

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee January 25, 2022

MORFELD: --started here today. Welcome to the Education Committee public hearing. My name is Adam Morfeld. I'm the Vice Chair of the committee and I'm from District 46. The committee will take up bills in the order and by bills, we have one bill today, I believe, and that's LB890, but the committee will take up that bill that's posted on the 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 proceeding, I ask that you abide by the following procedures. Please turn off or silence cell phones or other electronic devices. The order of the testimony is introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green testifier sheet and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to be distributed to the committee, please hand them to the page to distribute. We need ten copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you now. When you begin to testify, state, spell your name for the record. I'll remind you to do that if you don't do that. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. If you are not testifying in person, would like to submit written comments to be included in the official record as an exhibit, you will find the required link on the page of the Nebraska Legislature's website. Comments are allowed once a bill has been scheduled for a hearing and must be submitted and verified prior to 12 p.m. on the last work day prior to the public hearing. The comments submitted online and verified prior to the deadline, identified as comments for the public record, will be the only method for submission of official record-- hearing record comments other than testifying in person. Letters and comments submitted via email or hand-delivered will no longer be included as a part of the hearing record, although they are a viable, viable option for communicating your views with an individual senator. Finally, please be concise. Testimony will be limited to five minutes. We'll be using the light system and since we only have one bill, but there's a lot of interest in this bill, we'll be following the light system strictly. How many people are here to testify today? OK, we're definitely following the light system. The, the committee members with us today will introduce themselves, beginning with my far right with Senator McKinney.

McKINNEY: Thank you. Good afternoon, Senator Terrell McKinney, District 11, north Omaha.

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MURMAN: Hello. Senator Dave Murman, District 38, eight counties to-- along the southern border, middle part of the state.

LINEHAN: Good afternoon. Lou Ann Linehan, District 39: Elkhorn and Waterloo.

DAY: Good afternoon. Senator Jen Day, representing Legislative District 49, which is north-central Sarpy County.

SANDERS: Good afternoon. Rita Sanders, District 45, representing the Bellevue-Offutt community.

MORFELD: OK and to my immediate right is research analyst, Nicole Barrett. To my right, at the end of the table, is committee clerk Noah Boger. And then we also have our pages, Bhagya Pushkaran and Aleks Glowik. Please remember that senators may come and go during our hearing, as they may have bills introduced in other committees. I'd also like to remind our committee members to speak directly into the microphones and limit side conversations. We are an electronics-equipped committee and information is provided electronically as well in paper form. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and is crucial to our state government. With that, Chairwoman Walz, would you like to introduce LB890?

WALZ: Well, good afternoon. Thank you to the best Vice Chair, Senator Morfeld, and members of the Education Committee. My name is Lynne Walz, L-y-n-n-e W-a-l-z, and I am the proud representative of District 15, which encompasses all of Dodge County and part of Valley, Nebraska. I'm here today to open on LB890, which revamps TEEOSA to provide better state support for public schools while simultaneously providing significant tax relief. I'm working on a small amendment for your consideration that fixes some minor technical errors discovered in the bill. The page is or should have handing out packets for each of you that include models provided by the NDE, projected tax savings, and a one-sheeter that highlights both this bill and its companion, LB891, introduced by Senator Lindstrom. LB891 is being heard in the Revenue Committee. These are the same documents provided to all of the members of the body last week via email, so you should have all had a chance to look at your specific school district and the positive impact that this bill has on them. I am really excited to be here today. This bill has been truly a labor of love over the last six months. Last July, I was approached by Dr. Troy Loeffelholz and Chip Kay from Columbus Public Schools with an idea they had to reform

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school funding in Nebraska. They will be testifying after me and sharing the story that led to that first meeting. What I can tell you is how refreshing it has been to have a school district approach us with an idea and a very viable one at that. Since that first meeting, I've worked closely with Troy and Chip. We vetted this idea with senators and staff, school boards and superintendents, as well as multiple policy organizations. Senator Kolterman has become a strong supporter early on and two months ago, Senator Lindstrom joined our team. The entire process has provided feedback, suggestions, problem-solving, and improvements and it only made the bill better. Collaboratively, this went from idea to a proposal to a package of bills and as you will hear today from a number of school districts, the education portion of the bill has broad support. I believe the Revenue Committee will have a similar response tomorrow. Honestly, this has been such a positive experience. School districts coming together, urban and rural, large and small, east and west to provide property tax relief to their constituents and prioritize the education system at the same time. Before I highlight some of the key components, I would like to share some data with the Education Committee, the members of the Education Committee, on how it relates in your district. So Senator Pansing Brooks and Senator Morfeld, this bill moves the general fund levy in Lincoln Public Schools from \$1.05 to 70 cents, reducing your levy by 34 cents. Senator Linehan, this moves the general fund levy from \$1.06 to 62 cents, reducing that by 38 cents. Senator Murman, you have a lot of school districts, but I picked out a couple. South-Central moves your general fund levy from 73 to 63, a reduction of 10 cents, and Holdrege from 91 cents to 64 cents, a reduction of 27 cents. Senator Sanders, you represent Bellevue. It moves your general fund levy from \$1.05 to 62 cents, which is a reduction of 42 cents. Senator Day, representing Gretna, moving from \$1 to 61, a reduction of 40 cents. And overall, some of you, Terrell, Senator McKinney, OPS, it moves your general fund levy from \$1 to 62 cents, a reduction of 38 cents to your property taxpayers. So some of the components of LB890: this bill creates a new source of funding for school districts, districts called the Education Stabilization Base Aid, or ESBA. In year one, we provide \$550 per formula student to every school district. In year two, we provide \$1,100 per formula student and beginning in year three, it grows by the basic allowable growth, or 2.5 percent. As a side note, formula students is modified to count four-year-olds in preschool as a whole child, as opposed to only 60 percent, so that increases many school districts' formula student count. The bill also creates the Education Stabilization Trust Fund from which ESBA is paid. While the details of funding ESBA, the ESBA fund are included in Senator Lindstrom's bill

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and will be discussed tomorrow, I do want to highlight the value in creating a separate fund. It is essential that we have designated sustainable funds for the future. While our current economic situation is good, we all know that in lean times, TEEOSA has been cut to balance the budget, therefore, increasing property tax. By saving money in the good years, we are preparing to support schools in lean years better than we have ever been able to do in the past. Think of it as a rainy day fund for education. This honestly is one of my favorite parts of the bill and one of the key connections between LB890 and LB891. Allocated income tax is another important component and has increased from the current 2.23 percent to 10 percent in year one and 20 percent in year two, which it was originally when it was written in TEEOSA in 1990 and I think it's time for us to reinstate that. This is taxpayer money being returned to their local districts to educate their local kids. The local effort rate, which you may recall calculates the amount of property taxes that a district has to contribute to fund their needs, is reduced in year one to 85 cents and in year two to 75 cents. It is currently at \$1. Net option funding and the community achievement plan are repealed. We have also created and included specific-- district-specific maximum levies to ensure that property tax relief is provided to taxpayers. Lastly, we have added a statutorily required TEEOSA report by the committee to the Legislature every four years that includes recommendations and any adjustments to the formula due to economic or other factors. As you will see on the models that I distributed, this bill increased the equalized school districts by year two from 150-- oh, up to 158. It was currently at 86. There are six districts that are held harmless in year two. This results in \$728 million of direct property tax relief to taxpayers. The increased state funding of schools changes the overall funding split to, to an estimated 58 percent state and 42 percent local and it moves us up from 48th in the nation to 13th. These are great improvements for schools and taxpayers across the state and it makes a great statement to anyone considering a move to Nebraska that we care about education and that we make it a priority. I would like to ask you to support this bill and vote it promptly and advance it promptly from the committee. I would also like to ask your support for Senator Linehan's bill, LB891, on the floor as well. These two bills work in unison together to support the people of Nebraska and equally important, support the future of education for our children. Thank you very much for your time. And I'd be happy to answer any questions, but I will tell you that there are a lot of people who can answer questions behind me.

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MORFELD: Thank you, Chairwoman Walz. Any questions for Chairwoman Walz. Senator Linehan.

LINEHAN: You meant to say Senator Lindstrom's bill, didn't you?

WALZ: Yeah.

LINEHAN: OK.

WALZ: Oh, did I say Linehan? I'm sorry. I knew I was going to do that.

MORFELD: I'm sure there's some bills that we like from Senator Linehan.

WALZ: I even practiced and I kept saying Linehan, Linehan.

LINEHAN: Just for the record, yes. Thank you.

WALZ: Thanks, just for the record.

MORFELD: Thank you for the correction of the record, Senator Linehan. Any other questions? OK.

WALZ: Thank you, thanks a lot.

MORFELD: And we do have a, we do have a list of testifiers, which a, a, a person introducing a bill can, can request. And first, we're going to start with Troy and then Chip after this. These are individuals that I think we're involved with the crafting of this legislation. Welcome.

TROY LOEFFELHOLZ: Good afternoon. Hi, thank you. Good afternoon, Senator Morfeld and members of the Education Committee. It's been about three years since I've sat in this chair to testify on a bill and I told myself three years ago that I would not come back unless there was a bill supporting education funding in a positive way. I know you guys are tired of us telling you no and we tired of saying no and I, I figured and I thought we needed a solution to bring to the table. My name is Troy Loeffelholz. It's spelled T-r-o-y L-o-e-f-f-e-l-h-o-l-z. I come here to testify as a superintendent of Columbus Public Schools. I feel it is our purpose and responsibility to advocate for all Nebraska public schools, their staff, and their students. I'm here today in support of LB890. My testimony this afternoon will be from a historical perspective, linking the issues of the past and current funding to what works in this bill. I want to walk you through some data points with-- some data points with the

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committee from LB1059 in 1990. And this all comes from Dr. Mike Delaney's research, but in 1990, the problems they were facing, Nebraska currently financed over 70 percent of the cost of operating public school systems from property tax and other local sources, while nationally only 43 percent of the cost was supported by property taxes. State support for the public school system has not kept pace with the increased costs of operating such a system. Nebraska has a higher per capita property tax burden than most other states, while the overall state and local per capita tax burden in the state is below the national average. The cost of operating the public school system is near the national average in per pupil cost, as well as per capita spending and the overreliance on property tax for or the support of the public school system has resulted in great disparities in local property tax rates. And finally, in 1990, the overreliance on the property tax for the support of public school system has created inequitable educational fiscal resources for students and schools. The issues of 1990 are still relevant today and when it comes to funding public, public schools and property taxes, a solution needed to be brought forth. The data points published by Dr. Michael in his dissertation, The Complete History of the Nebraska Tax Equity and Education Opportunities Support Act, TEEOSA, talks about the understanding that the legislature that began as a funding proposal was done with positive intent in 1990 and is done with positive intent in 2022. In my 12 years as superintendent, this is the first time I can remember that education has offered a solution to update the TEEOSA formula and to sustainably fund public schools and reduce the reliance on property taxes. We recognize that funding public schools in the state of Nebraska is no easy task. One size does not, does not fit all when try to-- when trying to fund 244 separate school districts, all with their own unique needs. We talk about it being in the Nebraska Way. The Nebraska way for funding schools is an, is an enormous lift recognized by schools and the Legislature and trying to balance local control, urban versus rural, small versus large, and the reliance on property taxes for our school districts has never been an easy task. We understand and sympathize with the Legislature in trying to find a solution to be equitable in funding for public schools, while also trying to ease the property tax burden in the state of Nebraska. We feel LB890 accomplishes many of these issues that were also relevant in 1990. Today, Nebraska ranks 46th on the st-- in state funding to public schools. With the passage of LB890 and a sister bill, LB891, I've seen the statistic that it could rank us anywhere between 13th and 19th in funding public education in the country. According to Melanie Hanson and the "U.S. Public Educational Spending Statistics" and educationdata.org, Nebraska ranked 46th in percentage

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of total revenue receipts allocated to funding public schools and the national average is 47 percent. Nebraska's total revenue to fund public schools in 19-- in 2019-2020 was at 23.7 percent and Nebraska ranked sixth highest with 61 percent of school funding coming from local revenue sources. The national average was 49 percent. The introduced LB890 and LB891 has an estimated 58 percent-- 58/42 split between state funds and local property taxes. This brings us very close to the national number, national number allocated to fund public schools. The intention of this bill is to be simple, transparent, and equitable. There are two valuable outcomes with this bill; a structurally sound and sustainable school funding model and a substantial reduction in the reliance on property taxes to fund public schools. The one new component to provide secure funding is ESBA, which provides funding per student for all school districts across the state, developing a reserve from the fund to help in future years. And secondly, the allocated income tax being moved to its present funding of 2.23 percent to 20 percent. And again, the bill established in 1990 established the income tax rebate to schools and the dedicated 20 percent of all income tax receipts collected by the state minus credits and refunds. Education is a priority for every Nebraskan and we need to be responsive and assure that the funding and resources are available not only today, but well into the future. This is reinvesting in our local communities and we look forward to working with Senator Walz and Senator Lindstrom on LB890 and LB891.

MORFELD: Thank you, Dr. Loeffelholz, and thanks for shortening your testimony--

TROY LOEFFELHOLZ: Yes.

MORFELD: --with the red light. I appreciate that. Any questions?
Senator McKinney.

McKINNEY: Thank you, Senator Morfeld, and thank you for your testimony. I have a few questions. The first, what was your thinking behind getting rid of the community achievement plan?

TROY LOEFFELHOLZ: So the community achievement plan, when we first ran the model, we found that it would reduce the, the state funding for those districts who received it. That was the only purpose behind it and I think if it's important for those school districts-- and I think it is back in the bill if I remember right or one of those that could be amended back in.

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McKINNEY: OK. My next question: how does ESBA take into account the unique needs of a district like OPS?

TROY LOEFFELHOLZ: When we talk about ESBA, we're talking about equitable funding per student across the state of Nebraska. And like I said before in my, in my testimony, to meet the needs of 244 separate school districts, you're trying to, you're trying to fix a problem for 244 different needs from each one of those districts. And so OPS' needs might be a little bit different than Columbus' needs by-- versus maybe a, a Chappell or, or Chadron. So to recognize that and to be more equitable for that funding per student, we felt like the ESBA was that base funding for all school districts and then let the needs formula take care of all the other components.

McKINNEY: OK. How do you respond to concerns about funding after the first two years?

TROY LOEFFELHOLZ: As far as the amount of money or--

McKINNEY: About it potentially being reduced or something happen-- happening to the funding after the first two years.

TROY LOEFFELHOLZ: I think I'm having a hard time understanding your question.

McKINNEY: My-- it's-- I'm just asking-- there are concerns that after the first two years, how would our state be able to afford this?

TROY LOEFFELHOLZ: Oh, gotcha. So part of what we have talked about is the hold harmless. And I know some districts have proposed, proposed keeping the whole-- moving the hold harmless from two years to four years of the first cycle to see what, what the new formula does for school districts. When I look at the-- when I look at this bill and when I look at ESBA and I look at the allocated income tax, I look at those as sustainable funding resources, especially, you know, with income taxes. And we can't control what happens in the Legislature with income tax rates, but with ESBA at the growth of 2.5 percent and with the reserve, I think we can make up some of those funds should there be a downfall, but it also assures growth in that, in that fund as well to help school districts.

McKINNEY: OK. And my last question: how would the allocated income tax be affected if the Legislature lowers corporate and personal income taxes?

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TROY LOEFFELHOLZ: You know, that's a great question. I don't, I don't have an answer for that.

McKINNEY: OK, thank you.

MORFELD: Senator Murman.

MURMAN: Thank you, Vice Chairperson, and thank you for your testimony.

TROY LOEFFELHOLZ: Yes, sir.

MURMAN: I know that the funding for this is in LB891, not LB890--

TROY LOEFFELHOLZ: Right.

MURMAN: --but this does provide the mechanism for that. Now you are funding this with property tax relief that is assured, you know, it's there, 20-- it would 25 percent next year. What assurance do we have that that property tax will continue going forward-- that property tax relief will continue going forward?

TROY LOEFFELHOLZ: As far as, like, LB891 or the property tax credit fund?

MURMAN: The property tax credit fund, yeah.

TROY LOEFFELHOLZ: I can't make any assurances on that. I mean, I know what-- the way I should answer that is that's for you as the Legislature to, to make a decision on because I don't want to cross paths between property tax credit and how to fund public schools, even though I know it has to be part of the same conversation. If it can be done another way, I don't think it matters how it gets funded as long as, as long as it's sustainable.

MURMAN: Now you are taking the Refundable Income Tax Fund to fund it, so, so that assurance of income-- or property tax relief is taken away. So it, it would totally-- if I understand it correctly, it would be up to the local school boards then to keep that property tax relief that is provided by this.

TROY LOEFFELHOLZ: That, that is correct and I think in the bill, we talk about that secondary list. So you have your needs-based tax levy and your total authority levy and that would be your ceiling for a school district. And I know Chip, who's going to testify after me, has some inform-- has more information on that as far how-- as how that works.

MURMAN: OK, excellent.

TROY LOEFFELHOLZ: Yep.

MORFELD: Other questions? Senator Linehan.

LINEHAN: Thank you, Vice Chairman Morfeld. So thank you for being here and thank you for bringing forth the proposal. So according to this sheet, you said that the estimating-- estimated-- it's the last little purple box here, estimated 58/42 split in state and local spending. So the state would now be picking up 58 percent of the cost?

TROY LOEFFELHOLZ: That is correct, on average across the state.

LINEHAN: On average, so one of my concerns about this-- and I think this is where we get to the rural versus urban versus STANCE-- do you have a breakdown of what it would be in each school district?

TROY LOEFFELHOLZ: Yes.

LINEHAN: You do, so Columbus--

TROY LOEFFELHOLZ: Well, I don't have it on me now.

LINEHAN: --currently-- well, and maybe just as we move forward in this--

TROY LOEFFELHOLZ: OK.

LINEHAN: --conversation. Currently-- I've got a list here of all state funding versus all local funding. So currently, Columbus gets a grand total of its local-- its budget from local sources, including property taxes, 48 percent. Well, that's-- other state totals are 47 percent. That's not just the TEEOSA, but the whole--

TROY LOEFFELHOLZ: Um-hum.

LINEHAN: --everything you get. And then you've got Lakeview down the road. They depend on 78-- almost 79 percent of their funding comes from property taxes and only 17 percent from the state.

TROY LOEFFELHOLZ: Um-hum.

LINEHAN: And then Humphrey, which is even further down the road, they depend on 64 percent of their funding comes from property taxes and 30 percent from state. So that would seem like Lakeview's kind of getting-- so how does, how does this proposal increase what Lakeview

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gets from the state so it's not, you know-- you're-- Columbus is kind of at the national average now. How does this help Lakeview?

TROY LOEFFELHOLZ: Well, think through the two, the two components we added to, to the TEEOSA and that would be the ESBA, which will be \$1,100 per student to Lakeview, which then would also result in property tax reduction from, from just that allocation, as well as the allocated income tax from 2.23 cents [SIC] to the 20 percent going back to the residents of Lakeview. And that's how that generates that property tax reduction.

LINEHAN: So, so was-- Lakeview end up somewhere near 50/50 then, 50 percent state, 50 percent local?

TROY LOEFFELHOLZ: I can't answer that question because I don't have the data in front of me, but I'd-- again, I'll refer to-- Chip's--

LINEHAN: OK.

TROY LOEFFELHOLZ: --got the data with him and she can-- he can answer that question for you.

LINEHAN: And then I-- thank you very much for that.

TROY LOEFFELHOLZ: Uh-huh.

