

## LEGISLATIVE BILL 988

Approved by the Governor April 2, 2008

Introduced by Raikes, 25.

FOR AN ACT relating to education funding; to amend sections 44-4317, 79-8,137, 79-1022.02, 79-1023, 79-1029, and 79-1229, Reissue Revised Statutes of Nebraska, sections 79-233, 79-1005.01, 79-1008.01, 79-1009, and 79-1024, Revised Statutes Cumulative Supplement, 2006, and sections 77-3442, 79-458, 79-4,108, 79-4,111, 79-1001, 79-1003, 79-1003.01, 79-1007.02, 79-1007.04, 79-1007.06, 79-1007.07, 79-1007.08, 79-1007.09, 79-1007.10, 79-1008.02, 79-1013, 79-1014, 79-1015.01, 79-1016, 79-1018.01, 79-1022, 79-1028, 79-1031.01, 79-1073, 79-1083.03, 79-1336, 79-1337, and 79-2102, Revised Statutes Supplement, 2007; to change provisions relating to tax levies for members of risk management pools, learning communities, and certain school districts, to freeholding, and to unified systems; to define and redefine terms; to change provisions relating to the Tax Equity and Educational Opportunities Support Act, educational service unit financial reporting, and distance education reimbursement; to harmonize provisions; to eliminate provisions relating to calculation of state aid; to repeal the original sections; to outright repeal section 79-1009.01, Reissue Revised Statutes of Nebraska, and section 79-1007.03, Revised Statutes Supplement, 2007; and to declare an emergency.

Be it enacted by the people of the State of Nebraska,

Section 1. Section 44-4317, Reissue Revised Statutes of Nebraska, is amended to read:

44-4317 (1)(a) Any public agency which has the authority to levy a tax shall be authorized to levy a tax, to contract indebtedness, and to issue general obligation bonds payable from such a tax levy to pay the premium costs of general liability insurance, property insurance, workers' compensation insurance, health, dental, or accident insurance, life insurance, and any other insurance to protect against any of the losses described in section 44-4304 and to pay all costs and expenses associated with membership in a risk management pool, including, but not limited to, standard insurance coverages, group self-insurance coverages, assessments levied by the pool, retirement of debt incurred by the pool, and operating expenses of the pool.

(b) A member of a risk management pool which has the authority to levy a tax shall be authorized to enter into agreements obligating the member to make payments beyond its current budget year for any of such purposes.

(c) Taxes levied by a public agency other than an educational service unit or school district for the payment of the principal of, premium of, or interest on such a general obligation bond of such public agency, the payment of such insurance premium costs, and the payment of all costs and expenses associated with membership in a risk management pool may be levied in excess of any tax limitation imposed by statute.

(d) Except as permitted in subdivision (1)(e) of this section, taxes levied by an educational service unit or school district on or after the effective date of this act for the payment of the principal of, premium of, or interest on such a general obligation bond of such public agency, the payment of such insurance premium costs, and the payment of all costs and expenses associated with membership in a risk management pool shall be subject to the levy limit applicable to such public agency under section 77-3442.

(e) Taxes levied by an educational service unit or school district for the payment of the principal of, premium of, or interest on such a general obligation bond of such educational service unit or school district issued prior to the effective date of this act shall be excluded from the levy limit applicable to such public agency under section 77-3442.

(2) Nothing in the Intergovernmental Risk Management Act shall be construed or interpreted as permitting the State of Nebraska, represented by the Risk Manager, to enter into any agreement or contract or do any act in contravention of the Constitution of the State of Nebraska.

Sec. 2. Section 77-3442, Revised Statutes Supplement, 2007, is amended to read:

77-3442 (1) Property tax levies for the support of local governments for fiscal years beginning on or after July 1, 1998, shall be limited to the amounts set forth in this section except as provided in section 77-3444.

(2)(a) Except as provided in subdivision (2)(e) of this section, school districts and multiple-district school systems, except learning

communities and school districts that are members of learning communities, may levy a maximum levy of one dollar and five cents per one hundred dollars of taxable valuation of property subject to the levy.

(b) For each fiscal year, learning communities may levy a maximum levy for the general fund budgets of member school districts ~~equal to the local effort rate prescribed in section 79-1015.01 for such fiscal year.~~ of ninety-five cents per one hundred dollars of taxable valuation of property subject to the levy. The proceeds from the levy pursuant to this subdivision shall be distributed pursuant to section 79-1073.

(c) Except as provided in subdivision (2)(e) of this section, for each fiscal year, school districts that are members of learning communities may levy for purposes of such districts' general fund budget and special building funds a maximum combined levy of the difference of one dollar and five cents on each one hundred dollars of taxable property subject to the levy minus the learning community levies pursuant to subdivisions (2)(b) and (2)(g) of this section for such learning community.

(d) Excluded from the limitations in subdivisions (2)(a) and (2)(c) of this section are amounts levied to pay for sums agreed to be paid by a school district to certificated employees in exchange for a voluntary termination of employment and amounts levied to pay for special building funds and sinking funds established for projects commenced prior to April 1, 1996, for construction, expansion, or alteration of school district buildings. For purposes of this subsection, commenced means any action taken by the school board on the record which commits the board to expend district funds in planning, constructing, or carrying out the project.

(e) Federal aid school districts may exceed the maximum levy prescribed by subdivision (2)(a) or (2)(c) of this section only to the extent necessary to qualify to receive federal aid pursuant to Title VIII of Public Law 103-382, as such title existed on September 1, 2001. For purposes of this subdivision, federal aid school district means any school district which receives ten percent or more of the revenue for its general fund budget from federal government sources pursuant to Title VIII of Public Law 103-382, as such title existed on September 1, 2001.

(f) For school fiscal year 2002-03 through school fiscal year 2007-08, school districts and multiple-district school systems may, upon a three-fourths majority vote of the school board of the school district, the board of the unified system, or the school board of the high school district of the multiple-district school system that is not a unified system, exceed the maximum levy prescribed by subdivision (2)(a) of this section in an amount equal to the net difference between the amount of state aid that would have been provided under the Tax Equity and Educational Opportunities Support Act without the temporary aid adjustment factor as defined in section 79-1003 for the ensuing school fiscal year for the school district or multiple-district school system and the amount provided with the temporary aid adjustment factor. The State Department of Education shall certify to the school districts and multiple-district school systems the amount by which the maximum levy may be exceeded for the next school fiscal year pursuant to this subdivision (f) of this subsection on or before February 15 for school fiscal years 2004-05 through 2007-08.

(g) For each fiscal year, learning communities may levy a maximum levy of two cents on each one hundred dollars of taxable property subject to the levy for special building funds for member school districts. The proceeds from the levy pursuant to this subdivision shall be distributed pursuant to section 79-1073.01.

(h) For each fiscal year, learning communities may levy a maximum levy of five cents on each one hundred dollars of taxable property subject to the levy for elementary learning center facilities and for up to fifty percent of the estimated cost for capital projects approved by the learning community coordinating council pursuant to section 79-2111.

(3) Community colleges may levy a maximum levy calculated pursuant to the Community College Foundation and Equalization Aid Act on each one hundred dollars of taxable property subject to the levy.

(4)(a) Natural resources districts may levy a maximum levy of four and one-half cents per one hundred dollars of taxable valuation of property subject to the levy.

(b) Natural resources districts shall also have the power and authority to levy a tax equal to the dollar amount by which their restricted funds budgeted to administer and implement ground water management activities and integrated management activities under the Nebraska Ground Water Management and Protection Act exceed their restricted funds budgeted to administer and implement ground water management activities and integrated management activities for FY2003-04, not to exceed one cent on each one

hundred dollars of taxable valuation annually on all of the taxable property within the district.

(c) In addition, natural resources districts located in a river basin, subbasin, or reach that has been determined to be fully appropriated pursuant to section 46-714 or designated as overappropriated pursuant to section 46-713 by the Department of Natural Resources shall also have the power and authority to levy a tax equal to the dollar amount by which their restricted funds budgeted to administer and implement ground water management activities and integrated management activities under the Nebraska Ground Water Management and Protection Act exceed their restricted funds budgeted to administer and implement ground water management activities and integrated management activities for FY2005-06, not to exceed three cents on each one hundred dollars of taxable valuation on all of the taxable property within the district for fiscal year 2006-07 and each fiscal year thereafter through fiscal year 2011-12.

(5) Educational service units may levy a maximum levy of one and one-half cents per one hundred dollars of taxable valuation of property subject to the levy.

(6) (a) Incorporated cities and villages which are not within the boundaries of a municipal county may levy a maximum levy of forty-five cents per one hundred dollars of taxable valuation of property subject to the levy plus an additional five cents per one hundred dollars of taxable valuation to provide financing for the municipality's share of revenue required under an agreement or agreements executed pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. The maximum levy shall include amounts levied to pay for sums to support a library pursuant to section 51-201, museum pursuant to section 51-501, visiting community nurse, home health nurse, or home health agency pursuant to section 71-1637, or statue, memorial, or monument pursuant to section 80-202.

(b) Incorporated cities and villages which are within the boundaries of a municipal county may levy a maximum levy of ninety cents per one hundred dollars of taxable valuation of property subject to the levy. The maximum levy shall include amounts paid to a municipal county for county services, amounts levied to pay for sums to support a library pursuant to section 51-201, a museum pursuant to section 51-501, a visiting community nurse, home health nurse, or home health agency pursuant to section 71-1637, or a statue, memorial, or monument pursuant to section 80-202.

(7) Sanitary and improvement districts which have been in existence for more than five years may levy a maximum levy of forty cents per one hundred dollars of taxable valuation of property subject to the levy, and sanitary and improvement districts which have been in existence for five years or less shall not have a maximum levy. Unconsolidated sanitary and improvement districts which have been in existence for more than five years and are located in a municipal county may levy a maximum of eighty-five cents per one hundred dollars of taxable valuation of property subject to the levy.

(8) Counties may levy or authorize a maximum levy of fifty cents per one hundred dollars of taxable valuation of property subject to the levy, except that five cents per one hundred dollars of taxable valuation of property subject to the levy may only be levied to provide financing for the county's share of revenue required under an agreement or agreements executed pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. The maximum levy shall include amounts levied to pay for sums to support a library pursuant to section 51-201 or museum pursuant to section 51-501. The county may allocate up to fifteen cents of its authority to other political subdivisions subject to allocation of property tax authority under subsection (1) of section 77-3443 and not specifically covered in this section to levy taxes as authorized by law which do not collectively exceed fifteen cents per one hundred dollars of taxable valuation on any parcel or item of taxable property. The county may allocate to one or more other political subdivisions subject to allocation of property tax authority by the county under subsection (1) of section 77-3443 some or all of the county's five cents per one hundred dollars of valuation authorized for support of an agreement or agreements to be levied by the political subdivision for the purpose of supporting that political subdivision's share of revenue required under an agreement or agreements executed pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. If an allocation by a county would cause another county to exceed its levy authority under this section, the second county may exceed the levy authority in order to levy the amount allocated.

(9) Municipal counties may levy or authorize a maximum levy of one dollar per one hundred dollars of taxable valuation of property subject to the levy. The municipal county may allocate levy authority to any political subdivision or entity subject to allocation under section 77-3443.

(10) Property tax levies for judgments, except judgments or orders from the Commission of Industrial Relations, obtained against a political subdivision which require or obligate a political subdivision to pay such judgment, to the extent such judgment is not paid by liability insurance coverage of a political subdivision, for preexisting lease-purchase contracts approved prior to July 1, 1998, for bonded indebtedness approved according to law and secured by a levy on property except as provided in section 44-4317 for bonded indebtedness issued by educational service units and school districts, and for payments by a public airport to retire interest-free loans from the Department of Aeronautics in lieu of bonded indebtedness at a lower cost to the public airport are not included in the levy limits established by this section.

(11) The limitations on tax levies provided in this section are to include all other general or special levies provided by law. Notwithstanding other provisions of law, the only exceptions to the limits in this section are those provided by or authorized by sections 77-3442 to 77-3444.

(12) Tax levies in excess of the limitations in this section shall be considered unauthorized levies under section 77-1606 unless approved under section 77-3444.

(13) For purposes of sections 77-3442 to 77-3444, political subdivision means a political subdivision of this state and a county agricultural society.

(14) For school districts that file a binding resolution on or before May 9, 2008, with the county assessors, county clerks, and county treasurers for all counties in which the school district has territory pursuant to subsection (7) of section 79-458, if the combined levies, except levies for bonded indebtedness approved by the voters of the school district and levies for the refinancing of such bonded indebtedness, are in excess of the greater of (a) one dollar and twenty cents per one hundred dollars of taxable valuation of property subject to the levy or (b) the maximum levy authorized by a vote pursuant to section 77-3444, all school district levies, except levies for bonded indebtedness approved by the voters of the school district and levies for the refinancing of such bonded indebtedness, shall be considered unauthorized levies under section 77-1606.

Sec. 3. Section 79-233, Revised Statutes Cumulative Supplement, 2006, is amended to read:

79-233 For purposes of sections 79-232 to 79-246:

(1) Enrollment option program means the program established in section 79-234;

(2) Option school district means the public school district that a an option student chooses to attend instead of his or her resident school district; ~~except when a student chooses to attend another school district in a learning community in which the student resides pursuant to section 79-2110;~~

(3) Option student means a student that has chosen to attend an option school district, including a student who resides in a learning community and who has chosen to attend an option school district in such learning community prior to the effective date of the establishment of such learning community, but not including a student who resides in a learning community and who enrolls pursuant to section 79-2110 in another school district in such learning community;

(4) Resident school district means the public school district in which a student resides; and

(5) Siblings means all children residing in the same household on a permanent basis who have the same mother or father or who are stepbrother or stepsister to each other.

Sec. 4. Section 79-458, Revised Statutes Supplement, 2007, is amended to read:

79-458 (1) Any freeholder or freeholders, person in possession or constructive possession as vendee pursuant to a contract of sale of the fee, holder of a school land lease under section 72-232, or entrant upon government land who has not yet received a patent therefor may file a petition ~~on or~~ ~~before July 15 for 2007 and~~ on or before June 1 for all other years with a board consisting of the county assessor, county clerk, and county treasurer, asking to have any tract or tracts of land described in the petition set off from an existing ~~Class II or III~~ school district in which the land is situated and attached to ~~an accredited~~ a different school district which is contiguous to such tract or tracts of land if:

~~(a)~~ (a)(i) The school district in which the land is situated is a Class II or III school district which has had an average daily membership in grades nine through twelve of less than sixty for the two consecutive school fiscal years immediately preceding the filing of the petition;

~~(b)~~ The (ii) Such Class II or III school district has voted

pursuant to section 77-3444 to exceed the maximum levy established pursuant to subdivision (2) (a) of section 77-3442, which vote is effective for the school fiscal year in which the petition is filed or for the following school fiscal year;

~~(e) (iii) The high school in such Class II or III school district is within fifteen miles on a maintained public highway or maintained public road of another public high school; and~~

~~(d) (iv) Neither school district is a member of a learning community; or-~~

(b) Except as provided in subsection (7) of this section, the school district in which the land is situated, regardless of the class of school district, has approved a budget for the school fiscal year in which the petition is filed that will cause the combined levies for such school fiscal year, except levies for bonded indebtedness approved by the voters of such school district and levies for the refinancing of such bonded indebtedness, to exceed the greater of (i) one dollar and twenty cents per one hundred dollars of taxable valuation of property subject to the levy or (ii) the maximum levy authorized by a vote pursuant to section 77-3444.

