

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

von GILLERN: Good afternoon and welcome to the Revenue Committee. I'm Senator Brad von Gillern from Elkhorn, representing the 4th Legislative District, and I serve as the chair of the committee. The committee will take up bills in the order posted. The public hearing-- this public hearing is your opportunity to be a part of the Legislature-- legislative process and express your position on the proposed legislation before us. If you're planning to testify today, please fill out one of the green testifier sheets that are on the table at the back of the room. Be sure to print clearly and fill it out completely. When it's your turn to come forward to testify, give the testifier sheet to the page or to the committee clerk. If you do not wish to testify but would like to indicate your position on a bill, there are also yellow sign-in sheets back at the table for each bill. These sheets will be included as an exhibit in the official hearing record, and I understand there are a number of folks that do want to testify. And, again, if you feel that your testimony has already been stated, feel free to, to become a part of the record on-- by using those green sheets or yellow sheets. I'm sorry. When you come up to testify, please speak clearly into the microphone. Tell us your name and spell your first and last name to ensure we get an accurate record. We'll begin each bill hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents and, finally, by anyone speaking in the neutral capacity. We'll finish with a closing statement by the introducer if they wish to get one. We'll be using a 3-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you'll have 1 minute to wrap-- to-- you'll have 1 minute remaining. And when the red light indi-- the red light indicates you need to wrap up your final thoughts and stop. Questions from the committee may follow. Also, committee members may come and go during the hearing. This has nothing to do with the importance of the bills being heard. It's just a part of the process as senators may have bills to introduce in other committees. And I know for a fact we have several that are in other committees presenting right now. So thank you for your grace in that. A few final items to facilitate today's hearing. If you have handouts or copies of your testimony, please bring up at least 12 copies and bring them to the-- give them to the page. Please silence or turn off your cell phones. Verbal outbursts or applause are not permitted no matter what stunning thing gets said by anybody up on this side of the room, not allowed to, to cheer for them or curse them or encourage them, but thank you. Such behavior may be cause for you to be asked to leave the hearing. Finally, committee procedures for all committees state that written

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

position statements on a bill to be included in the record must be submitted by 8 a.m. the day of the hearing. The only acceptable method of submission is via the Legislature's website at nebraskalegislature.gov. Written position letters will be included in the official hearing record, but only those testifying in person before the committee will be included in the committee statement. I'll now have the committee members with us today introduce themselves starting at my far left.

SORRENTINO: Tony Sorrentino, Legislative District 39, Elkhorn and Waterloo.

MURMAN: Dave Murman from Glenvil, District 38. I represent eight counties, mostly the southern tier along the Kansas border.

IBACH: Teresa Ibach, District 44, which is eight counties in southwest Nebraska.

von GILLERN: Assisting the committee today to my right is our legal counsel Sovida Tran, and to my left is legal counsel Charles Hamilton, far left is our committee clerk Linda Schmidt. Pages today, would you please stand and introduce yourselves.

LAUREN NITTLER: Hi, I'm Lauren. I'm in my second year at the University of Nebraska-Lincoln. I'm studying ag econ and I'm from Aurora, Colorado.

JESSICA VIHSTADT: Hi, my name's Jessica. I'm from Omaha, Nebraska. I'm in my second year at the University of Nebraska-Lincoln, and I'm studying political science and criminal justice.

von GILLERN: Thanks for your help today, ladies. With that, we'll begin today's hearings with LB389. Senator Murman, we'll welcome you to the Revenue hearing.

MURMAN: Good afternoon, Chair von Gillern and members of the Revenue Committee. My name is Senator Dave Murman, D-a-v-e M-u-r-m-a-n, represent Nebraska's 38th District. Today, I have the privilege to introduce LB389 and I do have some handouts. LB389 is fairly simple. It eliminates the property tax levy of Educational Service Units and offsets the funding lost from property taxes with state funding, including a 3.5% yearly increase. This is structured as to how the Legislature previously took over funding of our community colleges in prior years. This bill represents a very, very small piece of the overall goal of gradually working towards shifting away from Nebraska's overreliance on property taxes. If your email box looks

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

anything like mine, I probably don't need to convince you that Nebraskans are frustrated with property taxes and want action. Let me be clear that this bill does not defund our ESUs. In reality, by ensuring a 3.5% increase, it actually ensures our ESUs continue to receive funding. I expect we will hear-- likely hear from some opposition on this bill where those opposed will tell us about all the great work our ESUs do. They provide essential services such as mental health resources and technology support and are especially important to our small schools who may not have the economy of scale our urban schools can afford. I'm not here to dispute that at all. Our ESU educators and administrators do great work to make sure Nebraska's students receive the services they need. But let's be clear, nothing in this bill stops those services. I have received emails and online comments about ESUs being threatened under this bill, and this is not at all the case. I've also received some emails concerned about the stability of this funding, but being at the mercy of property valuations isn't a completely stable system either. By going off a simple 3.5% increase each year, that's arguably a more, not less, stable system. To conclude, my goal is simple. I hope to see our state increase our commitment to funding education while decreasing our reliance on property taxes. Thank you and I look forward to any questions.

VON GILLERN: Thank you, Senator Murman. Questions from committee members? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Thank you for being here, Senator Murman. I'll admit I have not read through the bill in a lot of detail. I glanced at it a couple of times. Does this have the same backstop that we put in the community colleges' bill where if the state is unable to fulfill their obligation, it restores the ability to levy property tax?

MURMAN: Yes, it does guarantee an increase of 3.5% a year.

DUNGAN: Well, Senator, it increases automatically. But in the event that the state is not able to pay their portion-- I know with the community colleges, there was that sort of escape valve we put in where if state can't pay, then it reverts back to their ability to, to levy a tax. Does this allow for the ESUs to levy a tax if the state says they're not able to make them whole?

MURMAN: I'm trying to look here quickly. There, there could be some behind me that could address that better, but as of now, I'm-- I, I questioned what it does. Yeah.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

DUNGAN: And that's fine. I just know that was an essential part of what we did with the community colleges. OK. Thank you.

von GILLERN: Other questions from the committee? Seeing none, thank you, Senator Murman.

MURMAN: Thank you.

von GILLERN: We'll invite up our first proponent testimony. Good afternoon.

NICOLE FOX: Good afternoon, Chairman von Gillern, members of the Revenue Committee. Nicole Fox, N-i-c-o-l-e F-o-x, representing the Platte Institute. We support LB389, which proposes to eliminate the levy authority of Educational Service Units and provide state funding effective fiscal year '28-29. Nebraska's property tax ranks 45th in the nation overall for competitiveness according to the Tax Foundation state comprehensive ranking-- rankings. Nebraska's overall high property tax burden is a major reason for this low ranking. LB389 directly attacks the problem of high property tax rates. For the last 5 years, Nebraska has leveraged state funds to reduce local property taxes through programs such as the LB1107 credits, the LB873 credits, and through providing new funding to local governments in the hope that they will provide property tax relief. However, these efforts have not been-- have not completely succeeded for two reasons. The first reason being that hundreds of millions of dollars in credits to offset property taxes paid have been left unclaimed. Second, new state funding to offset local property taxes has not always resulted in dollar-for-dollar property tax relief because local governments do not necessarily deploy those state funds for that purpose as the Legislature intended. The elimination of community college property taxes is one exception to this trend. In 2023, Senator, Senator Murman introduced legislation passed by the Legislature to use state funding to fully replace the property tax portion of community college funding effective as of fiscal year '24-25, and that provided roughly \$300 million-- or will provide roughly \$300 million of direct property tax relief. The Platte Institute was a strong proponent of this piece of legislation. The same model can be additionally applied to ESUs to deliver direct property tax relief and simplify Nebraskans' property tax bills. ESU funding can be replaced by the state for only about 20% of the cost of replacing community college property taxes. The estimated fiscal impact to the state is \$65 million per year in FY '31. LB389 proposes another opportunity for direct property tax relief modeled upon the success of eliminating the community college property tax levy. We suggest this committee strongly consider this approach

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

over providing new funding for K-12 schools. And with that, I conclude my testimony and I'm happy to answer any questions.

von GILLERN: Thank you. Questions from committee members? Seeing none, thank you for your testimony. Other proponents? Any other proponents? Seeing none, we'll invite up our first opponent testimony. If you're going to testify, would you please move to the front of the room, please. Believe it or not, it saves a bunch of time. So thank you. Thank you. Good afternoon.

LARIANNE POLK: Good afternoon. Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Larianne Polk, L-a-r-i-a-n-n-e P-o-l-k, and I am the CEO of the Educational Service Unit Coordinating Council. I'm here today to testify in opposition to LB389. Thank you for the opportunity to speak with you today. I represent the Educational Service Units across Nebraska, which have played a critical role in providing supplemental educational resources to school districts who would otherwise have a difficult time doing so on their own. We support all students: public, nonpublic, urban, and rural. Our funding model is in line with your-- the Legislature's intent of funding education as a three-legged stool with three main sources. Number one, contracts and grants. Number two, core services, which is our state aid. And number three, the levy. Contracts with school districts and grants account for two-thirds of the ESU's budgets. ESUs last year statewide brought in about \$20 million in federal, in federal grants. State-funded core service dollars and levy account together for one-third of the budgets. ESUs levy is approximately 1.7% of the full property taxes collected for K-12 education. I want to tell you a story about our history to give you a little bit of context as to our opposition to this bill, there are many similarities in this bill and one that was about a decade ago. So I'd like you to kind of listen for similarities. In 1996, the Legislature passed LB1114, which reduced our levy from 3.5%-- or sorry, 3.5 cents to the 1.5 cents that we have now. This change did not go into effect for another 2 years, similar to the time frame of this bill. In 1997, the next year, the Legislature stipulated with LB419, that became LB806, that ESUs must provide to school districts core services, which are professional development, instructional materials, technology and distance learning. No additional funding was provided to them. In 1998, when the levy reduction was to go into effect, LB1110 was introduced and passed, which provided the ESUs state-funded appropriation, our state aid called core service funds with a statutory obligation to increase 2% every year. Again, similar to LB389. Now, let me tell you our concern. I provided for you a large spreadsheet with some figures on it. This is a historical illustration

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

of state-funded core service dollars distributed to the ESUs over the last 15 years. 79-1241.01 is the statute that directs the state to increase those state funds to the ESUs by a specified formula every year. The 2% I mentioned before. As you can see, the funding in '24-25 is 14.5% less than it was in '09-10.

von GILLERN: I'm going to have to ask you--

LARIANNE POLK: Thank you.

von GILLERN: --to wrap up. Let's see if there's any questions. Any questions from committee members? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern.

von GILLERN: Thought you might have one.

DUNGAN: Would you like to just finish that thought briefly? I-- briefly as we can. I know we have a lot of testifiers.