LINEHAN: And then it does-- the "pay-for" that's in front of the Revenue Committee takes all \$548 million of the second property tax credit relief to pay for it, right?

TROY LOEFFELHOLZ: As far as through LB891?

LINEHAN: Um-hum.

TROY LOEFFELHOLZ: Is that what you're talking about?

LINEHAN: Um-hum.

TROY LOEFFELHOLZ: I think that's part of the proposal, yes.

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

TROY LOEFFELHOLZ: You're welcome.

MORFELD: Any other questions? OK, thank you very much for testifying.

TROY LOEFFELHOLZ: Thank you.

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MORFELD: Next up, we have Chip on the list here. Welcome. Apparently, you have all the answers.

CHIP KAY: Let's hope so, Senator. Let's start with the easiest thing I'll get to say all day. My name is Chip Kay and that's spelled C-h-i-p K-a-y. Now onto a little bit more of the hard stuff. Good afternoon, Senator Morfeld, members of the Education Committee. I'm here to testify as an educator, a taxpayer, and as an advocate for equitable funding of public schools in Nebraska. I am currently working as the director of finance and human resources for Columbus Public Schools. As you can guess, I strongly support LB890. Beginning last summer, I was privileged to be part of take-- in taking an idea on how to create a more equitable, responsive, and sustainable funding allocation formula in TEEOSA and molding it into the bill you see before you. Thanks to a collaborative process that involves visits with several educators, state senators, the Governor, education groups, school boards, think tanks, Farm Bureau, and the Cattlemen's Association, just to name a few. The amazing response of this bill, which you will see by the number of those testifying in favor today, can be attributed to the current model of TEEOSA being overtweaked since its inception 30-plus years ago. This is the opportune time for us in the trenches of Nebraska public education to craft a plan that brings to light necessary changes while making sound compromises. This doesn't happen without the thoughtful, intentional, and forward-thinking leadership of Senator Walz and the support of the education community. I know there are those on this committee who fully understand the positive impact this will have on students and stakeholders throughout Nebraska. So what does LB890 do for education funding and the reliance on property taxes? Well, I would ask all of you to think back to last session when Senator DeBoer was able to put together the LR141 committee and the Legislature posed some very important questions. For example, we need to find methods of financing public elementary and secondary schools, including methods used in other states, which would provide equitable educational opportunities across the state and offer alternatives to a heavy reliance on property tax. Well, LB890 reduces property tax asking by over \$725 million. It shifts the balance from funding, which currently sits at 39 percent for the state and 61 percent for local taxpayers, to 58/42. It is equitable. By full implementation, 242 of the 244 districts are ensured additional state aid compared to the current statute. The second thing LR141 asked was the option of using a measure of income as a component of financing public elementary and secondary schools. As Dr. Loeffelholz alluded in his explanation, as did Senator Walz, we took the allocated income tax, which currently sits at 2.23 percent

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that goes back to schools, and we moved it back to the original legislation from 1992 of 20 percent, making income a factor in serving schools' resources in TEEOSA. The third thing LR141 asked, an option of using sales tax as a component of financing public elementary and secondary schools. Well, we're not creating any new tax. There's no new sales tax with LB890 or LB891, but it does incorporate a formula using sales tax receipts to generate a reserve fund that is paid out to every district on a per student allotment called Education Stabilization Base Aid. It's fully deal to-- fully detailed in the sister bill of 8-- of LB891. This would be a new revenue source for every district in the state that it does not currently receive. The fifth thing was funding methods for public, public prekindergarten services. On the needs side, LB890 changes a preschool student from 0.6-- and I've seen preschool students, so I think that goes down to about mid-thigh-- to make them 1.0, but a whole student. That's not only on the formula side, but that's also on the resources side. So we're fully funding four-year-old education for those that attend public schools. The sixth thing in LR141 was funding methods for college readiness, career readiness, including, but not limited to, programs with excellent dual-enrollment courses and career academies. Folks, those programs cost money. They-- you need to have partnerships. You need to have specialized instructors. Some of that is not possible in districts across the state because they may have their \$1.05 maxxed out. Its receipt-- it is receiving 80 to 90 percent of its funding from local taxpayers or cannot generate enough of the special building fund to modify classrooms to meet the specific needs of this program. LB890 would create the levy room to meet some of those needs. Number seven, the cost of resources necessary to meet the diverse and growing needs of students across the state. With LB890, all students are funded and the number of equalized districts increases due to meeting the needs of all schools, not placing the burden on local taxpayers who in the district of the demographics above are least likely to be able to afford that property tax burden. Methods used by other states to fund public elementary school infrastructure. In LB890, we split the building fund from the general fund. That split will allow districts across the state to use the building fund to take care of their infrastructure instead of having to use the entire \$1.05 for their general fund. There is more change-- there's more than changing one item and expecting big results. This includes district-specific maximum levies, a four-year review to report on effectiveness, and transparent funding of each district, including adjustments based on available resources. Most importantly, LB890 keeps in place the same limitations that have been in place that have kept school spending at a 3 percent rate over the last 11 years.

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There may be some opposition to LB890. It is a signal that equitable and sustainable funding to public schools, along with transparent and long-term property savings may not be a priority for some in the state of Nebraska, its stakeholder, or its legislators. I know it will be for all of you and really to quote Senator John Lindsay, in 1990, when the original TEEOSA was created, we didn't think about how it would look in ten years. We needed something now. You can always make adjustments to something that works. I firmly believe LB890 works. Thank you.

MORFELD: OK, Mr. Kay. Any questions for Mr. Kay? Senator Linehan.

LINEHAN: Thank you, Vice Chairman Morfeld. So I'm going to ask you the same question that I asked before. So in Platte County--

CHIP KAY: Um-hum.

LINEHAN: --you have Columbus, who now gets about 49 percent of their funding from local, including property taxes, and 47 percent from state sources. Then you have down the road, Lakeview Community Schools, which is going to get-- currently getting 78 percent-- and these numbers are going to be off because it doesn't include the \$548 million that we're now putting in the property tax credit fund, but not considering that-- 78 or almost 79 percent from local sources and 17 percent from the state. So how does this bill-- where will Lakeview be? You're saying that it's now going to be 58 percent coming from the state and 42 percent coming from local. So will Lakeview's percentage of local drop down to 58 percent or, excuse me, 42 percent?

CHIP KAY: So I appreciate the question and I'm going to give you maybe a little broader answer than you want, Senator Linehan. I think importantly with LB890, the focus is on needs and it's focused on enrollment. It's focused on the different needs that-- similar to what Senator McKinney asked about how is this responsive to OPS, needs takes into effect, the diversity, poverty, etcetera. So there's a difference between Columbus, Humphrey, and Lakeview right away on the surface and that is the needs are much different. The needs in Columbus are dramatically different than Lakeview and they're really dramatically different than Humphrey. So you have to start with a needs base. Also, if you look at a valuation per capita, the valuation per capita at Humphrey is considerably higher than the valuation per capita in Columbus. So how does that play out in LB890 is what you're asking. Well, currently, Columbus Public Schools gets about 49 percent; Lakeview, 18 percent; and Humphrey, 13 percent. Now those numbers change in that 33 percent of Lakeview's is funded, so about a

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third; 40 percent of Humphrey's is funded; and then 70 percent of Columbus. So all the districts saw an increase. There's-- it's impossible to have equal increases in the state of Nebraska because the needs are different throughout Nebraska. So you're going to see proportional increases based on some factors; needs, which is going to be the demographic, demographics of the district, and valuation. Because the higher the valuation, the LER is going to take up some of that expense to meet needs.

LINEHAN: I do know how the formula works. So could you go back to the three numbers that you said?

CHIP KAY: Yes, ma'am.

LINEHAN: 70 percent-- so Columbus would get 70 percent of the state funding?

CHIP KAY: Correct.

LINEHAN: And what would Lakeview get?

CHIP KAY: 33 percent.

LINEHAN: And Humphrey would get?

CHIP KAY: 40 percent.

LINEHAN: OK, thank you very much.

CHIP KAY: You bet.

MORFELD: Any other questions? Senator Murman.

MURMAN: Yeah, thank you and thank you for testifying and, and bringing this to us. The local effort rate, there's quite an adjustment in that. It goes down from \$1 to, after two years, I believe, 75 cents. Could you explain how that affects the different size of schools?

CHIP KAY: I can. So first of all, we're going to lower the, the general fund levy lid to 95 cents. So that's the-- kind of the most important thing is we are lowering what the general fund max can be. And by going to 75 cents in the LER, that was a way to insure a property tax savings throughout the state. And so LER, by asking less, was balanced by ESBA and ESBA is the per student allotment. And so if you're familiar how districts are funded, you have districts in the state that receive \$19,000 because they get their 2.23 percent

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allocated income tax. And if they're not net positive and they're not equalized, there's no underfunding-- there's no other funding source. So what does LB890 do is it increases the allocated income tax and it brings ESBA. So that's all 244 districts. That allows us to lower the LER to 75. There is a mechanism if there's a revenue shortfall with the state on how the LER could be moved as, as a mechanism. It's down the list on, on the things that can be done, but at 75, that allows for that room in the event that it has to fall back on property tax holders. The question always has been how did we choose 75? When we were running models and the initial models, when we did the LER at 75, we kept getting about a 50/50 split in funding, 50 for the state and 50 for local taxpayers. So as we continued to run those models, we stayed with the 75 cents.

MURMAN: OK, but I still don't understand, I guess, how the local effort rate, how it affects the different sized schools.

CHIP KAY: Well, there's four components to funding every school and LER is one of them. And so if I took, for example-- let's see if I can figure out-- I was going to see if I could find McCook in here because I'm really fond of Coach Gross. I can kind of walk you through that a little bit.

_____: 73-001, sir.

CHIP KAY: Say that again.

_____: 73-001.

CHIP KAY: Thank you. Oh, you're right under us, OK. I've looked at these enough, you'd think I'd be able to find these on first glance. OK. So I'll give you an example, you know, with McCook and with their LER when you drop it to 75, they're going to have their needs formula. So I'm going to use round numbers, but let's just say that there's \$20 million in needs to take care of the students at McCook. And when they do their per student, which is the first amount, maybe only about \$6 million is taken care of. LER, then, is the next component. Well, LER is very valuable because as you lower it, then you'd go to allocated income tax, then you've got other resources. It's one of those four components. What we're doing by dropping it to 75 is in the initial four components, lessening the burden on taxpayers. So how does that affect every district? That's the reason you see some lowering in every district. Now you can't lower the LER without finding some other state resources. And so the thought of well, let's just lower the LER, that works great as long as you infuse other state resources, which is

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why we've incorporated ESBA and raised allocated income tax. So that's where they're getting that mon-- districts are getting that money back. They're getting it from the state instead of taxpayers. So every district would see a reduction because of that change in LER.

MURMAN: I'm most concerned about how, how LER would affect the really large districts, I mean OPS and, and Lincoln Public Schools, as compared to small schools.

CHIP KAY: You know, the impact on the LER is part of the big picture of all the funding sources. So it's, it, it-- what it is, is it's saying that there's five ways to fund the district before eq-- there's five ways to fund a district with equalization being one. LER is the placeholder where the taxpayers have to have a skin in the game. And so that impact is going to be different on each district, but by lowering it, you should see a reduction in each district.

MURMAN: OK, thank you.

CHIP KAY: Yep.

MORFELD: Any other questions from the committee? Senator Wish-- or Senator Pansing Brooks.

PANSING BROOKS: Whoever, yeah.

MORFELD: All my Lincoln senators get mixed up in my head.

PANSING BROOKS: Yeah. Thank you, thank you. Chairman-- Vice Chairman Morfeld, and thank you for coming today, Director Kay. And I first, before I say anything, I want to thank you and Superintendent Loeffelholz and--

CHIP KAY: Kay is easier.

PANSING BROOKS: OK. It is easier, way easier.

CHIP KAY: Kay is easier than Loeffelholz, yeah.

PANSING BROOKS: Yeah, Loeffelholz, yeah, so-- and so many of you who are here today, the staff, Senator, Senator Walz for the amazing effort. And I think it's just-- it's been a yeoman's effort. It's been amazing. I know that. I have, I've, I've watched it from the side a bit and been involved in various meetings. I cannot thank you enough for caring to work to try to improve TEEOSA. In my eight years here, we've really tried to look at it in numerous ways. We've added tweaks.

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We had committees where we tried to make changes. You're all aware of that, but it really is an amazing effort. And I'm sure we can all throw lobs at whatever little tiny portion, but again, while it may not be perfect, it's really good. I think there's a lot of good in it and I just want to thank you all for this effort. That includes-- it includes all the school groups, it includes everybody. I know that this effort over the past year has been magnificent and that's a lot of caring about kids, about our state, about the schools. I can't rave enough about that, so thank you all for this amazing effort. That's number one. Number two, I just wanted to ask you to clarify ESBA just a little bit. So the Education Stabilization Base Aid, ESBA, that is not foundation funding, is it?

CHIP KAY: So--

PANSING BROOKS: It's foundation aid.

CHIP KAY: --it, it's a-- I would say it's-- base aid is a better term and it's, it's a little bit unique in that we're using a calculation by taking a half-- a calculation of what a half-cent of the sales tax we generate for the state, matched by the state of Nebraska, and put into a reserve fund. From that reserve fund, it's allocated back out to every district on a per formula student basis and then it's grown every year at the basic allowable growth rate of 2.5 percent. The calculation of what goes into the reserve is, is annually based on sales tax receipts. The, the goal of that, when, when looking at some data from Tom Bergquist, would be that what goes into the fund would outpace what comes out. And the nice thing is when you have that four-year review, you'd be able to look at that data and then the Ed Committee could make a determination if a recalculation needs to be done and what the condition of that reserve fund is.

PANSING BROOKS: OK. I'm just trying to clarify for the record that it is not foundation aid as we know it nationally.

CHIP KAY: I would say that it, it, it's closer to what you might term base aid because of how we're funding it.

PANSING BROOKS: OK.

CHIP KAY: And it is a per student allotment. Whenever you talk per student allotment, the term "foundation" tends to come up. We look at it as stabilization base aid because how we're generating or putting or, or reserving the revenue.

PANSING BROOKS: OK, thank you very much.

CHIP KAY: Yeah.

PANSING BROOKS: Thank you again for all your efforts.

CHIP KAY: Yeah.

MORFELD: Senator Linehan.

LINEHAN: Thank you, Vice Chairman Morfeld. So two more questions: on the building fund, the 10 cents--

CHIP KAY: Yes.

LINEHAN: --so it's a new levy?

CHIP KAY: Yes.

LINEHAN: OK. So if I could bill-- is there any limits on what I can do with that 10 cents? Do I have to go to the vote of the people if I want to build--

CHIP KAY: The, the, the 10 cents is strictly under the same building fund rules. Now, you know, the-- currently the building fund is 14.

LINEHAN: Yes.

CHIP KAY: So it's a reduction of 4 cents in the building fund as a, as a standard levy with no other changes to the building fund definition.

LINEHAN: So I no longer-- if I had enough valuation, I don't have to go to a vote of the people to build a new school?

CHIP KAY: There's-- if, if that's something a district could do now, that wouldn't change under this.

LINEHAN: If they're under their \$1.05.

CHIP KAY: Correct.

LINEHAN: Right.

CHIP KAY: Correct.

LINEHAN: But now we're, we're getting rid of that and we're just saying you've got 10 cents--

CHIP KAY: Yep.

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LINEHAN: --to do whatever you want.

CHIP KAY: How-- well, yeah, if you're at 95 and 10, you could still be at the \$1.05, so-- but yeah, yeah, we're not changing any of the rules of what you could do with that special building fund.

LINEHAN: OK.

CHIP KAY: That would be correct.

LINEHAN: And then on the LER-- back to what I think Senator Murman-- if your, if your levy currently is at 75 cents or below, then the LER doesn't help you at all, going down to 75. It only helps schools who have got a higher levy than 75 cents.

CHIP KAY: Well, the LER coupled with infusing funds into the-- how you're funding needs, that combination does help all districts.

LINEHAN: No, but we've just on the LER part. So if I-- if my levy is 75 cents, I would get-- my LER-- lowering it 75 cents doesn't help if I'm 75 cents or below on that, just that part of the bill.

CHIP KAY: Yeah, believe it or not, I'm actually unable to answer that.

LINEHAN: OK, thank you.

CHIP KAY: I know that seems really strange, but I have really analyzed the data that way.

LINEHAN: OK, thank you very much. Thank you.

MORFELD: OK. Any other questions from committee? OK, Senator Murman.

MURMAN: Thank you again for answering another question. The allocated income tax-- well, I'll focus on that first. I am concerned about the sustainability of both school funding and property tax relief with what-- the changes we're making here. And, you know, say in a few years down the road, probably not very far down the road, valuations level off and income goes down. Those two sources of income will be reduced. How will that be made up?

CHIP KAY: I think that's probably a deeper question with you as a legislative body. If you're unable to fund public education in TEEOSA, you probably have a lot of different things you're going to be unable to fund. So I think it's the same question you're going to have for anything else you're trying to fund is if you can't fund public

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education, you can't fund the other initiatives or expenditures of the state so how are you going to do it? The nice thing I would tell you about LB38-- or LB890 and LB891 is we at least have the ESBA trust to fall back on because we've been putting money into something that's protected to try to sustain that growth and funding through the per student allotment. And I know that there's going to be some talk about what about four years, what about ten years, and I think any concern you're going to have about a sustainable funding plan for education, you're going to have an issue about a sustainable funding plan for anything the state funds. I don't think they're separate.

MURMAN: Yes, of course. My concern is that, as in the past, the state funding won't be there, so it'll be pushed back onto the property taxpayers.

CHIP KAY: I think that's why we're sitting where we do today.

MURMAN: So, yeah. Right, right now, we have assured property tax relief, at least 25 percent, with the refundable income tax.

CHIP KAY: So at this point, you have no concerns about funding LB1107 for the next four or five years?

MURMAN: No, I do.

CHIP KAY: OK, OK, OK. I just-- I was making sure because I was thinking if you knew how to fund LB1107, but not education, I wanted the secret, sir.

MURMAN: But, but at least we have the 25 percent assurance of property tax relief. Thank you.

CHIP KAY: You're welcome.

MORFELD: Any other questions? OK, thank you very much, Mr. Kay.

CHIP KAY: Thank you.

MORFELD: Before we move on to proponent testimony, I just want to remind folks on the yellow light is when you should start finishing up your comments, not the red light. And the reason why I'm being kind of militant on that is because if we give an extra minute to every single person in here, that takes it on probably 40 extra minutes, which means there's certain folks here that probably can't stay past five or six because of kids and things like that. So we want to get to everyone. So if it goes red, I'm going to stop you. I'm going to ask

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if anybody has any questions. So just FYI and that's the reason why. So we're going to move on to proponent testimony. Our next proponent testifier, please. Welcome. This also seems like a group that could talk about this for about 40 minutes each too, so I'm sure you have a lot of feedback. We want to hear as much as possible. Welcome.