For purposes of determining whether a tract of land is contiguous, all petitions currently being considered by the board shall be considered together as a whole.

(2) The petition shall state the reasons for the proposed change and shall show with reference to the land of each petitioner: (a) That (i) the land described in the petition is either owned by the petitioner or petitioners or that he, she, or they hold a school land lease under section 72-232, are in possession or constructive possession as vendee under a contract of sale of the fee simple interest, or have made an entry on government land but have not yet received a patent therefor and (ii) such tract of land includes all such contiguous land owned or controlled by each petitioner; (b) that the land described in the petition is located in a Class II or III district that is not a member of a learning community, the district has had an average daily membership in grades nine through twelve of less than sixty for the two consecutive school fiscal years immediately preceding the filing of the petition, the district has voted to exceed the maximum levy established pursuant to subdivision (2)(a) of section 77-3442 as provided in subdivision (1)(b) of this section, and the land is to be attached to an accredited school district which is contiguous to such tract or tracts of land and which is not a member of a learning community; conditions of subdivision (1)(a) or (1)(b) of this section have been met; and (c) that such petition is approved by a majority of the members of the school board of the district to which such land is sought to be attached.

(3) The petition shall be verified by the oath of each petitioner. Notice of the filing of the petition and of the hearing on such petition before the board constituted as prescribed in subsection (1) or (4) of this section shall be given at least ten days prior to the date of such hearing by one publication in a legal newspaper of general circulation in each district and by posting a notice on the outer door of the schoolhouse in each district affected thereby, and such notice shall designate the territory to be transferred. Following the filing of a petition pursuant to this section, such board shall hold a public hearing on the petition and, ~~on or before November 1 following the filing of the petition,~~ on or before July 15 following the filing of the petition based on a determination of whether the petitioner has complied with all requirements of this section. If such board approves the petition, such board shall change the boundaries of the school districts so as to set off the land described in the petition and attach it to such district pursuant to the petition with an effective date of August 15 following the filing of the petition, which actions shall cause such transfer to be in effect for levies set for the year in which such transfer takes effect.

(4) Petitions requesting transfers of property across county lines shall be addressed jointly to the county clerks of the counties concerned, and the petitions shall be acted upon by the county assessors, county clerks, and county treasurers of the counties involved as one board, with the county clerk of the county from which the land is sought to be transferred acting as chairperson of the board.

(5) Appeals may be taken from the action of such board or, when such board fails to ~~agree,~~ act on the petition, on or before August 1 following the filing of the petition, to the district court of the county in which the land is located ~~within twenty days after entry of such action on the records of the board by the county clerk of the county in which the land is located or within twenty days after November 1 if such board fails to act upon such petition,~~ on or before August 10 following the filing of the petition, in the same

manner as appeals are now taken from the action of the county board in the allowance or disallowance of claims against the county. If an appeal is taken from the action of the board approving the petition or failing to act on the petition, the transfer shall occur effective August 15 following the filing of the petition, which actions shall cause such transfer to be in effect for levies set for the year in which such transfer takes effect, unless action by the district court prevents such transfer.

(6) This section does not apply to any school district located on an Indian reservation and substantially or totally financed by the federal government.

~~(7) If approved by the board, the transfer shall take place on January 1 next following the filing of the petition.~~

(7) For school districts that have approved a budget for school fiscal year 2007-08 that will cause the combined levies, except levies for bonded indebtedness approved by the voters of the school district and levies for the refinancing of such bonded indebtedness, to exceed the greater of (a) one dollar and twenty cents per one hundred dollars of taxable valuation of property subject to the levy or (b) the maximum levy authorized by a vote pursuant to section 77-3444, the school boards of such school districts may adopt a binding resolution stating that the combined levies, except levies for bonded indebtedness approved by the voters of the school district and levies for the refinancing of such bonded indebtedness, for school fiscal year 2008-09 shall not exceed the greater of (i) one dollar and twenty cents per one hundred dollars of taxable valuation of property subject to the levy or (ii) the maximum levy authorized by a vote pursuant to section 77-3444. On or before May 9, 2008, such binding resolutions shall be filed with the Auditor of Public Accounts and the county assessors, county clerks, and county treasurers for all counties in which the school district has territory. If such binding resolution is filed on or before May 9, 2008, land shall not be set off and attached to another district pursuant to subdivision (2)(b) of this section in 2008.

(8) Nothing in this section shall be construed to detach obligations for voter-approved bonds from any tract of land.

Sec. 5. Section 79-4,108, Revised Statutes Supplement, 2007, is amended to read:

79-4,108 (1) Unified system means two or more Class II or III school districts participating in an interlocal agreement under the Interlocal Cooperation Act with approval from the State Committee for the Reorganization of School Districts. The interlocal agreement may include Class I districts if the entire valuation is included in the unified system. The interlocal agreement shall provide for a minimum term of three school years. The agreement shall provide that all property tax and state aid resources shall be shared by the unified system and that a board composed of school board members, with at least one school board member from each district, shall determine the general fund levy, within the limitations placed on school districts and multiple-district school systems pursuant to section 77-3442, to be applied in all participating districts and shall determine the distribution of property tax and state aid resources within the unified system. For purposes of section 77-3442, the multiple-district school system shall include all of the Class I, II, and III districts participating in the unified system and the Class I districts or portions thereof affiliated with any of the participating Class II and III districts. The interlocal agreement shall also provide that certificated staff will be employees of the unified system. For any certificated staff employed by the unified system, tenure and seniority as of the effective date of the interlocal agreement shall be transferred to the unified system and tenure and seniority provisions shall continue in the unified system except as provided in sections 79-850 to 79-858. If a district withdraws from the unified system or if the interlocal agreement expires and is not renewed, certificated staff employed by a participating district immediately prior to the unification shall be reemployed by the original district and tenure and seniority as of the effective date of the withdrawal or expiration shall be transferred to the original district. The certificated staff hired by the unified system but not employed by a participating district immediately prior to the unification shall be subject to the reduction-in-force policy of the unified system. The interlocal agreement shall also require participating districts to pay obligations of the unified system pursuant to sections 79-850 to 79-858 on a pro rata basis based on the adjusted valuations if a district withdraws from the unified system or if the interlocal agreement expires and is not renewed. Additional provisions in the interlocal agreement shall be determined by the participating districts and shall encourage cooperation within the unified system.

(2) Application for unification shall be made to the state

committee. The application shall contain a copy of the interlocal agreement signed by the president of each participating school board. The state committee shall approve or disapprove applications for unification within forty days after receipt of the application. If the interlocal agreement complies with subsection (1) of this section and all school boards of the participating districts have approved the interlocal agreement, the state committee shall approve the application. Unification agreements shall be effective on June 1 following approval from the state committee for status as a unified system or on the date specified in the interlocal agreement, except that the date shall be on or after June 1 and on or before September 1 for a specified year. The board established in the interlocal agreement may begin meeting any time after the application has been approved by the state committee.

(3) Upon granting the application for unification, the State Department of Education shall recognize the unified system as a single Class II or III district for state aid, budgeting, accreditation, enrollment of students, state programs, and reporting, except that the department shall require such reporting on an individual district basis as necessary to calculate formula need pursuant to the Tax Equity and Educational Opportunities Support Act separately for each participating district beginning with the calculation of state aid for school fiscal year 2009-10. Except as otherwise required by the department, the - The unified system shall submit a single report document for each of the reports required of school districts pursuant to Chapter 79 and shall submit a single budget document pursuant to the Nebraska Budget Act and sections 13-518 to 13-522. The class of district shall be the same as the majority of participating districts, excluding Class I districts. If there are an equal number of Class II and Class III districts in the unified system, the unified system shall be recognized by the department as a Class III district.

(4) The school districts participating in a unified system shall retain their separate identities for all purposes except those specified in this section, and participation in a unified system shall not be considered a reorganization.

(5) The withdrawal of a participating school district from a unified system or dissolution of a unified system shall occur only if each participating school district in such unified system either will be merged with at least one other school district or will continue participation in such unified system with at least one other participating school district following such withdrawal or dissolution. The withdrawal of a participating school district from a unified system or dissolution of a unified system shall be accomplished and the rights and liabilities of the participating school districts determined through an action for declaratory judgment pursuant to the Uniform Declaratory Judgments Act. An action under the act praying for the withdrawal of a participating school district, dissolution of the unified system, or a declaration of the rights and liabilities of the participating school districts may be brought by the school board of any participating school district. The court shall have jurisdiction to determine all matters relating to the rights and liabilities of the participating school districts, including, but not limited to, the allocation among the participating school districts of (a) the certificated staff employed by the unified system among the participating school districts, (b) the real and personal property acquired by and held in the name of the unified system, (c) the local, state, and federal revenue of the unified system, including state aid to be paid to the unified system for the year following the withdrawal of a participating school district or the dissolution of the unified system, and (d) the liability for the repayment pursuant to subsection (8) of section 79-1010 of any incentive aid received by the unified system and its participating school districts, which liability shall be subtracted from the state aid of the participating school districts to which such repayment is allocated for the school fiscal years following the last school fiscal year of participation of a withdrawing school district or the operation of the dissolved unified system. The State Department of Education shall implement and enforce all terms of any decree of declaratory judgment entered pursuant to this section.

(6) After the effective date of this act, the State Committee for the Reorganization of School Districts shall not approve or order into effect any new unified system under this section. The committee may approve and order into effect the addition of school districts to a unified system or the continuation of a unified system if the continuing unified system will consist of at least two school districts which are continuing participation in the unified system.

Sec. 6. Section 79-4,111, Revised Statutes Supplement, 2007, is amended to read:

79-4,111 The affiliation agreement for a Class I district that is affiliated with a Class II or III district that is participating in a unified system shall continue unmodified unless (1) the Class I district reaffiliates pursuant to section 79-4,109 or (2) the Class I district's entire valuation is included in the unified system and the Class I district chooses to participate in the unified system by becoming a party to the interlocal agreement pursuant to section 79-4,108. ~~For the purpose of determining the total allowable general fund budget of expenditures minus the special education budget of expenditures pursuant to section 79-1083.03 for Class I districts that are not participating in the unified system, the data for the unified system shall be deemed to be the data for the high school district if the primary high school district is a participant in the unified system.~~

Sec. 7. Section 79-8,137, Reissue Revised Statutes of Nebraska, is amended to read:

79-8,137 (1) Prior to receiving any money from a loan pursuant to the Attracting Excellence to Teaching Program, an eligible student shall enter into a contract with the department. The contract shall require that if (a) the borrower is not employed as a teacher in Nebraska for a time period equal to the number of years required for loan forgiveness pursuant to subsection (2) of this section and is not enrolled as a full-time student in a graduate program within six months after obtaining an undergraduate degree for which a loan from the program was obtained or (b) the borrower does not complete the requirements for graduation within five consecutive years after receiving the initial loan under the program, then the loan must be repaid, with interest at the rate fixed pursuant to section 45-103 accruing as of the date the borrower signed the contract, and an appropriate penalty as determined by the department may be assessed. If a borrower fails to remain enrolled at an eligible institution or otherwise fails to meet the requirements of an eligible student, repayment of the loan shall commence within six months after such change in eligibility. The State Board of Education may by rules and regulations provide for exceptions to the conditions of repayment pursuant to this subsection based upon mitigating circumstances.

(2) If the borrower (a) successfully completes the teacher education program and becomes certified pursuant to sections 79-806 to 79-815, (b) becomes employed as a teacher in this state within six months of becoming certified, and (c) otherwise meets the requirements of the contract, payments shall be suspended for the number of years that the borrower is required to remain employed as a teacher in this state under the contract. For each year that the borrower teaches in Nebraska pursuant to the contract, payments shall be forgiven in an amount equal to the amount borrowed for one year, except if the borrower teaches in a school district that is at least partially in a local system classified in the very sparse cost grouping as provided in section 79-1007.02 as very sparse as defined in section 79-1003 or teaches in a school district in which at least forty percent of the students qualify for the poverty factor as provided in section 79-1007.01, are poverty students as defined in section 79-1003, payments shall be forgiven each year in an amount equal to the amount borrowed for two years.

Sec. 8. Section 79-1001, Revised Statutes Supplement, 2007, is amended to read:

79-1001 Sections 79-1001 to 79-1033 and sections 13 to 26 and 46 of this act shall be known and may be cited as the Tax Equity and Educational Opportunities Support Act.

Sec. 9. Section 79-1003, Revised Statutes Supplement, 2007, is amended to read:

79-1003 For purposes of the Tax Equity and Educational Opportunities Support Act:

(1) Adjusted general fund operating expenditures means (a) for school fiscal years before school fiscal year 2007-08, general fund operating expenditures as calculated pursuant to subdivision ~~(24)~~ (21) of this section minus the transportation allowance and minus the special receipts allowance, (b) for school fiscal year 2007-08, general fund operating expenditures as calculated pursuant to subdivision ~~(24)~~ (21) of this section minus the sum of the transportation, special receipts, and distance education and telecommunications allowances, and (c) for school fiscal year 2008-09, ~~and each school fiscal year thereafter,~~ the difference of the product of the general fund operating expenditures as calculated pursuant to subdivision ~~(24)~~ (21) of this section multiplied by the cost growth factor ~~for the school district's cost grouping~~ calculated pursuant to section 79-1007.10 minus the transportation allowance, special receipts allowance, poverty allowance, limited English proficiency allowance, distance education and telecommunications allowance, elementary site allowance, elementary class size allowance, summer school allowance, and focus school and program



allowance, (d) for school fiscal years 2009-10 through 2012-13, the difference of the product of the general fund operating expenditures as calculated pursuant to subdivision (21) of this section multiplied by the cost growth factor calculated pursuant to section 79-1007.10 minus the transportation allowance, special receipts allowance, poverty allowance, limited English proficiency allowance, distance education and telecommunications allowance, elementary site allowance, elementary class size allowance, summer school allowance, instructional time allowance, and focus school and program allowance, and (e) for school fiscal year 2013-14 and each school fiscal year thereafter, the difference of the product of the general fund operating expenditures as calculated pursuant to subdivision (21) of this section multiplied by the cost growth factor calculated pursuant to section 79-1007.10 minus the transportation allowance, special receipts allowance, poverty allowance, limited English proficiency allowance, distance education and telecommunications allowance, elementary site allowance, summer school allowance, instructional time allowance, and focus school and program allowance;

(2) Adjusted valuation means the assessed valuation of taxable property of each local system in the state, adjusted pursuant to the adjustment factors described in section 79-1016. Adjusted valuation means the adjusted valuation for the property tax year ending during the school fiscal year immediately preceding the school fiscal year in which the aid based upon that value is to be paid. For purposes of determining the local effort rate yield pursuant to section 79-1015.01, adjusted valuation does not include the value of any property which a court, by a final judgment from which no appeal is taken, has declared to be nontaxable or exempt from taxation;

(3) Allocated income tax funds means the amount of assistance paid to a local system pursuant to section 79-1005.01 or 79-1005.02 as adjusted by the minimum levy adjustment pursuant to section 79-1008.02;

(4) Average daily attendance of a student who resides on Indian land means average daily attendance of a student who resides on Indian land from the most recent data available on November 1 preceding the school fiscal year in which aid is to be paid;