LARIANNE POLK: Very good. Thank you for that.

DUNGAN: Thank you.

LARIANNE POLK: In the last 15 years, there were only 2 of the 15 where the promise of the increase from the state was actually allocated. So this established history of the state funds not meeting the statutory obligations is the cornerstone of our opposition. So further and without knowing what the fiscal position will be for the state in 4 years from now, we're concerned that, that even LB389, as it is written, wouldn't be able to be upheld. So I have some other things, but I'm happy to answer some more questions.

DUNGAN: The only other question I guess I had was-- I'm not as familiar with the ESUs, given that our jurisdiction in here is often revenue and I'm on the Banking Committee. You mentioned in your testimony, but I don't think you got to talk about it based on the time, when did the ESUs come about in Nebraska and what was the original intent of their development?

LARIANNE POLK: Yeah, thank you for asking that. In 1965 we were established in Nebraska. So there were some pretty important things happening at the federal level in '65, that was when the Elementary and Secondary Education Act passed, which expected all public schools to provide services to kids of all abilities. So in Nebraska, the testimony at the time was, boy, I don't think these large districts

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

have the resources to take care of all of the rural districts-- rural schools on their own. We need a mechanism in place, an intermediate agency that can take care of some economy of scale. We can collaborate and we can hire one staff member to do a service over five or six different districts. So it started then. IDEA, Individuals with Disabilities and Education Act, came right after that, which, you know, most of our ESUs provide a large percentage of their services to school districts in special education. So that's really the reason it started.

DUNGAN: No, that makes sense. Thank you.

LARIANNE POLK: Um-hum.

von GILLERN: Other questions? Senator Sorrentino.

SORRENTINO: Chairman von Gillern. Thank you for your testimony. My understanding of the bill is that it removes the tax levy ability of the ESUs, replacing it with appropriation from the state with certain inflationary caps each year. Is the thrust of your concern whether or not the state will be able to afford the funding or is it whether or not they will choose to fund the ESUs?

LARIANNE POLK: I think both of those are the concern. Our history shows that the choice of, of fulfilling a statutory obligation is already there. That, that, that has not been upheld for the last--

SORRENTINO: According to the worksheet, correct?

LARIANNE POLK: Yeah. Correct.

SORRENTINO: Right.

LARIANNE POLK: So I think, first of all, we're worried that based on the history that we've had, that funding, that promise won't come as a result of this, this bill. And, you know, naturally, right now, we're not in a financial position for the state to take this on. So I don't know what it's going to look like in '29, '30, and beyond as to what that might look like.

SORRENTINO: So it's more of a fiscal issue as opposed to, hey, we just don't want to fund the ESUs.

LARIANNE POLK: Correct.

SORRENTINO: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

LARIANNE POLK: And I would say, too, you know, our local control-- the schools-- the ESUs have locally elected school board-- ESU board members, just like a school board would. So they are taking into account the needs of their region and setting the levy as it is.

SORRENTINO: And you believe local knowledge is probably greater than the knowledge coming out of Lincoln?

LARIANNE POLK: I believe that local knows the needs of their districts and their, and their service unit better, yes.

SORRENTINO: Thank you.

von GILLERN: Other questions? Just-- I have just a couple of questions looking at the spreadsheet. It looks like, if I'm counting properly, that we had, if I'm reading your red, yellow, green properly, that there were 9 years where there was zero increase so it was flat, 2 years where it was an increase, and then 4 years that were, that were negative. This is very helpful. Thank you. Two of those years that were negative were 2011 and '12 during a recession. It also could be presumed that property values would have declined during those years and your property tax revenue would have declined also. Would that-- is that safe to say?

LARIANNE POLK: Going to have to check on that. But I would-- you know, if-- I would have to check to get you that number, but I can get it for you.

von GILLERN: Yeah. I'm just-- yeah, I'm not-- I'm just speaking from a large 30,000-foot view that obviously the, the economy was, was, was a train wreck at that point. And it would be safe to presume that that would have applied to property tax revenue also. So OK. All right. This is very helpful. Thank you for the information.

LARIANNE POLK: I did provide for you a fiscal note that I'm not sure made it into your hands before.

von GILLERN: It did.

LARIANNE POLK: OK, good. So you got it.

von GILLERN: Yeah. So thank you.

LARIANNE POLK: Um-hum.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

von GILLERN: Very good. Seeing no other questions, thank you for being here.

LARIANNE POLK: Thank you, Senator.

von GILLERN: Next opponent testimony. Good afternoon.

BRENDA McNIFF: Good afternoon, Chairman and members of the Revenue Committee. My name is Brenda McNiff, B-r-e-n-d-a M-c-N-i-f-f. I'm administrator of ESU 5, and I'm here today to testify in opposition of LB389 and to emphasize the critical role ESUs play in supporting Nebraska schools, educators, and students. Nebraska ESUs have long maintained a funding structure that combined a mix of local property tax revenue with state and federal, federal funding as, as Dr. Polk just discussed. This balance between state and local control ensures that students have access to vital educational services and programs in order to meet the requirements of the state, while also honoring the needs and requests of districts. I'd like to just take a moment to highlight one of those programs found at ESU 5, and I'd say a requested program found at ESU 5. The program is called: Exposing Kids to Career Opportunities or what we call EKCO. And it's a partnership between ESU 5, our member districts, and the business and industry in our area. So through our EKCO program, we foster critical partnerships with business and industry by having a dedicated staff member at the ESU level who becomes the liaison between the school and business. These partnerships then offer students and schools direct exposure to real-- real-world career opportunities that are found right in their own backyard. For example, we partnered with a manufacturing company out of Deshler, Nebraska called Reinke Manufacturing. Through this collaboration, we worked together to obtain over \$225,000 worth of grant monies, which in turn provided the school district access to commercial grade equipment such as welders and CNC plasma tables. Students then have the opportunity to explore and be exposed to equipment so they have a greater understanding of what a career at Reinke Manufacturing may entail. Reinke, too, has also allowed their employees to co-teach welding and robotics at Deshler Public Schools and have recently started a junior high medals class. Tours of Reinke facility and job shadow also are part of the partnership. And this is just one of the many, many more. I have a list there that's attached to the testimony, more than 65 business and industry partnerships that we have across just our region in ESU 5. And that list really continues to grow. In conclusion, LB389 proposes to eliminate key portion of funding-- a key portion of funding for ESUs and shift greater financial responsibility to the state. While it may appear to reduce the reliance on local property taxes, history has shown that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

when the state takes on more financial responsibility, funds become unpredictable and unstable, and programs like I just discussed can go away. For these reasons, I urge you to oppose LB389 and I'm happy to answer any questions you might have.

von GILLERN: Thank you. Questions from committee members? Seeing none, thank you for your testimony.

BRENDA McNIFF: Thank you.

von GILLERN: Next opponent. Good afternoon.

JEN McNALLY: Good afternoon. Hello, my name is Jen McNally, J-e-n M-c-N-a-l-l-y. I serve as the director of mental health and wellness for Educational Service Unit 5. I'm here today to express my opposition to LB389. The changes proposed in this legislation would undermine the balance and efficiency of the funding structure that currently supports the critical services provided by ESUs across our state. ESUs play a vital role in supporting schools by offering specialized resources and services that are often too costly or complex for individual districts to provide on their own. Through the work of our Wellness 4ALL mental health program, we have directly impacted over 1,000 students and facilitated more than 70,000 interactions with students that go beyond individual therapy sessions. Wellness 4ALL has proven to be an invaluable resource, especially as we've seen a dramatic 202% increase in total students served since 2017. Even with this growth, we have continued to improve mental health outcomes with decreases in numbers of suicide assessments, as well as reductions in anxiety, depression, and stress. Our data also shows that we have increased engagement, self-esteem, optimism, perseverance, and happiness among the students that we serve. Our mental health program spans multiple school districts, including ESU 5, ESU 6, and ESU 3. We reach students in 13 school districts across these regions, ensuring that even the most underserved communities have access to crucial mental health support and services. The success of these initiatives is a direct reflection of the funding structure that we have and would allow partner schools to access these services they would otherwise have very much difficulty providing without the ESU support. LB389 threatens to disrupt this progress by cutting the resources that have been fundamental to our work. Rather than supporting this bill, I would urge the committee to consider how the proposed changes will diminish the capacities of ESUs to continue offering the services that are having such a positive and profound impact on the lives of Nebraska students. Thank you for your time and consideration and I strongly urge you to oppose LB389 and protect the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

ability of our ESUs to provide the critical services that benefit all Nebraskans. Happy to answer any questions.

VON GILLERN: Thank you. Questions from committee members? Senator Ibach.

IBACH: I just have one quick question. Where is ESU 5 at?

JEN McNALLY: ESU 5 is located in the Beatrice area, so Gage, Thayer, Jefferson Counties.

IBACH: This map is minute, and I--

JEN McNALLY: OK.

IBACH: --just need clarification. Thank you.

JEN McNALLY: And then ESU 6, Seward County Schools, and then ESU 3 at Westside Community Schools.

IBACH: OK. Thank you.

JEN McNALLY: Yep.

VON GILLERN: Thanks. Any other questions? Seeing none, thank you for your testimony.

JEN McNALLY: Thank you.

VON GILLERN: Next opponent. Don't be shy, jump on up.

STACY KREMER: Chair's heavy.

VON GILLERN: And low.

STACY KREMER: Yes, and low. OK. Hi. Good afternoon. I'm Stacy Kremer, S-t-a-c-y K-r-e-m-e-r. I'm here today providing testimony and opposition for LB389. I'm providing testimony as a mother of a student who was supported by ESU 5's Wellness 4ALL program. I'm going to skip down, skip down some of this since it's a little long. Jen and her wellness program, Wellness 4ALL program, came to Milford about 3.5 years ago. The school reached out to me asking for my permission for Raeleigh to speak with Jen. And at first I was a bit skeptical. My initial thought was, well, here we go, another person to tell me how I've done everything wrong. But Jen and I had a great conversation and I gave my consent and it made a great difference. I saw something shift from that moment forward, the relationship between Raeleigh and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

Jen took off and so did the progress. Little by little, I started seeing changes. Raeleigh was handling her anger and her anxiety in much healthier ways. She no longer felt overwhelmed by the stress when it came to going to school. I was, I was not getting as nearly many phone calls from the school, which was a great relief. Jen's guidance and the Wellness 4ALL program really helped Raeleigh overcome a lot of emotional challenges she had been facing. It became clear to me that, like many teenagers, Raeleigh just needed someone outside of our family, a trusted adult, to talk to. I believe it is crucial to keep these programs in the schools, and add more schools, if for no other reason than to provide advocates for the kids that wouldn't normally have them. Not all kids are fortunate enough to have a well-balanced home with a support system built in. I think Jen and her team go to great lengths to make everyone feel important and heard. Sometimes they need someone who is not their parent, someone who can offer support from a fresh perspective. Jen provided that support and it truly made a difference. My family and I are very grateful. Thank you.

von GILLERN: Thank you for your testimony.