JACK MOLES: Thank you. Good afternoon, Senator Morfeld and members of the Education Committee. My name is Jack Moles. That'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. NRCSA greatly appreciates the work of Senator Walz and Nicole Barrett, as well as Chip Kay and Troy Loeffelholz in the development of LB890 and LB891 and for continuously looking for ways in which it can be-- the two bills can be improved. NRCSA-- on behalf of NRCSA, I'd like to testify in support of LB890. LB890 has several pieces that NRCSA does support, among those are the plan does ensure that every public school district will receive state aid and that's long been a goal of NRCSA's. Another is that many more districts would move into equalization as a result of the bill. Most of those are NRCSA-member schools. The plan does raise the state's level of commitment to public schools. Most school districts will have the possibility of lowering their property tax requests without having to make cuts. And then also, we do like the idea of providing full funding for four-year-old students. All that being said, NRCSA does have, have a few concerns and I'd like to voice those to you and, and make a couple of recommendations for you to consider. The first is while most districts come out ahead in the plan, there are some who are held harmless. That is, they're not going to receive less state aid than they currently receive. While the hold harmless intention is appreciated, in reality, those districts actually do move backwards because in order to move their budgets forward, they would have to raise property taxes to meet those. This would be especially true in the area of personnel compensation, which I, I referenced that the other day in, in Revenue Committee and I'll keep referencing it. I think education is, is due--we're at a crossroads and we're going to see things coming up with personnel compensation that we haven't faced before. In order to meet-- it would be NRCSA's expectation that no school district be placed in the position of having to low-- or raise their property taxes. In order to meet that expectation, I'd like to recommend that another component to the bill be added. This would be to ensure that every school district receives at least 20 percent of its basic funding. According to my calculations, this would involve about 85 schools-- school districts, all smaller school districts. To move all of those districts up to at least 20 percent of basic needs could take under \$20 million added to

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the plan. In fact, my number came out a little bit under \$18 million. It could be as low as \$15 million to do that. As a point of reference, when the work was originally done, I believe the averaging adjustment was not part of the program, but was added in-- back in. That, that was over \$20 million and affected far less schools than what I'm talking about. So I think that would be a great trade-off. Districts that are in-- that are a positive net-- the other point I have, districts that are a positive net option currently receive around \$10,000 per net option student. In year two of LB890, the option enrollment reimbursement program goes away and is replaced by a payment of \$1,100 for every student, both resident and option. Mathematically, every school district that has a student body makeup of over 10 percent really comes out behind just on that piece right there. Some districts are at a 30 percent or more level of net option students and NRCSA would recommend that you reinstall some level of net option funding into the plan. Our recommendation would be to set that at \$5,000 per net option student. And the impetus for this is that local property owners should be paying more for students who are not residents of their districts than they currently do and reducing the amount from \$10,000 per student to only \$1,100 is alarming to many of our boards of education and their patrons. And I think I'm about out of time, so thank you again. We appreciate the work of Senator Walz and the example of how-- of bringing people together to work together on something. Thank you.

MORFELD: Thank you very much, Mr. Moles. Any questions? Oh, Senator Linehan.

LINEHAN: Thank you, Vice Chairman Morfeld. Thank you very much--

JACK MOLES: Thank you.

LINEHAN: --for being here. Your last point here, I'm just going to read it, of course, a dedicated source of funding that is sustainable would be expected, which-- that goes back to the conversation we've had for five years. There's no new funding, so you're concerned the money will or will not be there, is that what you're saying?

JACK MOLES: We would be concerned money-- if the funding was not there, yes.

LINEHAN: Because we don't have a new tax to pay for it.

JACK MOLES: Right.

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LINEHAN: OK, I'm going to go back-- you heard the exchange on the Columbus, Humphrey, Lakeview. And the reason I'm picking-- because they're all right there.

JACK MOLES: Right.

LINEHAN: They're in the same county and they're all three different schools. So I'm assuming if Humphrey is at 40 percent and Lakeview is at 33 percent, Humphrey must do pretty good on the income tax, 20 percent of income taxes.

JACK MOLES: 20 percent of basic funding.

LINEHAN: No. Well, I think the way the bill's written, 20 percent of the income tax is generated and you're saying--

JACK MOLES: OK, yeah.

LINEHAN: --this will go back to your school district.

JACK MOLES: Right.

LINEHAN: So here's-- I-- my understanding and I wasn't here, so I might be wrong. One of the reasons they moved away from that was because it helps most the wealthy districts, meaning wealthy-- they pay income taxes.

JACK MOLES: Um-hum.

LINEHAN: So I can't-- and maybe Lakeview is here or somebody else can answer the question, but would that be why Lakeview would get less in this plan than Humphrey? I'm just wondering if that's the reason.

JACK MOLES: You know, I, I haven't looked at their specific numbers, so I, I really couldn't venture a guess on that.

LINEHAN: OK. Well, it's something we probably should look at.

JACK MOLES: Yeah.

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

JACK MOLES: You're welcome.

LINEHAN: Appreciate it.

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MORFELD: Other questions? Senator Pansing Brooks and then Senator Murman.

PANSING BROOKS: OK, thank you so much for being here, Mr. Moles. I-- my question was did you talk to Senator Walz and the two fabulous people, Loeffel--

JACK MOLES: Yeah.

PANSING BROOKS: --Superintendent Loeffelholz and--

JACK MOLES: I met with Senator Walz--

PANSING BROOKS: --Kay.

JACK MOLES: --and told her what I was going to talk.

PANSING BROOKS: OK, OK, so-- and has-- was there discussion about possibly amending? Did they agree or do you have a feeling about how they felt about this? Because now we aren't going to hear from them until--

JACK MOLES: Well, yeah. What I would tell you is this, this idea really came up within the last, not even a week.

PANSING BROOKS: OK.

JACK MOLES: I've been looking at trying to find ways to help the districts at the bottom end of things.

PANSING BROOKS: Yes.

JACK MOLES: And this kind of came out of a couple of things. First of all, Senator Kolt-- or not Senator-- Senator Friesen has talked about basic funding. So I kind of had that idea and then I also saw an idea from another group of-- actually, it was at 40 percent. And I thought, well, that's probably not sellable, so I started working on that. I had another person who you're going to hear from a little bit that kind of did-- we, we kind of did the same work and compared notes and we came out very close to each other--

PANSING BROOKS: OK.

JACK MOLES: --so.

PANSING BROOKS: Thank you for your testimony today.

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MORFELD: OK. Senator Murman.

MURMAN: Thank you and thank you for testifying and thank you for highlighting my big concern and I'll read that, most schools will have the possibility of lowering their property tax requests without having to make cuts.

JACK MOLES: Um-hum.

MURMAN: So it's a possibility of lowering the property tax requests. Right now we have, with the refundable income tax, an assurance of at least 25 percent property tax relief. So we're giving that away for the possibility of lowering property tax requests. How, how would you respond to that?

JACK MOLES: You know, I think you'd hear more from me tomorrow on that. I'm not quite done with that part of what I'm doing--

MURMAN: OK.

JACK MOLES: --so I'd hate to say anything yet without working through all that.

MURMAN: Thank you and then my biggest--

JACK MOLES: Sorry about that.

MURMAN: --my biggest concern is long term, when--

JACK MOLES: Uh-huh.

MURMAN: --when state aid is reduced for whatever reason, it's just going to go right back on property taxes. I mean, I think there would be probably, probably a one-to-one property tax relief to school funding in the first year or maybe two. But then, you know, people kind of forget, well, how's that work, you know, a couple of years down the line? So we have no assurance a few years down the line.

JACK MOLES: Yeah, you know, the hope would always be that we had the funding to, to carry the program out, but, you know, I go back to the mid '90s when I started being a superintendent. Most school districts got state aid or equalization aid. Most of those school districts today do not receive any.

MURMAN: Um-hum.

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JACK MOLES: This would, at least in my mind, be a better way of trying to get money to all school districts.

MURMAN: Thank you. Yeah, my concern is that we'll return to something similar to the mid '90s, you know, with, with this, but thank you.

JACK MOLES: Well, if we don't change it, we're going to stay there, so.

MORFELD: OK. Any other questions? OK, thank you, Mr. Moles.

JACK MOLES: Thank you.

MORFELD: Next proponent testimony. Welcome.

DAVE WELSCH: Good afternoon, Senator Morfeld and the rest of the committee. My name is Dave Welsch, D-a-v-e W-e-l-s-c-h. I am a farmer and currently serve as president of the Milford Public Schools Board of Education. I have served as a school board member for over 30 years. I am here to testify in support of LB890 and LB891. For over five years, education and ag groups across the state have been working together to try and come up with a formula to distribute additional state aid to schools. It has been a difficult task. Different pieces to the puzzle have been introduced over the years, but none of them have made it to the finish line. So the default position of these groups has been to support putting additional money into the property tax credit fund and more recently, into the LB1107 income tax credit for school property taxes paid. Many across the state have considered these two funds as placeholders until a better TEEOSA formula could be created to distribute additional state resources directly to schools to have more transparency and direct property tax relief. LB890 and LB891 provide that improved TEEOSA formula to increase state aid to all schools and to provide direct property tax relief all across the state. The goal of any new TEEOSA formula should be to bring all school levies down and bring them closer together so that there isn't such a wide disparity of property tax levies across the state. LB890 does just that. Please take a look at the attached chart and graph and you will see that LB890 brings all levies down and brings them closer together. In fact, 70 percent of school levies across the state will be in the 50- and 60-cent range with LB890. After spending many hours reviewing the NDE model for LB890, I have found it to be a fair and equitable plan. Like most TEEOSA models suggested over the years, some schools gain more than others, but this bill does an excellent job of bringing all levies down and closer together. However, there is one area I would suggest for improvement, as Mr. Moles has just mentioned.

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Originally, this plan did not include an averaging adjustment for schools above 900 students, but the current plan does. Under the current state aid formula, the averaging adjustment provides \$29.4 million to the 20 largest schools in the state. I would suggest that to improve LB890, that there should be a minimum basic funding of 20 percent to all schools. This would provide additional funding to 88 smaller schools across the state at a cost of \$18.4 million. This basic funding calculation would take place after all of the other calculations that are included in LB890. This seems to be a reasonable compromise to provide needed additional funding to both large and small schools across the state. Our time is limited, but I would be happy to answer any questions or to discuss the bill in more detail at a later time. And just-- and since I still have a bit of time, I would also like to thank Troy Loeffelholz and Chip Kay of Columbus Public Schools for helping to create this plan and to Senators Walz, Lindstrom, and Kolterman for working with them to introduce these two bills. Thank you.

MORFELD: Thank you, Mr. Welsch, and thank you for your service on the school board.

DAVE WELSCH: Thank you.

MORFELD: Any questions for Mr. Welsch? You're getting off easy today. Thank you--

DAVE WELSCH: Yep.

MORFELD: --for your testimony.

DAVE WELSCH: Thank you.

MORFELD: Next proponent testimony. Welcome.

MARK FRITCH: Thank you. Education Committee members, my name is Mark Fritch, M-a-r-k F-r-i-t-c-h, and I am the superintendent of schools for Nebraska City Public Schools. Thank you for the opportunity to share my support of LB890 and the positive impact that it could have on Nebraska City Public Schools, our community, and the state of Nebraska if passed as proposed with its tandem bill, LB891. Nebraska City currently has a general fund levy that is at the \$1.05 limit. With other levy requests for general obligation bonds, exclusions, qualified capital project undertaking fund, our total levy is at \$1.24, too high. Requesting the same budget dollars, LB890 would actually reduce our general fund levy to 66 cents. The bill sets the maximum general fund levy at 95, but Nebraska City Public Schools'

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maximum spending authority would still only allow a 76-cent general fund levy. That is, if the board of education, with their local control, chose to levy all those funds at the maximum amount. If the board chose to do so, our total levy would end up at \$1.05. Both our school district and our community taxpayers would be winners under the proposed provisions of this bill. Under the current TEEOSA model, Nebraska City Public Schools cannot fund our basic needs, which has resulted in substantial cuts to our programs in recent years. Low property value per formula student forces the district to tax at the maximum levy. Our total property value divided by student population is under \$750,000. School districts that are under \$1 million of property value per student are forced to tax at or near the maximum levy at \$1.05. Nebraska City Public Schools has been up against the \$1.05 lid for over 13 years. This allows little levy authority to generate funds in the building fund to maintain facilities, to offset revenue losses in state aid funding, or address changing needs as we see in our student demographic. Our situation is such that we have had to use a line of credit in order to have a cash flow to sustain operations. This has been detrimental to our ability to fund our school programs and is an additional burden to our local taxpayers. Consequently, the only option Nebraska City Public Schools has had and has at this time is to make cuts to our programs. Nebraska City Public Schools has reduced staffing through attrition. We are increasing class sizes in our elementary schools by reducing teachers, which reduces class sections. We have reduced opportunities for secondary students by limiting the number of sections of courses offered because of the reduction of teachers. We have also struggled to stay competitive in our certified compensation array. This will continue to be the trend at Nebraska City Public Schools unless the variables change in order to address our needs. We believe LB890 is a solution that would work for us. Nebraska City Public Schools has a student population that is above the state average in special education, English language learners, and free and reduced lunch. We pride ourselves on working to serve the needs of all students. We are extremely proud of the opportunity to educate all students. There is also an unfair burden on our taxpayers by requiring us to be at the levy limit to fund operations. LB890 provides Nebraska City Public Schools the flexibility to address student needs. Reducing the local tax request and returning 20 percent of the allocated income tax to our school will put money back into our local economy by reducing property taxes. The provisions of the bill also afford our locally elected officials flexibility in order to make wise decisions in order to balance our limited resources and adequately fund the needs of our education programs. LB890 is a game-changer for Nebraska City Public

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Schools. By putting more financial responsibility to educate students across Nebraska in the state, this bill will return more local control to Nebraska City and ease the tax burden for our tax-- or stakeholders. For these reasons, Nebraska City Public Schools supports LB890.

MORFELD: Thank you, Mr. Fritch. Any questions for Mr. Fritch? Senator Linehan.

LINEHAN: Thank you, Vice Chairman Morfeld. So I think-- maybe I'm just-- general obligation bonds can be above the \$1.05.

MARK FRITCH: That's completely outside-- completely another taxing agent.

LINEHAN: Right, so nothing in this bill keeps the school from asking--

MARK FRITCH: Running a bond issue.

LINEHAN: --running a bond issue, so-- OK, so--- all right, and do you-- have you done any comparisons as to what the taxpayers in your school district get under LB1107 versus how much you'd be able to lower the taxes with this bill?

MARK FRITCH: I have not. I have visited with a local agriculture producer and we have not sat down to run the entire numbers, but he does recognize, for lack of a better way, that this would fund our school, which we know we're not doing right now. This particular person would be in favor to, to help that occur, knowing that he would get--

LINEHAN: Even giving up their, giving up their income tax credit?

MARK FRITCH: I don't want to speak for him.

LINEHAN: OK.

MARK FRITCH: But knowing that he would get a 20 percent reduction and fund his local school, he would be in support. That would be my assumption.

LINEHAN: OK.

MARK FRITCH: And we are the big winner. We are one of the big winners, but we're currently a pretty big loser.

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LINEHAN: Why are you a big-- why-- because that is a question. Like, how come there's big winners and not so much winners--

MARK FRITCH: Because we don't have any property value per student.

LINEHAN: OK.

MARK FRITCH: We do not-- because of the Missouri River and because of our just pure prop-- amount of property and the value of that property per our student and our student needs, we, we do not have enough revenue to support the needs and number of our students.

LINEHAN: At \$1.05. So does the income tax 20 percent help you?

MARK FRITCH: Most definitely.

LINEHAN: OK.

MARK FRITCH: Most definitely--

LINEHAN: All right.

MARK FRITCH: --in that our local people will not have to pay in property tax.

LINEHAN: OK, thank you very much. That's helpful.

MARK FRITCH: Thank you.

MORFELD: Any other questions? Senator Murman.

MURMAN: Yeah, thanks a lot for testifying. To-- so to keep your funding that you have right now, your levy is at 60-- your general fund levy is at 66. And, and you said that I think with a two-thirds vote of the board, you could go to 76, is that correct?

MARK FRITCH: No, actually, there's two lids here. So there's the, the 95-cent lid, but we also have a spending lid authority. So for us, that would only allow us-- at the current property value, it would only still allow us to get to 76 cents.

MURMAN: So--

MARK FRITCH: So we can't even get to 95.

MURMAN: So you would go to 76 most likely.

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MARK FRITCH: The vote-- I know my board, but it would be the vote of the board.

MURMAN: Yeah, the two-thirds vote of the board, right?

MARK FRITCH: They wouldn't even need to-- yeah. Yes, but--

MURMAN: OK.

MARK FRITCH: --no--

MURMAN: OK, so, so that--

MARK FRITCH: I can't-- I'm trying to speak for my board now.

MURMAN: So that's kind of one of my concerns. You know, you do come out a winner, like you said, with-- but, but you still would have to increase property taxes compared to where, where the original one--

MARK FRITCH: Yeah, our-- I would share with you that I understand your concern, but I'd also remind you that our district is currently not repairing deferred maintenance and, and we are costing our taxpayer more money because we do not have the ability to, to keep our facilities up. And so we do have revenue challenges, but this bill would allow our locally elected officials to adequately and wisely make decisions in the best interest of our district.

MURMAN: Sure. Your district isn't treated fairly the way it is now--

MARK FRITCH: Correct.

MURMAN: --and this would at least help a little bit. Thank you.

MARK FRITCH: Correct.

MORFELD: OK. Additional questions? Senator Linehan.

LINEHAN: Just-- I think because of your situation, I'm just going to ask this question for the record. How long have you been the superintendent?

MARK FRITCH: This is my second year.

LINEHAN: Thank you very much.

MARK FRITCH: Thank you.

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MORFELD: Any other questions? OK, seeing none, thank you, Mr. Fritch. Next proponent testifier. Welcome.

DAN DeFREECE: Thank you. My name is Dan DeFreece, D-a-n D-e-F-r-e-e-c-e. So Senator Morfeld and committee members, thank you for the opportunity to testify this afternoon. As I said, my name is Dr. Dan DeFreece and my wife, Kay, and I have lived and worked in Nebraska City for over 25 years. My training is as a family physician, but I currently serve as the president of our local hospital, CHI Health St. Mary's. I appreciate the opportunity again to speak today in support of LB890. The viability of our local economy is closely tied with educating our youth. Education and the support of education are tightly aligned with the ability to attract and maintain a talented workforce. Our hospital and other local businesses' ability to attract quality candidates to positions is dependent on quality, adequately funded public schools. When visiting with candidates for physician, advanced practice clinician, nurse, ancillary staff, and other roles, we're not just selling them on the job. We're selling them on our community. Many of the new staff are young and looking to put down roots in our community for the long term. Whether they are starting a family or having young children, the strength and stability of our local schools is always one of the foremost topics of discussion in making their decisions. Our superintendent of schools has just spoken today about the specific financial situation at Nebraska City Public Schools and the significant impact LB890 would have on the district. I'm a member of the Nebraska City Area Economic Development Corporation and our board has identified our schools and the success thereof as a top priority for the development success of our area. Without strong schools, our ability to maintain and grow business is hampered. While there are many aspects that lead to strong, strong school systems, including fiscal responsibility, adequate funding is of the utmost importance. This bill, bill brings a sustainable, equitable solution with real, long-term consequences that will undoubtedly benefit our local classrooms and the economy. Quality of care from our facility is a direct result of our ability to attract candidates. We know that education, workforce, and Main Street viability are interwoven and this bill proves to be one mechanism that will help our community continue to thrive and meet the needs of our region for the next generation. Thank you for your time.

MORFELD: Thank you, Doctor. Any questions? OK, seeing none, thank you very much for your testimony today, sir.

DAN DeFREECE: Thank you for your time, appreciate it.

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MORFELD: Next proponent testimony. Welcome.