(5) Average daily membership means the average daily membership for grades kindergarten through twelve attributable to the local system, as provided in each district's annual statistical summary, and includes the proportionate share of students enrolled in a public school instructional program on less than a full-time basis;

(6) Base fiscal year means the first school fiscal year following the school fiscal year in which the reorganization or unification occurred;

(7) Board means the school board of each school district;

(8) Categorical funds means funds limited to a specific purpose by federal or state law, including, but not limited to, Title I funds, Title VI funds, federal vocational education funds, federal school lunch funds, Indian education funds, Head Start funds, and funds from the Education Innovation Fund;

(9) Consolidate means to voluntarily reduce the number of school districts providing education to a grade group and does not include dissolution pursuant to section 79-498;

~~(10) Converted contract means an expired contract that was in effect for at least fifteen years for the education of students in a nonresident district in exchange for tuition from the resident district when the expiration of such contract results in the nonresident district educating students who would have been covered by the contract if the contract were still in effect as option students pursuant to the enrollment option program established in section 79-234;~~

~~(11) Converted contract option students means students who will be option students pursuant to the enrollment option program established in section 79-234 for the school fiscal year for which aid is being calculated and who would have been covered by a converted contract if the contract were still in effect and such school fiscal year is the first school fiscal year for which such contract is not in effect;~~

~~(12) (10) Department means the State Department of Education;~~

~~(13) Distance education and telecommunications allowance means, for state aid calculated for school fiscal year 2007-08 and each school fiscal year thereafter, eighty-five percent of the difference of the costs for (a) telecommunications services, (b) access to data transmission networks that transmit data to and from the school district, and (c) the transmission of data on such networks paid by the school districts in the local system as reported on the annual financial report for the most recently available complete data year minus the receipts from the federal Universal Service Fund pursuant to section 254 of the Telecommunications Act of 1996, 47 U.S.C. 254;~~

as such section existed on January 1, 2006, for the school districts in the local system as reported on the annual financial report for the most recently available complete data year;

~~(14)~~ (11) District means any Class I, II, III, IV, V, or VI school district;

~~(15)~~ (12) Ensuing school fiscal year means the school fiscal year following the current school fiscal year;

~~(16)~~ (13) Equalization aid means the amount of assistance calculated to be paid to a local system pursuant to sections 79-1008.01 to 79-1022 and 79-1022.02 and sections 13 to 25 of this act; and ~~79-1022.02;~~

~~(17)~~ (14) Fall membership means the total membership in kindergarten through grade twelve attributable to the local system as reported on the fall school district membership reports for each district pursuant to section 79-528;

~~(18)~~ (15) Fiscal year means the state fiscal year which is the period from July 1 to the following June 30;

~~(19)~~ (16) Formula students means:

(a) For school fiscal years prior to school fiscal year 2008-09, (i) for state aid certified pursuant to section 79-1022, the sum of fall membership from the school fiscal year immediately preceding the school fiscal year in which the aid is to be paid, multiplied by the average ratio of average daily membership to fall membership for the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid and the prior two school fiscal years, plus qualified early childhood education fall membership plus tuitioned students from the school fiscal year immediately preceding the school fiscal year in which the aid is to be paid and ~~(b)~~ (ii) for final calculation of state aid pursuant to section 79-1065, the sum of average daily membership plus qualified early childhood education average daily membership plus tuitioned students from the school fiscal year immediately preceding the school fiscal year in which the aid was paid; and

(b) For school fiscal year 2008-09 and each school fiscal year thereafter, (i) for state aid certified pursuant to section 79-1022, the sum of the product of fall membership from the school fiscal year immediately preceding the school fiscal year in which the aid is to be paid multiplied by the average ratio of average daily membership to fall membership for the second school fiscal year immediately preceding the school fiscal year in which the aid is to be paid and the prior two school fiscal years plus sixty percent of the qualified early childhood education fall membership plus tuitioned students from the school fiscal year immediately preceding the school fiscal year in which aid is to be paid minus the product of the number of students enrolled in kindergarten that is not full-day kindergarten from the fall membership multiplied by 0.5 and (ii) for final calculation of state aid pursuant to section 79-1065, the sum of average daily membership plus sixty percent of the qualified early childhood education average daily membership plus tuitioned students minus the product of the number of students enrolled in kindergarten that is not full-day kindergarten from the average daily membership multiplied by 0.5 from the school fiscal year immediately preceding the school fiscal year in which aid was paid;

~~(20)~~ (17) Free lunch and free milk student means a student who qualified for free lunches or free milk from the most recent data available on November 1 of the school fiscal year immediately preceding the school fiscal year in which aid is to be paid;

~~(21)~~ (18) Full-day kindergarten means kindergarten offered by a district for at least one thousand thirty-two instructional hours;

~~(22)~~ (19) General fund budget of expenditures means the total budget of disbursements and transfers for general fund purposes as certified in the budget statement adopted pursuant to the Nebraska Budget Act, except that for purposes of the limitation imposed in section 79-1023, ~~the calculation of Class I total allowable general fund budget of expenditures minus the special education budget of expenditures pursuant to section 79-1083.03,~~ and the calculation pursuant to subdivision (2) of section 79-1027.01, the general fund budget of expenditures does not include any special grant funds, exclusive of local matching funds, received by a district; ~~subject to the approval of the department;~~

~~(23)~~ (20) General fund expenditures means all expenditures from the general fund;

~~(24)~~ (21) General fund operating expenditures means:

(a) For state aid calculated for school fiscal years prior to school fiscal year 2008-09, the total general fund expenditures minus categorical funds, tuition paid, transportation fees paid to other districts, adult education, summer school, community services, redemption of the principal portion of general fund debt service, retirement incentive plans, staff

development assistance, and transfers from other funds into the general fund for the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid as reported on the annual financial report prior to December 1 of the school fiscal year immediately preceding the school fiscal year in which aid is to be paid;

(b) For state aid calculated for school fiscal year 2008-09, as reported for the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid on the annual financial report submitted prior to December 1 of the school fiscal year immediately preceding the school fiscal year in which aid is to be paid, the total general fund expenditures minus (i) the amount of all receipts to the general fund, to the extent that such receipts are not included in local system formula resources, from early childhood education tuition, summer school tuition, educational entities as defined in section 79-1201.01 for providing distance education courses through the Educational Service Unit Coordinating Council to such educational entities, private foundations, individuals, associations, charitable organizations, the textbook loan program authorized by section 79-734, and federal impact aid, (ii) the amount of expenditures for categorical funds, tuition paid, transportation fees paid to other districts, adult education, community services, redemption of the principal portion of general fund debt service, retirement incentive plans authorized by section 79-855, and staff development assistance authorized by section 79-856, and (iii) the amount of any transfers from the general fund to any bond fund and transfers from other funds into the general fund;

(c) For state aid calculated for school fiscal year 2009-10, as reported for the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid on the annual financial report submitted prior to December 1 of the school fiscal year immediately preceding the school fiscal year in which aid is to be paid, the total general fund expenditures minus (i) the amount of all receipts to the general fund, to the extent that such receipts are not included in local system formula resources, from early childhood education tuition, summer school tuition, educational entities as defined in section 79-1201.01 for providing distance education courses through the Educational Service Unit Coordinating Council to such educational entities, private foundations, individuals, associations, charitable organizations, the textbook loan program authorized by section 79-734, and federal impact aid, (ii) the amount of expenditures for categorical funds, tuition paid, transportation fees paid to other districts, adult education, community services, redemption of the principal portion of general fund debt service, retirement incentive plans authorized by section 79-855, and staff development assistance authorized by section 79-856, (iii) the amount of any transfers from the general fund to any bond fund and transfers from other funds into the general fund, and (iv) any legal expenses in excess of fifteen-hundredths of one percent of the formula need for the school fiscal year in which the expenses occurred; and

(d) For state aid calculated for school fiscal year 2010-11 and each school fiscal year thereafter, as reported for the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid on the annual financial report submitted prior to December 1 of the school fiscal year immediately preceding the school fiscal year in which aid is to be paid, the total general fund expenditures minus (i) the amount of all receipts to the general fund, to the extent that such receipts are not included in local system formula resources, from early childhood education tuition, summer school tuition, educational entities as defined in section 79-1201.01 for providing distance education courses through the Educational Service Unit Coordinating Council to such educational entities, private foundations, individuals, associations, charitable organizations, the textbook loan program authorized by section 79-734, federal impact aid, and levy override elections pursuant to section 77-3444, (ii) the amount of expenditures for categorical funds, tuition paid, transportation fees paid to other districts, adult education, community services, redemption of the principal portion of general fund debt service, retirement incentive plans authorized by section 79-855, and staff development assistance authorized by section 79-856, (iii) the amount of any transfers from the general fund to any bond fund and transfers from other funds into the general fund, and (iv) any legal expenses in excess of fifteen-hundredths of one percent of the formula need for the school fiscal year in which the expenses occurred.

For purposes of this subdivision (21) of this section, receipts from levy override elections shall equal ninety-nine percent of the difference of the total general fund levy minus a levy of one dollar and five cents per one hundred dollars of taxable valuation multiplied by the assessed valuation for school districts that have voted pursuant to section 77-3444 to override the

maximum levy provided pursuant to section 77-3442;

~~(25)~~ (22) High school district means a school district providing instruction in at least grades nine through twelve;

~~(26)~~ (23) Income tax liability means the amount of the reported income tax liability for resident individuals pursuant to the Nebraska Revenue Act of 1967 less all nonrefundable credits earned and refunds made;

~~(27)~~ (24) Income tax receipts means the amount of income tax collected pursuant to the Nebraska Revenue Act of 1967 less all nonrefundable credits earned and refunds made;

~~(28)~~ (25) Limited English proficiency student means a student students means (a) for school fiscal years prior to school fiscal year 2009-10, the number of students with limited English proficiency in a district from the most recent data available on November 1 of the school fiscal year preceding the school fiscal year in which aid is to be paid and (b) for school fiscal year 2009-10 and each school fiscal year thereafter, the number of students with limited English proficiency in a district from the most recent data available on November 1 of the school fiscal year preceding the school fiscal year in which aid is to be paid plus the difference of such students with limited English proficiency minus the average number of limited English proficiency students for such district, prior to such addition, for the three immediately preceding school fiscal years if such difference is greater than zero;

~~(29)~~ (26) Local system means a learning community, a unified system, a Class VI district and the associated Class I districts, or a Class II, III, IV, or V district and any affiliated Class I districts or portions of Class I districts, and for school fiscal year 2008-09 and each school fiscal year thereafter, a learning community or a Class II, III, IV, or V district that is not a member of a learning community. The membership, expenditures, and resources of Class I districts that are affiliated with multiple high school districts will be attributed to local systems based on the percent of the Class I valuation that is affiliated with each high school district;

~~(30)~~ (27) Low-income child means (a) for school fiscal years prior to 2008-09, a child under nineteen years of age living in a household having an annual adjusted gross income of fifteen thousand dollars or less for the second calendar year preceding the beginning of the school fiscal year for which aid is being calculated and (b) for school fiscal year 2008-09 and each school fiscal year thereafter, a child under nineteen years of age living in a household having an annual adjusted gross income for the second calendar year preceding the beginning of the school fiscal year for which aid is being calculated equal to or less than the maximum household income that would allow a student from a family of four people to be a free lunch and free milk student during the school fiscal year immediately preceding the school fiscal year for which aid is being calculated;

~~(31)~~ (28) Low-income students means the number of low-income children within the local system district multiplied by the ratio of the formula students in the local system district divided by the total children under nineteen years of age residing in the local system district as derived from income tax information;

~~(32)~~ (29) Most recently available complete data year means the most recent single school fiscal year for which the annual financial report, fall school district membership report, annual statistical summary, Nebraska income tax liability by school district for the calendar year in which the majority of the school fiscal year falls, and adjusted valuation data are available;

~~(33)~~ (30) Poverty students means (a) for school fiscal years prior to school fiscal year 2009-10, the number of low-income students or the number of students who are free lunch and free milk students in a local system, district, whichever is greater, and (b) for school fiscal year 2009-10 and each school fiscal year thereafter, the number of low-income students or the number of students who are free lunch and free milk students in a district plus the difference of the number of low-income students or the number of students who are free lunch and free milk students in a district, whichever is greater, minus the average number of poverty students for such district, prior to such addition, for the three immediately preceding school fiscal years if such difference is greater than zero;

~~(34)~~ (31) Qualified early childhood education average daily membership means the product of the average daily membership for school fiscal year 2006-07 and each school fiscal year thereafter of students who will be eligible to attend kindergarten the following school year and are enrolled in an early childhood education program approved by the department pursuant to section 79-1103 for such school district for such school year multiplied by the ratio of the actual instructional hours of the program divided by one thousand thirty-two if: (a) The program is receiving a grant pursuant to

such section for the third year; (b) the program has already received grants pursuant to such section for three years; or (c) the program has been approved pursuant to subsection (5) of section 79-1103 for such school year and the two preceding school years, including any such students in portions of any of such programs receiving an expansion grant; ~~multiplied by the ratio of the actual instructional hours of the program divided by one thousand thirty-two;~~

~~(35)~~ (32) Qualified early childhood education fall membership means the product of membership on the last Friday in September 2006 and each year thereafter of students who will be eligible to attend kindergarten the following school year and are enrolled in an early childhood education program approved by the department pursuant to section 79-1103 for such school district for such school year multiplied by the ratio of the planned instructional hours of the program divided by one thousand thirty-two if:

(a) The program is receiving a grant pursuant to such section for the third year; (b) the program has already received grants pursuant to such section for three years; or (c) the program has been approved pursuant to subsection (5) of section 79-1103 for such school year and the two preceding school years, including any such students in portions of any of such programs receiving an expansion grant; ~~multiplied by the ratio of the planned instructional hours of the program divided by one thousand thirty-two;~~

~~(36)~~ (33) Regular route transportation means the transportation of students on regularly scheduled daily routes to and from the attendance center;

~~(37)~~ (34) Reorganized district means any district involved in a consolidation and currently educating students following consolidation;

~~(38)~~ (35) School year or school fiscal year means the fiscal year of a school district as defined in section 79-1091;

(36) Sparse local system means a local system that is not a very sparse local system but which meets the following criteria:

(a) (i) Less than two students per square mile in the county in which each high school is located, based on the school district census, (ii) less than one formula student per square mile in the local system, and (iii) more than ten miles between each high school attendance center and the next closest high school attendance center on paved roads;

(b) (i) Less than one and one-half formula students per square mile in the local system and (ii) more than fifteen miles between each high school attendance center and the next closest high school attendance center on paved roads;

(c) (i) Less than one and one-half formula students per square mile in the local system and (ii) more than two hundred seventy-five square miles in the local system; or

(d) (i) Less than two formula students per square mile in the local system and (ii) the local system includes an area equal to ninety-five percent or more of the square miles in the largest county in which a high school attendance center is located in the local system;

~~(39)~~ (37) Special education means specially designed kindergarten through grade twelve instruction pursuant to section 79-1125, and includes special education transportation;

~~(40)~~ (38) Special grant funds means the budgeted receipts for grants, including, but not limited to, Title I funds, Title VI funds, funds from the Education Innovation Fund, reimbursements for wards of the court, short-term borrowings including, but not limited to, registered warrants and tax anticipation notes, interfund loans, insurance settlements, and reimbursements to county government for previous overpayment. The state board shall approve a listing of grants that qualify as special grant funds;

