district under 900 students, it's done in total. If it's over 900 students for the district, then we do it on a per-student basis to do that calculation.

GROENE: So according to this bill, the basic funding factor would be all the schools-- basically would be effective with the schools under 900. So then it's done by school not by students?

BRYCE WILSON: Well, it-- basic funding is a total dollar amount, period. It's not really a per-student amount in any way.

GROENE: So then--

BRYCE WILSON: We, we calculate it that way, but when it-- with this bill, it would just take 7.5 percent of basic funding, not a per-student--

GROENE: The other bill that you've seen, it's the same way, is it; 15 percent guarantee?

BRYCE WILSON: It, it-- the 15 percent guarantee is 15 percent of the total basic funding for the school district as well in that third year.

GROENE: Same thing. We heard differently here, but it's the same.

BRYCE WILSON: That-- yes.

GROENE: So when I-- when you throw around the term basic funding per student, how is that calculated?

BRYCE WILSON: Basic funding per student is the total basic funding for the school district just divided by the number of students in the school district.

GROENE: That's the same thing.

BRYCE WILSON: Correct.

GROENE: There's no difference. We heard [SIC] headshaking over here that there's a difference between basic funding per student and basic funding per school; is there?

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BRYCE WILSON: Neither bill uses a basic funding per-student amount. They're-- people use basic funding per student to get an idea of, of what it takes to educate a kid.

GROENE: I guess let's do a math problem. If, if the bill-- if a bill said 15 percent of the total school's basic funding, all right, or 7.5 percent or it said 7.5 percent of each student's basic funding and then I multiply that by the number of students in the school, would I come up with the same number?

BRYCE WILSON: No.

GROENE: No, I wouldn't?

BRYCE WILSON: No.

GROENE: What's the difference?

BRYCE WILSON: Well-- so basic funding is an averaging adjustment. It is not-- there is-- basic funding is an averaging component calculated based on spending of a school district. If you take-- and you take that number calculated and divide it by the number of students, you're going to get a different amount than when we just take the basic funding of a school district.

GROENE: No, when you calculate--

BRYCE WILSON: Sorry.

GROENE: --7.5-- basic funding is set by the school district, right?

BRYCE WILSON: Yeah.

GROENE: Basic funding per student is that number of students divided into that number--

BRYCE WILSON: Correct.

GROENE: --all right?

BRYCE WILSON: Yeah.

GROENE: So if I say the basic funding for the student-- let's say the basic funding for a school is \$1 million, you got 100 students. Basic funding is \$10,000 or whatever it is; \$1,000 or \$10,000. All right, so if I take 15 percent of \$10,000 times the number of students or 15

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percent times the total basic funding, do I come up with the same number?

BRYCE WILSON: Yes, I would, sorry.

GROENE: We got the answer. There is no difference. So anyway, am I correct to say that a school-- when you-- the bill-- I mean, we've read the bill. They're lowering the valuation in the formula for ag land, right?

BRYCE WILSON: Correct.

GROENE: They're not doing it outside the formula.

BRYCE WILSON: Correct.

GROENE: So now your district out there-- is special education underspending money?

BRYCE WILSON: It is not. It is a spending exclusion, so it is not with-- inside the spending limit, correct.

GROENE: Now a district that has some farm ground in it is up against their spending limit, they can tax. When you figure the A1, the estimate, you have last year's valuations, all right? But now they're going to get a tax on-- you're going to figure ag land at 55 percent, but they're going to get a tax on ag land at 75 percent like at Norris with a lot of farm ground in it. And they're not up against the spending limit because they could, they could tax and offset their, their special education money and use their unused budget authority until they come-- hit a, hit a ceiling, is that true?

BRYCE WILSON: The special education wouldn't play into-- in that scenario, it wouldn't be a factor. But they could, in theory, increase their spending by that difference. I would tell you a lot of districts probably wouldn't, but every, every district is different and there may be a different scenario in there so--

GROENE: If they have an unused budget authority, they could, they could reach that?

BRYCE WILSON: Correct.

GROENE: Thank you. I appreciate it. Any other questions for Bryce?

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WALZ: Can I just ask one quick question?

GROENE: Yeah, no. I said any other questions.

WALZ: We keep talking about spending so I, I am-- I just find-- Senator Linehan asked the question about the spending difference from 1993 to today. Do you, do you happen to know what the spending per student was in 1993 or any idea?

BRYCE WILSON: No, I don't on the top of my head.

WALZ: Do you?

LINEHAN: Let's not ask this now. [LAUGHTER]

WALZ: I guess my question is do you think it's a fair comparison, 1993 to today?

BRYCE WILSON: The spending?

WALZ: Right.

BRYCE WILSON: Well, I-- it would depend on what the scenario is. I mean, if, if you're comparing it to--

WALZ: I mean in general.