GINGER MEYER: Thank you. Education Committee members, my name is Ginger Meyer, G-i-n-g-e-r M-e-y-e-r. I come to testify as the superintendent of schools of Chadron Public Schools. I am here today in support of LB890. Chadron Public Schools shares a unique story. We are a rural district with a current enrollment of 925 students K-12. Our district is at the \$1.05 lid, which includes both general and building fund. Forty percent of our land is in public, state, or federal lands, meaning not all of this land is taxable. Taxpayers are levied to the max to provide a top-notch education. Our district does receive state aid and for that we are grateful. We are a frugal district. Two of our buildings turned 100 this year. Our newest bus is a 2004. With enrollment growing, we need more teaching staff that we will be hard pressed to hire under current budgets. It is difficult to hire teachers in our part of the state. We are going to have to keep current and competitive to get educators to Chadron. Current revenue restrictions, overreliance on property taxes, and the burden of providing the necessary resources for our students and we are capped at the \$1.05. And even if we could squeeze another penny, it would fall on the back of our limited tax base. LB890 would be that lifeline for our school and for our taxpayers. LB890, as currently written, would significantly reduce our general fund levy. With this model, both our school and our taxpayer-- payers greatly benefit. Currently, our levy-- our general fund levy is \$1. Under the LB890, it would go down to 64 cents. That is a levy reduction of 36 cents, so 36 percent. Current state aid, we get \$4.6 million. The new state aid would be 6.7. This is an increase in our state aid of \$2.1 million with a max levy of 95 cents. But like Nebraska City, with our spending and budget authority, we could only go up to around 76 cents. Our education committee and others have joined together to support this bill. I am proud to be a proponent of this bill and proud to have partnered with our different education committees because it's finally a, a bill that we can say yes to instead of always saying no, no, no. I want to talk just about a couple of data points. Nebraska currently finances over 70 percent of the cost of operating its public school systems from property tax and other school sources, while nationally only 43 percent of the costs are supported by property tax and other local sources. This includes Chadron Public Schools and as I pointed out, 40 percent of our district is in public, state, or federal lands. Some of our public lands do have to pay taxes, but our state and federal lands do not and we have state forest and our state park that's in our district is 100 years old also, so they were grandfathered in so they do not pay. The overreliance on property tax for the support of the

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public school systems has resulted in great disparities in local property tax rates. The overreliance on the property tax for the support of the public school system has created inequitable education fiscal resources for students. Funding public schools in the state of Nebraska is no easy task. One size does not fit all and when trying to fund 244 separate school districts, each one has their own needs. This is my second year at Chadron Public Schools and I came from a very small district in the eastern part of the state that only had 200 kids. That, that district did not receive any state aid and I levy, I levy at Chadron the same amount of money-- and it's at \$1-- that I could at my old district and we were only on 72 cents. So they were land rich, we are land poor. But I see my time is almost up, so the intention of this bill is simple: to be transparent and equitable. And the two valuable outcomes, we would get a structurally sound and [INAUDIBLE] school funding pot and funding model and a substantial reduction in the reliance on property taxes.

MORFELD: OK, thank you very much, Ms. Meyer. Any questions for the testifier? Oh, Senator Linehan.

LINEHAN: Thank you, Vice Chairman Morfeld. Thank you very much for being here because I think it's really important we hear from Chadron way out there. And I love Chadron, by the way. It's beautiful. So what helps you most in this bill? Is it the lowering of the LER? Is it the income taxes? Is it the \$1,000? Have you-- do you know what part of it helps Chadron most?

GINGER MEYER: Well, I think that the ESBA helps us most because we will get \$1,100 per student--

LINEHAN: OK.

GINGER MEYER: --so that's big. We are 40 percent free and reduced lunch.

LINEHAN: OK.

GINGER MEYER: We are also-- we also have some great grant writers. And my previous-- the previous superintendent did some great things and we have three federally funded grants that are nonrenewable that will be coming up in the next couple of years and we would like to sustain those services and not have to get rid of them. So with this and with--- it would allow us because we would get about \$2 million more in state aid and once again, provide our taxpayers with that relief. And, and looking at the numbers, this is a bigger relief than the

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LB1108 [SIC] for ours because it's 36 percent, whereas the allocated income tax relief is only 25 percent.

LINEHAN: That's impressive. OK, have you-- did you-- you were here when Mr. Moles, Jack Moles, talked about basic funding. Have you ever looked at that, where the state picks up some basic amount?

GINGER MEYER: And I am-- we are a member of NRCSA also and we do agree that there needs to be probably-- at least some of the smaller schools need to have some funding also just because, once again, there's that disparity of land-rich small schools don't get any state aid and is that really fair just because they're land rich?

LINEHAN: OK. Thank you very much for coming all the way from Chadron.

GINGER MEYER: Thank you.

MORFELD: Any other questions? OK, seeing none, thank you, Ms. Meyer. Next proponent testimony. Welcome.

SHAWN SCOTT: Welcome. Members of the Education Committee, thank you for today. My name is Shawn Scott, S-h-a-w-n S-c-o-t-t, and I am the superintendent with Adams Central Public Schools and I am here today in support of LB890. First, a little bit about Adams Central. We are a rural school district in south-central Nebraska. We provide an outstanding education to mainly rural and suburban students and our district has land in five different counties: Adams, Clay, Webster, Kearney, and Hall Counties. Our district is approximately 305 square miles and we serve approximately 1,000 students, students pre-K-12. We are a solid Class C1 school district bordering on a small Class B size. Adams Central does not receive equalization aid and probably never will. So you're going to hear a little bit about we are drastically different than the few other schools that just stopped up here before. So why do I support this bill in its current form? One is that the overall-- this bill is an overall net positive not only for Adams Central, but for many other school districts in the state. Adams Central does have about one out of every four students is option enrollment and even with the elimination of net option funding in this bill, it is still overall a positive for many districts. You know, I do like the net option funding for schools. This is still a positive. Second, this bill establishes a more dedicated funding stream for all school districts in the state of Nebraska and includes property tax reduction. That is huge when you looking at what we've been trying to do for many years. Lastly, this bill gets money to every school district in the state and it recognizes every-- each and every student

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in the public school system. In short, this bill raises the level of financial commitment to the state and does it in a way that is built from actual student numbers in each school. I think that is huge. Overall for the educational system in Nebraska, this bill is a good one. As we all know, going forward, there will be attempts to change this bill or alter it for one reason or another. There could be some good improvements to this bill. I urge this committee, when changes get proposed down the road, to please keep the true intent of this bill in mind: equitably fund schools in a sustainable way that shifts reliance on property taxes toward state funding. Thank you very much. Any questions?

MORFELD: Thank you, Mr. Scott. Any questions? OK, Senator Linehan.

LINEHAN: Thank you for being here. So if I remember, you're kind of like the donut around Hastings, right?

SHAWN SCOTT: Yes.

LINEHAN: Yes, so what is your levy now?

SHAWN SCOTT: I think general fund and special building fund, we're right around 70 cents.

LINEHAN: OK. So what, what is the part that helps you most? Is it the-- because you're losing option funding so that must hurt somewhat, so what--

SHAWN SCOTT: Correct.

LINEHAN: --is it the allocated income tax?

SHAWN SCOTT: Correct. I believe so, yes.

LINEHAN: OK, thank you--

SHAWN SCOTT: Yep.

LINEHAN: --very much.

MORFELD: Thank you, Senator Linehan. Any other questions? OK, thank you very much, Mr. Scott. Have a great day.

SHAWN SCOTT: Thank you.

MORFELD: Thank you for coming. Next proponent testimony. Welcome.

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JAMI JO THOMPSON: Thank you, Chairperson Morfeld and members of the Education Committee. My name is Dr. Jami Jo Thompson, J-a-m-i J-o T-h-o-m-p-s-o-n. I am the superintendent of Norfolk Public Schools and I'm testifying on behalf of our school district in support of LB89 [SIC] if a dedicated and sustainable revenue source is identified to fund the increased cost. Over the years, numerous attempts have been made to adjust Nebraska's public school funding formula with little success because each attempt resulted in winners and losers. LB890 results in winners, period. There are no losers. It does this by maintaining TEEOSA funding for equalized school districts, adding stabilization aid for all schools, and significantly reducing property tax levies. According to NDE's first-year projections, Norfolk Public Schools would be able to reduce our general fund levy from \$1 to under 67 cents, providing our constituents with \$9.6 million reduction in property taxes. In year two, we would be able to reduce our levy another 10 cents, which would set our general fund levy at under 57 cents for a tax savings of over \$12.5 million. Currently, Norfolk Public Schools' general levy is much higher than our neighboring school districts, which places an undue burden on our taxpayers, particularly our farmers. Under this model, that discrepancy would be reduced significantly. In fact, our general levy would be very similar to our neighbors, who would also be able to reduce their levies and property tax requests. If you look at the chart I've provided, you will see that currently there is a discrepancy between Norfolk, Madison, and Battle Creek, the three schools in our county, of 25 cents. In the first year of this model, that would go down to 7 cents, so we would all be very similar. This model helps erase the lines that have been previously drawn between small and large, urban and rural, and equalized and nonequalized school districts because it funds all schools equitably and adequately by providing 100 percent of schools with state aid via ESBA and approximately 66 percent of our schools with equalization aid. For those reasons, I'm asking all senators to support LB890. Thank you.

MORFELD: Thank you, Dr. Thompson. Any questions for Dr. Thompson?

JAMI JO THOMPSON: Our greatest impact comes from our equalization aid, Senator Linehan.

MORFELD: Oh.

LINEHAN: But thank you.

MORFELD: Any other jabs?

JAMI JO THOMPSON: It wasn't a jab.

MORFELD: I'm joking, I'm joking.

JAMI JO THOMPSON: I was just answering her question before she could ask it.

MORFELD: I'm kidding, just having a little bit of fun. OK. Thank you, Dr. Thompson.

JAMI JO THOMPSON: Thank you.

MORFELD: Thank you for coming. OK. Next proponent testifier. Welcome.

LIZ STANDISH: Thank you. Good afternoon, Senator Morfeld and the Education Committee. My name is Liz Standish, spelled in L-i-z S-t-a-n-d-i-s-h, and I'm the associate superintendent for business affairs for Lincoln Public Schools. First, we would like to share with you that LB890 represents extraordinary work by Senator Walz and the team putting this together. This bill represents a genuine effort, bringing the education community together to advance ideas that monumentally change TEEOSA. LB890 reduces our reliance on property taxes and will provide property tax relief if fully implemented and fully funded. Various mechanisms in the bill provide solutions to challenges we've been talking about for decades. I've been here for 15 years and the conversation has been fairly similar. Lincoln Public Schools offers this testimony in support of LB890. There are components of the bill we wouldn't traditionally support, but however, at the end of the day, this dramatically increases the state's investment in PK-12 education. The most powerful element of the bill for equalized school districts is lowering the local effort rate. Through lowering the local effort rate from \$1 to 85 cents and then 75 cents, the state will fund a larger portion of school districts' formula needs. Lowering the local effort rate results in state funding for equalized school districts and decreases the required funding from property taxes. It is imperative that we keep equalization at the forefront of this formula, even when we're introducing new mechanisms and shifting funding. In order to do that, we would seek and request that you discuss an amendment to LB890, Section 29. It's actually found on page 40. Right now, if the state is not able to meet the obligation of TEEOSA, the second priority reduction is from equalization aid, otherwise known as the local effort rate. We would like to see that shifted to allocated income tax. Allocated income tax will impact every school district in the state. The LER only impacts equalized school districts. In addition, the uniqueness of LB890 has

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been something that's been discussed before by proposing a unique district levy for every school district based on their total maximum authority. I think it's really interesting to think about this concept. We've been talking about it. We currently have school districts with \$3,200 per student and school districts with \$62,000 per student. So that's a 20 times increase from the highest to the lowest, so thinking about the concept of the unique levies might be required to address that spread. Lastly, and it's been talked about a lot today, is this must be sustainable and reliable. Property taxes has been a very stable source of funding for school districts. We know we've seen a dramatic shift to property taxes over the years, but at the end of the day, you can collect and receive property taxes as a school district. So it's imperative that the revenue sources be dependable and the local taxing authority be retained so that if the state funding falls short like it did, you know, in the mid 2000s and the '90s, that school districts would have that authority to make up that difference with their taxing authority. A huge thank you to Senator Walz. Her leadership has been just a commitment to collaboration, to listening. I will share there were ideas shared throughout the fall and, and we saw improvements and changes in the bill, so that has been amazing to see. She's truly embraced the leadership of the education community of this state in a positive and productive way. So I'll be happy to answer any questions that you have. And I was taking notes, so I think I'm ready with some data and statistics if I'm asked.

MORFELD: We'll see. OK. Thank you, Ms. Standish. Any questions? OK, Senator Linehan.

LINEHAN: I'm assuming the LER reduction is what helps Lincoln Public Schools most.

LIZ STANDISH: Correct.

LINEHAN: So what would your state aid increase? How many-- how much would it go up?

LIZ STANDISH: I think in total-- I'd have to look at the model. That's one question you haven't asked so far today, so I haven't studied--

LINEHAN: Because I can't, I can't keep up with the numbers and my-- I'm too old to read these numbers.

LIZ STANDISH: We do shift from being about 33 percent state funded to about 53 percent state funded.

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LINEHAN: OK, that's just your TEEOSA because we get confused here about all our state funding versus just our TEEOSA funding.

LIZ STANDISH: Right, so just TEEOSA would be 25 percent to 45 percent.

LINEHAN: OK, so it goes up 20 percent?

LIZ STANDISH: Yes.

LINEHAN: Thank you very much.

MORFELD: Any other questions? Are you done, Senator Linehan?

LINEHAN: Yeah.

MORFELD: OK. Senator Murman.

MURMAN: Yes, thank you. In the allocated income tax, you said that that would benefit-- you would like to see that used more. Is, is that included also in the needs of, of the formula?

LIZ STANDISH: So if I could just provide a clarification-- thank you for asking the question. What we need to think about is structurally, this formula stays very similar to our history, where it starts with formula needs, which is student driven. The difference is we now pay for it first with ESBA base funding, you then have allocated income tax at 20 percent instead of 2.23 percent, and then you have the local funding component. So my goal for the committee to discuss was right now in the bill, if you were in the unfortunate situation where revenue was going down in the state and reductions needed to be made, first ESBA would be increased from the trust, which would reduce the need for equalization. But then the second place the body would go would be to the local effort rate. We would request that be allocated income tax. So the allocated income tax would drop from 20 percent to 19 to 18 to 17 to 16 first. You could have a floor of the 2.23. I think that would be realistic that you wouldn't go below where you are today, but that, that would happen first because then the equalization-- school districts that are equalized would still be made whole. The, the challenge to think about, in my service to school districts that have been up against the levy lid, I mean, almost every budget I've built has been at \$1.05. So we have had high-need, low-value per student at that \$1.05. So you don't have anywhere to go when the state makes cuts, when you're that heavily reliant on state. So we would actually ask that the allocated income tax be reduced, but only if the body can't fully fund the proposal.

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MURMAN: OK. My understanding is that it-- ESBA would be the first thing reduced if we don't have enough state aid.

LIZ STANDISH: Correct, but that's-- actually interchanges with the trust. And if I read it correctly-- and Chip is the best person to clarify this for the committee-- that it's actually increasing the reliance on ESBA, which-- from the trust fund, which would then decrease the equalization ask. But I think that's weeds that the committee will absolutely be getting into and I know you have lots of resources to help you through that.

MURMAN: Thank you.

MORFELD: Any other questions? OK.

LIZ STANDISH: Thank you very much.

MORFELD: Thank you, Ms. Standish. Next proponent testimony. Welcome.

JOHN SCHWARTZ: Good afternoon, Vice Chair Morfeld, members of the committee. My name is John Schwartz. That's J-o-h-n S-c-h-w-a-r-t-z and I'm here today on behalf of Schools Taking Action for Nebraska Children's Education, otherwise known as STANCE. STANCE includes 19 mid-sized school districts who collectively represent over 25,000 students. We have districts spanning the geography of Nebraska from as far west as Chadron, who you've already heard from, and as far east as Blair. We have equalized and nonequalized school districts with general fund levies that range from as low as 60 cents to \$1.05. We submit this testimony in support of LB890. On behalf of our membership, I'd like to begin by recognizing the efforts of Senator Walz and her staff, Dr. Loeffelholz and Mr. Kay for their collective approach in developing this legislation. Our membership was engaged multiple times to gather our feedback, to tap into our expertise, and to find solutions, which accomplish the complicated task of achieving meaningful property tax relief while concurrently ensuring adequate funding for our schools. While LB890 is no doubt an imperfect piece of legislation through any one lens, it also represents a transparent and more equitable method of funding schools and delivering property tax relief. The provisions of LB890 direct more state funding to schools by lowering the local effort rate, distributing base aid to all districts on a per pupil basis, and increasing funding for pre-K students within the formula. The result is that more schools will become equalized and even for those that will remain unequalized, a greater proportion of the revenue they need will come from state receipts and not local property taxpayers. Another key provision of

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LB890 supported by our membership is separating the general and special building fund levy limits. As it stands, now, a district with a general fund levy of \$1.05 has little ability to adequately invest in a plan of obsolescence for costly district infrastructure. This leads to deferred maintenance, which ultimately puts a greater long-term burden on local property taxpayers. Additionally, the district's specific general fund levy limit calculated within the model reflects a-- reflects unique local variables and is less arbitrary. By separating these two funds, it recognizes the important purpose for each, establishes greater equity across districts, and creates practical limits for each fund. We also support that LB890 retains existing spending limitations, which have proven effective over time and have honored the value of local control in Nebraska. While STANCE supports LB890 and its provisions for distributing aid to schools, an area of concern from our membership is having sustainable revenue over time so that the merits of the bill can be realized. We support provisions such as the education trust fund to create stability and encourage other mechanisms to prioritize equalization aid when state-- when the state experiences shortfalls in revenue. Achieving meaningful property tax relief and ensuring adequate funding for schools are often portrayed as competing objectives. The provisions of LB890 and its sister bill, LB891, prove that achieving both are conceptually possible. They also demonstrate the ability of the education community to come together around solutions to these ends. The membership of STANCE supports LB890 and we encourage the committee to do the same. Thank you.

MORFELD: Thank you, Dr. Schwartz. Any questions? Senator Linehan.

LINEHAN: Thank you, Vice Chairman Morfeld. You're at Norris, right?

JOHN SCHWARTZ: Yes.

LINEHAN: So how does-- what helps Norris in this bill?

JOHN SCHWARTZ: Well, I would say the, the two main areas would be the lowering of the LER, which would increase our, our-- reduce our local resources, and then obviously, the increase in allocated income tax.

LINEHAN: Because Norris is-- is Norris-- do you know which one helps you most?

JOHN SCHWARTZ: I believe-- and again, I haven't looked at the model specifically, but I want to say allocated income tax is somewhere around \$2.8 million. We currently get somewhere around 300, 350. Our

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total increase in state funding goes from about 4.3 to 10-something that's a total of a \$6.2 million increase, so they're pretty balanced, Senator Linehan.

LINEHAN: So it's both the LER and allocated income taxes?

JOHN SCHWARTZ: Yes, ma'am.

LINEHAN: OK, thank you very much for being here, appreciate it.

JOHN SCHWARTZ: Yep, absolutely.

MORFELD: Any other questions? OK, thank you, Dr. Schwartz. Next proponent testimony. Welcome.