~~(41)~~ Special receipts allowance means the amount of special education, state ward, and accelerated or differentiated curriculum program receipts included in local system formula resources under subdivisions (7), (8), (16), and (17) of section 79-1018.01 attributable to the school district;

~~(42)~~ (39) State aid means the amount of assistance paid to a district pursuant to the Tax Equity and Educational Opportunities Support Act;

~~(43)~~ (40) State board means the State Board of Education;

~~(44)~~ (41) State support means all funds provided to districts by the State of Nebraska for the general fund support of elementary and secondary education;

(42) Statewide average basic funding per formula student means the statewide total basic funding for all districts divided by the statewide total formula students for all districts;

(43) Statewide average general fund operating expenditures per formula student means the statewide total general fund operating expenditures for all districts divided by the statewide total formula students for all districts;

(44) Teacher has the definition found in section 79-101;

(45) Temporary aid adjustment factor means (a) for school fiscal years before school fiscal year 2007-08, one and one-fourth percent of the sum of the local system's transportation allowance, the local system's special receipts allowance, and the product of the local system's adjusted formula students multiplied by the average formula cost per student in the local system's cost grouping and (b) for school fiscal year 2007-08, one and one-fourth percent of the sum of the local system's transportation allowance, special receipts allowance, and distance education and telecommunications allowance and the product of the local system's adjusted formula students multiplied by the average formula cost per student in the local system's cost grouping;

~~(46) Transportation allowance means the lesser of (a) each local system's general fund expenditures for regular route transportation and in lieu of transportation expenditures pursuant to section 79-611 in the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid, but not including special education transportation expenditures or other expenditures previously excluded from general fund operating expenditures, or (b) the number of miles traveled in the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid by vehicles owned, leased, or contracted by the district or the districts in the local system for the purpose of regular route transportation multiplied by four hundred percent of the mileage rate established by the Department of Administrative Services pursuant to section 81-1176 as of January 1 of the most recently available complete data year added to in lieu of transportation expenditures pursuant to section 79-611 from the same data year;~~

~~(47) Tuition receipts from converted contracts means tuition receipts received by a district from another district in the most recently available complete data year pursuant to a converted contract prior to the expiration of the contract; and~~

~~(48) (46) Tuitioned students means students in kindergarten through grade twelve of the district whose tuition is paid by the district to some other district or education agency; and-~~

(47) Very sparse local system means a local system that has:

(a) (i) Less than one-half student per square mile in each county in which each high school attendance center is located based on the school district census, (ii) less than one formula student per square mile in the local system, and (iii) more than fifteen miles between the high school attendance center and the next closest high school attendance center on paved roads; or

(b) (i) More than four hundred fifty square miles in the local system, (ii) less than one-half student per square mile in the local system, and (iii) more than fifteen miles between each high school attendance center and the next closest high school attendance center on paved roads.

Sec. 10. Section 79-1003.01, Revised Statutes Supplement, 2007, is amended to read:

79-1003.01 (1) For purposes of this section and section 79-1007.03, school fiscal year 2008-09, the department shall calculate a summer school allowance for each district equal to two and one-half percent of the summer school student units for such district multiplied by eighty-five percent of the statewide average general fund operating expenditures per formula student. For purposes of this subsection, summer school student unit means one student enrolled in summer school in a school district, whether or not the student is in the membership of the school district, for (1) (a) at least three hours but fewer than six hours per day and (2) (b) at least twelve days but fewer than twenty-four days. Each school district shall receive a summer school student unit for each qualified time period for which a student is enrolled, up to six units per student per summer.

(2) For school fiscal year 2009-10 and each school fiscal year thereafter, the department shall calculate a summer school allowance for each district equal to two and one-half percent of the summer school student units for such district multiplied by eighty-five percent of the statewide average general fund operating expenditures per formula student. Summer school student units shall be calculated for each student enrolled in summer school in a school district who attends such summer school for at least twelve days, whether or not the student is in the membership of the school district. The initial number of units for each such student shall equal the sum of the ratios, each rounded down to the nearest whole number, of the number of days for which the student attended summer school classes in such district for at least three hours and less than six hours per day divided by twelve days and of two times the number of days for which the student attended summer school

classes in such district for six or more hours per day divided by twelve days.

(3) Each school district shall receive an additional summer school student unit for each summer school student unit attributed to remedial math or reading programs. Each school district shall also receive an additional summer school student unit for each summer school student unit attributed to a free lunch and free milk student. This section does not prevent school districts from requiring and collecting fees for summer school, except that summer school student units shall not be calculated for ~~summer school programs for which fees are collected~~ school districts which collect fees for summer school from students who qualify for free or reduced-price lunches under United States Department of Agriculture child nutrition programs.

Sec. 11. Section 79-1005.01, Revised Statutes Cumulative Supplement, 2006, is amended to read:

79-1005.01 For state aid calculated for all school fiscal years except school fiscal years 2002-03 through 2007-08:

(1) An amount equal to the amount appropriated to the School District Income Tax Fund for distribution in school fiscal year 1992-93 shall be disbursed as option payments as determined under section 79-1009 and as allocated income tax funds as determined in this section and sections 79-1008.01, 79-1015.01, 79-1017.01, and 79-1018.01, except as provided in section 79-1008.02. Funds not distributed as allocated income tax funds due to minimum levy adjustments shall not increase the amount available to local systems for distribution as allocated income tax funds;

(2) Not later than November 15 of each year, the Tax Commissioner shall certify to the department for the preceding tax year the income tax liability of resident individuals for each local system. The 1996 income tax liability of resident individuals of Class I districts that are affiliated with multiple high school districts shall be divided between local systems based on the percentage of the Class I district's valuation affiliated with each high school district; and

(3) Using the data certified by the Tax Commissioner pursuant to subdivision (2) of this section, the department shall calculate the allocation percentage and each local system's allocated income tax funds. The allocation percentage shall be an amount equal to the amount appropriated to the School District Income Tax Fund for distribution in school fiscal year 1992-93 minus the total amount paid for option students pursuant to section 79-1009 and, for aid calculated for school fiscal year 2008-09, minus twenty million dollars with the difference divided by the aggregate statewide income tax liability of all resident individuals certified pursuant to subdivision (2) of this section. Each local system's allocated income tax funds shall be calculated by multiplying the allocation percentage times the local system's income tax liability certified pursuant to subdivision (2) of this section.

Sec. 12. Section 79-1007.02, Revised Statutes Supplement, 2007, is amended to read:

79-1007.02 For state aid calculated for school fiscal year ~~1998-99 and each school fiscal year thereafter+~~ years prior to school fiscal year 2008-09:

(1) Using data from the annual financial reports for the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid, the annual statistical summary reports for the school fiscal year immediately preceding the school fiscal year in which aid is to be paid, the fall membership reports and supplements thereto for the school fiscal year immediately preceding the school fiscal year in which aid is to be paid, and the school district census as reported under sections 79-524 and 79-578 for the second school fiscal year preceding the school fiscal year in which aid is to be paid, the department shall divide the local systems into three cost groupings prior to the certification of state aid based upon the following criteria:

(a) The very sparse cost grouping will consist of local systems that have (i) (A) less than one-half student per square mile in each county in which each high school attendance center is located, based on the school district census, (B) less than one formula student per square mile in the local system, and (C) more than fifteen miles between the high school attendance center and the next closest high school attendance center on paved roads or (ii) (A) more than four hundred fifty square miles in the local system, (B) less than one-half student per square mile in the local system, and (C) more than fifteen miles between each high school attendance center and the next closest high school attendance center on paved roads;

(b) The sparse cost grouping will consist of local systems that do not qualify for the very sparse cost grouping but which meet the following criteria:

(i) (A) Less than two students per square mile in the county in which

each high school is located, based on the school district census, (B) less than one formula student per square mile in the local system, and (C) more than ten miles between each high school attendance center and the next closest high school attendance center on paved roads;

(ii) (A) Less than one and one-half formula students per square mile in the local system and (B) more than fifteen miles between each high school attendance center and the next closest high school attendance center on paved roads;

(iii) (A) Less than one and one-half formula students per square mile in the local system and (B) more than two hundred seventy-five square miles in the local system; or

(iv) (A) Less than two formula students per square mile in the local system and (B) the local system includes an area equal to ninety-five percent or more of the square miles in the largest county in which a high school attendance center is located in the local system; and

(c) The standard cost grouping will consist of local systems that do not qualify for the very sparse or the sparse cost groupings.

For purposes of subdivision (1) of this section, if a local system did not operate and offer instruction in grades nine through twelve within the boundaries of the local system during the school fiscal year immediately preceding the school fiscal year in which aid is to be paid, the local system shall not be considered to have a high school attendance center;

(2) (a) The department shall calculate the average formula cost per student in each cost grouping by dividing the total estimated general fund operating expenditures for the cost grouping by the difference between the total adjusted formula students for all local systems in the cost grouping minus (i) the adjusted formula students attributed to early childhood education programs approved by the department pursuant to section 79-1103 for the first two school fiscal years for which students attributed to early childhood education programs approved by the department pursuant to section 79-1103 are being included in the calculation of state aid for the local system and (ii) for the first two school fiscal years immediately following the school fiscal year in which a district in the local system received an expansion grant pursuant to section 79-1103, the difference between the adjusted formula students attributed to early childhood education programs approved by the department pursuant to section 79-1103 for the school fiscal year immediately following the school fiscal year in which a district in the local system received an expansion grant minus the adjusted formula students attributed to early childhood education programs approved by the department pursuant to section 79-1103 for the school fiscal year in which a district in the local system received an expansion grant. ~~For the calculation of state aid for school fiscal year 1999-00 and for each school fiscal year thereafter, the~~ The average formula cost per student in each cost grouping shall not be recalculated for the final calculation of state aid pursuant to section 79-1065. The calculation of total adjusted formula students for purposes of this subdivision shall take into account the requirements of subdivision (2) of section 79-1007.01. For school fiscal years prior to school fiscal year 2008-09, the total estimated general fund operating expenditures for the cost grouping is equal to the total adjusted general fund operating expenditures for all local systems in the cost grouping multiplied by a cost growth factor. ~~For school fiscal year 2008-09 and each school fiscal year thereafter, the total estimated general fund operating expenditures for the cost grouping is equal to the total adjusted general fund operating expenditures for all local systems in the cost grouping.~~

(b) For school fiscal years prior to school fiscal year 2008-09, the cost growth factor for each cost grouping is equal to the sum of: (i) One; plus (ii) the product of two times the ratio of the difference of (A) the formula students attributable to the cost grouping without weighting or adjustment pursuant to section 79-1007.01 minus the qualified early childhood education fall membership attributable to the cost grouping without such weighting or adjustment for state aid certified pursuant to section 79-1022 minus (B) the difference of the sum of the average daily membership plus tuitioned students attributable to the cost grouping for the most recently available complete data year minus the qualified early childhood education average daily membership attributable to the cost grouping without such weighting or adjustment for the most recently available complete data year divided by the difference of the sum of the average daily membership plus tuitioned students attributable to the cost grouping for the most recently available complete data year minus the qualified early childhood education average daily membership attributable to the cost grouping without such weighting or adjustment for the most recently available complete data year, except that the ratio shall not be less than zero; plus (iii) the basic



allowable growth rate pursuant to section 79-1025 for the school fiscal year in which the aid is to be distributed; plus (iv) the basic allowable growth rate pursuant to section 79-1025 for the school fiscal year immediately preceding the school fiscal year in which the aid is to be distributed; plus (v) one-half of any additional growth rate allowed by special action of school boards for the school fiscal year in which the aid is to be distributed as determined for the school fiscal year immediately preceding the school fiscal year when aid is to be distributed; plus (vi) one-half of any additional growth rate allowed by special action of the school boards for the school fiscal year immediately preceding the school fiscal year when the aid is to be distributed;

(3) For school fiscal years 2002-03 through 2006-07, each local system's formula need shall be calculated by subtracting the temporary aid adjustment factor from the sum of the local system's transportation allowance, the local system's special receipts allowance, and the product of the local system's adjusted formula students multiplied by the average formula cost per student in the local system's cost grouping. The calculation of total adjusted formula students for purposes of this subdivision shall take into account the requirements of subdivision (2) of section 79-1007.01; and

(4) For school fiscal year 2007-08, each local system's formula need shall be calculated by subtracting the temporary aid adjustment factor from the sum of the local system's transportation allowance, special receipts allowance, and distance education and telecommunications allowance and the product of the local system's adjusted formula students multiplied by the average formula cost per student in the local system's cost grouping. The calculation of total adjusted formula students for purposes of this subdivision shall take into account the requirements of subdivision (2) of section 79-1007.01; and

~~(5) For school fiscal year 2008-09 and each school fiscal year thereafter, each school district's formula need shall equal the greater of (a) the difference of the sum of the school district's transportation allowance, elementary class size allowance, focus school and program allowance, limited English proficiency allowance, poverty allowance, special receipts allowance, and distance education and telecommunications allowance plus the product of the school district's adjusted formula students multiplied by the average formula cost per student in the school district's local system cost grouping minus the sum of the limited English proficiency allowance correction and poverty allowance correction or (b) if the school district's general fund levy was at or above ninety-five percent of the school district's maximum levy pursuant to section 77-3442, the school district's prior year formula need multiplied by one hundred percent. The calculation of total adjusted formula students for purposes of this subdivision shall take into account the requirements of subdivision (2) of section 79-1007.03.~~

Sec. 13. (1) Except as otherwise provided in this section, for school fiscal year 2008-09, each school district's formula need shall equal the difference of the sum of the school district's basic funding, poverty allowance, limited English proficiency allowance, elementary class size allowance, focus school and program allowance, summer school allowance, special receipts allowance, transportation allowance, elementary site allowance, distance education and telecommunications allowance, averaging adjustment, and teacher education adjustment, minus the sum of the limited English proficiency allowance correction, poverty allowance correction, and local choice adjustment.

(2) Except as otherwise provided in this section, for school fiscal years 2009-10 and 2010-11, each school district's formula need shall equal the difference of the sum of the school district's basic funding, poverty allowance, limited English proficiency allowance, elementary class size allowance, focus school and program allowance, summer school allowance, special receipts allowance, transportation allowance, elementary site allowance, instructional time allowance, distance education and telecommunications allowance, averaging adjustment, teacher education adjustment, new learning community transportation adjustment, student growth adjustment, and new school adjustment, minus the sum of the limited English proficiency allowance correction, poverty allowance correction, and local choice adjustment.

(3) Except as otherwise provided in this section, for school fiscal years 2011-12 and 2012-13, each school district's formula need shall equal the difference of the sum of the school district's basic funding, poverty allowance, limited English proficiency allowance, elementary class size allowance, focus school and program allowance, summer school allowance, special receipts allowance, transportation allowance, elementary site allowance, instructional time allowance, distance education and

telecommunications allowance, averaging adjustment, teacher education adjustment, new learning community transportation adjustment, student growth adjustment, any positive student growth adjustment correction, and new school adjustment, minus the sum of the limited English proficiency allowance correction, poverty allowance correction, any negative student growth adjustment correction, and local choice adjustment.