STACY KREMER: Yeah.

von GILLERN: Questions from the committee? Seeing none, thank you for sharing. Next opponent. Welcome.

SHANE RHIAN: Good afternoon, Chair von Gillern and members of the Revenue Committee. My name is Shane Rhian, S-h-a-n-e R-h-i-a-n, and I'm the chief financial officer for the Omaha Public Schools and Educational Service Unit 19. I'm here today in respectful opposition to LB389, which would eliminate the property tax levy authority of Educational Service Units starting in fiscal year 2028-29. I'm going to skip ahead in, in the essence of time. I appreciate Senator Murman's comments about not wanting to impact the services that ESUs provide to their member school districts. That is very good to hear. We do have grave concerns about the stability of state funding. ESUs may be supported by property taxes, by contracts with other ESUs or school districts, by state core services funds, and from outside reimbursement, such as grants and service contracts. If state funding replaces support from property taxes, there will be a gradual erosion of revenue available for ESUs to provide essential, essential educational services. This would result in a reduction of services or an increased cost for those services, which would have to be passed on to member school districts. If this happens, the member school districts would either have to increase their property taxes to cover the transferred costs of ESU services or reduce the services the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

school districts provide directly to its students to reflect those increased costs. For perspective, if the funding mechanism proposed under LB389 had been in effect for the last 10 years, ESU 19 would have realized a loss of over three point-- or \$3 million in revenue during that period, and current year revenues would be over \$1 million less than they are for this year. ESUs provide many essential functions, and limiting funding would ultimately have a detrimental impact for all public school districts in the state. For this reasons-- for these reasons, the Omaha Public Schools is opposed to LB389. And to answer your question about property valuations, Chair von Gillern, during the Great Recession and Omaha Public School District, valuations did not go down. They were flat essentially, maybe a marginal 10th of a percent growth. But there was stability with that funding even during the Great Recession that we did not see in state aid through TEEOSA to schools or through the core services to ESUs.

von GILLERN: OK. Thank you.

SHANE RHIAN: Thank you.

von GILLERN: Thank you for clarifying that. That-- actually, I was making a note to ask you that-- almost that very question. The, the piece I left out of that, that if, if Senator Murman's-- if LB389 is not successful, and if you were to see declining property value, you could simply adjust the levy and, and net out. Correct?

SHANE RHIAN: So if I understand your question, it was highly unlikely that, given the housing crisis that we have in this nation and locally in Omaha and Lincoln, that property valuations would go down.

von GILLERN: That wasn't my question.

SHANE RHIAN: I apologize, and could you repeat your question?

von GILLERN: My-- if property values were to decline under the current statute, you could simply adjust the levy to make up the difference, and wouldn't be subject to a vote, of course, but--

SHANE RHIAN: Historic--

von GILLERN: --the levy could be adjusted to net out to, to achieve the budget that's, that's desired.

SHANE RHIAN: Historically, we've been at the \$1.05 cap, so that would require a levy override and a vote of the people. Yes.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

von GILLERN: OK. All right. Thank you. Yeah, it was a piece I'd left out of the discussion earlier. Any other questions from committee members? Seeing none, thank you for being here--

SHANE RHIAN: Thank you.

von GILLERN: --today. Next opponent testimony.

RAELEIGH KREMER: Hi, I'm Raeleigh--

von GILLERN: Good afternoon.

RAELEIGH KREMER: --Kremer, R-a-e-l-e-i-g-h K-r-e-m-e-r. I am a senior at Milford High School in Milford, Nebraska. ESU 5's Wellness 4ALL program started my sophomore year in 2022. During middle school and my freshman year I struggled with respecting adults, and I believe that if I didn't feel respected by somebody that they did not deserve my respect. At the time, I was undiagnosed with ADHD and anxiety disorders, which made navigating school all the more challenging for me. One day Jen visited my school on the last day of my freshman year and her timing could not have been more perfect. Somehow she must have sensed that I was struggling because she pulled me aside for a chat and at that point she was still a stranger to me. But after that conversation, I knew I had found somebody that I could lean on in times of need. Over that summer, I kept in touch with Jen, and when my sophomore year began, she was a friendly face waiting for me at the door. That year, she helped me open up to my parents about getting the help I needed. During that difficult time, Jen, along with my parents, became my most valuable advocates when I felt that nobody else would. It was then that I learned the most valuable lesson of my life. Advocating for yourself does not mean arguing. Jen was a savior for Milford High School, not just for me, but for everybody else who needed her. Her door was always open, whether students were facing something traumatic, struggling with classes, needing a break from the daily stresses of high school, or simply looking for someone to turn to. The Wellness 4ALL program completely transformed the dynamic of my high school, and I will stand by that belief forever. Before Jen arrived, our school was divided by grades, clicks, sports teams, and social groups. But with her presence, students started to realize that everyone was going through something big or small. That realization created a shared sense of understanding, bringing people together. Jen's room became a space where students from all different backgrounds could connect. I loved spending time in there, and I especially enjoyed guiding younger girls who came in with similar struggles to the ones I had faced at their ages. The advice and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

lessons that Jen's team has given me over the past 3 years have shaped me into the woman I am today. I'm proud to say that I recently accepted a position as an RHOP scholar at Wayne State College for radiography, and I know without a doubt that I wouldn't have made it to this point without the unwavering support of Jen McNally and the Wellness 4ALL team. This team-- this year we have a new Wellness 4ALL therapist, Kelsey Koranda, and she has continued right where Jen left off being a support system for all students and staff at Milford High School. Thank you very much.

von GILLERN: Thank you for your testimony. Don't go anywhere. Any questions from community members? Seeing none, I just want to say we're really proud of you, for what you've done, and the changes that you made. Thanks for sharing such a great story. Are you, are you related to one of the previous testifiers?

RAELEIGH KREMER: My mom was before. Yeah.

von GILLERN: That's kind of what I thought. I saw her recording in the back. Mom, if you want, I snapped a photo while she was testifying. And if you give me your number, I'll send it to you. And then I'll delete it from my phone, so. All right? OK.

RAELEIGH KREMER: Thank you.

von GILLERN: Thank you for being here.

RAELEIGH KREMER: Yes.

von GILLERN: Next opponent. Good afternoon.

SCOTT BLUM: Good afternoon, Chairman von Gillern and honorable members of the Revenue Committee. My name is Scott Blum, S-c-o-t-t B-l-u-m. I'm the assistant administrator and executive director of Professional Learning at Educational Service Unit 3 in La Vista. In my role, I oversee professional learning and work across all of our departments and programs regarding services, human resources, and budgets. I am speaking in respectful opposition to LB389 as any potential inconsistency of maintaining the levy authority not only jeopardizes the general function of the ESU and disrupts the types of services that, that you may already be familiar with or learn a little about, about or you're learning about right now through testimony. But it's also about the unforeseen and unintended consequences for things that you might not know about to be a part of the ESUs, which I'd also like to highlight. The state of Nebraska ESUs, educational service agencies, are often reached out to by other service agencies across

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

the country about what we do in order to be successful. As an example, although the ESU 3 is located on the eastern side of Nebraska, we represent all of Nebraska and its centerpiece of agriculture through Gifford Farm. Many people are aware of Gifford Farm. However, many do not know it is owned and operated by ESU 3 since 1989. This 420-acre farm with 140 acres of farmstead and woods, is visited by thousands of students and community members each year, it's typically between 20,000 and 30,000. A few highlights of the many educational programs and experiences offered include the farm program, weekly enrichment programs for special education students, a work study program for special education students, community partnership with the UNL Extension and Bryan High School Ag Academy, summer camps, internships, community outreach, nature programs, animals on the go, and more. And we continue to seek partnerships and grants to support and expand the programs and to continue to bring the farm to life for many students who would otherwise not get to experience it. The 1.5 cent levy authority allows for the maintenance and general functioning of the farm and helps reduce costs for students, families, and community members that visit. Without the consistency of the levy authority, this gem of a farm and the only farm of our-- to our knowledge in United States that is owned and operated by a service agency and a reflection of Nebraska and its agricultural identity would be at risk to not be able to continue offering all current programs, not expand new programs, and to increase costs to students, families, and community members. Gifford Farm is just one example of possible unintended consequences of LB389 and how it might harm what the state holds with pride, ag and farming, disengage a large number of students who would not have this agriculture and farming learning experience and opportunity and disconnect the statewide connection we have and share with agriculture and farming. With that, I'd like to say thank you and would invite all of you to visit ESU 3 and Gifford Farm at some point.

von GILLERN: Thank you for your testimony. I've been to Gifford Farm, it's pretty cool. Any questions from committee members? Seeing none-- actually, I, I am going to ask and maybe it's unfair to ask you, I maybe should have asked some others. If the bill-- obviously, the, the concern seems to be around the reliability of funding. And if you'd prefer to, to defer to another testifier, that's fine. I'm just curious if it-- if we did have the backstop built into this that was built into the community college funding where it said that if the funding were ever not met by the state, that you could restore the levy authority, would that maybe-- would that dissuade some of the opposition?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

SCOTT BLUM: I would leave that to--

von GILLERN: OK. That's fine.

SCOTT BLUM: --administrators in local control.

von GILLERN: I'll throw that out there if anybody behind you as they're testifying wants to respond to that, that'll be great.

SCOTT BLUM: All right. Appreciate it. Thank you.

von GILLERN: Thank you. Appreciate it. Next opponent.

BILL PULTE: Thank you, Chairman and Revenue Committee. I come in opposition today to LB389. My name is Bill Pulte, B-i-l-l P-u-l-t-e, and I serve as the Chief information Officer for Educational Service Unit 3 in La Vista, Nebraska. ESU 3 supports 18 school districts across a four-county region serving 85,000-- over 85,000 students. And I find that it might be serendipitous that you have an IT person here today because I think some of you might be keenly aware of the need for reliable and robust Internet after yesterday, so.

von GILLERN: That's hurts a little bit.