KYLE FAIRBAIRN: Welcome. Thank you, Senator Morfeld. Senator Morfeld, members of the Education Committee, my name is Kyle Fairbairn, K-y-l-e F-a-i-r-b-a-i-r-n. I represent the Greater Nebraska Schools Association, GNSA. We are an organization of 25 school districts, the largest school districts across the state, and we represent about 75 percent of all the children that go to school in public schools in the state. I come to you today in support of LB890. I want to take a moment to thank Senator Walz and her staff, just incredible job. Over the past six months, I've watched the work put forward to bring this bill to fruition. Senator Walz and her staff have worked tirelessly with Columbus Public Schools' personnel to work on these issues. They have presented to public schools across the state, had meetings with outside organizations, and met one on one with numerous senators and taken all of these ideas to make a better bill. The amount of work put in to bring a bill forward is unbelievable, not only this bill, but all bills that you senators work on during the year. We do not always agree on every bill, but the work is appreciated. It has been said many times over the last few years in this Legislature that large schools that I represent in GNSA would never compromise on property tax issues and sending state money to rural schools. LB890, along with her sister bill, LB891, that will have a hearing in Revenue tomorrow, does both of these things. The new formula would bring state revenue to all public schools serving children in the state. It would also reduce property taxes for all owners in the state dramatically. This does not come without a cost to the state of Nebraska's overall budget, but would change the dynamics of school finance. This week, I took some time and looked at the National Center for Education Statistics website, NCES. Latest information is that Nebraska is again 49th in the country in supporting state aid to schools. We did beat New Hampshire by half a percent. The state is also 48th in percent in

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funding per state for property taxes, only behind New Hampshire and Connecticut. This bill, along with LB891, would move the state into the top 25. That would also create a large deduction for property tax support across the schools. It is very difficult for schools that I serve, who are dependent on TEEOSA funding to educate all the children they serve, to talk about changing the current formula needs. These two bills working together do make serious changes in school funding. The two bills as introduced reduce reliance on property taxes and get state funding to all schools. GNSA hopes that senators will not try to change these bills to eliminate the strong support for the majority of public schools across the state. Thank you.

MORFELD: Thank you, Mr. Fairbairn. Any questions? Senator Linehan.

LINEHAN: Thank you very much for being here, appreciate it, and thank you, Vice Chairman Morfeld. So the numbers on the 49th or 25th are wherever we are, none of those numbers we're looking at from statistics from two years ago include the \$548 million we now take from state and help reduce school property taxes.

KYLE FAIRBAIRN: No, they would not, Senator.

LINEHAN: So that number will change dramatically when--

KYLE FAIRBAIRN: Well, won't show up in NCSE-- and NCES statistics because it won't be a direct correlation with, with education fund.

LINEHAN: Well, it will show up in the U.S. Census data. It will be--

KYLE FAIRBAIRN: That I don't know, Senator.

LINEHAN: Well, because the Department of Ed, because it's money going directly to pay for schools. All of the 548 in LB1107 goes to reduce property taxes.

KYLE FAIRBAIRN: Yeah, I'm, I'm just not sure how it'll show up on the NCES website--

LINEHAN: However it shows up--

KYLE FAIRBAIRN: --because it's not state aid to education.

LINEHAN: However it shows up, we can, we can agree it's all going to pay for state education.

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KYLE FAIRBAIRN: Absolutely, but I'm just not sure how it's going to show up on the NCES data.

LINEHAN: OK, so how much of the \$730 million of expenditures in LB890 go to GNSA schools?

KYLE FAIRBAIRN: I don't have that number, Senator. I-- it's a big number because the LER, we're all dependent on the LER with the \$1.05, so it's going to be a tremendous amount.

LINEHAN: So is it like \$500 million?

KYLE FAIRBAIRN: Probably, yeah.

LINEHAN: More than \$500 million?

KYLE FAIRBAIRN: I'd say 500 is probably a pretty good shot.

LINEHAN: So has the GNSA-- and maybe this might be-- who has talked to the Revenue Committee about this bill?

KYLE FAIRBAIRN: We will, we will be there tomorrow to talk about the Revenue Committee. We have met with Senator Lindstrom a few times. We will continue to progress as far as we can, Senator.

LINEHAN: OK, thank you.

KYLE FAIRBAIRN: You bet.

MORFELD: Senator McKinney.

McKINNEY: Thank you, Senator Morfeld. I had a quick question. Were there any concerns of any of your member schools about this bill?

KYLE FAIRBAIRN: Yes, sir, Senator. Omaha, Omaha Public Schools had some concerns and Westside Public Schools had some concerns.

McKINNEY: What were they?

KYLE FAIRBAIRN: They-- I believe OPS will, will testify later, Senator, but there's concerns about the funding. Again, the schools I represent are so, so funded by the state. It's very difficult to start talking about changes. So I think OPS has a long-term concern about funding, Senator, and, and it's a valid concern. Westside Public Schools, I believe they, they're-- about 50 percent of their kids are option kids and they have some issues with the option enrollment program. So I think those were the two major issues, Senator.

McKINNEY: OK, thank you.

KYLE FAIRBAIRN: You bet.

MORFELD: Senator Linehan.

LINEHAN: I think on Westside-- maybe just so we can give them a chance if they're here-- it's one-third, not 50 percent on option.

KYLE FAIRBAIRN: OK. I-- it's a, it's a big number, Senator, yeah.

LINEHAN: So going back to this state versus local funding, in the GNSA schools, what percentage of your-- currently-- forget the 540, but currently what percentage of your funding comes from the state on average versus local?

KYLE FAIRBAIRN: I can get that for you, Senator. I don't have that number with me.

LINEHAN: It's a lot closer to 50/50 than the vast majority of schools, right?

KYLE FAIRBAIRN: Yes.

LINEHAN: OK.

KYLE FAIRBAIRN: Yes.

LINEHAN: And this would move it up to, what, 70 percent is coming from the state, 75 percent?

KYLE FAIRBAIRN: I don't believe it will be that high, Senator.

LINEHAN: OK.

KYLE FAIRBAIRN: I really don't, but I'll, I'll get you those numbers, Senator, I will.

LINEHAN: And we'll have a chance to talk about this tomorrow.

KYLE FAIRBAIRN: I, I'll bring it tomorrow--

LINEHAN: Thank you.

KYLE FAIRBAIRN: --how about that? You got it, Senator.

LINEHAN: Thank you.

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MORFELD: You guys are going to have a lot of fun tomorrow.

KYLE FAIRBAIRN: Yes, yes, sir.

MORFELD: Too bad I'm going to miss out on it. OK, any other questions? OK, seeing none, thank you, Mr. Fairbairn.

KYLE FAIRBAIRN: Thank you.

MORFELD: Next proponent testimony. Welcome.

BRAD WILKINS: Thank you. Vice Chairman Morfeld, Chairwoman Walz, and members of the Education Committee, my name is Brad Wilkins and I serve as president of the Nebraska Association of School Boards and a member of the Ainsworth Community Schools Board of Education. I appreciate the opportunity to speak to you today supporting LB890 on behalf of the Nebraska Association of School Boards and Ainsworth Community Schools. School board members serve important roles in our districts and communities. First, we are tasked with providing a high-quality education to all students in our districts. Second, we have a fiduciary responsibility to our taxpayers, making sure that financial resources are allocated wisely. We, along with our partners in education, have long advocated for more state support to provide an excellent public education. Please let me be clear. Asking for more state support doesn't necessarily mean asking for more overall money, which is often a misunderstanding from some. Our members see the direct correlation between increased aid and reduced property taxes. New calculated lower levies will guarantee property tax relief. We also support keeping the existing spending controls in place, as they have kept statewide operations spending growth to 2 percent, while enrollment grew by 8.6 percent. We also support the additional district levy cap to give taxpayers assurance that this will result in real tax relief. The multiple roles of taxpayer, board member, and education advocate are clearly illustrated in our local board of education. Our six-member board pays over \$200,000 in local property taxes. We clearly recognize the importance of wisely investing in our students. Failure to do so may result in short-term gain at the expense of long-term pain. Ours is an agricultural community where success is measured in generations and not fiscal quarters. Investments made today will yield dividends to our children and grandchildren. We recognize that the school plays an important role in our community. It is a gathering place and a source of pride. It is a place of opportunity. Each student gets access to a quality education, regardless of ethnicity, socioeconomic status, or circumstances. Public schools have been an important source of assimilation and

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opportunity during the last 150 years of Nebraska history and I believe it will continue to be for the next 150 years. During my tenure serving on the board of education, the state role in funding our local district has dramatically declined. During the 2011-2012 school year, our district received \$814,000. The current school year, we received \$47,000. I believe that passing LB890 along with LB891 or some form of sustainable funding is an important step in recognizing the responsibility that the state of Nebraska bears in quality public education for all students. Ainsworth Community Schools would receive \$377,000 in state aid next year and \$801,000 the year after. This equals a levy reduction of 9 cents for the local property taxpayer. LB890 represents a shift in funding. It removes a portion of the burden from the local property taxpayer to other sources of state funding, such as income and sales taxes. This will be an important step in creating a closer balance for the three-legged stool of property, sales, and income taxes. In conclusion, let me assure you that Nebraska's 1,700 publicly elected school board volunteers are committed to the future of Nebraska and a quality public education for all. Please join me in supporting LB890, which recognizes the importance of state funding for all public school students.

MORFELD: Thank you, Mr. Wilkins, and thank you for your service on the board of education. Any questions? Senator Linehan.

LINEHAN: Thank you, Senator Morfeld. What is your levy now, sir, in Ainsworth?

BRAD WILKINS: About 69 cents.

LINEHAN: 69 cents. So you, you-- what part of the bill gets more aid to Ainsworth?

BRAD WILKINS: It must be about equal because the ESBA-- we have 392 students, so at roughly \$1,000, that would be \$392,000. So the ESBA would amount to about \$400,000 and I assume that the income tax would amount to about \$400,000.

LINEHAN: OK. So out of your whole budget, your state aid, even if this passed, would be how much? Just the equalization part, the TEEOSA part. How much-- I guess I'm asking how much is your budget?

BRAD WILKINS: I think it's a little over \$6 million.

LINEHAN: So it would still be-- \$6 million-- what is-- one-sixth. It would still be a tiny fraction of yours--

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BRAD WILKINS: It would, yes, yes.

LINEHAN: --even if we passed it.

BRAD WILKINS: Yes, but you have to recognize that we're only getting \$47,000 now, so--

LINEHAN: So \$800,000 seems like a lot.

BRAD WILKINS: It is and it takes us back to about where we were ten years ago.

LINEHAN: But, but won't-- but if we have to take the property tax credit fund to pay for it, which is 25 percent of what property taxpayers are paying now, I think you would get considerably more money-- your taxpayers would get more money out of the property tax credit fund than they would from these two bills.

BRAD WILKINS: There's a possibility of that, but I think the important thing is this recognizes the importance of the state in funding public education for all students.

LINEHAN: But, but we-- see, there seems to be a disconnect here. We are putting \$548 million in a tax credit that goes to help people pay their school property taxes, \$548 million. So it's not like the state hasn't increased funding to schools. It's a rather significant increase.

BRAD WILKINS: It does seem like kind of a backdoor method of, of doing it, however, you know, to, to do it through property tax relief. I mean it-- this seems like a little more straightforward method of supporting the, the schools and individ-- and the students--

LINEHAN: OK.

BRAD WILKINS: --to me.

LINEHAN: Thank you for being here. It's a long ways from Ainsworth. Thank you.

MORFELD: Senator McKinney.

McKINNEY: Thank you. Quick question-- well, couple of questions, probably: is the Omaha Public School Board a part of the Nebraska Association of School Boards?

BRAD WILKINS: Yes, it is.

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McKINNEY: OK, so my follow-up to that is how do you respond to their concerns about the long-term sustainability of transitioning to this instead of the current formula?

BRAD WILKINS: Well, I think that that's probably a concern for, for everyone is, you know, long-term sustainability. And I think that that probably will be addressed tomorrow some in LB891 because, you know, sustainability of the funding is an important thing for this, for this and, and hopefully in LB891, you will be able to address that.

McKINNEY: Thank you.

MORFELD: Any other questions? Thanks for coming all the way from Ainsworth.

BRAD WILKINS: Yes.

MORFELD: Beautiful country out there. I've ran on the Cowboy Trail, so thank you.

BRAD WILKINS: You too, thanks.

MORFELD: Next proponent. Welcome.

GRANT NORGAARD: Thank you. My name is Grant Norgaard, G-r-a-n-t N-o-r-g-a-a-r-d, and I want to thank all of you for-- I thank you, Vice Chairman Morfeld. I want to thank Chip and Mr. Loeffelholz for presenting this legislation and Senator Walz also. The work that they've done, I just am, am very, very impressed by. I think we all are. It's been a long time since we've seen legislation like this come forward and I'm just-- it took me by surprise the first time I saw it. I was very, very, very encouraged by my peers being so proactive and trying to make a difference for, for state funding of education. I'm blessed. I'm really, truly blessed to be the superintendent of McCook Public Schools. It's an amazing place and I just want to share a little bit about us before I begin. McCook Public Schools is a equalized school district. We are out in southwest Nebraska. We're a Class B. Our southern border actually border-- is the Kansas state line. Our district is made up of commercial, residential, and agricultural properties and we, we have bus routes, sev-- we have six, seven bus-- [RECORDER MALFUNCTION]and that's outside of town, so we're very rural. Currently, McCook's property owners pay about 99 cents, right at nine-- it's like 99.7 cents on our general fund levy and just about 5.5 cents towards our special building. So we're right at \$1.04, just shy of \$1.05 on our total levy, not including in our bond. We built an elementary school a few years ago. During the time at McCook,

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that's about 13 years, our levy has spent the majority of its time around that \$1.05 spending lid. There were about three years during my 13 years in, in the mid-- in the last decade where we were able to get it down into the mid 90s, but we unfortunately had to raise that back up to pay for our school system. And at that same time, as we've increased-- a painful time actually, when we were increasing-- going back from mid 90s to \$1.05, we were also reducing our teaching staff through reduction in force. One of the things that I wanted to also share with you is that we've-- McCook-- and why I think the \$1.05 is important for McCook is because McCook has a relatively low per pupil spending cost. And I know every district has different issues that they have to face and per pupil spending isn't an issue, necessarily that you can do a comparison between school districts. We're all very different. We're all very, all very unique, but our, our per pupil spending cost is right at \$12,643. And that places us at about the-- and this is based off the 2018-2019 information. I tried to get last year's. It wasn't available yet. This is an amount that places about the lowest-- in the lowest 11 schools in the state for spending per pupil. So, you know, even though we're at \$1.05, it's not like we're living a very lavish lifestyle out in southwest Nebraska. Year after year, schools that share borders with McCook Public Schools are able to pass levies that are 8 to 26 cents lower than McCook's. This means that McCook's patrons on the-- let's say, the west side of Highway 83, for example, are paying about 26 cents more than their neighbors on the other side of the highway. And so obviously, that can cause some issues for property owners. And sometimes those-- to be honest with you, sometimes those property owners are the same person. They own, own property and both sides. Our property owners have had to pay a considerable amount to support our school. This bill represents an opportunity for real, measurable property tax relief for our patrons. Essential elements of this bill, it helps significantly reduce the tax burden on our property owners in McCook and the McCook School District. McCook residents should experience a reduction from 30 to 40 cents if the bill-- if this bill and LB891 are passed in their current forms. McCook residents have had to deal with high levies for years. This bill provides relief for tangible relief. The benefits to property taxpayers and schools brought about by this passage of LB890 and-- are also dependent on LB891 in the current form. So we are encouraging that current form. Now, I know there will be a lot of discussion on that and that's-- I get that and you guys are super smart and I trust you a great deal to make wise decisions. The assigned sustainable funds is the one piece there that I, that I'm most concerned about. And I think I've heard it from you and I've heard it from other presenters today that sustainability is an issue

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and that's something we're concerned about, too, but we really see this as an opportunity to save our taxpayers considerable, considerable money on their property taxes. So that is all and I'm going to refer all my-- all your questions to Chip Kay and Troy Loeffelholz-- oh, Troy's gone-- to Chip-- no, I'm kidding. I'll answer any questions you have for me.

MORFELD: OK. Thank you, Mr. Norgaard. Any questions? Senator Linehan.

LINEHAN: How many students do you have?

GRANT NORGAARD: Oh yeah, I'm sorry, I should have-- we have-- right at about 1,400 students. That would be pre-K-12 and then we do have a small parochial in our community school that goes through eighth grade. And so there will be over 1,500 students in, in the community.

LINEHAN: But 1,400 of them are--

GRANT NORGAARD: Four-- that's correct and we get them all eventually, so they're all our kids.

LINEHAN: Yeah, so far. OK, thanks. So this seems to be-- finally, there's-- you really would do better-- what you're saying, you'd do better under this than you're doing under the property tax credit fund.

GRANT NORGAARD: Yeah, we-- this bill really does represent an opportunity for us to do better for our taxpayers--

LINEHAN: So is--

GRANT NORGAARD: --even according to LB-- I'm sorry. I just cut you off. I'll let you speak.

LINEHAN: No, no, you didn't. Go ahead.

GRANT NORGAARD: Our current-- the tax credits, this is a better situation for our taxpayers in McCook. So that's, that's who I'm here representing.

LINEHAN: So is it the LER? Is it--

GRANT NORGAARD: Yeah. I mean, we're at \$1.05 and so that, that really helps us and, and, and provides an opportunity for our taxpayers to save considerable percentage, even based off of current, current property tax credits.

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LINEHAN: OK, well, good job then. You're controlling costs. That's-- thank you for being here.

GRANT NORGAARD: Thank you.

MORFELD: OK, any other questions? OK, thank you, Mr. Norgaard.

GRANT NORGAARD: Oh, one more thing. I'm sorry. I am one of the many schools in Senator Murman's area, so.

MORFELD: It's another beautiful community too. I've gone running there too. OK, thank you. Welcome. Proponent.

KYLE MCGOWAN: Good afternoon, Vice Chair Morfeld and members of the Education Committee. My name is Kyle McGowan, K-y-l-e M-c-G-o-w-a-n, and today I am here representing the Nebraska Council of School Administrators and we're supporting LB890 and LB891 as a package. There's been lots of discussions, you know, really that might fall under the auspices of LB891, which is very appropriate. But as you can see, you've had representation from the larger schools and small schools and middle schools. NCSA has membership throughout and we have great conversations over many topics in education. It is not always common to get those three groups to come together on a bill for how best to pay for school, so this is very special. I don't want to continue maybe the perception that superintendents talk too much, so I'm going to really shorten this down for you. There were two things that maybe I don't think were hit enough. The paying for four-year-olds at 100 percent, fantastic investment for Nebraska. Preschool is a fantastic investment for Nebraska. The other piece is that I didn't hear anyone talk about, I thought I saw in the legislation that the Education Committee would submit a report every four years to the Legislature on TEEOSA, which I think is very appropriate, particularly when we're talking about the kind of money that we're spending. So thank you for all of your work. There's been great questions. This is how politics is supposed to work. Really appreciate the leadership of Senator Walz as well as the collegiality between schools and senators. So thank you very much for your work and we'll see you tomorrow at Revenue.

MORFELD: Thank you, Mr. McGowan. Any questions? Senator Linehan.

LINEHAN: Thank you, Vice Chairman Morfeld. Do you know if the Nebraska Council of School Administrators have met with the Revenue Committee to discuss the bill that's in front of them tomorrow or members on the Revenue Committee?

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KYLE McGOWAN: Well, there's been representation from our schools that have talked to Senator Lindstrom.

LINEHAN: But anybody else on the committee?

KYLE McGOWAN: Not that I'm aware of. Has anyone spoken to you?