(4) Except as otherwise provided in this section, for school fiscal year 2013-14 and each school fiscal year thereafter, each school district's formula need shall equal the difference of the sum of the school district's basic funding, poverty allowance, limited English proficiency allowance, focus school and program allowance, summer school allowance, special receipts allowance, transportation allowance, elementary site allowance, instructional time allowance, distance education and telecommunications allowance, averaging adjustment, teacher education adjustment, new learning community transportation adjustment, student growth adjustment, any positive student growth adjustment correction, and new school adjustment, minus the sum of the limited English proficiency allowance correction, poverty allowance correction, any negative student growth adjustment correction, and local choice adjustment.

(5) If the formula need calculated for a school district pursuant to subsections (1) through (4) of this section is less than one hundred percent of the formula need for such district for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated, the formula need for such district shall equal one hundred percent of the formula need for such district for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated. If the formula need calculated for a school district pursuant to subsections (1) through (4) of this section is more than one hundred twelve percent of the formula need for such district for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated, the formula need for such district shall equal one hundred twelve percent of the formula need for such district for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated, except that the formula need shall not be reduced pursuant to this subsection for any district (a) receiving a student growth adjustment for the school fiscal year for which aid is being calculated or (b) for school fiscal year 2008-09, for which the formula students for the certification of aid pursuant to section 79-1022 for school fiscal year 2008-09 minus the formula students for the certification of aid pursuant to section 79-1022 for school fiscal year 2007-08 equals at least the greater of twenty-five students or one percent of the formula students for the certification of aid pursuant to section 79-1022 for school fiscal year 2007-08. For purposes of this subsection, the formula need for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated shall be the formula need used in the final calculation of aid pursuant to section 79-1065 and for districts that were affected by a reorganization with an effective date in the calendar year preceding the calendar year in which aid is certified for the school fiscal year for which aid is being calculated, the formula need for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated shall be attributed to the affected school districts proportionally based on the adjusted valuation transferred.

Sec. 14. The department shall calculate a transportation allowance for each district equal to the lesser of:

(1) Each local system's general fund expenditures for regular route transportation and in lieu of transportation expenditures pursuant to section 79-611 in the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid, but not including special education transportation expenditures or other expenditures previously excluded from general fund operating expenditures; or

(2) The number of miles traveled in the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid by vehicles owned, leased, or contracted by the district or the districts in the local system for the purpose of regular route transportation multiplied by four hundred percent of the mileage rate established by the Department of Administrative Services pursuant to section 81-1176 as of January 1 of the most recently available complete data year added to in lieu of transportation expenditures pursuant to section 79-611 from the same data year.

Sec. 15. The department shall calculate a special receipts allowance for each district equal to the amount of special education, state ward, and accelerated or differentiated curriculum program receipts included in local system formula resources under subdivisions (7), (8), (16), and (17) of section 79-1018.01 attributable to the school district.

Sec. 16. The department shall calculate a distance education and telecommunications allowance for each school district equal to eighty-five percent of the difference of the costs for (1) telecommunications services, (2) access to data transmission networks that transmit data to and from the school district, and (3) the transmission of data on such networks paid by the school districts in the local system as reported on the annual financial report for the most recently available complete data year minus the receipts from the federal Universal Service Fund pursuant to section 254 of the Telecommunications Act of 1996, 47 U.S.C. 254, as such section existed on January 1, 2008, for the school districts in the local system as reported on the annual financial report for the most recently available complete data year.

Sec. 17. (1) For school fiscal year 2008-09, the department shall calculate an elementary site allowance for any district in which (a) the district has more than one elementary attendance site, (b) at least one of the elementary attendance sites does not offer any other grades, (c) the square miles in the district divided by the number of elementary attendance sites in the district equals one hundred square miles or more per elementary attendance site, and (d) the fall membership in elementary grades in the district divided by the number of elementary grades then divided again by the number of elementary attendance sites equals fifteen or fewer students per grade per elementary attendance site. Qualifying elementary attendance sites for such districts shall only offer elementary grades and shall have an average of fifteen or fewer students per grade in the fall membership.

(2) For school fiscal year 2009-10 and each school fiscal year thereafter, the department shall calculate an elementary site allowance for any district which has at least one qualifying elementary attendance site and which submits the information required for the calculation on a form prescribed by the department on or before October 15 of the school fiscal year preceding the school fiscal year for which aid is being calculated. A qualifying elementary attendance site shall be an elementary attendance site, in a district with multiple elementary attendance sites, which does not have another elementary attendance site within seven miles in the same school district or which is the only public elementary attendance site located in an incorporated city or village.

(3) The elementary site allowance for each qualifying district shall equal the sum of the elementary site allowances for each qualifying elementary attendance site in the district. The elementary site allowance for each qualifying elementary attendance site shall equal five hundred percent of the statewide average general fund operating expenditures per formula student multiplied by the result of rounding the ratio of the fall membership attributed to the elementary attendance site divided by eight up to the next whole number if the result was not a whole number, except that if the resulting whole number is greater than the number of elementary grades offered in the elementary attendance site, the whole number shall be reduced to equal the number of grades offered in the elementary attendance site.

(4) For purposes of this section:

(a) Each district shall determine which grades are considered elementary grades, except that (i) all grades designated as elementary grades shall be offered in each elementary attendance site in the district and (ii) elementary grades shall not include grades nine, ten, eleven, or twelve;

(b) An elementary attendance site is an attendance site in which elementary grades are offered;

(c) The primary elementary site shall be the elementary attendance site to which the most formula students are attributed in the district and shall not be a qualifying elementary attendance site; and

(d) Fall membership means the fall membership for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated.

Sec. 18. For school fiscal year 2008-09 and each school fiscal year thereafter, the department shall calculate basic funding for each district as follows:

(1) A comparison group shall be established for each district consisting of the districts for which basic funding is being calculated, the five larger districts that are closest in size to the district for which basic funding is being calculated as measured by formula students, and the five smaller districts that are closest in size to the district for which basic funding is being calculated as measured by formula students. If there are not five districts that are larger than the district for which basic funding is being calculated or if there are not five districts that are smaller than the district for which basic funding is being calculated, the comparison group shall consist of only as many districts as fit the criteria. If more than one

district has exactly the same number of formula students as the largest or smallest district in the comparison group, all of the districts with exactly the same number of formula students as the largest or smallest districts in the comparison group shall be included in the comparison group. If one or more districts have exactly the same number of formula students as the district for which basic funding is being calculated, all such districts shall be included in the comparison group in addition to the five larger districts and the five smaller districts. The comparison group shall remain the same for the final calculation of aid pursuant to section 79-1065;

(2) For districts with nine hundred or more formula students, basic funding shall equal the adjusted formula students multiplied by the average of the adjusted general fund operating expenditures per formula student for each district in the comparison group, excluding both the district with the highest adjusted general fund operating expenditures per adjusted formula student and the district with the lowest adjusted general fund operating expenditures per formula student of the districts in the comparison group; and

(3) For districts with fewer than nine hundred formula students, basic funding shall equal the product of the average of the adjusted general fund operating expenditures for each district in the comparison group, excluding both the district with the highest adjusted general fund operating expenditures and the district with the lowest adjusted general fund operating expenditures of the districts in the comparison group.

Sec. 19. For school fiscal year 2008-09 and each school fiscal year thereafter, the department shall calculate a local choice adjustment for each district that:

(1) Has fewer than three hundred ninety formula students;

(2) Is not in a sparse local system or a very sparse local system;

and

(3) Did not receive federal funds in excess of twenty-five percent of its general fund budget of expenditures in the most recently available complete data year or in either of the two school fiscal years preceding the most recently available complete data year.

The local choice adjustment for each such district shall equal fifty percent of the difference between the basic funding per formula student for the district for which the local choice adjustment is being calculated and the basic funding per formula student for the district that has the closest to three hundred ninety formula students multiplied by the formula students for the district for which the local choice adjustment is being calculated, except that the local choice adjustment shall equal zero if the basic funding per formula student for the district for which the local choice adjustment is being calculated is less than the basic funding per formula student for the district that has the closest to three hundred ninety formula students. If more than one district has the closest to three hundred ninety formula students, the basic funding representing the district that has the closest to three hundred ninety formula students shall equal the average of the basic funding per formula student for each such district. The closest to three hundred ninety formula students shall be measured using the absolute value of the difference of three hundred ninety students minus the district formula students with the difference rounded to the nearest whole number.

Sec. 20. (1) For school fiscal year 2008-09 and each school fiscal year thereafter, the department shall calculate an averaging adjustment for districts if the basic funding per formula student is less than the statewide average basic funding per formula student and the general fund levy for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated was at least ninety-six cents per one hundred dollars of taxable valuation for aid calculated for school fiscal year 2008-09 and at least one dollar per one hundred dollars of taxable valuation for aid calculated for school fiscal year 2009-10 and each school fiscal year thereafter. For school districts that are members of a learning community, the general fund levy for purposes of this section includes both the common general fund levy and the school district general fund levy authorized pursuant to subdivisions (2)(b) and (2)(c) of section 77-3442. The averaging adjustment for aid calculated for school fiscal year 2008-09 shall equal seventy-five percent of the product of the district's formula students multiplied by the percentage specified in this section for such district of the difference between the statewide average basic funding per formula student minus such district's basic funding per formula student. The averaging adjustment for aid calculated for school fiscal year 2009-10 and each school fiscal year thereafter shall equal the district's formula students multiplied by the percentage specified in this section for such district of the difference between the statewide average basic funding per formula student minus such district's basic funding per formula student.

(2) The percentage to be used in the calculation of an averaging adjustment shall be based on the general fund levy for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated.

(3) The percentages to be used in the calculation of averaging adjustments for school fiscal year 2008-09 shall be as follows:

(a) If such levy was at least ninety-six cents per one hundred dollars of taxable valuation but less than ninety-seven cents per one hundred dollars of taxable valuation, the percentage shall be ten percent;

(b) If such levy was at least ninety-seven cents per one hundred dollars of taxable valuation but less than ninety-eight cents per one hundred dollars of taxable valuation, the percentage shall be twenty percent;

(c) If such levy was at least ninety-eight cents per one hundred dollars of taxable valuation but less than ninety-nine cents per one hundred dollars of taxable valuation, the percentage shall be thirty percent;

(d) If such levy was at least ninety-nine cents per one hundred dollars of taxable valuation but less than one dollar per one hundred dollars of taxable valuation, the percentage shall be forty percent;

(e) If such levy was at least one dollar per one hundred dollars of taxable valuation but less than one dollar and one cent per one hundred dollars of taxable valuation, the percentage shall be fifty percent;

(f) If such levy was at least one dollar and one cent per one hundred dollars of taxable valuation but less than one dollar and two cents per one hundred dollars of taxable valuation, the percentage shall be sixty percent;

(g) If such levy was at least one dollar and two cents per one hundred dollars of taxable valuation but less than one dollar and three cents per one hundred dollars of taxable valuation, the percentage shall be seventy percent;

(h) If such levy was at least one dollar and three cents per one hundred dollars of taxable valuation but less than one dollar and four cents per one hundred dollars of taxable valuation, the percentage shall be eighty percent; and

(i) If such levy was at least one dollar and four cents per one hundred dollars of taxable valuation, the percentage shall be ninety percent.

(4) The percentages to be used in the calculation of averaging adjustments for school fiscal year 2009-10 and each school fiscal year thereafter shall be as follows:

(a) If such levy was at least one dollar per one hundred dollars of taxable valuation but less than one dollar and one cent per one hundred dollars of taxable valuation, the percentage shall be fifty percent;

(b) If such levy was at least one dollar and one cent per one hundred dollars of taxable valuation but less than one dollar and two cents per one hundred dollars of taxable valuation, the percentage shall be sixty percent;

(c) If such levy was at least one dollar and two cents per one hundred dollars of taxable valuation but less than one dollar and three cents per one hundred dollars of taxable valuation, the percentage shall be seventy percent;

(d) If such levy was at least one dollar and three cents per one hundred dollars of taxable valuation but less than one dollar and four cents per one hundred dollars of taxable valuation, the percentage shall be eighty percent; and

(e) If such levy was at least one dollar and four cents per one hundred dollars of taxable valuation, the percentage shall be ninety percent.

Sec. 21. For school fiscal year 2008-09 and each school fiscal year thereafter, the department shall calculate a teacher education adjustment for each district as follows:

(1) Teacher education points shall be calculated for each district by the department based upon data from the fall personnel report required pursuant to section 79-804 for the school fiscal year immediately preceding the school fiscal year in which aid is to be paid. Each full-time equivalent teacher shall (a) be under contract with a school district as required pursuant to section 79-818 and (b) only be counted one time in the awarding of any points pursuant to this section. Each district shall receive one point for each full-time equivalent teacher who has earned and been awarded a master's degree or an education specialist's degree and two points for each full-time equivalent teacher who has earned and been awarded a doctoral degree;

(2) A teacher education index shall be calculated for each district by dividing the ratio of teacher education points for the district divided by the number of full-time equivalent teachers in the district by the ratio of teacher education points for all districts divided by the number of full-time

equivalent teachers in all districts; and

(3) The teacher education adjustment for each district shall equal ten percent for school fiscal years 2008-09 and 2009-10 and thirteen and seventy-five one-hundredths percent for each school fiscal year thereafter of the district's basic funding multiplied by the difference of the product of the district's teacher education index minus one, except that if the result is less than zero, the teacher education adjustment shall equal zero.

Sec. 22. (1) For school fiscal year 2009-10 and each school fiscal year thereafter, school districts may apply to the department for a student growth adjustment, on a form prescribed by the department, on or before October 10 of the school fiscal year immediately preceding the school fiscal year for which aid is being calculated. Such form shall require an estimate of the average daily membership for the school fiscal year for which aid is being calculated, the estimated student growth calculated by subtracting the fall membership of the current school fiscal year from the estimated average daily membership for the school fiscal year for which aid is being calculated, and evidence supporting the estimates. On or before the immediately following December 1, the department shall approve the estimated student growth, approve a modified student growth, or deny the application based on the requirements of this section, the evidence submitted on the application, and any other information provided by the department. The state board shall establish procedures for appeal of decisions of the department to the state board for final determination.

(2) The student growth adjustment for each approved district shall equal the sum of the product of the school district's basic funding per formula student multiplied by the difference of the approved student growth minus the greater of twenty-five students or one percent of the fall membership for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated plus the product of fifty percent of the school district's basic funding per formula student multiplied by the greater of twenty-five students or one percent of the fall membership for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated.

(3) For school fiscal year 2011-12 and each school fiscal year thereafter, the department shall calculate a student growth adjustment correction for each district that received a student growth adjustment for aid distributed in the most recently available complete data year. Such student growth correction shall equal the product of the difference of the average daily membership for such school fiscal year minus the sum of the formula students and the approved student growth used to calculate the student growth adjustment for such school fiscal year multiplied by the school district's basic funding per formula student used in the final calculation of aid pursuant to section 79-1065 for such school fiscal year, except that the absolute value of a negative correction shall not exceed the original adjustment.