BRYCE WILSON: --something else that is inflation or something like that, then that could be an appropriate comparison. But you would have to have some other factor that goes with it. I mean, obviously, there's inflation that occurs in other things. So you would expect it to go up over time, but it needed-- it would need to be compared to another factor.

WALZ: OK and what kinds of things-- just help me understand what kinds of things-- I'm thinking, you know, the increase in special education students, the technology costs, the unfunded mandates. What other kinds of things would cause a school-- or increase in spending?

BRYCE WILSON: Well, it causes-- well, number one is salaries--

WALZ: Salaries, yeah.

BRYCE WILSON: --so staff and, and salary increases since that's 80 percent of a school district's spending. There's your big lion's share of it. It's just the increase in staff and the-- and increase in

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students, which requires staff increases. And that's going to be your number one thing, facility and all-- student growth. I think one of the big things sometimes that people kind of forget to look at when they talk about school spending growth and they look at the total for the state is-- one of the issues we have is where we have the, the students moving from the rural areas to the urban areas. You have urban areas growing very quickly and so you see school spending going up there, while the rural areas, the loss of students, it's really hard to take that spending down. So you don't have a one-to-one offset in that shift so that causes spending increases, too, in different ways across the state. So there's a lot of different factors, but definitely, I know special education costs alone have really increased in the last ten years for sure. And if you went back further, I'm sure it's even more so.

WALZ: Yeah.

BRYCE WILSON: There are a lot of different factors.

WALZ: A lot, thank you.

GROENE: That begs the question, how long have you been with Department of Ed in this position or working in this area?

BRYCE WILSON: Ten and a half years.

GROENE: How many school districts were there ten and half years ago?

BRYCE WILSON: About 249.

GROENE: So we've only dropped another five since then. In 1993, would you-- what would you guess there?

BRYCE WILSON: '93? One thousand-- over 1,000; the Class Is.

GROENE: So what's affecting the slowing down; that hides the increase in spending per student? Is the part about economies of size also throwing into their lowering cost? But at the same time, we've been-- one would think with that kind of consolidation, we should be spending less per student. But we've actually increased spending per student because--

BRYCE WILSON: There's, there's a lot of factors.

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GROENE: There's a lot of factors that will throw-- \$1,000 of income out there really doesn't account for all the variables, but--

BRYCE WILSON: It would be one of the factors. I mean, that, that would be one thing to take into consideration. But it's a big picture and you really need to look at all the pieces of that picture.

GROENE: Thank you. Thank you for waiting so patiently for so long.

BRYCE WILSON: No problem.

GROENE: But you've heard it all. Is there any other neutral?

COLBY COASH: Colby Coash, C-o-l-b-y C-o-a-s-h, with the Association of School Boards here testifying in a neutral position. I think you can understand why; two of our members have come up here in support of this bill and two more follow them and oppose it. That aside, our legislative committee did meet and asked me to come and testify in a neutral position just to thank Senator DeBoer for her work. She did engage us in these discussions. We're thankful for this more for what's not in this bill than what's in it. A lot of the constraints that Mr. Moles talked about is not in here. And, and certainly, those are the most concerning to our members with regard to other proposals. And so I'll pass out my testimony. You have that and I'll end at that.

GROENE: Thank you. Any questions? Senator DeBoer, thank you, do you want to close?

DeBOER: Me?

GROENE: Oh, let's see if we got any letters. We just had one letter in opposition; Grand Island Public Schools. No proponents, no neutral.

DeBOER: OK, well, where to start? Let's talk about the fiscal note for a second. If you look at the fiscal note, the only difference should be-- to my knowledge, the only difference and when I talked to the Fiscal Office yesterday, the only difference should be that the basic funding cost should go down because those school districts that are equalized are not going to get any of that basic funding as new money. So they will only get it offsetting their equalization aid. So it's still \$62,672 and there's \$62,672,997 in the first year, taking ag land down to 55 percent, that would go to those communities where there is ag land. That brings them into equalization. As I understand it, there's something like ten or maybe I heard 14 school districts that get brought into equalization. Some school districts, which have