LINEHAN: But I'm talking for the Nebraska-- you're talking for the Nebraska Council of School Administrators, right--

KYLE McGOWAN: Right, which--

LINEHAN: --so have they, as a group, met with others besides-- have they even met with Senator Lindstrom?

KYLE McGOWAN: Just because it's not the executive director or assistant executive director doesn't mean that we wouldn't be involved with those conversations. So myself and our two other-- the director and the assistant executive director have not met with anybody from the Revenue Committee.

LINEHAN: Thank you very much.

MORFELD: Any other questions? Senator McKinney.

McKINNEY: Thank you. I'm curious, have you been with any administrators from Omaha Public Schools?

KYLE McGOWAN: Yes.

McKINNEY: And what were their concerns and how did you respond?

KYLE McGOWAN: Well, I think you, you might hear their concerns in the opponent testimony, so.

McKINNEY: How do you--

KYLE McGOWAN: I, I don't want to speak for them.

McKINNEY: How do you respond to their concerns? Since you're a proponent, what do you see that you don't think they see?

KYLE McGOWAN: Well, what we see is overall comprehensive change that overall helps all of the Nebraska schools. From their perspective of being the largest school district in Nebraska, they-- I-- and I don't really want to speak for them-- feel that the current system is better than what is being proposed.

McKINNEY: All right, thank you.

MORFELD: Thank you. Any other questions? OK, thank you very much, Mr. McGowan. Next proponent testimony. Welcome.

ELIZABETH EVERETT: Thank you. Good afternoon, Vice Chair Morfeld and members of the Education Committee. Thank you for the opportunity to testify today. My name is Elizabeth Everett, spelled E-l-i-z-a-b-e-t-h E-v-e-r-e-t-t, and I'm the deputy director of First Five Nebraska, a statewide public policy organization focused on supporting policies that provide quality early learning environments for all our youngest Nebraskans. I would like to thank Senator Walz for introducing LB890 and I'm here today to testify in support of the early childhood components of this bill. As you know, the first five years of a child's life are a crucial period in brain development and skill development. Early experiences, interactions, and environments create the neural wiring necessary for children to be successful in kindergarten and beyond. Studies show that investing in quality early care yields significant ongoing returns, academic development, positive social outcomes, and even long-term health and wellness. The bottom line is simple. High-quality early childhood programs can set more children up for success in school and are critical in an individual's development of skills they will use throughout their lifetime. These benefits offer a compelling reason for us to consider how we better use existing structures, such as the TEEOSA formula, to promote development of our youngest learners. Currently, TEEOSA only reimburses at 60 percent for prekindergarten programs on the basis that the school day for preschool is typically shorter than that of K-12 students. However, very young children have specific needs for their care and early learning that include lower teacher-to-child ratios, classroom resources, and health and safety measures, among other factors. As a result, the actual cost to delivering quality prekindergarten services are much closer to the costs of full-day services for older K-12 children. LB890 proposes to address this discrepancy by increasing early childhood student aid from 62 percent to 100 percent of the normal student reimbursement, thereby incentivizing more schools to offer quality prekindergarten programs in their districts. Again, thank you for the time and attention today and thank you again to Senator Walz for her foresight in introducing this important legislation. I'd be happy to answer any questions now.

MORFELD: Thank you, Ms. Everett. Any questions? Senator Linehan.

LINEHAN: Thank you very much for being here, appreciate it. Do you know how many four-year-olds are currently in Nebraska-- of all our

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four-year-olds, how many are currently enrolled in a public school program?

ELIZABETH EVERETT: I don't have that number, but I can get it for you.

LINEHAN: OK. Will you be there tomorrow?

ELIZABETH EVERETT: I was not planning on testifying tomorrow, no.

LINEHAN: OK. All right, thank you.

MORFELD: Any other questions? OK, seeing none, thank you, Ms. Everett.

ELIZABETH EVERETT: Thank you.

MORFELD: Next proponent testimony. How many more testifiers do we have? OK, great. Welcome.

DANIEL RUSSELL: Good afternoon. Thank you, Senator Morfeld. My name is Daniel Russell, D-a-n-i-e-l R-u-s-s-e-l-l. I'm the deputy director at Stand for Schools. Stand for Schools is a nonprofit dedicated to advancing public education in Nebraska. Stand for Schools is here in support of LB890. We know easing the property tax burden in Nebraska is of utmost importance to this body. We believe that LB890 is a step in the right direction to accomplish that goal while supporting rather than hurting public schools' ability to provide an excellent education to their students. School districts across the state use their levy authority to collect property taxes to fund their schools, making up for shortfalls in state funding by asking their residents to help provide a quality education to their community's children. LB8890 would increase the funding of these schools from the state, making more districts eligible for state aid. We'd like to thank Senator Walz for introducing this bill and look forward to working on further efforts to increase, increase state support of public schools. And with that, I would like to answer any questions.

MORFELD: Thank you, Mr. Russell. Any questions for the testifier? OK.

DANIEL RUSSELL: Thank you much.

MORFELD: Thank you. Next proponent testifier. Welcome.

CONNIE KNOCHE: Thank you. Good afternoon, Senator Morfeld 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 and we're here to testify in support of LB890 for two main

reasons. First, increasing state aid for K-12 education is long overdue and the stabilization aid and allocated income tax pieces of this bill do that. And second, we appreciate the increased accountability of requiring the Education Committee to report on the effectiveness of TEEOSA every four years. As you know, Nebraska ranks very low in the percentage of K-12 funding that comes from the state, which has left schools heavily reliant on property taxes. This interrelationship led to the 2013 Tax Modernization Committee to recommend increasing state support for schools as the best way to ease property taxes in Nebraska. LB890 would do this by providing education base stabilization aid to each school district based on a set dollar amount per student that's increased each year by the basic allowable growth rate starting in '24-25. Because it would distribute revenue to both equalized and nonequalized districts without punishing equalized districts, LB890 doesn't undermine the intent of the TEEOSA formula. Ensuring all schools are getting more money from the state would allow them to reduce property tax levies, providing property tax relief for Nebraskans in a way that doesn't hurt students. Other property tax proposals currently under consideration by this body may tie the hands of schools. LB890 would also increase funding to schools by raising the percentage of income taxes paid going back to each district from the current 2.23 percent to 20 percent beginning in '23-24, which was the level initially set by the original TEEOSA formula. These elements combined send a significant amount of state aid to schools, which we support. We do, however, have concerns about sustaining such high level of investment without a dedicated and reliable revenue source to support it. Second, LB890 requires the Education Committee to file a report with the Clerk of the Legislature every four years and more frequently at the discretion of the Education or Appropriation Chair on the status of the TEEOSA formula. We strongly believe that the path to a meaningful and sustainable property tax reform will come through a thorough and comprehensive review of the way we fund public school--public education in our state. There is no silver bullet updating our school funding system and any real change will require significant expertise brought to bear through an open, transparent process. That is why we fully support the provision of submitting a report and recommendations regarding TEEOSA to the Clerk of the Legislature every four years and more frequently if it's deemed necessary. Nebraskans deeply value our public education system. We know that a strong K-12 education system expands economic opportunities for all and is foundational to the strength of our economy today and into the future. We support LB890 because we believe that it is time for an opportunity to reevaluate our state's system of school finance in a comprehensive

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way. Thank you and-- thank you for your time and thank Senator Walz for proposing this and I'm happy to answer any questions you may have.

MORFELD: Thank you, Ms. Knoche. Any questions? Senator Linehan.

LINEHAN: Thank you, Vice Chairman Morfeld. So if I-- if memory-- thank you very much for being here. If memory serves me correctly, on all the other times we've looked at school funding, OpenSky's policy was we can't do anything unless we have a dedicated new source of revenue.

CONNIE KNOCHE: We do have concerns about the funding source--

LINEHAN: Oh.

CONNIE KNOCHE: --the dedicated funding source and we'll, we'll be testifying tomorrow also in the Revenue Committee.

LINEHAN: So, so how come those concerns, you couldn't support it and now it's the same concern, but you can support it?

CONNIE KNOCHE: We support providing more funding to K-12 education and we also want to have a dedicated funding source if that's-- if you're able to find that.

LINEHAN: So would-- you're assuming that we're going to have to eat up-- because of trying-- because you're in front of Revenue a lot.

CONNIE KNOCHE: Yeah.

LINEHAN: And it seems like most of you come in whenever we're going to cut taxes and you say we can't do that because it's going to hurt everything else. So here we're taking \$730 million. How are we going to take care of everybody else?

CONNIE KNOCHE: We will address that tomorrow. I-- you know, I'm not sure what the testimony is for sure, but we should look at possibly expanding the tax base, doing different things to provide a dedicated source of funding, but in this proposal for TEEOSA, we are supportive of providing more, more support for K-12.

LINEHAN: Thank you very much.

MORFELD: OK. Any other questions? OK, thank you, Ms. Knoche. Any other proponent testimony? Welcome.

RACHEL GIBSON: Hello. My name is Rachel Gibson, R-a-c-h-e-l G-i-b-s-o-n, and I am with the League of Women Voters of Nebraska. I'm

the director of education policy. The league is a nonpartisan organization that encourages active and informed participation in our government and we also do some research on policy and advocate for policies that, that we've deemed as potentially useful to our state. So first, I'd like to thank Senator Walz for bringing this bill. Thank you to the committee and, and the Vice Chair for time to speak. We support this bill and, and I'd like to touch on a few reasons why, but also some hesitations that we have. And our main reason for support is that we-- it is an increase in state support to schools, which is something that we've advocated for for quite a while. It also moves the-- it shifts the burden away from that property tax piece, which is something that needs to happen for sure in our state when you look at comparative numbers. And then it also-- we do like the piece that includes the change in allocation for four-year-olds. Early childhood is a-- is something we're very passionate about and those are kind of the main reasons that we are in, in support of this bill. I'll say finally, the other piece is that as you all know, this is a hard problem that has been worked on for a long time and this is the first time we've really seen folks come together in a way that might be a way forward. With that said, our hesitations with the bill are primarily related to the still need for that, that designated funding source. We'd love to see a new funding source. We understand if that's not possible, but there needs to be some insurances that that's going to continue, that that fund need is going to continue. We won't end up in the same place. Our second concern is equity, equity and access among schools and I think OPS has some very legitimate concerns. And so as we're looking forward as this bill, we think this is the vehicle to start that conversation for those reasons. But we're watching it very closely for those other pieces of hoping we can tweak so that again, all schools are benefiting from this, from this legislation. So I won't talk more. I'd be happy to answer any questions or at least attempt to.

MORFELD: Thank you, Ms. Gibson. Any questions? OK, seeing none, thank you very much for coming.

RACHEL GIBSON: Thank you very much.

MORFELD: Other proponent testimony. Welcome.

CINDY MAXWELL-OSTDIEK: Thank you. My name is Cindy Maxwell-Ostdiek. Excuse me. And that's C-i-n-d-y M-a-x-w-e-l-l-O-s-t-d-i-e-k and I live in District 4 here in Omaha, Nebraska, and I'm not an expert regarding these specific details in the bill, but I'm a mom and I am a concerned community member and I'm a taxpayer. And so I'm here as a proponent

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for LB890 to change the TEEOSA Support Act. Nebraska's children are guaranteed a public schools education and all students, no matter which district or zip code they live in, deserve an excellent education and fully funded public schools. As a previous executive recruiter, I can tell you that our superior schools have always been an attraction when bringing talented people to our state and growing families as well. When people are relocating, they want to make sure that their schools are good for their children and so ensuring earlier education will be another benefit. It's unfortunate that full funding for our schools has been lacking at times and the result of this challenge falls on our students, our teachers, and all the staff. The focus on dollars is important because it takes a stable and sufficient funding to maintain these services. But as it has fluctuated, we have seen property tax receipts rise to fill the gap and it's impacted some districts at times to need additional funding. This happened a couple of years ago in the district my family lives in. Many of us parents joined together and we volunteered to help our community approve a levy override in Millard schools because the funds were necessary to help our schools maintain excellent services. We've seen that tying our school funding so closely to property tax revenue isn't always equitable and it also is very fluctuating depending on which district you live in. High property taxes are a hardship for our agricultural communities, as well as individual homeowners with their fixed incomes and it appears this bill will alleviate some of those issues and that's why I support this bill. It's my hope that the senators will continue incorporating improvements to make this bill positive for all districts. If there's unforeseen situations, though, that could impact the realization of full funding, I do have some concerns about LB891. I didn't understand it was going to be heard in a different committee. If there are situations that require communities to raise additional funds for their schools, then keeping that within local control could be very important. I want to thank Senator Walz and everyone on this committee for the work you do to help make Nebraska's children the best they can be.

MORFELD: Thank you. Ms. Maxwell-Ostdiek, right?

CINDY MAXWELL-OSTDIEK: Maxwell-Ostdiek.

MORFELD: OK. Thank you, Ms. Maxwell-Ostdiek. Always good to hear from parents. Any questions? Yes, Senator Linehan.

LINEHAN: This is very confusing, so thank you for being here today.

CINDY MAXWELL-OSTDIEK: Uh-huh.

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LINEHAN: But are you supportive of using the \$548 million that's now going to taxpayers as a rebate on their income taxes for property taxes paid to pay for this?

CINDY MAXWELL-OSTDIEK: Please give me more info. What do you mean?

LINEHAN: OK, OK, but because there's a-- so this-- today we're talking about how we spend money.

CINDY MAXWELL-OSTDIEK: Um-hum.

LINEHAN: Tomorrow we're going to be talking about where the money comes from.

CINDY MAXWELL-OSTDIEK: Exactly, yes. And I think that there are pieces of it that are good, but we need to make sure and balance. And one of the concerns would be depending on which district you're in and how much of that is going to be a benefit, but it is important that we try to even this out.

LINEHAN: Thank you--

CINDY MAXWELL-OSTDIEK: Um-hum.

LINEHAN: --for being there, appreciate it.

MORFELD: OK. Any other questions? OK, thank you, Ms. Maxwell-Ostdiek. Any other proponent testimony? OK, we'll move on to opponent testimony. Anybody testifying in opposition today? Welcome.

CHERYL LOGAN: Hi. Good afternoon. The cheese stands alone. [LAUGHTER] Couldn't resist. I've been thinking about it all afternoon. Can't help myself.

MORFELD: It landed well.

CHERYL LOGAN: It's the elementary principal in me. Good afternoon, Vice Chair Morfeld, members of the Education Committee. My name is Cheryl Logan, C-h-e-r-y-l L-o-g-a-n. I am the superintendent of the Omaha Public Schools. We are a growing district that educates approximately 53,000 students. As a matter of fact, we have received almost 100 students from Afghanistan in the last two months. I appear before you today on behalf of myself and our board of education in opposition to LB890. For the record, I have met with the finance chair. Our opposition is not something we take lightly. I had the opportunity, along with our legislative committee, to meet with

Senator Walz and representatives of the Columbus Public Schools to discuss-- to discuss in detail the plan that is embodied in LB890 and LB891. We highly respect the efforts of Senator Walz, Senator Lindstrom, and very much appreciate them including us in meetings and discussions seeking to make the plan better. First, at its heart, TEEOSA is meant to be very simple: Needs minus resources equals state aid. Districts with greater needs than resources receive state aid. Districts with fewer needs than resources don't receive state aid. The funding plan outlined in LB890 and LB891 proposes to fundamentally alter that simple premise. It introduces an old concept, basic aid or foundation aid, under a new name: education stabilization base aid. Our board of education has a long history of opposing efforts by school districts with more resources than needs to divert state aid from school districts with more needs than resources. That is exactly what LB890 and LB891 will do in the long term. LB890 and LB891 require massive amounts of tax revenue which typically would go towards the General Fund to be-- to be directed to state aids to schools. The proponents of LB890 and LB891 argue that this will not shift resources away from schools with highest needs because this will allocate \$750 million in new spending to state aid. The bills in their current format propose to increase the allocated income tax percentage, as well as dedicating a half cent of sales tax to school funding. Interestingly, the increase in the allocated income tax percentage is ironic, given that when TEEOSA was first adopted, the allocated income tax percentage was 20 percent. Today, the allocated income tax percentage is 2.23 percent. Neither the increase in the allocated income tax percentage or the dedicated sales tax are enough to cover the added cost of state aid. Where would the rest of the money come from? This plan actually creates greater unpredictability, and we are aware that undulation in taxes is a part of our reality. Our district is currently funded at a rate of 50 percent by state aid. Under this plan, the percentage will increase to 71 percent. Even if this body were able to come up with the funds in year one or year or two, the Legislature's long history of balancing the state budget by reworking TEEOSA suggests such an-- such an approach is not sustainable. Since its inception in 1990, the Legislature has changed the TEEOSA formula almost every single sess-- session. Why would any school district rely on the promises of the Legislature knowing that the next one can and will unlikely [SIC] change that-- them? I say that respectfully. Fifteen years ago, this body, as part of the settlement of a school funding suit, created the Learning Community to ensure that all districts across Douglas and Sarpy had equitable access to resources. Since then, the Legislature has systematically dismantled the Learning Community, and this legislation officially repeals the last vestiges

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of that settlement. We are understandably skeptical that the state will be able to maintain the funding levels outlined in LB890 and LB891 over the long term. Failure to maintain the funding will be felt by the school districts with the greatest needs. Second, as we look at the issues facing education across the state and our country, we are perplexed at the fact-- the fact that we are dedicating time and resources to a discussion over whether to divert state aid to school districts with more resources than need. Most school districts are facing a number of troublesome realities. Like many industries, we are still in the midst of a pandemic. We are all experiencing a surge in positivity rates. The education community statewide facing record teacher and school employee workforce short-- shortages. We are focused on keeping the doors open to our school buildings and our staff. This is simply not one of the greatest priorities facing education-- educating our future Nebraska workforce. One final note, I believe the discussion is also one about local control-- control. Boards of education are elected bodies who are responsible to their consist-- to their constituents. Each district has the ability and the flexibility to make decisions as best serve the needs of the citizens of that school. As someone who came to Nebraska from a school district, Philadelphia, in the Commonwealth of Pennsylvania, that did not control its own finances, I can tell you, this is not a good system. State aid changes. I fear that LB890 and LB891 will eventually limit the ability of local districts to manage their own finances. Thank you.

MORFELD: Thank you, Dr. Grover [SIC]. Any questions? OK, Senator McKinney.

McKINNEY: Thank you. Thank--

CHERYL LOGAN: Yes, sir.

McKINNEY: And thank you, Dr. Logan, for your testimony. It--

MORFELD: Or Logan, I'm sorry, Doctor.

McKINNEY: Lo-- Logan.

CHERYL LOGAN: That's OK. Just don't call me late for dinner, Senator Morfeld. [LAUGHTER]

McKINNEY: Sitting through this hearing, it seems like it's everybody versus OPS, it seems like. Is there any way-- is there any way to see any fixes in this that would lend OPS to offer any support of this legislation?

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CHERYL LOGAN: Senator McKinney, I don't see it as everyone against us. I-- I see it as when you get to-- you know, we are already receiving 50 percent of-- of-- of our monies in state aid, and we know how precarious that is. Some districts are not in that situation. And to increase that to 71 percent just seems unwise to us, especially given the fact that history is about to repeat itself. So in 2009, when we had the stimulus, and a few years later when the stimulus ended, about 2012, 2013, and there were huge in-- in-- a huge infusion of cash into states and school districts, especially, and after that happened, we saw what happened to school districts: had to cut staff. That is about to repeat itself. And so, you know, us understanding where, you know, history may repeat itself, understanding the inherent waves of resources in states, you know-- and, you know, Nebraska is no different-- we are trying to make sure that we represent the children of the Omaha Public Schools. We care about all children, but we have to care for the children of the Omaha Public Schools. And so it is our position that this is the-- that the best way forward. It doesn't mean that there can't be-- that there are changes and it doesn't mean that we think TEEOSA is perfect. But we at this time do not feel that the legislation in LB890 serves the children and the interest of the Omaha Public Schools at this time.