Sec. 23. (1) For school fiscal year 2009-10 and each school fiscal year thereafter, school districts may apply to the department for a two-year new school adjustment, on a form prescribed by the department, on or before October 10 of the school fiscal year immediately preceding the school fiscal year for which the first-year new school adjustment would be included in the calculation of state aid. Such form shall require evidence of recent and expected student growth, evidence that a new building or the expansion or remodeling of an existing building is being completed to provide additional student capacity to accommodate such growth and not to replace an existing building, evidence that the school fiscal year for which the district would receive the first-year adjustment will be the first full school fiscal year for which students will utilize such additional capacity, and evidence of the estimated additional student capacity to be provided by the project. On or before the immediately following December 1, the department shall approve the estimated additional capacity for use in the adjustment, approve a modified estimated additional capacity for use in the adjustment, or deny the application based on the requirements of this section, the evidence submitted on the application, and any other information provided by the department. Each approval shall include an approved estimated additional student capacity for the new building. The state board shall establish procedures for appeal of decisions of the department to the state board for final determination.

(2) The first-year new school adjustment for each approved district shall equal the school district's basic funding per formula student multiplied by twenty percent of the approved estimated additional student capacity. The second-year new school adjustment for each approved district shall equal the school district's basic funding per formula student multiplied by ten percent of the approved estimated additional student capacity.

Sec. 24. (1) For state aid calculated for each of the first two full school fiscal years of a new learning community, each member school district may apply to the department for a new learning community transportation adjustment, on a form prescribed by the department, on or before October 10 of the school fiscal year immediately preceding the school fiscal year for which the new learning community transportation adjustment would be included in the calculation of state aid. Such form shall require evidence supporting estimates of increased transportation costs for the district due to the provisions of subsection (2) of section 79-611. On or before the immediately following December 1, the department shall approve the estimate of increased transportation costs for use in the adjustment, approve a modified estimate of increased transportation costs for use in the adjustment, or deny the application based on the requirements of this section, the evidence submitted on the application, and any other information provided by the department. The state board shall establish procedures for appeal of decisions of the department to the state board for final determination.

(2) The new learning community transportation adjustment shall equal the approved estimate of increased transportation costs due to the provisions of subsection (2) of section 79-611. School districts shall submit evidence of the actual increase in transportation costs due to the provisions of subsection (2) of section 79-611, and the department shall recalculate the adjustment using such actual costs pursuant to section 79-1065.

Sec. 25. For state aid calculated for school fiscal year 2009-10 and each school fiscal year thereafter:

(1) The department shall calculate an instructional time allowance for each district equal to the product of the formula students of such district multiplied by the instructional time factor for such district multiplied by eighty-five percent of the statewide average general fund operating expenditures per formula student;

(2) The instructional time factor shall equal the difference of the ratio of the district's average hours of instruction for each full-time student during the regular school year for the most recently available complete data year divided by the comparison group average hours of instruction for each full-time student during the regular school year for the most recently available complete data year minus one, except that if the result is less than zero, the instructional time factor shall equal zero; and

(3) The department shall develop a form for determining the district's average hours of instruction for each full-time student. The comparison group average hours of instruction for each full-time student shall be an average of the averages for the school districts in the comparison group.

Sec. 26. (1) For school fiscal year 2008-09, aid stabilization shall be calculated for each local system and disbursed in an amount equal to the difference of the state aid paid to such local system for school fiscal year 2007-08 pursuant to section 79-1022 minus two and one-half percent of the need calculated for the school fiscal year for which aid is being calculated and minus the sum of the calculated equalization aid, allocated income tax funds, and net option funding for such school fiscal year, except that aid stabilization shall not be less than zero.

(2) For school fiscal year 2009-10, aid stabilization shall be calculated for each local system and disbursed in an amount equal to the difference of the state aid paid to such local system for school fiscal year 2007-08 pursuant to section 79-1022 minus five percent of the need calculated for the school fiscal year for which aid is being calculated and minus the sum of the calculated equalization aid, allocated income tax funds, and net option funding for such school fiscal year, except that aid stabilization shall not be less than zero.

Sec. 27. Section 79-1007.04, Revised Statutes Supplement, 2007, is amended to read:

79-1007.04 (1) For school fiscal year~~s~~ years 2008-09 through 2012-13, and each school fiscal year thereafter, the department shall determine the elementary class size allowance for each school district.

(2) For school fiscal year 2008-09, the ~~The~~ allowance shall equal the statewide average general fund operating expenditures per formula student multiplied by 0.20 then multiplied by the number of students in the school district in kindergarten through grade eight who qualify for free or reduced-price lunches and who spend at least fifty percent of the school day in a classroom with a minimum of ten students and a maximum of twenty students as reported on the fall membership report from the school fiscal year immediately preceding the school fiscal year in which the aid is to be paid, for state aid certified pursuant to section 79-1022 and as reported on the annual statistical summary report from the school fiscal year immediately

preceding the school fiscal year in which the aid was paid for the final calculation of state aid pursuant to section 79-1065.

(3) For school fiscal years 2009-10 through 2012-13, the allowance shall equal the statewide average general fund operating expenditures per formula student multiplied by twenty percent of the number of students in the school district in kindergarten through grade three who spend at least fifty percent of the school day in one or more classrooms with a minimum of ten students and a maximum of twenty students as reported on the fall membership report from the school fiscal year immediately preceding the school fiscal year in which the aid is to be paid for state aid certified pursuant to section 79-1022 and as reported on the annual statistical summary report from the school fiscal year immediately preceding the school fiscal year in which the aid was paid for the final calculation of state aid pursuant to section 79-1065.

Sec. 28. Section 79-1007.06, Revised Statutes Supplement, 2007, is amended to read:

79-1007.06 (1) For school fiscal year 2008-09 and each school fiscal year thereafter, the department shall determine the poverty allowance for each school district that meets the requirements of this section and has not been disqualified pursuant to section 79-1007.07. Each school district shall designate a maximum poverty allowance on a form prescribed by the department on or before ~~November 1~~ October 10 of the school fiscal year immediately preceding the school fiscal year for which aid is being calculated. The school district may decline to participate in the poverty allowance by providing the department with a maximum poverty allowance of zero dollars on such form on or before ~~November 1~~ October 10 of the school fiscal year immediately preceding the school fiscal year for which aid is being calculated. Each school district designating a maximum poverty allowance greater than zero dollars shall submit a poverty plan pursuant to section 79-1013.

(2) The poverty allowance for each school district that has not been disqualified pursuant to section 79-1007.07 shall equal the lesser of:

(a) The maximum amount designated pursuant to subsection (1) of this section by the school district in the local system, if such school district designated a maximum amount, for the school fiscal year for which aid is being calculated; or

(b) ~~Sixty-one percent of the~~ The sum of:

(i) The statewide average general fund operating expenditures per formula student multiplied by ~~0.05~~ 0.0375 then multiplied by the poverty students comprising more than five percent and not more than ten percent of the formula students in the school district; plus

(ii) The statewide average general fund operating expenditures per formula student multiplied by ~~0.10~~ 0.0750 then multiplied by the poverty students comprising more than ten percent and not more than fifteen percent of the formula students in the school district; plus

(iii) The statewide average general fund operating expenditures per formula student multiplied by ~~0.15~~ 0.1125 then multiplied by the poverty students comprising more than fifteen percent and not more than twenty percent of the formula students in the school district; plus

(iv) The statewide average general fund operating expenditures per formula student multiplied by ~~0.20~~ 0.1500 then multiplied by the poverty students comprising more than twenty percent and not more than twenty-five percent of the formula students in the school district; plus

(v) The statewide average general fund operating expenditures per formula student multiplied by ~~0.25~~ 0.1875 then multiplied by the poverty students comprising more than twenty-five percent and not more than thirty percent of the formula students in the school district; plus

(vi) The statewide average general fund operating expenditures per formula student multiplied by ~~0.30~~ 0.2250 then multiplied by the poverty students comprising more than thirty percent of the formula students in the school district.

Sec. 29. Section 79-1007.07, Revised Statutes Supplement, 2007, is amended to read:

79-1007.07 (1)(a) For school fiscal year 2007-08, the annual financial report required pursuant to section 79-528 shall include:

(i) The amount of federal funds received based on poverty as defined by the federal program providing the funds; and

(ii) The expenditures and sources of funding for each program related to poverty with a narrative description of the program and the method used to allocate money to the program and within the program.

(b) The department shall set up accounting codes for the receipts and expenditures required to be reported on the annual financial report pursuant to this subsection. The department shall also determine for each



school district an amount that shall be deemed the poverty allowance for purposes of this section. Such amount shall equal the adjustments to the weighted formula students pursuant to subdivision (1)(c)(iii) of section 79-1007.01 multiplied by the average formula cost per student in the school district's cost grouping.

(2)(a) For school fiscal year 2008-09 and each school fiscal year thereafter, the annual financial report required pursuant to section 79-528 shall include:

(i) The amount of the poverty allowance used in the certification of state aid pursuant to section 79-1022 for such school fiscal year;

(ii) The amount of federal funds received based on poverty as defined by the federal program providing the funds;

(iii) The expenditures and sources of funding for each program related to poverty with a narrative description of the program, the method used to allocate money to the program and within the program, and the program's relationship to the poverty plan submitted pursuant to section 79-1013 for such school fiscal year; and

(iv) The expenditures and sources of funding for support costs directly attributable to implementing the district's poverty plan; and

~~(iv)~~ (v) An explanation of how any required elements of the poverty plan for such school fiscal year were met.

(b) The department shall set up accounting codes for the receipts and expenditures required to be reported on the annual financial report pursuant to this subsection.

(3) For school fiscal year 2009-10 and each school fiscal year thereafter, the department shall determine the poverty allowance expenditures using the reported expenditures on the annual financial report for the most recently available complete data year that would include in the poverty allowance expenditures only those expenditures that were used to specifically address issues related to the education of students living in poverty or to the implementation of the poverty plan, that do not replace expenditures that would have occurred if the students involved in the program did not live in poverty, that are not included in other allowances, and that are not paid for with federal funds- paid for with noncategorical funds generated by state or local taxes. The department shall establish a procedure to allow school districts to receive preapproval for categories of expenditures that could be included in poverty allowance expenditures.

(4) For school fiscal year 2009-10 and each school fiscal year thereafter, if the poverty allowance expenditures do not equal 117.65 percent or more of the poverty allowance for the most recently available complete data year, the department shall calculate a poverty allowance correction. The poverty allowance correction shall equal the poverty allowance minus eighty-five percent of the poverty allowance expenditures. If the poverty allowance expenditures do not equal fifty percent or more of the allowance for such school fiscal year, the school district shall also be disqualified from receiving a poverty allowance for the school fiscal year for which aid is being calculated.

(5) For school fiscal year 2010-11 and each school fiscal year thereafter, if the department determines that the school district did not meet the required elements of the poverty plan for the most recently available complete data year, the department shall calculate a poverty allowance correction equal to fifty percent of the poverty allowance for such school fiscal year and the school district shall also be disqualified from receiving a poverty allowance for the school fiscal year for which aid is being calculated. Any poverty allowance correction calculated pursuant to this subsection shall be added to any poverty allowance correction calculated pursuant to subsection (4) of this section to arrive at the total poverty allowance correction.

(6) The department may request additional information from any school district to assist with calculations and determinations pursuant to this section. If the school district does not provide information upon the request of the department pursuant to this section, the school district shall be disqualified from receiving a poverty allowance for the school fiscal year for which aid is being calculated.

(7) The department shall annually provide the Legislature with a report containing a general description of the expenditures and funding sources for programs related to poverty statewide and specific descriptions of the expenditures and funding sources for programs related to poverty for each school district.

(8) The state board shall establish a procedure for appeal of decisions of the department to the state board for a final determination.

Sec. 30. Section 79-1007.08, Revised Statutes Supplement, 2007, is

amended to read:

79-1007.08 (1) For school fiscal year 2008-09 and each school fiscal year thereafter, the department shall determine the limited English proficiency allowance for each school district that meets the requirements of this section and has not been disqualified pursuant to section 79-1007.09. Each school district shall designate a maximum limited English proficiency allowance on or before ~~November 1~~ October 10 of the school fiscal year immediately preceding the school fiscal year for which aid is being calculated. The school district may decline to participate in the limited English proficiency allowance by providing the department with a maximum limited English proficiency allowance of zero dollars on such form on or before ~~November 1~~ October 10 of the school fiscal year immediately preceding the school fiscal year for which aid is being calculated. Each school district designating a maximum limited English proficiency allowance greater than zero dollars shall submit a limited English proficiency plan pursuant to section 79-1014.

(2) The limited English proficiency allowance for each school district that has not been disqualified pursuant to section 79-1007.09 shall equal the lesser of:

(a) The amount designated pursuant to subsection (1) of this section by the school district, if such school district designated a maximum amount, for the school fiscal year for which aid is being calculated; or

(b) The statewide average general fund operating expenditures per formula student multiplied by 0.25 then multiplied by:

(i) The number of students in the school district who are limited English proficient as defined under 20 U.S.C. 7801, as such section existed on January 1, 2006, if such number is greater than or equal to twelve;

(ii) Twelve, if the number of students in the school district who are limited English proficient as defined under 20 U.S.C. 7801, as such section existed on January 1, 2006, is greater than or equal to one and less than twelve; or

(iii) Zero, if the number of students in the school district who are limited English proficient as defined under 20 U.S.C. 7801, as such section existed on January 1, 2006, is less than one.

Sec. 31. Section 79-1007.09, Revised Statutes Supplement, 2007, is amended to read:

79-1007.09 (1)(a) For school fiscal year 2007-08, the annual financial report required pursuant to section 79-528 shall include:

(i) The amount of federal funds received based on students who are limited English proficient as defined by the federal program providing the funds; and

(ii) The expenditures and sources of funding for each program related to limited English proficiency with a narrative description of the program and the method used to allocate money to the program and within the program.

(b) The department shall set up accounting codes for the receipts and expenditures required to be reported on the annual financial report pursuant to this subsection. The department shall also determine for each school district an amount that shall be deemed the limited English proficiency allowance for purposes of this section. Such amount shall equal the adjustments to the weighted formula students pursuant to subdivision (1)(c)(ii) of section 79-1007.01 multiplied by the average formula cost per student in the school district's cost grouping.

(2)(a) For school fiscal year 2008-09 and each school fiscal year thereafter, the annual financial report required pursuant to section 79-528 shall include:

(i) The amount of the limited English proficiency allowance used in the certification of state aid pursuant to section 79-1022 for such school fiscal year;

(ii) The amount of federal funds received based on students who are limited English proficient as defined by the federal program providing the funds;

(iii) The expenditures and sources of funding for each program related to limited English proficiency with a narrative description of the program, the method used to allocate money to the program and within the program, and the program's relationship to the limited English proficiency plan submitted pursuant to section 79-1014 for such school fiscal year; and

(iv) The expenditures and sources of funding for support costs directly attributable to implementing the district's limited English proficiency plan; and

~~(iv)~~ (v) An explanation of how any required elements of the limited English proficiency plan for such school fiscal year were met.

(b) The department shall set up accounting codes for the receipts and expenditures required to be reported on the annual financial report pursuant to this subsection.

(3) For school fiscal year 2009-10 and each school fiscal year thereafter, the department shall determine the limited English proficiency allowance expenditures using the reported expenditures on the annual financial report for the most recently available complete data year that would only include in the limited English proficiency allowance expenditures those expenditures that were used to specifically address issues related to the education of students with limited English proficiency or to the implementation of the limited English proficiency plan, that do not replace expenditures that would have occurred if the students involved in the program did not have limited English proficiency, that are not included in other allowances, and that are ~~not paid for with federal funds~~ paid for with noncategorical funds generated by state or local taxes. The department shall establish a procedure to allow school districts to receive preapproval for categories of expenditures that could be included in limited English proficiency allowance expenditures.