BILL PULTE: Throughout my career, I've had the privilege of working in three Nebraska public school districts. During that time, I have seen firsthand the essential role that ESU IT departments play in supporting school districts. Schools rightly prioritize directing funding as close to the classroom as possible, and as a result, departments like Information Technology are often underfunded by these schools. Educational Service Units help bridge this gap by consolidating resources and providing high-level IT support that would otherwise be unattainable for many districts without turning to costly private sector providers. This, this centralized support model has also enabled us to complete projects that individual districts would struggle to achieve on their own. By leveraging economies of scale, we have saved districts thousands of dollars through group purchasing agreements for vital services such as multifactor authentication, content and web filtering, email security and phishing training. Additionally, we provide core technology systems such as a finance system, student information system, funded through these levied resources, ensuring all districts, regardless of size, have access to modern and effective solutions. One of the fastest areas-- one of the fastest-growing areas of support we provide is around cybersecurity. 15 years ago, it was rare for a school district to be targeted by a malware attack. Today, school districts nationwide are facing an

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

alarming rise in ransomware incidents. A 393% increase from 2016 to 2022. In response, ESU 3 has implemented robust cybersecurity measures, including a centralized backup solution, weekly network scans conducted by Homeland Security, and the hiring of a dedicated cybersecurity expert. The cost of employing such expertise would be prohibitive for most school districts. But through ESU 3, we are able to provide these services in a cost-effective manner. Each year, when we meet with districts, we hear how appreciative they are of our work. While LB389 may have little immediate impact on our service, the uncertainty it creates is concerning. ESU 3 serves several of the fastest-growing school districts in Nebraska, yet LB389 does not include a mechanism to account for district growth that might equal 8, 10, or even 12%. Furthermore, there is a history of the state struggling to fulfill its obligations to ESUs in, in core service dollars, and they've remained stagnant many years or in some cases have been cut. Any future reductions to the promised 3.5% funding increase would direct-- directly impact the ability of districts to provide essential services to students. I want to thank you for your time today and, and I'd be happy to answer any questions.

von GILLERN: Thank you. Any questions from the committee? Seeing none, thank you for your testimony.

BILL PULTE: Thank you.

von GILLERN: Next opponent. Good afternoon.

MORGAN STROKEBRAND: Good afternoon. My name is Morgan Stokebrand, M-o-r-g-a-n S-t-o-k-e-b-r-a-n-d. I'm currently a student at Nebraska Wesleyan University and a former graduate of Tri County Public Schools in DeWitt, Nebraska. I'm here today to offer my testimony in opposition of LB389. My concern is that this bill would lead to reduced funding for vital programs such as ESU 5's Wellness 4ALL mental health initiative, which would negatively affect students, families, and educators throughout the state. During my time at Tri County Public Schools, I saw how much of a difference the ESU 5's Wellness 4ALL program made. Growing up in a rural community, mental health resources were quite limited. Before this program, a lot of students, including me, dealt with struggles quietly because there just wasn't help available. I received mental health services through this program throughout all 4 years of high school. The program taught me healthy ways to cope with anxiety, grief, trauma, and daily stressors. It made me a better student, athlete, friend, and family member because I am finally-- because I finally received the help I needed. The ESU 5 Wellness 4ALL program really bridged the gap of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

limited resources, giving our small district and myself access to mental health support that we otherwise wouldn't have had. I remember a specific instance where a classmate was going through a difficult time. When we were sophomores, we unexpectedly lost a classmate in a motor vehicle accident. My classmate lost his friend far too soon and they became withdrawn, their grades were slipping, and they just didn't seem like themselves. Because of the ESU 5's Wellness 4ALL program, our school had a dedicated mental health professional available: Jen McNally. Jen was able to work with my classmates providing them with the support they needed to navigate their challenges and grief. I saw and felt the benefits of this program, allowing my classmate and others to not only let this-- to not let this tragedy ruin more lives. Without that resource, I'm not sure what would have happened to 32 of us who graduated 2 years later. My classmate's story isn't unique. I know many other students who benefited from the counseling support groups and educational resources provided by the ESU 5 Wellness 4ALL program. These services are incredibly important, especially in rural areas like mine, where access to mental health is often limited. Cutting funding for programs like ASU 5's Wellness 4ALL would not only limit access to crucial mental services, but it would also send a message that our state doesn't prioritize the well-being of young people. It would leave students to vulnerable-- leave students vulnerable and struggling, potentially impacting their academic performance, social development, and overall well-being. My fear is that if funding is reduced, smaller districts like Tri County will be hit the hardest. They often rely on the ESU programs to provide essential services that they would not be able to afford on their own. The ripple, the ripple effect of these cuts would be devastating, depriving students of the very support they need to thrive. As a college student who benefited from these resources. I urge the committee to reconsider the potential consequences, consequences of LB389. Please prioritize the mental health of Nebraska's students and protect funding for programs like ESU 5's Wellness 4ALL. These programs are an investment in our future and are essential for the well-being of our communities. Without this program, I would not be a successful undergraduate student applying for professional school today. Thank you for your time and consideration.

von GILLERN: Thank you for your testimony. Thank you for being here. Any questions from the committee members? We're proud of you. Thank you for being here. Next opponent.

KYLE McGOWAN: Good afternoon, Chairman--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

von GILLERN: Good afternoon.

KYLE MCGOWAN: --von Gillern and members of the Revenue Committee. My name is Kyle McGowan, K-y-l-e M-c-G-o-w-a-n. And today I'm representing the Nebraska Council of School Administrators and the Nebraska Greater or the Greater Nebraska Schools Association. I'm going to shorten my testimony since you've heard a number of things and really want to appreciate Senator Murman's opening comments about appreciating the work of ESUs. But I do want to focus on the, the efficiencies that ESUs have. And maybe to answer your question, Senator, ESUs currently have a levy cap of 1.5 cents. So if they're not making it work with 1.5 cents, they would either-- and what they do is cut services or charge schools more for their services. So I was a superintendent at Crete and we were ESU 6, which did a great job, 16 schools. Crete, Seward, York, Waverly would be like the metro schools, and often had the ability to hire individual school psychologists, speech pathologists, house some of our own servers. But there's also schools like Exeter- Milligan, Shickey, Dorchester, McCool Junction, these schools are also responsible for serving all children and having a quality education. So the-- one of the many-- there's multiple benefits, but they're able to contract for specific hours for a school psychologist to come in rather than having a school psychologist, specific hours for occupational therapists, speech pathologists, rather than having to have those employees. Also, you know, the IT world and-- is, you know, about as important as water in terms of, of how it is involved in our schools and our life. And so there's a lot of contracting for IT services, cybersecurity, housing servers with our ESUs. So we're, we're opposed to this bill primarily for the reliability of the funds.

von GILLERN: Great. Thank you for your testimony. Any questions from the committee? Seeing none, thank you for being here. Next opponent testimony. Good afternoon.

ELIANA LIVINGSTON: Hello, my name is Eliana Livingston, E-l-i-a-n-a L-i-v-i-n-g-s-t-o-n. I'm a current student at the University of Nebraska Kearney and a former graduate of Fairbury Public Schools. I'm providing testimony today in opposition to LB389. I am deeply concerned that if LB389 passes, it will severely impact our school districts across the state, especially those in rural communities. The services provided by ESUs, such as the ESU 5 Wellness 4ALL program are absolutely critical to the success and well-being of our educators and, most importantly, our students. Rural communities like Fairbury often have limited access to mental health services and reducing funding for vital programs like ESU 5 Wellness 4ALL will leave

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

students without the necessary support they need, support that has already proven so successful. I first encountered the ESU 5 Wellness 4ALL program during my senior year at Fairbury in the fall of 2022. The program was new to our district that year, and I immediately recognized its importance. Having experienced the impact of mental health challenges within my own family, I was passionate about raising awareness and support for mental, mental well-being within our school. I approached the administration and the ESU 5 Wellness 4ALL program with an idea to create a Mental Health Awareness Week. Through our collaborative-- sorry-- collaborative efforts, we successfully launched the first Mental Health Awareness Week at Fairbury. And this past fall, Fairbury Public School celebrated its third Mental Health Awareness Week, comprised of events focusing on helping students by raising awareness about how to identify and cope, cope with mental health struggles, addressing suicide prevention, and working to destigmatize mental, mental health. The ESU 5 Wellness 4ALL program has since helped establish a Jeffs Wellness Crew consisting of students and staff dedicated to fostering a positive climate and culture within the school district and ensuring that the Mental Health Awareness Week can continue. During my senior year, I was really able to get to know Sean Roberts, our ESU 5 Wellness 4ALL clinician. He was a supportive-- a support and resource for me and one that has continued to be there for me even after I have graduated. Not only has he impacted me, he has impacted so many. A particular student comes to mind. Sean's office became their home away from home, one where they could thrive despite their challenging home life, where they felt understood and valued, they could talk about everything from schoolwork to personal struggles. Sean helped them develop coping strate-- strategies and set goals for their future. With LB389 passing, I fear that students like this one may be left in the shadows. Through my involvement with this program, I have witnessed firsthand the positive challenges and the mental well-being of both students and staff at Fairbury Public Schools. We all struggle at times. Growing up is hard and life can be challenging. But through resources and programs like ESU 5 Wellness 4ALL and the support of dedicated professionals like Sean, students are empowered to not only change their perceptions of mental health, but also make a real difference in their community. These programs aren't just helping high schoolers. They are shaping young adults into empowered future leaders. They are teaching students how to better care for themselves and their peers, how to be active and supportive parts of a community, and how to champion wellness for all. Programs like these are developing our future educators, health care professionals, politicians, and so much more. Every career field needs individuals

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

with a strong understanding of mental health, whether it's knowing how to care for themselves, others, or their community. When I become a physician, I'm excited to incorporate all the lessons I learned, planned, and implemented through this program into my future career. I urge the committee to recognize the profound impact of programs like ESU 5 Wellness 4ALL and to reject LB389. These programs are not just expenses, they are investments in the future of Nebraska. They are investments in the mental well-being of our students, the strength of our communities, and the potential of our state. Thank you for your time and consideration.

von GILLERN: Thank you for your testimony. Any questions from the committee? Seeing none, thank you for being here today.

ELIANA LIVINGSTON: Thank you.

von GILLERN: Next opponent. Good afternoon.