McKINNEY: All right. Thank you.

CHERYL LOGAN: You're welcome.

MORFELD: Senator Murman.

MURMAN: Yeah, thank you for coming in.

CHERYL LOGAN: Thank you for having me.

MURMAN: I'll ask you the same question that I asked earlier. With the changes this bill makes to the allocated income tax, is that fairness still there with considering needs and resources?

CHERYL LOGAN: You know, it depends on where we end-- where that ends up landing, you know, and so I think it-- it-- it's-- I-- I could-- you know, I mean, as a straightforward answer, yes, maybe it is, but I think it-- it really does end up where-- where that lands.

MURMAN: OK, thank you.

CHERYL LOGAN: You're welcome.

MORFELD: Any other questions? Senator Linehan.

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LINEHAN: Thank you.

MORFELD: Now I'm getting nervous about names. [LAUGHTER]

LINEHAN: Well, you haven't called me "Lindstrom," which happens all the time, by the way. That's-- put that on Lindstrom. Thank you. Thank you, Dr. Logan, for being here. So you mentioned that the Legislature has, over the last 20 years, whatever, changed the formula. But we-- you do know-- you realize that we haven't done that for the last three years, four years. We did it the first year I was here, so five years ago, and we're not-- but we haven't done it lately. I know it's not enough to solve everything, but.

CHERYL LOGAN: Yes, ma'am.

LINEHAN: Thank you for being here.

CHERYL LOGAN: You're welcome.

MORFELD: Other questions?

PANSING BROOKS: Thank you.

MORFELD: Senator Pansing Brooks.

PANSING BROOKS: Thank you for coming, Dr. Logan.

CHERYL LOGAN: Thank you for having me.

PANSING BROOKS: I admire your work in Omaha and we're grateful to have you in the educational system. I guess some of the things-- I'm-- have you talked to Senator Walz and offered any kinds of suggestions or ability to make any kind of change to what is being presented so that it could-- maybe we-- there would be some common ground?

CHERYL LOGAN: I-- we have-- we have spoken on multiple occasions, but I think that we-- we have a-- a fundamental difference about the approach and certainly a fundamental difference about the timing. You know, one of the concerns that we have, and I think this is really about local effort, is that we can see right now that we are going to have to substantially increase compensation for all of our employees, and most im-- I would say, most importantly our teachers, although our bus drivers, I love them as much, and you-- that-- that's-- we're going to need that flexibility for our-- with the-- you know, in terms of our local-- our local effort and our taxpayers deciding whether or not they-- you know, that's something that they want to do. And, you

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know, while I understand that there is a provision that, you know, you can, you know-- you know, go to the voters and the board can make-- make some decisions, it-- it-- at this time, and just understanding and having extensive experience in two other states where state funding is a large portion, that things happen and the opportunity to-- to do that is not as easily as it could be stated in a piece of legislation. You know, again, you know, I-- I did wit-- personally witness the-- and what happened in 2013 with having to cut when the state of-- the Commonwealth of Pennsylvania cut state aid drastically and what happened-- what subsequently had happened to all school districts across the Commonwealth. And I-- I-- as-- I do believe there are some tweaks that could happen and could potentially happen. Our-- our biggest concern, quite frankly, right now, is the timing, considering the competing priorities and superseding-- I won't even say competing-- but superseding priorities in education at this time.

PANSING BROOKS: OK. Also, I just-- I mean, as we wander this-- this discussion, it's very difficult, you know, the-- the rural communities that-- that-- you know, you made a comment that they're-- that often they have more resources than needs, but I'm not sure that that's always true in every case. And we know that there's poverty and issues around the state, so I don't know. I-- I feel like it's-- it's difficult to-- of course the needs in Omaha are much different and magnified, there's no question, but the dollars are also magnified. And so it seems like we ought to be able-- I mean, most people believe TEEOSA is not working at this point. So the question is, yes, if it's not working like it is now, I mean, we can all talk about the fact that the sky may fall and we cannot use any of the-- of the property taxes, that everything's going to be pulled back, or maybe there will be some effort to really try to fund it and-- and to understand that-- that education is the top priority for our state, or at least should be the top priority. So I don't know. I mean, if TEE-- if we all can agree that TEEOSA isn't working right now, then-- then what? Just keep going because it's not working? I just don't-- I don't know what the-- the next alternative is.

CHERYL LOGAN: Well, I-- I don't think we're coming at it from the sky is falling.

PANSING BROOKS: Well, I'm hearing--

CHERYL LOGAN: Um-hum, yeah.

PANSING BROOKS: --oh, what if?

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CHERYL LOGAN: Um-hum, yeah, but I'm-- I don't-- I don't think it's necessarily a what if. It's just looking at the natural ways of how economies work. And it's not-- so if it seems as though we're saying the sky-- the sky is going to fall, that's not the intent. The intent is to--

PANSING BROOKS: It isn't just from you, sorry.

CHERYL LOGAN: OK. No, no, no, no, no. I'm good. I'm-- no I'm-- I'm-- it's OK. But I just, you know, just, you know, looking at patterns and looking at, you know, potentialities, we-- you know, we're right in the middle of a-- of a black swan event that none of us, you know--

PANSING BROOKS: Yes.

CHERYL LOGAN: --prepared for or-- or-- or predicted, and-- and we couldn't. We can predict, though, for waves of when taxes go up and down because we have a history of that. You know, we-- going back to 100-- a pandemic from 100 years ago and planning would not have made much sense. But going through, you know, 30 years of tax--

PANSING BROOKS: OK.

CHERYL LOGAN: --kind of tax history does-- does make sense. And, you know, we are willing to take the time and to continue and, I mean, really appreciate the efforts and understand how difficult it is to get several school districts, you know, not-- let alone rural and urban and exurban that-- on the same-- on the same page and still feel that-- you know, we-- we took a lot of time to decide, you know, where we were going to kind of come out, but really looked at we probably did need to-- to take this-- take this position, considering what we can see in front of us, which is going to be a significant need to increase compensation in significant ways that are-- that are probably going to be historic in terms of making sure we can maintain a workforce and pay our teachers what they should be making.

PANSING BROOKS: OK, well, thank-- thank you very much for your-- your testimony today. Also, it's-- it's really wonderful to see so many superintendents here today and-- and everybody representing their districts, and that's very special today. Thank you.

CHERYL LOGAN: Thank you. Thank you very much.

MORFELD: Senator Linehan.

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LINEHAN: I think you touched-- thank you again. Thank you again for being here.

CHERYL LOGAN: Sure.

LINEHAN: I think you touched on this in yours because you noted Pennsylvania versus Nebraska. Is one of your concerns the more state aid at some point in the future means less local control?

CHERYL LOGAN: Yes, ma'am.

LINEHAN: Because if we get to 70, 80 percent state aid, we may feel like we have something to say about what you're doing, more than we do now?

CHERYL LOGAN: Yes, and it's not that what-- anything that we-- that we're doing that-- or anything that we think that you may want to say is-- is that scary. It just is-- this is-- this-- the state of Nebraska is all about local control and we are trying to be consistent and that is our belief for our board of education.

LINEHAN: So in Pennsylvania, that is not-- what is the situation in Pennsylvania?

CHERYL LOGAN: Regarding funding? The current state in the Commonwealth is really the reduced funding for schools. And the way that school districts are funded there in some instances, and for example in the-- in Philadelphia, the school district does not have levy authority. The city council has levy authority, so you essentially have two school boards. You have the school board on policy and you have a board that con-- control your purse strings.

LINEHAN: Yeah. OK, thank you.

MORFELD: Any other questions? OK, we've got more.

LINEHAN: Sorry.

MORFELD: Senator McKinney.

McKINNEY: Thank you. A quick question: In Pennsylvania, when there were reductions in funding, which schools were hit the hardest?

CHERYL LOGAN: Urban schools--

McKINNEY: Urban.

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CHERYL LOGAN: --I would say. The School District of Philadelphia, Lancaster Public Schools, which is a-- which is a rural school district, and Reading school district, Allentown school district that would all be considered having small urban cores, but particularly rural.

McKINNEY: How diverse are those districts?

CHERYL LOGAN: Very, all of them. Lancaster is very diverse. Allentown is very diverse. Reading, they're all-- Reading would be majority Latino. Allentown would be majority Latino. Philadelphia School District, there's pretty much everyone there. It's probably-- probably kind of an even split, probably Latino students having the largest share, but large numbers of African American, Asian and white students in Philadelphia, Reading as well, a majority Latino.

McKINNEY: Would it be fair to say that OPS is probably the most diverse school district in the state, and probably your hesitation or your opposition to this bill that the most diverse school district in the state will potentially be hit hard if something bad happens?

CHERYL LOGAN: Well, I think that there are-- based on my-- my experience, that is what happens, and I don't think that's anybody's-- I don't think that necessarily legislatures anywhere go out to do that. I think it's a matter of what happens when-- when people don't have as many of their own resources, and I think that's-- I could go-- we could-- we'll have to-- we'll have to meet at another time so I can really go into that, but that-- that's-- that's been my observation.

McKINNEY: All right. Thank you.

MORFELD: Senator Pansing Brooks.

PANSING BROOKS: I just-- thank you, Dr. Logan. I just wanted one more thing. So you did talk about the need to raise salaries in the--

CHERYL LOGAN: Yes, um-hum.

PANSING BROOKS: --future. How-- under this system-- excuse me-- how will that be done under our current system, by raising property taxes or what, what's--

CHERYL LOGAN: Well, I think that that's going to have to be-- there's going to have to be discussions with our-- with our board of-- I mean, they will ultimately make those decisions. But they're-- they're-- that is something that I know is front and center for our board of

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education for, you know, raising compensation for all of our employees and specifically our teachers, especially when we-- you know, obviously the national teacher shortage has-- is now here.

PANSING BROOKS: I-- I agree, and I-- I want-- I definitely want to pay teachers more. The issue is we continue to have in the Legislature the ongoing battle about the property taxes. The property taxes are too high. What are we-- so we are now stuck between, OK, we must lower all property taxes, but we've also got to help the schools. We're in a-- we're in a terrible bind.

CHERYL LOGAN: I do-- I do-- you absolutely are. [LAUGHTER]

PANSING BROOKS: So, you know, I mean, we want to pay for teachers. We want to pay for--

CHERYL LOGAN: I'm sorry, I meant-- I mean that respectfully.
[LAUGHTER]

PANSING BROOKS: I-- I take it that way.

CHERYL LOGAN: OK, good.

PANSING BROOKS: So anyway, but, you know, we are-- we are in a complete bind because-- because we're hearing, OK, well-- well, don't do anything that's going to affect the property taxes, but don't do anything that's going to affect Omaha, but don't do-- I mean, it's-- we gotta hear what can be done. So I hope that you will go from here and work with Senator Walz and the others to figure out what can be done because this-- this is not working. And the fact that we're going to raise more property taxes by paying the educators what they deserve, that's not an answer. That's our problem. Anyway, thank you so much for being here today.

CHERYL LOGAN: Well, I appreciate being able to be here.

PANSING BROOKS: You're a wonderful person.

CHERYL LOGAN: Thank you.

MORFELD: Well, Dr. Logan, I have a question too. So--

CHERYL LOGAN: All right.

MORFELD: So I guess, you know, I generally know OPS', you know, territory and attendance area. I mean, so one of the-- one of the

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things that I think concerns me sometimes is that, you know, what is your property tax? There doesn't seem to be as much levy author-- or not levy authority, excuse me, but property value in some of our urban districts, as in some of our rural districts. Are you concerned about that and particularly with OPS? I know LPS has a similar situation but has a different type of, you know, political subdivision territory.

CHERYL LOGAN: Well-- well, I think, you know, in terms of, you know, even if you rent, you pay property taxes, pro-- you know, your rent is a proxy--

MORFELD: Yeah.

CHERYL LOGAN: --for your-- for property taxes that the property owner pays. But there, of course, is something to be said when you're-- when you have-- when you're dealing with single-family homes and folks paying, you know, for their property taxes directly; the way people pay attention to it, a bunch of different things. And yes, you know, do you have-- and-- and you have more students with complex needs, which means it's more expensive to-- to-- to provide them with a solid education. And so that's a-- that's a problem for the ages.

MORFELD: Yeah.

CHERYL LOGAN: And I would say that you and Senator McKinney and I would need to spend a lunch or five kind of discussing that because that's a-- that's a perennial problem no matter where-- no matter where you go.

MORFELD: Yeah.

CHERYL LOGAN: Yeah.

MORFELD: Yeah, I guess my only concern is, is that this is an opportunity to bring in more state aid. I also get what you're saying, is if the Legislature wakes up next year, we're in a huge deficit or something like that and we start cutting, then you're more reliant upon it and then you've got a limit that you've got to deal with, so-- OK, thank you very much.

CHERYL LOGAN: Thank you, Senator Morfeld.

MORFELD: Any-- any other questions? Oh, sorry--

CHERYL LOGAN: Senator Murman.

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MORFELD: Senator Murman.

MURMAN: Just one quick question. You have some of the same concerns I do and I'm not so concerned that the sky will fall all of a sudden on state aid, but I-- mainly that it would just slowly get eroded away and shift back to property taxes. You know, this-- we are getting some shift away from property taxes here, but it's not a guarantee and slowly it could erase-- erode and we'd be similar, you know, to what we've always done.

CHERYL LOGAN: Agree, yeah.

MORFELD: OK.

MURMAN: Thank you.

CHERYL LOGAN: Thank you.

MORFELD: Any other questions? Thank you so much, Dr. Logan.

CHERYL LOGAN: Thank you, sir. Thank you, everybody.

MORFELD: Appreciate it. Any other opposition testimony?

GWEN EASTER: I want to pass these out to you guys. These are [INAUDIBLE]--

MORFELD: Welcome.

GWEN EASTER: And those are my-- hi, my-- oh, should I start?

MORFELD: Yeah. Welcome.

GWEN EASTER: Hi, my name is Gwen Easter. I'm the founder of Safe Haven Community Center, Safe Haven Early Childhood Preschool Education Academy. I'm also appointed by Governor Ricketts to the Early Childhood Interagency Coordinating Council. I'm not here on behalf of that council. I'm, I'm also appointed to the African-American Commission and I'm not here on behalf of them. Although as a commissioner, I plan to stand up for black businesses, especially childcare businesses, and that's one of the reasons why I'm here today. I wanted to talk about this bill. I'm, I'm against any bill that's wanting to give funding to the Nebraska--

MORFELD: Ms. Easter, can you spell your name? I'm sorry. We want to make sure.

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GWEN EASTER: Oh, G-w-e-n E-a-s-t-e-r.

MORFELD: Thank you.

GWEN EASTER: I'm against all these school districts getting, getting any funding because as you all know, I've been coming up here for years and I've been up here all week talking to you all about the monopoly that is going on with the, the childcare business industry because of the monopoly with the superintendent childcare where they have come in and set up all of these early childhood centers and all these communities, especially in my community, where predominantly over 200 predominantly black daycares are being pushed out of business. Where there was a need for childcare is rural communities. That's where they should have gone, but of course they come start right in our district and has hurt-- someone said this is a win-win for all people, but it hasn't been a win-win for childcare business owners who have been pushed out of business who are still struggling. The-- when I see four-year-olds-- them talking about four-year-olds, I feel like this is an attempt to bring four-year-olds-- I know they're trying to, at some point, do mandatory preschool and, and all this. And I feel like this is attempt to take parents' choice by removing our childcare businesses. Where do you think those four-year-olds are coming from? They're coming from private, licensed childcare businesses who have been preparing children for years, you know, helping our kids. According to the, the federal Department of Education, they said they didn't, they didn't ask the school systems to be the hub of early childhood education. No, this comes from a wealthy person, an organization who has been pushing, pushing this for years. All, all, all their concerns is the-- First Five, like I said, Buffett Early Childhood Institute, Nebraska Department of Education, all their concern is, is about their early childhood learning centers growing. They, they want money to expand. Let them use their own. They have used-- let them use their own money. I'm tired of my tax-- they're using our tax dollars to push us out of business. They received Sixpence fund, early childhood funds, funds from wealthy organizations, and then they are pushing out our business. I don't want to see them get another dime of our money to hurt our businesses. We should not have to be, you know, in competition. These are our competitors and we should not have to be in competition. They have downplayed our businesses when we are the ones who have helped children and families. And when I think about the fact that I have provided services to families and children and adults, GED, ESL program to adults and help them and those, those adults that used to-- some of them was a product of Omaha Public School systems. They come in there, couldn't read, couldn't write, some had a learning

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disability, never even been diagnosed with dyslexia and all these things, but yet they hurt my business and I had to put that on hold. Then I had children in my tutoring program who could not read or write. You know, focus on those children that, that's already there, K-12. That is what OPS is. Instead, they want to, they want to focus on early childhood. They want to be in the childcare business and downplay our business. We have to help our kids who are hurting, you know, that can't read, can't write. We've done that. We got them prepared when they were being failed by Omaha Public School systems. So I don't want to see them get another dime of my-- our tax dollars in any kind of way. Get-- let them get their own transportation paid for. You want to be in the childcare business? Get your own transportation because the first thing they do is they-- it affects our community, where I know there's other poverty areas in other rural community, but where they come first? Right to north Omaha. You know, and there are other childcare business and what happened to our-- in our community with these childcare businesses is going to happen in rural communities to other childcare business at some point once they get their new buildings-- which I understand there is other money that they're trying to get to build early childhood centers. Where they think that's going to take our businesses? Out. Parents should have a right to choose who teaches and takes care of their children. The school systems are dumbing down our kids and they are pushing all kind of sexual things up on our children and they're using these nonprofits to go after funding, go after change in policies. And I've been up here more than y'all know. So I'm-- that's my, my, my whole point. I don't want to see this happen. I'm not going to be able to be there tomorrow, but I hope that other childcare providers will show up and speak up against this. I don't-- these people are our competitors and what's going on in this state is not right.

MORFELD: Ms. Easter, let me see if there's any questions since we have the red light. Any questions for Ms. Easter?

GWEN EASTER: They're not qual--

MORFELD: Thank you.

GWEN EASTER: People should have a right to quality. They don't have the right to decide who is quality. They haven't been in everybody's daycare.

MORFELD: Thank you for your testimony. Any other opponent testimony?

GWEN EASTER: Sorry. Please read my letters.

MORFELD: Welcome.

JACQUELINE CASEY: Hi, how are you?

MORFELD: Doing good, how are you?