(4) For school fiscal year 2009-10 and each school fiscal year thereafter, if the limited English proficiency allowance expenditures do not equal 117.65 percent or more of the limited English proficiency allowance for the most recently available complete data year, the department shall calculate a limited English proficiency allowance correction. The limited English proficiency allowance correction shall equal the limited English proficiency allowance minus eighty-five percent of the limited English proficiency allowance expenditures. If the limited English proficiency allowance expenditures do not equal fifty percent or more of the allowance for such school fiscal year, the school district shall also be disqualified from receiving a limited English proficiency allowance for the school fiscal year for which aid is being calculated.

(5) For school fiscal year 2010-11 and each school fiscal year thereafter, if the department determines that the school district did not meet the required elements of the limited English proficiency plan for the most recently available complete data year, the department shall calculate a limited English proficiency allowance correction equal to fifty percent of the limited English proficiency allowance for such school fiscal year and the school district shall also be disqualified from receiving a limited English proficiency allowance for the school fiscal year for which aid is being calculated. Any limited English proficiency allowance correction calculated pursuant to this subsection shall be added to any limited English proficiency allowance correction calculated pursuant to subsection (4) of this section to arrive at the total limited English proficiency allowance correction.

(6) The department may request additional information from any school district to assist with calculations and determinations pursuant to this section. If the school district does not provide information upon the request of the department pursuant to this section, the school district shall be disqualified from receiving a limited English proficiency allowance for the school fiscal year for which aid is being calculated.

(7) The department shall annually provide the Legislature with a report containing a general description of the expenditures and funding sources for programs related to limited English proficiency statewide and specific descriptions of the expenditures and funding sources for programs related to limited English proficiency for each school district.

(8) The state board shall establish a procedure for appeal of decisions of the department to the state board for a final determination.

Sec. 32. Section 79-1007.10, Revised Statutes Supplement, 2007, is amended to read:

79-1007.10 For state aid calculated for school fiscal year 2008-09 and each school fiscal year thereafter, the cost growth factor for each cost grouping is equal to the sum of: (1) One, plus (2) the product of two times the ratio of the difference of (a) the formula students attributable to the cost grouping without weighting or adjustment pursuant to section 79-1007.03 minus the qualified early childhood education fall membership attributable to the cost grouping without such weighting or adjustment for state aid certified pursuant to section 79-1022 minus (b) the difference of the sum of the average daily membership plus tuitioned students attributable to the cost grouping for the most recently available complete data year minus the qualified early childhood education average daily membership attributable to the cost grouping without such weighting or adjustment for the most recently available complete data year divided by the difference of the sum of the average daily membership plus tuitioned students attributable to the cost grouping for the most recently available complete data year minus the qualified early

childhood education average daily membership attributable to the cost grouping without such weighting or adjustment for the most recently available complete data year, except that the ratio shall not be less than zero; plus (3) the basic allowable growth rate pursuant to section 79-1025 for the school fiscal year in which the aid is to be distributed; plus (4) the basic allowable growth rate pursuant to section 79-1025 for the school fiscal year immediately preceding the school fiscal year in which the aid is to be distributed; plus (5) any additional growth rate allowed by special action of school boards for the school fiscal year in which the aid is to be distributed as determined for the school fiscal year immediately preceding the school fiscal year when aid is to be distributed; plus (6) any additional growth rate allowed by special action of the school boards for the school fiscal year immediately preceding the school fiscal year when the aid is to be distributed.

For state aid calculated for school fiscal year 2008-09 and each school fiscal year thereafter, the cost growth factor shall equal the sum of: (1) One; plus (2) the basic allowable growth rate pursuant to section 79-1025 for the school fiscal year in which the aid is to be distributed; plus (3) the basic allowable growth rate pursuant to section 79-1025 for the school fiscal year immediately preceding the school fiscal year in which the aid is to be distributed; plus (4) one percent.

Sec. 33. Section 79-1008.01, Revised Statutes Cumulative Supplement, 2006, is amended to read:

79-1008.01 (1) Except as provided in subsection (2) of this section and sections 79-1008.02 to 79-1010, each local system shall receive equalization aid in the amount that the total formula need of each local system, as determined pursuant to sections 79-1007.01 to 79-1007.10 and sections 13 to 25 of this act, exceeds its total formula resources as determined pursuant to sections 79-1015.01 to 79-1018.01.

(2) Except as provided in section 79-1008.02, a local system shall not receive state aid for any school fiscal year, except school fiscal years 2002-03 through 2007-08, which is less than an amount equal to the difference of eighty-five percent of the amount of aid certified in the preceding school fiscal year minus an amount equal to any increase in the adjusted valuation between the adjusted valuation used for the certification of aid in the preceding school fiscal year and the adjusted valuation used for the aid being calculated multiplied by the maximum levy, for the school fiscal year for which aid is being certified, pursuant to subdivision (2)(a) or (b) of section 77-3442 without a vote pursuant to section 77-3444.

(3) Except as provided in section 79-1008.02, a local system shall not receive state aid for school fiscal years 2002-03 through 2007-08 which is less than an amount equal to the difference of eighty-three and three-fourths percent of the amount of aid certified in the preceding school fiscal year minus an amount equal to any increase in the adjusted valuation between the adjusted valuation used for the certification of aid in the preceding school fiscal year and the adjusted valuation used for the aid being calculated multiplied by the maximum levy, for the school fiscal year for which aid is being certified, pursuant to subdivision (2)(a) of section 77-3442 without a vote pursuant to section 77-3444.

(4) Except as provided in subsection (2) or (3) of this section, no local system may receive equalization aid such that, when total aid is added to a levy ten cents less than the maximum levy, for the school fiscal year for which aid is being certified, pursuant to subdivision (2)(a) or (b) of section 77-3442 without a vote pursuant to section 77-3444, multiplied by the local system's adjusted valuation, would result in total local system revenue from state aid plus property tax receipts which exceeds the total of:

(a) The sum of state aid, receipts from other school districts related to annexation, and property tax receipts received by the local system during the preceding school fiscal year multiplied by the total of (i) 1.01 plus (ii) the applicable allowable growth rate for the local system calculated pursuant to section 79-1026 as determined for the school fiscal year immediately preceding the school fiscal year when aid is to be distributed plus (iii) the percentage growth in formula students from the certification of state aid for the immediately preceding school fiscal year to the formula students for the certification of state aid for the current school fiscal year, except that the percentage growth shall not be less than zero;

(b) Unused budget authority authorized pursuant to section 79-1030 for all school districts in the local system;

(c) The difference between the other actual receipts included in local system formula resources for the certification of state aid in the preceding school fiscal year and other actual receipts included in local system formula resources for the certification of state aid for the current school fiscal year, except that such difference shall not be less than zero;

and

(d) The absolute value of any negative prior year adjustment pursuant to section 79-1065.

For local systems that have reorganized, state aid, property tax receipts, and number of formula students shall be attributed based on valuation. The formation of a learning community shall be considered a reorganization for purposes of this subsection. The revenue from property tax receipts shall be calculated by multiplying the reported general fund common levy by the assessed valuation subject to the levy divided by one hundred.

(5) For all school fiscal years except school fiscal years 2002-03 through 2007-08, the aid that is not distributed through equalization based on subsection (4) of this section shall be distributed through this subsection to the extent local systems qualify for such distributions. Local systems qualify for distribution under this subsection if they have nine hundred or less formula students and adjusted general fund operating expenditures per formula student less than the average for all local systems with nine hundred or less formula students. The aid shall be distributed proportionally to qualifying districts based on the dollar amount each local system's calculated state aid plus the product of a levy of one dollar multiplied by the assessed valuation divided by one hundred is below ninety percent of state aid plus property tax receipts received by the local system during the preceding school fiscal year. No system shall receive aid pursuant to this subsection such that the calculated state aid plus the product of a levy of one dollar multiplied by the assessed valuation divided by one hundred is ninety percent or more of state aid plus property tax receipts received by the local system during the preceding school fiscal year.

(6) For school fiscal years 2002-03 through 2007-08, the aid that is not distributed through equalization based on subsection (3) of this section shall be distributed through this subsection to the extent local systems qualify for such distributions. Local systems qualify for distribution under this subsection if they have nine hundred or less formula students and adjusted general fund operating expenditures per formula student less than the average for all local systems with nine hundred or less formula students. The aid shall be distributed proportionally to qualifying districts based on the dollar amount each local system's calculated state aid plus the product of a levy equal to the maximum levy, for the school fiscal year for which aid is being certified, pursuant to subdivision (2)(a) or (b) of section 77-3442 without a vote pursuant to section 77-3444, multiplied by the assessed valuation is below eighty-eight and three-fourths percent of state aid plus property tax receipts received by the local system during the preceding school fiscal year. No system shall receive aid pursuant to this subsection such that the calculated state aid plus the product of a levy equal to the maximum levy, for the school fiscal year for which aid is being certified, pursuant to subdivision (2)(a) or (b) of section 77-3442 without a vote pursuant to section 77-3444, multiplied by the assessed valuation is eighty-eight and three-fourths percent or more of state aid plus property tax receipts received by the local system during the preceding school fiscal year.

Sec. 34. Section 79-1008.02, Revised Statutes Supplement, 2007, is amended to read:

79-1008.02 A minimum levy adjustment shall be calculated and applied to any local system that has a general fund common levy for the fiscal year during which aid is certified that is less than the maximum levy, for such fiscal year for such local system, allowed pursuant to subdivision (2)(a) or (b) of section 77-3442 without a vote pursuant to section 77-3444 less ~~two~~ five cents for learning communities and less ten cents for all other local systems. To calculate the minimum levy adjustment, the department shall subtract the local system general fund common levy for such fiscal year for such local system from the maximum levy allowed pursuant to subdivision (2)(a) or (b) of section 77-3442 without a vote pursuant to section 77-3444 less ~~two~~ five cents for learning communities and less ten cents for all other local systems and multiply the result by the local system's adjusted valuation divided by one hundred. The minimum levy adjustment shall be added to the formula resources of the local system for the determination of equalization aid pursuant to section 79-1008.01. If the minimum levy adjustment is greater than or equal to the allocated income tax funds calculated pursuant to section 79-1005.01 or 79-1005.02, the local system shall not receive allocated income tax funds. If the minimum levy adjustment is less than the allocated income tax funds calculated pursuant to section 79-1005.01 or 79-1005.02, the local system shall receive allocated income tax funds in the amount of the difference between the allocated income tax funds calculated pursuant to section 79-1005.01 or 79-1005.02 and the minimum levy adjustment. This section does not apply to the calculation of aid for a local system containing

a learning community for the first school fiscal year for which aid is calculated for such local system.

Sec. 35. Section 79-1009, Revised Statutes Cumulative Supplement, 2006, is amended to read:

79-1009 (1) A district shall receive net option funding if option students as defined in section 79-233 ~~(a)~~ were actually enrolled in the school year immediately preceding the school year in which the aid is to be paid, ~~or (b) will be enrolled in the school year in which the aid is to be paid as converted contract option students.~~ The determination of the net number of option students shall be based on the number of students enrolled in the district as option students and the number of students residing in the district but enrolled in another district as option students as of the day of the fall membership count pursuant to section 79-528, for the school fiscal year immediately preceding the school fiscal year in which aid is to be paid. Net number of option students means the difference of the number of option students enrolled in the district minus the number of students residing in the district but enrolled in another district as option students.

(2) For purposes of this section: (a) For all school fiscal years ~~except school fiscal years 2002-03 through 2007-08,~~ net option funding means the sum of the products of the net number of option students in each grade range multiplied by the statewide average cost grouping cost per student multiplied by the weighting factor for the corresponding grade range pursuant to section 79-1007.01; ~~and (b) for school fiscal years 2002-03 through 2007-08,~~ net option funding shall be calculated by subtracting the temporary aid adjustment factor from the sum of the products of the net number of option students in each grade range multiplied by the statewide average cost grouping cost per student multiplied by the weighting factor for the corresponding grade range pursuant to section 79-1007.01; and (b) for school fiscal year 2008-09 and each school fiscal year thereafter, net option funding shall be the sum of the product of the net number of option students multiplied by the statewide average basic funding per formula student.

(3) A district's net option funding shall be zero if the calculation produces a negative result. ~~7~~ ~~except that a local system's net option funding shall not be less than zero.~~ Net number of option students means the number of option students actually enrolled in a grade range in the current data year minus the number of students residing in the district but enrolled in another district in the same grade range in the current data year as option students as defined in section 79-233. A district's net option funding shall be zero if the calculation produces a negative result. ~~(3) The determination of the net number of option students shall be based on (a) the number of option students enrolled in the district or enrolled in another district as of the day of the fall membership count pursuant to section 79-528, for the school fiscal year immediately preceding the school fiscal year in which the aid is to be paid and (b) the number of option students that will be enrolled in the district or enrolled in another district as converted contract option students for the school fiscal year in which the aid is to be paid.~~ Payments made under this section shall be made from the funds to be disbursed under section 79-1005.01 or 79-1005.02. ~~(4) Payments made pursuant to this section~~ Such payments shall go directly to the option school district but shall count as a formula resource for the local system.

Sec. 36. Section 79-1013, Revised Statutes Supplement, 2007, is amended to read:

79-1013 (1) On or before ~~November 1~~ October 10 of each year, each school district designating a maximum poverty allowance greater than zero dollars shall submit a poverty plan for the next school fiscal year to the department and to the learning community coordinating council of any learning community of which the school district is a member. On or before the immediately following December 1, (a) the department shall approve or disapprove such plan for school districts that are not members of a learning community based on the inclusion of the elements required pursuant to this section. ~~On or before the immediately following December 1,~~ and (b) the learning community coordinating council and, as to the applicable portions thereof, each achievement subcouncil, shall approve or disapprove such plan for school districts that are members of such learning community based on the inclusion of such elements. On or before the immediately following December 5, each learning community coordinating council shall certify to the department the approval or disapproval of the poverty plan for each member school district.

(2) In order to be approved pursuant to this section, a poverty plan shall include an explanation of how the school district will address the following issues for such school fiscal year:

(a) Attendance, including absence followup and transportation for

students qualifying for free or reduced-price lunches who reside more than ~~one-half~~ one mile from the attendance center;

(b) Student mobility, including transportation to allow a student to continue attendance at the same school if the student moves to another attendance area within the same school district or within the same learning community;

(c) Parental involvement at the school-building level with a focus on the involvement of parents in poverty and from other diverse backgrounds;

(d) Parental involvement at the school-district level with a focus on the involvement of parents in poverty and from other diverse backgrounds;

(e) Class size reduction or maintenance of small class sizes ~~for~~ students who qualify for free or reduced-price lunches, in elementary grades;

(f) Scheduled teaching time on a weekly basis that will be free from interruptions;

(g) Access to early childhood education programs for children in poverty;

(h) Student access to social workers;

(i) Access to summer school, extended-school-day programs, or extended-school-year programs;

(j) Mentoring for new and newly reassigned teachers;

(k) Professional development for teachers and administrators, focused on addressing the educational needs of students in poverty and students from other diverse backgrounds;

(l) Coordination with elementary learning centers if the school district is a member of a learning community; and

(m) An evaluation to determine the effectiveness of the elements of the poverty plan.