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some equalization now, would get more equalization. That is what that \$62 million amount is. Then there's the LER amount. Those would go to equalized school districts at \$13,00,500. The rest of the \$132 million-- it's my understanding-- goes to unequalized school districts. So, Senator Murman, you kept asking, is this really anything for the unequalized school districts? I can tell you-- so I have modeling, but if you look at it, it's so small you can't read it, which is why I didn't distribute it because I can't read it. It's too small. My LA has better eyesight than I do and so she was able to give me some things. My understanding is that you have Minden Public Schools, which gets \$672,000 additional money from this bill, and Holdrege would get \$820,000 from this. School districts in Senator Brewer's district, like Valentine, would get \$509,000. Cody-Kilgore would get \$332,000; Crawford, \$206,000; Ainsworth, \$430,000. I'll share this with the committee. When you have it on a screen, you can make it bigger so you'll be able to see it. So that will, that will be helpful. The thing that I kept hearing folks saying about this isn't enough property tax relief, the thing to remember about this bill is that it's scalable. You give me more money, we'll make this bill bigger. So that's the really nice thing about this bill is that it's operating within the structures of TEEOSA so it is scalable. So it is a situation where if we had more money-- we don't, I don't think, but if we did, then we could give more money. And the money has to come from somewhere so if we have more money, we can give more property tax relief. If we have less money, we can give less property tax relief. We can't create it out of thin air, right? Senator Linehan, the \$40 million, \$60 million fiscal note difference on the ag land to 55 percent; I think what that might be from-- but let's talk to Fiscal Office-- is the order in which things are done. So the order in which the changes are made to the TEEOSA formula will affect how much that amount ends up being. So my understanding is if you start in one place and you take certain things out, then obviously, a percentage would be less than the others. So it depends on the order of operations. My brother is a math teacher. He's watching right now. So order of operations; I think that's what it is. I'm not sure, but we can ask the Fiscal Office to help us with that one. And finally, I'll just say that this is a compromise bill. No one is 100 percent happy and that's how you know it's a compromise, when no one is 100 percent happy. And the question is whether we found the right balance, the right compromise. I think you can see that there were quite a few people testifying here today that say eh, we don't like this or that, but we might be getting close. So I think we might be getting close here and that's exciting to me. So I'm happy that we've had all these folks

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here after this long bill hearing, after many months of working on this. If we're getting close, that would be great. So I will attempt to answer the questions that you may have come up with now. And we'll, we'll do the best that we can.

GROENE: Senator Linehan.

LINEHAN: So your total-- thank you, Chairman Groene. So your cost in 2021 is \$303,000?

DeBOER: That's the, that's the fiscal note if they are not taking that away from the-- so--

LINEHAN: So do we have any idea what this actually costs?

DeBOER: Yeah, that was the--

LINEHAN: I can't--

GROENE: \$303 million.

DeBOER: Yeah, sorry about that. Yeah, that-- the, the numbers that we've come up with now are that it will be \$132 million million in the first year. So that was-- 2021 is \$132 million, \$135 million in '21-'22. And by '22-'23, it'll be \$142 million.

LINEHAN: How-- the one thing that I, I don't-- I can't quite figure out-- if you drop ag inside the formula to 55, I see how that increases aid. And it'll go out to the school districts, but they have no way to reduce taxes on the ag unless-- so everybody's going to get the same reduction?

DeBOER: Yeah, that's right, I'm sorry. I, I heard that question and I meant to answer that one, but I didn't.

LINEHAN: That's OK.

DeBOER: So that would be that in those agricultural districts-- everyone in those agricultural districts, you're right. Between the-- I think you said Quik Shop owner and the, the farmer get the same reduction. So within the district, they get the same reduction; that's correct.

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LINEHAN: So if I'm Syracuse, you're Blair, Beatrice, where you've got ag producers in those \$1.05 districts, it's going to make a lot of difference to them.

DeBOER: Well, it will give them the amount of reduction that everyone in that district gets--

LINEHAN: Right.

DeBOER: --so whatever amount we're able to reduce it. There was an earlier model that I did where we did allocated income tax to 20 percent instead of basic funding. So not the same thing, but the 55 percent within the formula was otherwise. And it was, like, 12 cents that York got to take off their levy so--

LINEHAN: Well, yeah, but that was, that was with allocated income taxes so that's not--

DeBOER: I know. I'm saying--

LINEHAN: So you don't have anything that models this?

DeBOER: I do, I just can't read it because my eyesight is bad.

LINEHAN: OK.

DeBOER: So I will send it to you and you can look at it.

LINEHAN: Because it's-- I just-- I don't, I don't see how it helps producers in those high-levy districts. I mean, it helps them a little bit, but--

DeBOER: I mean, it helps everyone in that, that area, right?

LINEHAN: Right.

DeBOER: It helps them all together.

LINEHAN: It helps everybody, but it doesn't-- I mean, we've looked at this for the last three or four years. It was clear that the ones that were bleeding the most were in those bedroom communities. We can drive to Lincoln and Omaha for a job so their schools are growing, but they've got ag producers in their districts. So you don't really-- nothing in this bill really addresses those--

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DeBOER: Well, it sends to those--

LINEHAN: --those guys any differently.