RICH EBER: Good afternoon. Chair von Gillern and members of the Revenue Committee, good afternoon. My name is Rich Eber, R-i-c-h E-b-e-r. I'm the assistant principal at Seward High School, representing Seward Public Schools. I'm also a father of two students in Seward Public Schools. I am testifying today in opposition of LB389. The Wellness 4ALL program at ESU 5 has expanded since 2017 to different school districts in ESU 5, ESU 6, and ESU 3. I have professionally and personally seen the benefit of the Wellness 4ALL program, not only-- with not only our Seward students, but also my own son. Cutting funding for the ESUs across the state could impact the Wellness 4ALL program, jeopardizing thousands of Nebraska students. I urge lawmakers to protect these vital services and ensure mental health support remains accessible to all students and oppose LB389. As an administrator at Seward High School, I have seen the benefits of having the Wellness 4ALL team in our schools. The Wellness 4ALL team builds relationships with all students in the school and believes that kids should not need a diagnosis to receive support. They also work on helping kids move forward in a productive way, collaborating with educators and families. This proactive approach to mental health reduces the stigma around speaking to someone about any issues they may have. This allows for quick responses to problems that may arise with a student, whether that is an at-home issue, a sports competition struggle, or simply having a bad day with friends and not knowing how to deal with the situation. The students report that having Wellness 4ALL in the building provides another important person they can trust, along with our staff, in our building. Since the Wellness 4ALL program was implemented in Seward Public Schools, I've seen an increase in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

coping strategies for mental health issues at Seward Public Schools. Seward High School graduates have been more prepared to handle mental health situations after they leave, and the Wellness 4ALL program has played a significant role in providing the tools for our graduates to handle the stresses outside of Seward High School. As a parent of a child who has needed support, I can't tell you enough about how their clinician, Jamie Mapp, has helped my son. My son has experienced anxiety and emotions starting in the third grade. His worries made him struggle to attend school and sporting events, which he loves. Due to the great teachers at Seward Elementary School and Seward Middle School, where my son has dealt with these issues, he knew, he knew who Jamie was and was willing to talk to her. Jamie has taught my son many different strategies to help with his anxiety and allowed him to enjoy school where he is excelling. He is-- he still has bouts with anxiety, but they are much shorter. And that is because Jamie has taught my son, my wife, and me strategies to help him cope. I do not know where we would be with our son's mental health, health without the Wellness 4ALL program at Seward Public Schools. Thank you for your time today and all you do for the great state of Nebraska, and I'd be happy to respond to any questions you may have. Thank you.

von GILLERN: Thank you for your testimony. Any questions from the committee? Seeing none, thanks for being here. Next opponent. Good afternoon.

NICOLE NICHOLS: Hi, my name is Nicole Nichols. I'm here to provide testimony in opposition of LB389. I'm a parent of a student in Milford Public Schools. Without the support of ESU 5's Wellness all 4-- 4ALL program, its team, especially Jen McNally, my son would not be getting ready to graduate in a few short months. Jen and her team have helped him, support him, encourage him, and guide him to be in the right direction when his life seemed out of control, he did not know how to manage his anxiety and depression. Without her help, my son would not have received the support he needed to complete his high school requirements. He would not be who he is today: strong, confident, ready to graduate and move on to college; something he never thought he would do. He believed he would follow in his older brother's footsteps and give up on school, never graduating. But thankful, we are blessed with a different option and a different path. And he's excited about his future. Recently, ESU 11 visited Milford High School to learn a little bit more about what ESU 5's program has done. Cooper told the staff that Jen taught me to believe in myself. It's literally been burned into my brain to believe in myself. The program and its team not only helped my son, but also helped his peers, his teachers, and other parents. Without their support, I would not have been able

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

to successfully help my son manage his emotional, physical, and educational needs. Raising children in this day and age is very challenging, as we all know, and ESU staff is trained to be able to help us all manage the day to day and help our children to live healthy, thriving lives. I personally owe them more than I can repay. Thank you.

von GILLERN: Thank you for your testimony. Any questions from the committee? Seeing none, thanks for sharing your story today.

NICOLE NICHOLS: Thank you.

von GILLERN: Next opponent. Good afternoon.

DREW HARRIS: Good afternoon. My name is Drew Harris, D-r-e-w H-a-r-r-i-s. I'm the administrator of ESU 9 in Hastings, Nebraska. I'm here today to express my opposition to LB389. I appreciate Senator Murman's opening comments recognizing the value of ESUs. My concern lies with the stability of the funding sources proposed here. Another concern is the loss of local control. The ESU 9 board has demonstrated they're good stewards of taxpayer dollars. It's not a job they take lightly. Every year they, they review our expenditures and proposed budget requests prior to approval and monthly we review that. That's what local control is all about. As far as quality of programs, I'll respect your time and not get into a lot of that. But I would say I was blessed to have Jen McNally as a LMHP in my district in 2017 that came to rural schools. And, you know, you, you think you know who might be going to see them, but it was homecoming queens and star athletes and kids you would never expect. And to be honest, I never expected it when I saw my daughter's name come across on a parent referral form. And that's such a valuable service. Another thing that's often overlooked is the role that ESUs play in supporting NDE and the department's mission. They rely on ESUs to help provide support and guidance to the districts. We fill the gaps and support schools in their success and with regulatory compliance. We've also supported legislative mandates such as the Literacy Project, nonpublic school textbook loan program, and behavior intervention training. I would say, Senator von Gillern, you mentioned the funding mechanism. I would express my concern with that just due to the timing because-- I don't want to use all my time, so I'd be happy to answer a question about that at the end. I do want to close with this, though, because one of my superintendents in the region that I work in shared this statement: Education is tough. And in some of our toughest situations, ESUs are the strong arm of education. Without ESUs, we simply couldn't handle some of our toughest challenges. When a school is put on

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

improvement, when a student dies, when a, when a vacancy occurs that they can't fill, we get phone calls. We're one of the first persons they typically rely on. And I think that's a critical role that we need to fund. Thank you. I would hope that you might oppose LB389.

VON GILLERN: Thank you. I presume your comment about timing would be that once you realize you're upside down, you're upside down and it's going to take a year or so to-- lifetime to make it up.

DREW HARRIS: Exactly.

VON GILLERN: Is that true? OK.

DREW HARRIS: Yes. That tax in progress, once we raise-- once we increase our levy to that cent and a half, it's going to take 18 months tax in progress for that money to actually get to us. So depending on the timing, you know, we could be out in, in our ESU roughly \$1.8 million until that tax comes in.

VON GILLERN: Do you have a statutory cash reserve that you have to maintain?

DREW HARRIS: There-- it's a maximum statutory reserve of 45%.

VON GILLERN: 45%. OK. And where do you stand in that, typically?

DREW HARRIS: Right now, we're probably in the mid-thirties. I couldn't say exactly. I'm guesstimating.

VON GILLERN: So a third of 30 years operating reserves.

DREW HARRIS: You know, we'd have 2 years maybe of operating expense.

VON GILLERN: OK. All right. OK. Thank you. Senator Sorrentino.

SORRENTINO: Senator von Gillern, thank you. To the-- to Chairman von Gillern's point, 18-month time gap to raise the levy, etcetera. Just playing devil's advocate, if LB389 were adopted and the appropriations came in regular intervals from the state, that would relieve the time gap. Correct? You know it's coming. You don't have to raise the levy. You don't have to rely on property values. Just--

DREW HARRIS: Yeah, we'd have to see the model and, and the wording of the, of the amendment even. But, yes, it-- the timing--

SORRENTINO: Potentially.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

DREW HARRIS: --of that could be resolved through wording potentially.

SORRENTINO: OK. Thank you.

DREW HARRIS: Sure.

von GILLERN: Seeing no other questions, thank you.

DREW HARRIS: Thank you.

von GILLERN: Next opponent. Good afternoon.

NICK ZIEGLER: Hello. Good afternoon, Senators. My name is Nick Ziegler. That's N-i-c-k Z-i-e-g-l-e-r. I speak on behalf of Educational Service Unit 5 located in Beatrice. Among other roles, I'm the coordinator of our Distance Learning World Language Program. We serve 22 school districts across the state. I rise in opposition to LB389. World language education is important to Nebraskans. A survey of school administrators and counselors with wide representation across district size, geographic location, public and private, almost unanimously found that they, their local school boards and their students value language learning. The problem is there's an extreme teacher shortage. And world language education is among the highest needs. Roughly one-quarter of Nebraska schools do not have a world language educator on staff. That rises to roughly 50% of Class D schools. Live instruction via distance learning is the best alternative. A separate survey of school administrators and, and counselors found overwhelming consensus that live instruction via distance learning can be as good as an in-person teacher and is better than online only classes. This is what we do. ESU 5's World Language Program addresses teacher shortage with live instruction via distance learning. What does that look like? It looks and feels a lot like a traditional context. The teacher stands at the front of the classroom and interacts with their kids live, live through the window of a high-quality a/v system. It works. Over 95% of our students meet or exceed our proficiency goals. Almost, almost half earn about a grade of 95% or higher. Our students like our classes, value learning, are motivated to learn, feel comfortable, confident they can be successful. On the back of my testimony, there's a map, and it shows you in the past 5 years where we've been. 33 school districts across the state, the 22 dark blue icons represent the roughly 9% of Nebraska schools currently taking Spanish through us. The 11 light blue icons indicate some-- the school districts that have used our services as a temporary solution in the past. Because we are an ESU, we can be nimble to address the teacher shortage. Our program is one of many

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

great services provided by ESUs. We are a true non-- not-for-profit partner to our local districts. ESUs employ experts geographically distributed across the state. I rise in opposition to LB389 because any instability to ESU funding mechanisms jeopardizes these services ESUs provide. I welcome any questions.

von GILLERN: Thank you. Questions from the committee members? It's not hard to see the teacher in the room. Thank you. It reflects very well.

NICK ZIEGLER: Thank you.

von GILLERN: Thank you for your testimony.

NICK ZIEGLER: Yes.

von GILLERN: Next opponent. Good afternoon.

MARY YILK: Hi. Good afternoon, Senator von Gillern and the Revenue Committee. My name is Mary Yilk, M-a-r-y Y-i-l-k. And that's a Y as in yellow. 80% of the people put W, just saying. I am here as a representative of NASB to oppose LB389. I currently serve on ESU 9 Board, a position I've held for the past 8 years. Before that, I spent 10 years as an elementary teacher for Hastings Public Schools, relying heavily on ESU services to support students with challenging educational needs in my classroom. I then served as an elementary principal at Doniphan-Trumbull schools for 21 years, where ESU played a critical role in providing professional development for teachers, staff support, specialized areas such as PT, OT, school psychologists, speech therapists, and other resources that helped shape my vision for a strong elementary education system. Without the expertise of ESU staff, my ability to serve students and educators effectively would have been significantly impacted. Educational Service Units play a critical role in supporting our schools. I am concerned that eliminating their levy authority while shifting authority means uncertainty and a lack of sustainability. Under the proposed legislation, if the state does not allocate adequate funding, ESUs will have no legal structure to generate that lost revenue. I appreciate the intent of the bill, particularly providing funding for ESUs. However, my-- in my past experience, such as with state funding for core services, it has shown that these funds often decrease over time and fail to keep pace with the growing needs of our schools. While I recognize that implementation may not begin for several years, the bill does not specify a funding amount for the state to allocate to ESUs, raising concerns about long-term sustainability and adequacy.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

Thank you for your time and consideration and opportunity to testify. Again, I-- we do oppose LB389.

von GILLERN: Thank you. Questions from the committee members? Seeing none, thanks for being here.

MARY YILK: Thank you.

von GILLERN: Next opponent. Good afternoon.