JACQUELINE CASEY: If I can get the chair out, I'll be fine. Hello, everybody. My name is Jacqueline Casey, J-a-c-q-u-e-l-i-n-e C-a-s-e-y. I am here as an opponent to something-- you know, as Ms. Easterly [SIC] was talking about, I'm very opposed to having our four-year-olds involved in the school-- I wonder why. I'm really actually questioning why they want the pre-K children in a school that's already burdened financially. And if you look at the stats right now, our kids are sitting at 48 percent proficiency throughout our school district. We need to concentrate 100 percent on our K-12 kids, leave early learning to the early learning professionals, and concentrate on the proficiency of our children that are already there. During the pandemic, we stayed open at my childcare center and we have over-- I think we have 116 kids right now. We stayed open. We did remote learning, never missed a beat. It was traumatic. Seriously, very, very traumatic to watch what was happening to our kids during that time. And during that time, I also saw the lack of good, solid education for our kids. I have children who were in junior high, could not decode words. Children did not know math facts, children who lit-- were-- they were dying right in front of me,. It was really-- it's very, very tragic what I've seen. So I oppose this bill. I mean, and that's nothing until to talk about resources and, and tax revenues and-- that's heavy. That's heavy stuff for me anyway. It's-- it all comes from us. It comes from us, the taxpayers. There's no big, there's no big cloud of money that's going to drop on us all of a sudden. It comes from the taxpayer. So if you talk about sustainability, eventually it's all going to come from the taxpayer, not, not from some cloud over here, some cloud over here. It's coming from reality and it's going to come from us, whether it's from-- the state's paying for it or if it comes from our property taxes. So having said that, I oppose-- my big opposition is to further burdening our school system with early education. It makes absolutely zero sense. Leave it to us. We're already be-- we already have money coming from the state to take care of our children. I don't see any benefit taking the four-year-olds and putting them in the school system. Like I said, they're already struggling. We have teachers leaving. We have-- it's just-- it's a broken system right now. Don't break it any further. Leave the things that are working alone and fix what we already have, K-12 in our schools. It really is-- it's pretty tragic. So all the money in the world isn't going to fix that. So leave the little kids

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alone, leave them to us, let us continue to educate them and get them to where they need to be and then they can take over. Because it is really-- I mean, it's a very, very tragic situation that we got to see firsthand, the deficiency in education for our kids. So none of this money that you all can put out there will have anything to do with improving the education of our kids, is it? It's not. So we have, we have, we have problems. We have a lot of problems in our school system for our children, so I don't hear anybody talking about the human element of it. What good is this money going to do for the kids and for their education and to further their life skills and so on and so forth in our schools? So it's really-- it's-- we have a problem and money is not going to fix that, so thank you.

MORFELD: Any questions?

JACQUELINE CASEY: Sorry.

MORFELD: Seeing no questions. Nope, you're fine. Thank you very much for testifying.

JACQUELINE CASEY: Thank you.

MORFELD: Any other opposition testimony? Anyone else in the neutral capacity or anyone in the neutral capacity I should say? Welcome.

BRYCE WILSON: Hello, senators. I'm Bryce Wilson, B-r-y-c-e W-i-l-s-o-n. I am the financial officer for the Nebraska Department of Education. I was just asked to be up here to maybe answer a few questions, technical questions, if you have any on model or school finance that I could be helpful. I did hear a couple during the testimony that I think I maybe have a couple of the answers for you. One was how many early childhood four-year-olds we have in the TEEOSA formula. Under the '22-23 model that we put out, we had 80-- 88-- 8,802 four-year-olds. Also, there was a question about how the LER change down to 75 cents would affect a district that had a 75-cent levy. Because the local effort rate, LER, is not tied to the districts' actual general fund levy, what that really is doing is taking their valuation down in the TEEOSA formula. So regardless of where their actual general fund levy is, when we lower that LER rate, it's going to show that they have less local resources. So they're going to end up with more equalization aid if their needs exceed their resources in the formula. So regardless of whether they have a \$1 general fund levy, a 75-cent or a 60-cent levy, when we lower that LER rate down, if they're equalized, they're going to get more aid. If

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they're not equalized, it, it will have no effect on their TEEOSA funding under this proposal or the current formula, so.

LINEHAN: I've been asked to take over. I know, I'm sorry. So thank you for being here. Do we have questions from the committee? Do you have a breakdown on the costs for each part? Like, what is the cost-- and I know it's hard because, like, the allocated income taxes, they get that, then their equalization goes down because-- so-- but is there a cost-- if, if you remember the painful LB1106--

BRYCE WILSON: Yeah.

LINEHAN: --we had it down to, we had it down to-- we knew what each little lever cost and how it affect all the other levers. Have any of the data been run on this bill to show you that kind of-- show that kind of detail?

BRYCE WILSON: We have not run it in that detail at this moment yet. So no, we don't have that available yet.

LINEHAN: I'm assuming this will come up in tomorrow's committee--

BRYCE WILSON: Um-hum.

LINEHAN: --Revenue Committee, that we'll be looking for more details on the costs for each lever.

BRYCE WILSON: We could run-- we could take components, you know, specific pieces of it in and out and see. But also keep in mind, it's never quite that black and white--

LINEHAN: Right.

BRYCE WILSON: --because those-- you know, even if you leave some in and some out, they interact and change, like you noted, on that allocated income tax. So you can-- we can do that and kind of give a number. It's not going to be exact. It maybe give us a ballpark, I guess, but--

LINEHAN: You could probably get a number for what the four-year-olds might cost.

BRYCE WILSON: That-- yeah, that's fairly simple.

LINEHAN: OK. So out of the 8,000-- how many four-year-olds do we think are in the state? I mean, 8,802 of them are in public schools, but--

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BRYCE WILSON: Well, that's, that's only ones we're counting in the TEEOSA formula.

LINEHAN: OK.

BRYCE WILSON: So there's more four-year-olds than that in school districts, but if they're in a grant-funded program--

LINEHAN: Or if they're not equalized.

BRYCE WILSON: Well, those would still count, the--

LINEHAN: OK.

BRYCE WILSON: --nonequalized. So those are the ones that are in the formula that are just not getting any funding for them because they're nonequalized--

LINEHAN: OK.

BRYCE WILSON: --correct, which in this-- under this proposal, they would get-- they would be part of the ESBA funding so they would-- schools would get--

LINEHAN: Oh.

BRYCE WILSON: --funding for them under this propose-- under LB890.

LINEHAN: OK. Other questions from the committee? I'm sorry, I don't want to monopolize. I guess not, but you're always handy and available.

BRYCE WILSON: I'm, I'm always willing to answer questions, so.

LINEHAN: Thank you very much--

BRYCE WILSON: Thank you, guys.

LINEHAN: ---Bryce, appreciate you being here. Is there anyone else who wants to speak in the neutral position?

MERLYN NIELSEN: Thank you, Vice-Vice Chairman Linehan.

LINEHAN: I'm nothing. I'm Senator Linehan.

MERLYN NIELSEN: You're only senator today. My name is Merlyn Nielsen, M-e-r-l-y-n N-i-e-l-s-e-n, and my residence is Seward. Besides being

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an ag land owner, I'm also a board member of Fair Nebraska, an organization that continues to pursue change in how we fund our schools. We appreciate Senator Walz's leadership for bringing this bill and continuing the narrative on how Nebraska can modernize our K-12 school funding and rely more on state-collected tax dollars and therefore reducing our locally collected property taxes. We support the portions of this bill that project all school districts, whether currently equalized or not, receiving funding from the state. Our main concern and the reason that we take a neutral position after this positive comment is that Fair Nebraska is committed to achieving a major change in how we fund K-12 education. Somehow, we need to do a much better job of aligning taxation to the benefits that are received. Taxes paid should in some way be commensurate to what benefits are received. I simply do not see that relationship as I review this bill. It's late in the day. I don't plan to take up anymore of your time, so I thank you to the Education Committee for letting me appear and share my neutral position on LB890.

MORFELD: Mr. Nielsen, right?

MERLYN NIELSEN: Yes.

MORFELD: OK, good. Getting the names right. Thank you for your testimony. Anybody else-- any questions? OK. Senator Murman.

MURMAN: Thank you for coming in, Mr. Nielsen. Could you expound a little more on how this-- property taxes could be more fairly collected as to the, the people that receive the benefits?

MERLYN NIELSEN: Well, I see benefits coming to everyone across the state and I would like to see a taxing system, if we're going to tax for that, of course, if, if it's public schools, be more balanced across everyone in the state. From a property taxing standpoint, the only property that I see, everyone either directly contributing property taxes through their ownership or indirectly through rental fees that they pay and therefore the property taxes of the landlord of that property. That, that is the only way I see relating all those young people that get the benefit of our schools back to who should be paying for it. So I cannot see a good reason to property tax on ag land. I cannot see a good reason to property tax on commercial property for schools, schools only. Other forms of subdivisions that require tax money to run, I certainly see the reason there. I just don't for, for schools. I only see residential property as making sense of relating where benefits are received with who pays the bill.

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MURMAN: In other words, ag land and businesses don't directly in proportion receive the benefits from being taxed for, for schools.

MERLYN NIELSEN: Not any more than anyone who does not own those property.

MURMAN: Thank you.

MORFELD: Any other questions? Senator Day.

DAY: OK, so I just want to clarify. So the statement about ag land being taxed and not receiving a benefit, you don't see that there-- that the people that are paying taxes on their ag land receive any benefit at all from contributing to public education. Is that what you're saying?

MERLYN NIELSEN: I'm saying they pay property taxes on their house for education, which makes them just like everybody else. When it comes to the ag land portion, other people that don't have that resource or-- excuse me, might have tremendous valuation in intangible property that you'd never pay a property tax on. So I'm trying to come up with a way that it's fair across what we get in the way of education with what we can tax from a property standpoint and the only one I see in common that puts us all on the same footing and is equitable is on residential property.

DAY: OK, OK, thank you. I understand it a little bit better. Thank you.

MERLYN NIELSEN: Appreciate the question, Senator Day.

MORFELD: Any other questions? OK, thank you very much for coming today, sir.

MERLYN NIELSEN: Thank you.

MORFELD: Others in the neutral capacity? Welcome.

STEVE EBKE: Thank you. Good afternoon, Vice Chair Morfeld and members of the Education Committee. My name is Steve Ebke. That's spelled S-t-e-v-e E-b-k-e. I operate my family's farm near Daykin. I'm curr-- I currently serve on the board of the Nebraska Corn Growers Association, and I'm here today on behalf of the Ag Leaders Working Group, testifying in a neutral capacity on LB890. The Ag Leaders Working Group consists of the Nebraska Cattlemen, Nebraska Corn Growers, Nebraska Farm Bureau, Nebraska Pork Producers, Nebraska

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Soybean Association, Nebraska State Dairy Association, and the Nebraska Wheat Growers. The groups I represent today continue to appreciate the hard work and thoughts to move towards property tax reform, reform that we believe starts with how we fund education. Estimates for TEEOSA expenditures for '22-23 show that 86 equalized school districts share in 93 percent of the funding, while 158 nonequalized share the remaining 7 percent. LB890 revises the TEEOSA formula with the goal of increasing state aid and utilizes various mechanisms, including-- including creating a new Stabilization Base Aid Fund. We believe these ideas, coupled with other proposals introduced last year and this year, could be the basis for meaningful education funding reform that works for all 244 schools in Nebraska and Nebraska taxpayers, especially property taxpayers who have shouldered the greatest burden-- portion of this burden for too long. As those other bills are heard in committee, the Ag Leaders Working Group will be there to testify how we believe those pieces of this puzzle could-- pieces of the puzzle could be put together. We certainly encourage the committee to hear and consider all options. The Ag Leaders Working Group will continue to work with all senators to craft an appropriate solution. Over the years, we have been on record in support of lowering ag land valuations and providing a percentage of basic funding to all school districts. We continue to see these outcomes as critical components of a meaningful package. Additionally, we believe that the LB1107 credits must be-- must remain intact until a solution is created that does not cause agriculture to lose some of the recent property tax relief we have finally realized. I know we are here to testify on LB890. However, I would be remiss if I did not express our concerns with the companion bill, LB891. Repurposing the LB1107 tax credits to pay for LB890, in our staff's opinion, would result in a substantial loss of property tax relief for ag producers. We've calculated that it would be somewhere in the neighborhood of 35 percent, and we cannot support a proposal that would result in that sort of a loss. We again thank all the members of the Legislature for their continued work in providing property tax relief and education funding reform and stand ready to work with you to accomplish both of those goals. And I thank you for your consideration.

MORFELD: Thank you, Mr. Ebke. Any questions? Senator Murman.

MURMAN: Yeah. As I've said several times today, I'm-- I'm very wary that we're giving up guaranteed property tax relief to possible tax relief in the future. You did mention the 35 percent loss of property tax relief. Could you expound a little bit on how that would work?

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STEVE EBKE: So currently, the calculation is that ag land pays 29 percent of the property taxes paid in Nebraska, so in theory we would receive 29 percent of the LB1107 credits. Based on the calculations that the staff has put together, they're estimating that out of this proposal, ag would receive 19 percent. So the difference there is where we came in with that figure for a loss of property tax relief.

MURMAN: Thank you very much.

MORFELD: Any other questions? OK. Oh, I'm sorry. Senator Linehan.

LINEHAN: So will people-- tomorrow, the Revenue Committee, would somebody maybe have a handout that they could show those numbers?

STEVE EBKE: I can talk to the group and see if that would be the case, yes.

LINEHAN: OK, because we're going to be-- OK. That would be helpful. Thank you.

MORFELD: OK. Any other questions? Thank you, Mr. Ebke.

STEVE EBKE: Thank you.

MORFELD: Other neutral testimony? Welcome.

JOHN HANSEN: Mr. Vice Chairman, members of the committee, Chairman Walz, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I am the president of the Nebraska Farmers Union. I'm also their lobbyist. In fact, I'm their long-term suffering lobbyist and president in that I was here when we originally did LB1059. And so I-- to the extent that my memory still works, I have the benefit of some institutional memory, which sometimes helped me and sometimes works against me. So for example, as I go through this bill-- and I like a lot of things that Senator Walz has done here. I really think that a lot of it goes the right direction, but we have enough reservations that I couldn't quite get to yes. And Steve Ebke identified a bunch of those things, which at the end of the day, ag property payers who are, of all the folks who are paying the disproportionate share of the costs of public education, did not come out as well as we had hoped in this effort, so-- and the sustainability of the funding. But for example, as I look at the allocated income tax fund, we started out at 20 percent and then we eventually got down to, what, 2.23 percent? So going back to 20 percent is a good thing, but one of the things that I've learned as I've been part of this process with Nebraskans United is that when you

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run the numbers, it, it is not as universally positive as one had originally thought it would be. So the 20 percent doesn't necessarily get us the, the clean, consistent offset that we thought it would be. And so while it's generally a, a good idea, it still leaves a lot of the rural districts who are, yes, also facing poverty, short. And so I think that it is not sustainable from a funding standpoint unless you actually revisit the, the exemptions for sales taxes and expand the base. And so I think that that is a part of our concern. And, you know, the, the system has to work for everyone and I'm-- we're certainly sympathetic to the interests of Omaha Public Schools, but when you start out with a formula that leaves two-thirds of all the school districts in the state standing there waiting for any state aid to education money to show up to fund 95 percent of the cost of their schools, that's not working for two-thirds of the schools in the state. And so what we have now is definitely not broken. There are some things that we think maybe could be done in LB890, which represents a very substantial step forward in terms of all the proposals that we've seen, in terms of it hears a lot of the different voices. I would like to see more of the ag interests at the table to try to see what we could do, but lowering the local effort rate is, is helpful for a lot of districts. And we realize that, that property taxes impacts everyone, urban homeowners as well as rural folks, but for the folks that I represent, the folks who do the work, take the risk and produce the food and fiber in our state, you know, seven out of the last ten years, a lot of those folks saw negative incomes at a time when their property taxes just took off and just kept going up and up and up. Because based on how we value ag land in our state, a handful of the richest guys in the county who use all of the money that they make off of the rest of their farming operation to buy that one additional piece of property that is far exceeds the value of anything that anybody could possibly pay in cash flow from a standalone buy, they help set the valuations for all the rest of us who are still hanging on to our ag land, trying to make a living and trying to pass it on to our kids. And so with that, I would end my testimony and thank you for your time and consideration. And Senator Linehan, I'll certainly look forward to seeing you tomorrow.

MORFELD: OK. Thank you, Mr. Hansen. Any questions for Mr. Hansen? OK, Senator Linehan.

LINEHAN: Since you've been here since 1990 and before, wasn't one of the problems with the 20 percent going back is the rich get richer? So I'm not picking on Humphrey, but I just am because I--

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JOHN HANSEN: No, it's OK. Everybody from Newman Grove picks on Humphrey.

LINEHAN: OK.

JOHN HANSEN: Yeah.

LINEHAN: So they, they are-- rich-- they're property rich and yet when you give them 20 percent back, they also get, they get more back. So that's one of the problems with the 20 percent, isn't it? I'm not saying it's a good idea. I'm just-- since you have the history.

JOHN HANSEN: Yeah and, you know, income is not just equally dis-- you know, the amount of net income and the income is not equally distributed from area to area or within areas. You're seeing real pockets. And so in Newman Grove, you know, we, we complain a lot because the guys from Humphrey are sitting there with really long-term wealthy, well-to-do families who come up into our area and pay more for land and pay more for cash rent and they help drive our taxes in our area. And unless you're fixing to get out of agriculture and selling land, they're-- they cause us a lot of heartburn. And you know, we're, we're glad they're well-to-do and, and they're doing well, but do they cause a problem in our neighborhoods? Yeah.

LINEHAN: In, in Douglas County, I could use that situation. So 20 percent refund on the income tax to Elkhorn Public Schools would be a much bigger sum of money than 20 percent to Ralston Public Schools.

JOHN HANSEN: Yep.

LINEHAN: OK. Thank you for being here, appreciate it.

JOHN HANSEN: You bet and thank you very much.

MORFELD: Any other questions? OK, thank you, Mr. Hansen.

JOHN HANSEN: Thank you.

MORFELD: Any other people testifying in the neutral capacity? OK, Senator Walz to close.

WALZ: All right. All right, well, what a really great hearing today. That's all I have to say. I want to thank everybody, first of all, who came out and/or submitted comments or sharing their position on this bill. Clearly, this bill has broad support and that is a reflection of the collaboration and the communication that we've all brought to the

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table, as well as the improvements that have been made over the last six months. Thank you for your work and I just want to say it's very, very much appreciated. I want to address just a couple of things. I know it's very late. Senator McKinney, you asked how we can be sure that we have funding in the future and I want to reiterate that number one, we are bringing a proposal to provide better state funding to schools. Creating a reserve account to utilize in lean years is one of the ways that we're going to do that. But I think that the answer really is part of Senator Lindstrom's bill and up to the Revenue Committee on how we do that. We're definitely willing to work with the Revenue Committee in finding the best way to fund this plan. And I do appreciate the suggestions that we've had from all of the other school organizations or the recommendations and we'd be willing to work on those as a committee. Senator Murman, I understand also that you have concerns regarding the property tax credit fund. And just like any other program, I don't-- I wouldn't say that that is a guarantee. I can't say that anything in the Legislature is a guarantee and, you know, that in the future, it wouldn't be reduced or wouldn't be eliminated. It, it is vital-- I will say it is vital that we provide sustainable funding to schools today and in the future. So again, I think that is something that the education community, as well as the Revenue Committee, Committee needs to work on together. What else did I want to say? As I mentioned in my opening, I am working on a small amendment for your consideration that fixes minor technical errors discovered in the bill and there have been some other ideas that were brought here today. I think those are very worthy of discussion and I will encourage the committee to think about equity, equity across the state when considering changes. I guess that's, that's all on my notes right now. If you have any other questions, I'd be happy-- more than happy to answer those.

MORFELD: OK, any question for Chairwoman Walz? OK, well, that ends our hearing today on LB890. We do have some testimony that I have to-- do I have to read all these into the record or-- if I do, that's fine, but--

NICOLE BARRETT: You don't have to.

MORFELD: Oh.

LINEHAN: The number of proponents and then the--

MORFELD: OK, we've got eight proponents in the record. We've got one opponent and one neutral. And so that ends our hearing on LB890. Thank you, everybody.

WALZ: Thank you.