DeBOER: --districts-- it sends to those districts more than it sends to other districts, right? So those districts as a whole are going to get more, but within the district, it doesn't single out one type of property and say you're going to get more relief than another type of property owner. So it would give more to the districts like York, for example, one of the high-levy districts, but it would not give more within that amount. So you're right there, but everyone in those districts is paying a lot on property taxes, right? They're at the--

LINEHAN: Well, actually, I think we should look at that before you make a blank statement because-- well, you had ag going up for 12 years. A lot of those districts have been able to, like, maybe even lower some of their--

DeBOER: Well, those-- I thought you said the high levy.

LINEHAN: It doesn't go up on the residential. Residential has been flat. The growth has all been in ag taxes.

DeBOER: I thought you said high-levy district. So if they're paying a high levy, then they're paying a lot of property taxes, right? I mean, if you're paying a \$1.05 levy on whatever house you have, you're paying--

LINEHAN: But they haven't gone up 200 or 300 percent in the last 12 years.

DeBOER: They have gone up less more. I mean-- you know? Yes.

LINEHAN: Yeah. OK, thank you much.

GROENE: I appreciate this. We were able to teach some superintendents and business managers what basic funding is.

DeBOER: [LAUGHTER]

GROENE: Anyway. North Platte: those farmers are paying very high taxes. I'll give you an example in your area, Gretna; \$128/acre-- a farmer. They're only 5 to 7 percent, 5 to 10 percent of the total valuation. So when you take it down 55 percent and then you throw it outside the levy, they are going to get a very minute difference in

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that \$128 because it's only 10-- 5 to 7 percent of the total valuation of the district. Do you see my point?

DeBOER: What you're saying is that because we're not taxing differently between agriculture and--

GROENE: And outside the levy.

DeBOER: --and, and residential, that the property tax relief-- since it will be the same for everyone and--

GROENE: People who are hurt the worst are the minority farmers around North Platte, Gretna, not even York, because there's-- a bigger percentage of their valuation is ag land. The Sioux Cities, Columbuses, Norfolk-- those guys will get-- they're hurting big time and they, they get very little relief from your bill. I'm just-- that's something to look at. The other thing is I would check with Fiscal Office because their statement is for school year 2021. And each year thereafter, the bill will change the adjustment valuation used for agriculture or horticulture from 72 to 52 percent. In their statement, they don't differentiate between inside and outside. I'm not so sure somebody didn't just say, well, we already did this calculation in another bill, let's just move the number over, and did not realize that inside your bill, you do not do it outside the, outside the formula.

DeBOER: I think they did because we had that conversation, but we can ask them for sure.

GROENE: Because that number makes no sense. And the statement earlier, I'm just checking numbers.

DeBOER: Yeah.

GROENE: \$68 million, you said was 14 districts, probably 14 districts--

DeBOER: 60--

GROENE: --now would become equalized--

DeBOER: 62.

GROENE: --all right?

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DeBOER: 62.

GROENE: Now you're talking about a Falls City-- not even a Falls City, you're talking about a York. You're talking maybe about a Superior. You're talking about a few of them that have-- their whole budgets are \$6, \$7 million; 14 districts divided by \$60 million, you're talking \$4 million dollars of state aid to each one of those so there's got to be--

DeBOER: Well, so no--

GROENE: --something wrong with this note.

DeBOER: No because it would also go to partially-equalized districts. So those districts, which get some equalization because they are close enough to get some equalization, but they don't get all the equalization that they could get. So part of that money is not going to those ten school districts. Part of that is going to the additional school districts that used to get more equalization and now get less equalization. This brings them back up.

GROENE: One last question. On your model-- did you have a chance to remodel since you caught the error?

DeBOER: We modeled actually thinking that the bill said what we wanted it to say. So based-- this would be a correct, updated model.

GROENE: So that's what-- your cost from that model is \$130 million or so?

DeBOER: \$132 million, yeah.

GROENE: Thank you. Any other questions? Senator Pansing Brooks.

PANSING BROOKS: I just want to, as an aside, thank you for your courage in working on this. I don't-- I dare say that not one of us in this committee has done this their second year and pulled all these groups together and attempted to do what you're attempting to do. There are other efforts going on now and we appreciate those efforts, but clearly, your courage and your determination and your brilliance at being able to work on this and look at it; I can't thank you enough. I don't know where it's all going to go, but you've had courage to come up here and have everybody throwing pot shots and

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doing a lot of stuff. And I just really want to thank you for your vision and your efforts to help Nebraska.

DeBOER: Thank you.

GROENE: Did somebody throw a pot shot at you?

PANSING BROOKS: Oh, no.

DeBOER: Do you want to?

[LAUGHTER]

LINEHAN: I think they're talking about me.

DeBOER: I don't think we were talking about you.

PANSING BROOKS: No.

GROENE: You're an equal, you can take it.

PANSING BROOKS: Are we done?

GROENE: Thank you.