TUCKER TEJKL: Good afternoon, Mr. Chairperson, Senator von Gillern and the rest of the Revenue Committee. I want to thank you for your time and also your service to our great state. My name is Tucker Tejkl, T-u-c-k-e-r T-e-j-k-l, and I'm the superintendent of Shelby-Rising City Public Schools in Shelby, Nebraska, and testifying today in opposition to LB389. I've been in education for the past 13 years and been involved with multiple ESU services. Currently, my district is in ESU 7, which is located in Columbus, Nebraska, and been part of this location for the past 3.5 years. During that time, I've witnessed firsthand the impact that ESUs have on our schools and can speak on the positive impact that ESU 7 has for us at SRC. ESU mission is to provide leadership and support by delivering customized and innovative services. At SRC, we utilize grant facilitation, instructional resources, mental health, a print shop, professional development, special education resources and technology. Just to go a little bit deeper so you can see the insight just from the whole district of how ESU is beneficial to us, I want to highlight some of the specifics. Mental health continues to be a top priority for our students and staff. We are fortunate to be able to have the opportunity of the services of a licensed mental health professional for 2.5 days throughout our week and then a school psychologist for the other 2.5 days. For a district our size, this is a tremendous service that serves our students and staff. From a professional development standpoint, our staff utilizes PLCs and PDs twice a month. With those late starts, we have ESU personnel come in and help personalize professional development to make it more meaningful to our staff and more hands-on. We also utilize the services for early childhood students to help them-- to help us prepare for students who may have IEPs set up learning opportunities and also help with possible occupational therapy to further set up a child for success. We utilize our ESU's Cen7ter, which is meticulously crafted to cater to the unique requirements of individuals aged 14 to 21, specifically with those that may have develop-- developmental disabilities. Our ESU provides the necessary resource for our students that need more help that our district may not have. We also utilize sending our staff to

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

our ESU for other opportunities, such as MANDT training, continuous school improvement, curriculum training, as well as opportunities for leadership for our administrators. Our district alone, which I have provided copies for you, see the numbers up close, we save around \$74,800 using the ESU services. Local funding control ensures that the ESUs can adapt to specific needs of our district and throughout our state. By shifting this funding to the state, we risk financial instability that could limit these essential services. ESUs currently operate under a stable, locally controlled funding structure that enables equitable, effective services for schools and students. Something that I believe is overlooked, though, is that ESUs serve both public and nonpublic schools and the demand is continuing to rise. Reducing ESU funding would limit support for all students in Nebraska. Our own ESU had to make cuts because of the lack of funding and the increased demand in other services. We hold our breaths just long enough throughout the spring and we wait and see to see what is passed down from legislation that impacts both our budget, budgets and then also as education as a whole. I ask you to please oppose LB389 and maintain the current funding model that allows ESUs to continue their vital work. With that, I thank you for your time and open to any questions that you may have.

von GILLERN: Thank you for racing through that.

TUCKER TEJKL: I'm so sorry.

von GILLERN: No, it's--

TUCKER TEJKL: I was [INAUDIBLE].

von GILLERN: --no, it's a short, it's a short time and we can only allow a short time when there's so many.

TUCKER TEJKL: When you're an hour away and you're driving up here, you have great timing to see how get it, so; 3:30 to 3 minutes, so.

von GILLERN: You did really, really well. Thank you for honor--

TUCKER TEJKL: I appreciate that. Thank you.

von GILLERN: --thank you for your courtesy there. Any questions from the committee members? Seeing none, again, thanks for coming up today.

TUCKER TEJKL: Absolutely. I just want to point out, too, just when you talk about the funding aspect-- well, from the superintendent's aspect of it, like when you talk about the fluctuation, if that's not going

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

to be there, then we're going to have the levy on our side of things as well, so.

VON GILLERN: Thank you. All right.

TUCKER TEJKL: Hey, go Huskies. Sorry. [INAUDIBLE] Thank you.

VON GILLERN: I saw the lanyard. Yeah. Next up. Good afternoon.

JACK MOLES: Good afternoon, Senator von Gillern and members of the Revenue Committee. My name is Jack Moles. That's J-a-c-k M-o-l-e-s. I'm the executive director of the Nebraska Rural Community Schools Association. First of all, I'd like to thank Senator Murman for his comments on the importance of the ESUs to our rural schools. As a former rural, rural, rural school board member, he knows how much-- how important they are to our rural schools. On behalf of NRCSA, though, I would like to testify in opposition to LB389. Our school districts will be very apprehensive to support LB389 as they are not confident in the ability of the state to continue to provide the funding to the ESUs that would be necessary. Our rural schools are especially dependent upon ESUs not only for services they provide, but also for the opportunities to be more cost effective or cost efficient through cooperative programs developed within the ESUs. Attached to this testimony is a list of services that are provided by some or all of the ESUs for our school districts. A few years back, Senator Groene asked me to do some-- get some information together for him on the ESUs. And, and so I went back to this list is what I did. So what I did is, I did a survey of our superintendents and asked which services they were most-- or they were dependent upon for-- through the ESUs. I had a great response rate on that one. I had 136 superintendents respond to me. 26 of the 40 services on this list were identified by at least 50% of the superintendents as being important to their districts. Some of the services on this list, if they were not handled by the ESUs could be handled by the individual school districts, but likely at a higher cost, much higher cost in many cases, and in many instances without the use of the specialists in the area. Some of the services on the list would be almost impossible to provide just within the school district due to either the sheer cost or the lack of trained personnel available. One thing I'd like to point out on this list is that by my estimation, about a third of those were not really in the, in the-- on the radar screens of superintendents or schools 25 or 30 years ago. So in time, and the time that was cited earlier of, of when the state committed to 2% per year, those things have been added in since then and so more has been added on to the plates of the ESUs while the state was not able to reach the 2% goal that they had. So

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

our rural school districts are concerned that the funding provided in LB389 may not always be there. When that state funding is not there, more and more costs will be pushed to the local school districts. And, of course, that would mean more dependency on local property taxes. Thank you.

von GILLERN: Thank you. Any questions from the committee? Seeing none, thanks for your testimony.

JACK MOLES: Thank you.

von GILLERN: Next opponent. How many others are planning on testifying? OK. Thank you. Good afternoon.

CHARLES RIEDESEL: OK. Senator von Gillern, members of the Revenue Committee, I'm Charles Riedesel, Professor Emeritus and long-time Chief Undergraduate Advisor for Computer Science and Engineering at UNL. I have previous experience with the ESU and community college systems.

von GILLERN: Could I get you to spell your name, please?

CHARLES RIEDESEL: Oh, yes.

von GILLERN: Thank you.

CHARLES RIEDESEL: Sorry. C-h-a-r-l-e-s R-i-e-d-e-s-e-l.

von GILLERN: Thank you.

CHARLES RIEDESEL: I even had it marked, marked in here that I was going to remember to do that.

von GILLERN: We all do.

CHARLES RIEDESEL: Get too excited.

von GILLERN: Thanks.

CHARLES RIEDESEL: I'm currently on the Board for Beatrice Public Schools and, consequently, I have developed a strong interest in understanding school finance. You may correctly surmise that I'm a big fan of Nebraska education at all levels. Today, I'm speaking in opposition to LB389. My start in teaching was at ESU 5 in Beatrice way back in 1977. I was young once. Personal computers were newly available in kit form. And the gifted coordinator scouted me out after hearing a request from some potential students and discovering that I

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

had built my own computer. We put together an evening class for high school students across the three-county area and spent the year studying the hardware design, building it with circuit boards that the students presented and soldered, and then programming it, initially using the rows of switches and blinking lights. It was amazing to experience the flexibility and responsiveness of the Nebraska ESU system. Today, you're hearing about the great work of ESUs in Nebraska, the invaluable range of services they provide, intermediaries between the Nebraska Department of Education, and the multitude of school districts of every size and unique strengths and needs. There is a reason for this. Your predecessors in the Unicameral did a wonderful job creating the ESU system 60 years ago, helping it evolve, developing efficient funding, governance, and services. What makes our multitiered educational system so effective and responsive to both state-level oversight and local governance is the funding mechanism. Having access to diverse sources makes the system less vulnerable, more resilient, and ultimately fairer. I have long espoused having multiple sources knowing that any one source in today's environment that would notably be property taxes is quite inequitable. Having multiple sources helps distribute the inequities. With multiple sources, each level of governance acquires accountability by having some skin in the game and is, therefore, better suited to understand and respond to local and regional differences. We're all aware of the great differences across Nebraska to which TEEOSA has been carefully crafted to compensate for, though perhaps not totally successfully. Years ago, the ESUs were granted levy authority up to 3.5 cents. Along with other changes, that was later reduced to 1.5 cents. I feel that that is a reasonable level and I'm inclined to support that unless there is strong assurance of alternative funding mechanisms that are dependable and serve the purposes I mentioned earlier. LB389 would lock each ESU to state replacement aid plus 3.5% per annum without provision for diverging needs or inflationary pressures. Thank you.

von GILLERN: Thanks for your testimony. Any questions from the committee? Seeing none, thank you for being here today.

CHARLES RIEDESEL: Thank you.

von GILLERN: Next opponent. Good afternoon.

LAURA BARRETT: All right. Good afternoon, Chairman von Gillern and members of the Revenue Committee. Thank you for the opportunity to speak to you today. My name is Laura Barrett, L-a-u-r-a B-a-r-r-e-t-t. I'm the administrator of Educational Service Unit 13 and I'm here to

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

testify in opposition of LB389. Educational Service Unit 13 proudly serves the school districts and educators in the Panhandle in Nebraska. So we have offices in Sidney and Chadron and Scottsbluff. We serve about 13,000 students in about 14,000 square miles. So a very large area. There have been a lot of testifiers today that have told you really great things about ESUs. And I have a 6-hour drive home, so I will be cautious of your time here. I do want to draw attention to a few things. One would be, Dr. Polk passed around, at the beginning of her testimony, what's called the staff development or, excuse me, the service catalog. Each ESU across the state meets with their school districts, and they work to design a tailored service provision model for that school district. Inside that document, you will see so many services in there that we offer and each looks different in each ESU. And so if we went through all of that, we would be here until tomorrow. So we will not do that today. But I encourage you to take a look through that and understand what that means. We customize that each time, each, each ESU has the ability to do that. Another thing that I want to bring up to you is, as we're thinking about-- we often are in front of the Education Committee, but as we have the opportunity to speak in front of the Revenue Committee, I think it's important to know about the return on investment on the tax levy that we get. So as you're aware, ESUs have a 1.5 cent levy. At ESU 13, when we calculate that out, for every dollar that is collected in property taxes, we leverage \$4.88 that never gets billed out to districts. We do that through federal grants. We do that through state projects, community foundations. We work with different organizations to do that. Our goal is to make it so we do not pass those costs on to school districts. We don't even want to pass those on to the state. What we know is that stable source of funding helps us to be able to access those funds and we need to continue to have those. There was a question earlier from Senator von Gillern about if we would be supportive of the amendment that was similar to the community college with that stop gap in there. The first thing we would also ask is would it also be considered that we were made whole based on the LB1110 that Dr. Polk mentioned of those increases that should have been happening with our funding to begin with? And if this is an amendment that's being considered, we would appreciate being at the table to be a part of that conversation and how that could impact our funding. So as you've heard today-- I'm not going to take more of your-- much more of your time, ESUs across the state are a great resource for schools and you, as a Legislature as well, as we look to create greater opportunities for all students, whether you attend a homeschool, nonpublic schools, I passed around a sheet that you see there that talks about all of the ways we support our nonpublic

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

schools or one of Nebraska's 245 great public school districts, ESUs have the resources to ensure that, at the end of the day, each child in Nebraska receives the services and support they need. We ask you consider what you have heard today, oppose LB389 to protect the stability of our funding structure and, by extension, the services that are vital to Nebraska's educational system. Thank you.

VON GILLERN: Thank you so much. Questions from the committee? Somebody who drove 6 hours, we don't have any other questions? Senator Dungan.

DUNGAN: How are you doing?

LAURA BARRETT: Oh, great, great, great.

DUNGAN: I appreciate your comments with regards to being at the table for having a conversation about the potential, if there was even potential for an amendment for the backstop. Just to kind of further suss that out, would that backstop or that potential backfilling alleviate your concerns to the point that you would not oppose it or do you think it would depend on what that looked like? I'm not trying to lock you into anything,--

LAURA BARRETT: No, you're good.

DUNGAN: --but I know that with the community colleges, that was kind of a moving target. It was an ongoing conversation and it got to a place where ultimately people all seemed like they were on the same page. Do you think that's a position that you could get to, or do you think that the, the whole spirit of the bill is something that you're just going to remain in opposition to?

LAURA BARRETT: Yeah, I think that's the best part of being at the table is we could look at crafting that. We want sustainable funding for Educational Service Units. That's the most important piece for us. And so being a part of that conversation, whether that is through mechanism of an amendment or other things, we're open to being part of that.

DUNGAN: I appreciate that. I appreciate you providing the information. I think-- again, I'm not as familiar with ESUs being on Revenue, but the amount of work that you all do with the nonpublic schools I think is important, too. What's the proportion of your, your work that goes between public and nonpublic? Do you know kind of what the split is on that?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

LAURA BARRETT: I don't have that split and it really varies. So in western Nebraska, we have fewer nonpublic schools and more homeschooled percentagewise between the traditional nonpublic and homeschools. And in some parts of the state, as many of us are aware, there are a lot more nonpublic. So that would be a question that at each individual ESU, they could answer that.

DUNGAN: OK. And then the last question I have. So you help purchase techno-- technology for schools, essentially, or do you help that sort of, like, larger-scale computers, for example?

LAURA BARRETT: So we helped facilitate during the pandemic through our profit of purchasing processes, some of the flow-through funds, many of the legislative pieces could-- or the funds could not go directly to nonpublic schools so that can be a flow-through mechanism for, for ESUs.

DUNGAN: Which leads me to my final question. When I was in school, we used a lot of Macintosh computers. How do you all decide if you're going to buy PCs or Macs?

LAURA BARRETT: Well, depends on your tech person. It's really based on the needs of that part. And the schools have different things. We have schools in the ESU 13 that are Macs and we have PCs and Dells and all the different types. And the tech people we have are brilliant and able to work on them all.

DUNGAN: Equal opportunity technology. I appreciate that.

LAURA BARRETT: Absolutely.

DUNGAN: Thank you so much for being here.

LAURA BARRETT: Yeah.

von GILLERN: Somehow I knew you'd have a question or two. Good job. Thanks for coming so far. I appreciate your testimony.

LAURA BARRETT: Certainly.

von GILLERN: Yeah. Are there any other opponents? Seeing none, is there anyone who would like to testify in a neutral position? Seeing none, Senator Murman, would you like to close? And as you come up, let's see what we have for-- we had 6 proponents and 41 opponents that-- and zero neutral comments filed on the system today. So thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

MURMAN: Yes, thanks. I'll keep it short. Yeah, I assumed I'd have a lot of opposition here from ESUs and schools they serve. I am open to working with them. As I said in my open comments, I want to keep the services to all the schools, especially the rural schools, and I'm open to working with them, the ESUs, or-- and the schools, whoever it takes, NDE, to make sure that we get that done.

von GILLERN: Thank you. Questions from the committee members? I just have one. You brought, you brought the amendment that changed the funding for the, the state colleges.

MURMAN: Yes.

von GILLERN: Was it last year or the year before, 2 years ago?

MURMAN: That's a good question.

von GILLERN: I think it's 2 years.

MURMAN: I'm not sure. I think it was 2 years ago, too.

von GILLERN: Anyway, by and large, that's been seen as a success. They-- I know they had a lot of concerns about it and there was a lot of good conversation that led to what we believe is a good bill. And I believe that they've been pleased with that outcome. Is that your understanding?

MURMAN: Yeah. I haven't, I haven't heard complaints at all, but I think it's worked out very well.

von GILLERN: OK. All right. Well, hopefully we can use-- maybe use that as a model, so.

MURMAN: Yeah.

von GILLERN: All right. Thank you. That'll close our hearing on LB389 and we'll open on LB709. Senator Bostar. Are we ready?

SORRENTINO: We are.

von GILLERN: Thanks for your patience. Senator Bostar, welcome.

BOSTAR: And, Mr. Chairman, before we really start, this is a new room for us and--

von GILLERN: Can you adapt?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

BOSTAR: I'm, I'm intrigued by the variability in the lighting between hearing rooms.

von GILLERN: Yeah. We tried to get that adjusted and we didn't succeed.

BOSTAR: It's a little bizarre. With that, good afternoon, Chairman von Gillern, fellow members of the Revenue Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r, representing Legislative District 29. I am here today to introduce LB709, the Nebraska adoption tax credit. This legislation is very simple, creating a refundable state income tax credit equal to 10% of the federal adoption tax credit. According to the National Council for Adoption, every child adopted, rather than placed in long-term foster care offsets between \$65,000 and \$127,000 in total government spending. In terms of child welfare, educational outcomes, as well as total fiscal impact on taxpayers, parents who adopt a child are providing an enormously valuable benefit to our communities, not to mention opening their home to a child in need. But the average cost of adopting a child in the United States is between \$30,000 and \$50,000, according to the U.S. Department of Health and Human Services, while international adoption can cost routinely upwards of \$75,000 or more. These costs can include legal fees, home studies, cradle care costs, travel, lodging, court fees, prenatal care, as well as other medical and living expenses for the birth parents. For the tax year 2024, the federal tax credit is currently capped at \$16,810, meaning the maximum distribution for Nebraska providing a 10% match would be \$1,681 per adopted child. As new parents shoulder the costs of adopting a child, this body should recognize the high financial burdens they face, the enormous benefit for the child and community at large, and provide for this small support to make that process easier. Married couples seeking to be eligible for the credit are required to file their taxes jointly. For tax year 2024, a taxpayer only qualifies for the full credit if their modified adjusted gross income is less than \$252,150. The credit is reduced for incomes between \$252,151 and \$292,150 and unavailable for incomes exceeding \$292,150. The credit could only be used to offset the cost of qualifying adoption expenses listed as adoption fees, attorney fees, court costs, travel expenses, including meals and lodging, expenses paid before an eligible child has been identified, such as home study fees, and other expenses directly related to the legal adoption. As the federal credit is nonrefundable, it has very little benefit to families making less than approximately \$30,000 annually as they are unlikely to have tax liability. Families making between \$30,000 and \$100,000 a year are generally able to take advantage of some portion of the credit, while families with a

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

household income above \$100,000 a year are usually able to take full advantage of the federal credit. According to the National Council for Adoption, 61% of all adopted children are adopted by low- and middle-income homes. As this state credit is a refundable credit, unlike the federal credit, this would be a meaningful benefit to all Nebraska families that are opening their home to a child. LB709 is simple legislation that would make very real difference for Nebraska's adoptive parents. The benefit to the community is clear and the benefits to the child are immeasurable. I urge you to support LB709 and thank you for your time and consideration. Be happy to answer any questions you may have.

von GILLERN: Thank you for your opening. Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Like to ask you briefly, Senator Bostar, about the fiscal note. It seems very small. Is that just because of the lack of potential usage or individuals that wouldn't be affected by this?

BOSTAR: So I think it's small because-- frankly, it's, it's small. You know, the truth is so the-- if someone's eligible for the full federal credit, we would be matching at 10%. So that's, you know, almost but not quite \$1,700 per adopted child. And so \$1,700, you know, they're looking at \$230,000. I mean, it's-- I suppose we could pull how many, how many children are adopted in Nebraska, but also there's income thresholds as well. So to be honest, like, it might be high.

DUNGAN: And that was kind of my thought, too. I think this is going to be utilized in very few circumstances. And you also-- and I want to make sure I understand this, you mentioned that it goes towards services for the adoption, right? This is going towards attorneys' fees and travel fees. It's not like somebody can just adopt a child and earn a credit.

BOSTAR: Correct.

DUNGAN: Just pocket the money for no reason.

BOSTAR: Correct. I would say, though, that if someone is going through the process of legally adopting a child, they're going to be able to utilize this. It's, it's a, it's a significantly expensive process. And I-- you know-- and, and to some extent rightfully so. Right? I mean, there's a lot of home checks and interviews and, and, and legal process that, that needs to be satisfied before-- you know, we're, we're talking about the life and future of a child. So we have to be,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

obviously, diligent in that process, so. But it is expensive. So I don't think anyone who's eligible for this would, would find it difficult to find qualifying expenses to satisfy the credit. But you're right that they can't just spend it on whatever.

DUNGAN: All right. Thank you.

von GILLERN: Senator Sorrentino.

SORRENTINO: Chairman von Gillern, thank you. Thank you for bringing this. It's great legislation. I tried to work through it, too, and I got 136 kids a year if you did the whole full, you know. But you think about the income limitations. A lot of people who are adopting these children are above the income. I'm guessing it's probably, from what I did my research, there might be 600 or 700 children adopted every year, but you're only going to have 135 or so. I, I think the numbers are close enough.

BOSTAR: Yeah, I mean, it's-- it very well could be. And I think we could probably go through and, and find some of that and talk to some agency folks and--

SORRENTINO: The number doesn't bother me. I, I just was trying to work through it.

BOSTAR: Yeah.

SORRENTINO: All right.

BOSTAR: Yeah.

SORRENTINO: Thank you.

von GILLERN: Other questions? Trusting the numbers here, my wife and I adopted twins in 1986, and it was roughly \$10,000. So if you inflate that to today, it's, it's a big, big number, so.

BOSTAR: Could you repeat that again?

von GILLERN: I said my-- because it hurt so bad?

BOSTAR: No, I just couldn't hear it.

von GILLERN: My wife and I adopted twins in 1986, and it was roughly \$10,000 in expenses then.

BOSTAR: Oh, OK.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

von GILLERN: So, it's, it's significant. And they were domestic. So it's, it's-- there's a significant cost matrix, so. Appreciate you bringing this.

BOSTAR: Thank you.

von GILLERN: Presume you'll stay to close?

BOSTAR: Where would I go?

von GILLERN: No idea.

SORRENTINO: Well, there's a hearing down the hall.

von GILLERN: First, first proponent testimony, please.

JOHN CHAPO: Sorry. [INAUDIBLE] Good afternoon, Senator von Gillern and senators of the, of the Revenue Committee. I'm John Chapo, J-o-h-n, last name, C-h-a-p-o. I'm-- I speak today in support of LB709. It establishes an adoption tax credit. I represent an organization. I do represent adoptive parents. OK? We're in the same club. My wife Tracy [PHONETIC] and I are very proud parents of an awesome adopted son named Eric [PHONETIC]. Tracy and I are also blessed with two biological sons, Ian [PHONETIC] and Kyle [PHONETIC], and Eric is their baby brother. Now they are full grown, very successful men today, who are now 33, 31, and 30. Tracy and I have also been foster parents, both short term and long term. We've also been guardians of a teenager. I currently serve as a court-appointed special advocate or CASA volunteer for Lancaster County. Today, adopting a child is much more expensive and challenging than it was 30 years ago. And there are many children in need of a loving home, and there are many loving homes wishing to welcome a child. This tax credit could greatly assist adoptive parents as they face the challenges-- excuse me, of adopted expenses. Senators, I believe that everyone in this room is supportive of loving, caring, and nurturing families in Nebraska. This tax credit could be a game changer to the wallets for parents wishing to in adopting a child. And, Senators, I am certain that you are well aware that there are many children in Nebraska ready to be and needing to be adopted. Please support LB709 and help empower loving Nebraska families to welcome an adopted child into their home. Thank you.

von GILLERN: Thanks for your testimony. Any questions from the committee? Seeing none, thank you for being here.

JOHN CHAPO: Thank you, Senators.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

von GILLERN: Next proponent. Good afternoon.

CHRIS TONNIGES: Senator-- good afternoon, Senator von Gillern, members of the Revenue Committee. My name is Chris Tonniges, C-h-r-i-s T-o-n-n-i-g-e-s, appearing before you today as president and CEO of Lutheran Family Services in support of Senator Bostar's bill, LB709. Lutheran Family Services, or LFS, is grateful for the Legislature's commitment to making the great state of Nebraska one of the nation's most welcoming states for all people. I sit in front of you today as the CEO of an agency that for 133 years has been helping families grow, reunite with family members, and help children find permanency through adoption. Over our history, LFS has had an impact on close to 1 in 10 families across the state through this gift of adoption and over 200 placements in the last decade through all of our programs. I also sit in front of you as a father of three children who were adopted through this amazing-- amazing agency: Rachel Noel, age 22, Zachary James, age 20, Hallie Faith, now age 16. Each of their stories is as unique as they are as individuals. And I can't even begin to think of my life without them. Like a lot of couples, we struggled with infertility. Infertility affects 1 in 6 couples in the world. After trying and exploring several infertility treatments and spending thousands on failed treatments, we decided that adoption may be our only choice in building a family we desperately wanted. Adoption-- adoption agencies put the financial burden of the costs on the adoptive family for obvious reasons. The most obvious is that of not placing additional financial burden on the birth parent or biological parent that is choosing to place their child for adoption. Adoptive families need to go through a variety of steps to verify that they provide a suitable household for adoption, including background checks, home study, adoption readiness training and classes, etcetera. Because there is no other reimbursement for adoption-related expenses, the cost to deliver services has increased significantly over the last 5 years, thus putting additional burden on adoptive parents. For example, the cost to provide infant adoption services through LFS has increased from over \$15,000-- from \$15,000 to over \$23,000. And as an agency, we still lose roughly about \$50,000 a year just to offer these services. While we, as an agency, offer other services that cost less, such as adoption through our Wendy's Wonderful Kids program, Foster Care and Kinship programs, cost continues to be the number one referenced burden in continuing down the path of adoption. LB709 provides just a little bit more relief for those that choose and, more importantly, those that need adoption as an option to grow their families. The gift of adoption cannot be measured in dollars and cents, and anything that the Legislature can do to help families

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

explore this gift has generational impact on everyone involved. I would be happy to share my adoption stories, but we'd be here for another hour or maybe even a day and would gladly tell everyone the profound impact my three children have had on my and my extended family's life. Nebraska is a great state where families thrive regardless of what they look like or how they're created. It is truly what makes Nebraska special. It's a place where the American dream lives, where opportunities to succeed abounds. LB709 just helps remove another barrier families face. We encourage the Revenue Committee to advance LB709 and continue to make Nebraska the greatest state to build a family.

von GILLERN: Thank you for your testimony. Any questions from the committee members? Seeing none, your dad is Tom, right?

CHRIS TONNIGES: Yeah.

von GILLERN: That's what I thought.

CHRIS TONNIGES: Yeah.

von GILLERN: I, I, I was trying to make-- made the connection after you, after you came up and introduced yourself.

CHRIS TONNIGES: Yeah.

von GILLERN: Good man, good friend of mine from Rotary for a long time, so. Thanks for being here today.

CHRIS TONNIGES: Absolutely.

von GILLERN: Yep. Appreciate your testimony. Next proponent. Good afternoon.

TOM VENZOR: Good afternoon, Chairman von Gillern, members of the Revenue Committee. My name is Tom Venzor, T-o-m V-e-n-z-o-r. I'm the executive director of the Nebraska Catholic Conference. My colleague, Marion, was going to be the one testifying on this, but he's at another hearing. So you get the B team and I'm actually going to a hearing across the hall. So I'm just going to be very short and sweet. We-- there's more in our testimony, but we think that this is a very reasonable, sensible idea in a piece of legislation that should move forward. Adoptive parents who are seeking to adopt and do the work for adoption are putting in a lot of financial resources. Obviously, they're putting their heart and soul into that whole process. And we think that this is an important, an important opportunity to be able

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

to just validate and affirm the work that we're doing to ensure that we can just create good, sustainable, long-term families for children and to help those parents who do seek the adoption process and do adopt. So I've got more in there about, you know, just our fundamental understandings of parenting and the family and things of that nature. But I'll leave it at that.

VON GILLERN: Thanks for your testimony. Any questions? Senator Murman.

MURMAN: Yeah, this question, probably more of a legal question, I think, maybe than a, a financial question or a revenue question. But would this credit be in effect for unborn children, like, for instance, embryos, too, would you know?

TOM VENZOR: That is a good question. I would-- I'm not sure about that. I'll-- I can get back to you on that.

MURMAN: OK. Sure.

TOM VENZOR: Yeah.

VON GILLERN: Any other questions? Seeing none, thank you for your testimony.

TOM VENZOR: Easy enough. Thank you

VON GILLERN: Other proponents?

NATE GRASZ: Good afternoon, Chairman von Gillern and members of the committee. My name is Nate Grasz, N-a-t-e G-r-a-s-z, and I'm testifying in support of LB709 on behalf of the Nebraska Family Alliance. Adoption is one of the most beautiful and life-affirming decisions that parents and families can make. It is also a lengthy and expensive process. While some outstanding nonprofits are helping reduce financial barriers to adoption, given today's cost of living, the process is still far too costly for many families. We believe LB709 is a simple, yet meaningful opportunity to recognize the importance of adoption by providing practical support and financial relief to families who have made the selfless and courageous decision to give a child a forever home. The existing federal adoption tax credit helps assist families by alleviating some of the high financial burdens that families incur throughout the adoption process. By establishing a state adoption tax credit, we can improve the efficacy of the adoption tax credit while helping more vulnerable children be placed into loving homes and encourage women and families to choose life. We are committed to helping foster and advance a culture of life

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

in Nebraska, which includes supporting vulnerable children and families seeking to adopt. LB709 can help families bring children into stable, loving, and nurturing homes. We would like to thank Senator Bostar for bringing this important and common-ground measure to support children and families in our state, and we encourage the committee's support. Thank you.

VON GILLERN: Thank you. Questions from the committee? Seeing none, thanks for being here.

NATE GRASZ: Thank you.

VON GILLERN: Any other proponent testimony? Seeing none, is there any opponent testimony? Seeing none, anyone who would like to testify in a neutral position? Seeing none, Senator Bostar, would you like to close?

BOSTAR: Thank you, Chairman von Gillern and members of the committee. I, I did some math on this. So if you take the average cost of a child placed in long-term foster care-- so you take the expenses of that and there's, you know, there's a, there's a, a low point and a high point of the range that this generally exists in. So if you take the average cost, not even going to the high point, and then you look at what the maximum tax credit allotment would be, which, of course, you're going to have some that are partials. But this is-- imagine everyone gets the most they could out of it. This legislation pays for itself if only one out of every 60 adoptions is affluent-- the decision for that is influenced by this legislation. 1.6% is the, the rate that is required for efficacy to make this revenue positive, which is fairly remarkable. We don't get a lot of opportunities to kind of do that. And the reason I think it absolutely would be is because this is structured as a refundable tax credit. So there are all these families right now that aren't getting any support or getting very limited support through the federal tax credit when trying to adopt. And we would be stepping up in a place to provide support where they are currently not getting it, thus maybe making it viable for them to pursue. And, again, only 1 out of 60 has to make the decision to pursue this, for this to become revenue positive. But I'm also going to tell you this, like none of that matters. Even if that wasn't true, we should do this because it's the right thing to do and it's the valuable thing to do. And all of the dollars I just talked about about offsetting government spending and funding are, are all well and good. But the real value here is trying to make it easier for children to be adopted and enter loving homes. And I don't have a, I don't have a

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2025

dollar to put on that, nor will I ever try. With that, I'd be happy to answer any questions.

von GILLERN: Thank you. Questions from the committee? Seeing none, thank you for your closing.

BOSTAR: Thank you.

von GILLERN: We had seven pro-- or excuse me, two proponents and one opponent and zero neutral testimonies filed. And I did read for the last-- yeah, I read for the last-- OK. All right. That'll close our hearing on LB709 and we'll close the Revenue hearings for the day. Thanks, everybody.