(3) The state board shall establish a procedure for appeal of decisions of the department and of learning community coordinating councils to the state board for a final determination.

Sec. 37. Section 79-1014, Revised Statutes Supplement, 2007, is amended to read:

79-1014 (1) On or before ~~November 1~~ October 10 of each year, each school district designating a maximum limited English proficiency allowance greater than zero dollars shall submit a limited English proficiency plan for the next school fiscal year to the department and to the learning community coordinating council of any learning community of which the school district is a member. On or before the immediately following December 1, (a) the department shall approve or disapprove such plans for school districts that are not members of a learning community, based on the inclusion of the elements required pursuant to this section. ~~On or before the immediately following December 1,~~ and (b) the learning community coordinating council, and, as to the applicable portions thereof, each achievement subcouncil, shall approve or disapprove such plan for school districts that are members of such learning community, based on the inclusion of such elements. On or before the immediately following December 5, each learning community coordinating council shall certify to the department the approval or disapproval of the limited English proficiency plan for each member school district.

(2) In order to be approved pursuant to this section, a limited English proficiency plan must include an explanation of how the school district will address the following issues for such school fiscal year:

(a) Identification of students with limited English proficiency;

(b) Instructional approaches;

(c) Assessment of such students' progress toward mastering the English language; and

(d) An evaluation to determine the effectiveness of the elements of the limited English proficiency plan.

(3) The state board shall establish a procedure for appeal of decisions of the department to the state board for a final determination.

Sec. 38. Section 79-1015.01, Revised Statutes Supplement, 2007, is amended to read:

79-1015.01 (1) Local system formula resources shall include local effort rate yield which shall be computed as prescribed in this section.

(2) For school fiscal years prior to school fiscal year 2008-09: (a) For state aid certified pursuant to section 79-1022, the local effort rate shall be the maximum levy, for the school fiscal year for which aid is being certified, authorized pursuant to subdivision (2) (a) ~~or (e)~~ of section 77-3442 less ten cents; (b) for ~~For~~ the final calculation of state aid pursuant to section 79-1065, the local effort rate shall be the rate which, when multiplied by the total adjusted valuation of all taxable property in local systems receiving equalization aid pursuant to the Tax Equity and Educational Opportunities Support Act, will produce the amount needed to support the total

formula need of such local systems when added to state aid appropriated by the Legislature and other actual receipts of local systems described in section 79-1018.01; and (c) ~~the~~ ~~-~~ The local effort rate yield shall be determined by multiplying each local system's total adjusted valuation by the local effort rate.

(3) For school fiscal year 2008-09 and each school fiscal year thereafter: (a) For state aid certified pursuant to section 79-1022, the local effort rate shall be the maximum levy, for the school fiscal year for which aid is being certified, authorized pursuant to subdivision (2)(a) of section 77-3442 less five cents; (b) for the final calculation of state aid pursuant to section 79-1065, the local effort rate shall be the rate which, when multiplied by the total adjusted valuation of all taxable property in local systems receiving equalization aid pursuant to the Tax Equity and Educational Opportunities Support Act, will produce the amount needed to support the total formula need of such local systems when added to state aid appropriated by the Legislature and other actual receipts of local systems described in section 79-1018.01; and (c) the local effort rate yield for such school fiscal years shall be determined by multiplying each local system's total adjusted valuation by the local effort rate.

Sec. 39. Section 79-1016, Revised Statutes Supplement, 2007, is amended to read:

79-1016 (1) On or before August 25, the county assessor shall certify to the Property Tax Administrator the total taxable value by school district in the county for the current assessment year on forms prescribed by the Tax Commissioner. The county assessor may amend the filing for changes made to the taxable valuation of the school district in the county if corrections or errors on the original certification are discovered. Amendments shall be certified to the Property Tax Administrator on or before September 30.

(2) On or before October 10, the Property Tax Administrator shall compute and certify to the State Department of Education the adjusted valuation for the current assessment year for each class of property in each school district and each local system. The adjusted valuation of property for each school district and each local system, for purposes of determining state aid pursuant to the Tax Equity and Educational Opportunities Support Act, shall reflect as nearly as possible state aid value as defined in subsection (3) of this section. The Property Tax Administrator shall notify each school district and each local system of its adjusted valuation for the current assessment year by class of property on or before October 10. Establishment of the adjusted valuation shall be based on the taxable value certified by the county assessor for each school district in the county adjusted by the determination of the level of value for each school district from an analysis of the comprehensive assessment ratio study or other studies developed by the Property Tax Administrator, in compliance with professionally accepted mass appraisal techniques, as required by section 77-1327. The Tax Commissioner shall adopt and promulgate rules and regulations setting forth standards for the determination of level of value for ~~school~~ state aid purposes.

(3) For purposes of this section, state aid value means:

(a) For real property other than agricultural and horticultural land, ~~one hundred ninety-six~~ ninety-six percent of actual value;

(b) For agricultural and horticultural land, ~~seventy-five~~ seventy-two percent of actual value as provided in sections 77-1359 to 77-1363. For agricultural and horticultural land that receives special valuation pursuant to section 77-1344, ~~seventy-five~~ seventy-two percent of special valuation as defined in section 77-1343; and

(c) For personal property, the net book value as defined in section 77-120.

(4) On or before November 10, any local system may file with the Tax Commissioner written objections to the adjusted valuations prepared by the Property Tax Administrator, stating the reasons why such adjusted valuations are not the valuations required by subsection (3) of this section. The Tax Commissioner shall fix a time for a hearing. Either party shall be permitted to introduce any evidence in reference thereto. On or before January 1, the Tax Commissioner shall enter a written order modifying or declining to modify, in whole or in part, the adjusted valuations and shall certify the order to the State Department of Education. Modification by the Tax Commissioner shall be based upon the evidence introduced at hearing and shall not be limited to the modification requested in the written objections or at hearing. A copy of the written order shall be mailed to the local system within seven days after the date of the order. The written order of the Tax Commissioner may be appealed within thirty days after the date of the order to the Tax Equalization and Review Commission in accordance with section 77-5013.



(5) On or before November 10, any local system or county official may file with the Tax Commissioner a written request for a nonappealable correction of the adjusted valuation due to clerical error as defined in section 77-128 or, for agricultural and horticultural land, assessed value changes by reason of land qualified or disqualified for special use valuation pursuant to sections 77-1343 to 77-1348. On or before the following January 1, the Tax Commissioner shall approve or deny the request and, if approved, certify the corrected adjusted valuations resulting from such action to the State Department of Education.

(6) On or before May 31 of the year following the certification of adjusted valuation pursuant to subsection (2) of this section, any local system or county official may file with the Tax Commissioner a written request for a nonappealable correction of the adjusted valuation due to changes to the tax list that change the assessed value of taxable property. Upon the filing of the written request, the Tax Commissioner shall require the county assessor to recertify the taxable valuation by school district in the county on forms prescribed by the Tax Commissioner. The recertified valuation shall be the valuation that was certified on the tax list, pursuant to section 77-1613, increased or decreased by changes to the tax list that change the assessed value of taxable property in the school district in the county in the prior assessment year. On or before the following July 31, the Tax Commissioner shall approve or deny the request and, if approved, certify the corrected adjusted valuations resulting from such action to the State Department of Education.

(7) No injunction shall be granted restraining the distribution of state aid based upon the adjusted valuations pursuant to this section.

(8) A school district whose state aid is to be calculated pursuant to subsection (5) of this section and whose state aid payment is postponed as a result of failure to calculate state aid pursuant to such subsection may apply to the state board for lump-sum payment of such postponed state aid. Such application may be for any amount up to one hundred percent of the postponed state aid. The state board may grant the entire amount applied for or any portion of such amount. The state board shall notify the Director of Administrative Services of the amount of funds to be paid in a lump sum and the reduced amount of the monthly payments. The Director of Administrative Services shall, at the time of the next state aid payment made pursuant to section 79-1022, draw a warrant for the lump-sum amount from appropriated funds and forward such warrant to the district.

Sec. 40. Section 79-1018.01, Revised Statutes Supplement, 2007, is amended to read:

79-1018.01 ~~Local~~ Except as otherwise provided in this section, local system formula resources include other actual receipts available for the funding of general fund operating expenditures as determined by the department for the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid. ~~Receipts~~ Receipts ~~except that receipts~~ from the Community Improvements Cash Fund, and receipts acquired pursuant to the Low-Level Radioactive Waste Disposal Act, and, beginning with the calculation of state aid to be distributed in school fiscal year 2004-05, ~~tuition receipts from converted contracts~~ shall not be included. Other actual receipts include:

- (1) Public power district sales tax revenue;
- (2) Fines and license fees;
- (3) Tuition receipts from individuals, other districts, or any other source except receipts derived from adult education, receipts derived from summer school tuition, receipts derived from early childhood education tuition, tuition receipts from converted contracts, and receipts from educational entities as defined in section 79-1201.01 for providing distance education courses through the Distance Education Council until July 1, 2008, and the Educational Service Unit Coordinating Council on and after July 1, 2008, to such educational entities;
- (4) Transportation receipts;
- (5) Interest on investments;
- (6) Other miscellaneous noncategorical local receipts, not including receipts from private foundations, individuals, associations, or charitable organizations;
- (7) Special education receipts; ~~excluding grant funds received pursuant to section 9-812;~~
- (8) Special education receipts and non-special education receipts from the state for wards of the court and wards of the state;
- (9) All receipts from the temporary school fund. Beginning with the calculation of aid for school fiscal year 2002-03 and each school fiscal year thereafter, receipts from the temporary school fund shall only include receipts pursuant to section 79-1035 and the receipt of funds pursuant to

section 79-1036 for property leased for a public purpose as set forth in subdivision (1)(a) of section 77-202;

(10) Motor vehicle tax receipts received on or after January 1, 1998;

(11) Pro rata motor vehicle license fee receipts;

(12) Other miscellaneous state receipts excluding revenue from the textbook loan program authorized by section 79-734;

(13) Impact aid entitlements for the school fiscal year which have actually been received by the district to the extent allowed by federal law;

(14) All other noncategorical federal receipts;

(15) All receipts pursuant to the enrollment option program under sections 79-232 to 79-246;

(16) Receipts under the federal Medicare Catastrophic Coverage Act of 1988, as such act existed on May 8, 2001, as authorized pursuant to sections 43-2510 and 43-2511 but only to the extent of the amount the local system would have otherwise received pursuant to the Special Education Act; and

(17) Receipts for accelerated or differentiated curriculum programs pursuant to sections 79-1106 to 79-1108.03.

Sec. 41. Section 79-1022, Revised Statutes Supplement, 2007, is amended to read:

79-1022 (1) On or before February 1 of each year, the department shall determine the amounts to be distributed to each local system and each district pursuant to the Tax Equity and Educational Opportunities Support Act and shall certify the amounts to the Director of Administrative Services, the Auditor of Public Accounts, each learning community, and each district. The amount to be distributed to each district that is not a member of a learning community from the amount certified for a local system shall be proportional based on: (a) For school fiscal years prior to school fiscal year 2008-09, the weighted formula students attributed to each district in the local system; and (b) for school fiscal year 2008-09 and each school fiscal year thereafter, the formula students attributed to each district in the local system. For the first five complete school fiscal years for a learning community, the amount to be distributed to each district that is a member of such learning community shall be determined pursuant to section 79-1015. For each school fiscal year thereafter, the amount to be distributed to each district that is a member of a learning community from the amount certified for the local system shall be proportional based on the formula needs calculated for each district in the local system. On or before February 1 of each year, the department shall report the necessary funding level to the Governor, the Appropriations Committee of the Legislature, and the Education Committee of the Legislature. Certified state aid amounts, including adjustments pursuant to section 79-1065.02, shall be shown as budgeted non-property-tax receipts and deducted prior to calculating the property tax request in the district's general fund budget statement as provided to the Auditor of Public Accounts pursuant to section 79-1024.

(2) Except as provided in subsection (8) of section 79-1016 and sections 79-1033 and 79-1065.02, the amounts certified pursuant to subsection (1) of this section shall be distributed in ten as nearly as possible equal payments on the last business day of each month beginning in September of each ensuing school fiscal year and ending in June of the following year, except that when a school district is to receive a monthly payment of less than one thousand dollars, such payment shall be one lump-sum payment on the last business day of December during the ensuing school fiscal year.

Sec. 42. Section 79-1022.02, Reissue Revised Statutes of Nebraska, is amended to read:

79-1022.02 Notwithstanding any other provision of law, the certification of state aid pursuant to section 79-1022 to be paid to school districts during school year ~~2003-04,~~ 2008-09 and the certification of applicable allowable growth rates pursuant to section 79-1026 for school fiscal year ~~2003-04,~~ and the certifications of Class I school district allowable general fund budgets of expenditures pursuant to section 79-1083.03 for school fiscal year ~~2003-04~~ 2008-09 are null and void. State aid to be paid during such school year and the certifications pursuant to section 79-1022 shall be recertified and certifications pursuant to section 79-1023 shall be certified on or before ~~June 15, 2003,~~ April 30, 2008, or the fifteenth day after the effective date of this act, whichever occurs later, using data sources as they existed on February 1, ~~2003-~~ 2008.

Sec. 43. Section 79-1023, Reissue Revised Statutes of Nebraska, is amended to read:

79-1023 ~~Ne~~ (1) On or before April 30, 2008, or the fifteenth day after the effective date of this act, whichever occurs later, and on or before

February 1 of each year thereafter, the department shall determine and certify to each school district the maximum general fund budget of expenditures minus the special education budget of expenditures for the immediately following school fiscal year.

(2) For school fiscal years prior to 2008-09, no Class II, III, IV, V, or VI district shall increase its general fund budget of expenditures more than the local system's applicable allowable growth rate.

(3) For school fiscal year 2008-09 and each school fiscal year thereafter, except as provided in section 46 of this act, no school district shall have a general fund budget of expenditures minus special grant funds and the special education budget of expenditures more than the greater of (a) the product of the difference of the general fund budget of expenditures minus special grant funds and the special education budget of expenditures for the immediately preceding school fiscal year multiplied by the sum of one plus the local system's applicable allowable growth rate or (b) the difference of one hundred twenty percent of formula need for such school fiscal year minus the product of the sum of one plus the basic allowable growth rate for such school fiscal year multiplied by the special education budget of expenditures as filed on the school district budget statement on or before September 20 for the immediately preceding school fiscal year.

Sec. 44. Section 79-1024, Revised Statutes Cumulative Supplement, 2006, is amended to read:

79-1024 (1) The department may require each district to submit to the department a duplicate copy of such portions of the district's budget statement as the Commissioner of Education directs. The department may verify any data used to meet the requirements of the Tax Equity and Educational Opportunities Support Act. The Auditor of Public Accounts shall review each district's budget statement for statutory compliance, make necessary changes in the budget documents for districts to effectuate the budget limitations imposed pursuant to sections 79-1023 to 79-1030, and notify the Commissioner of Education ~~(a)~~ of any district failing to submit to the auditor the budget documents required pursuant to this subsection by the date established in subsection (1) of section 13-508 or failing to make any corrections of errors in the documents pursuant to section 13-504 or 13-511, ~~and (b) of any Class I district failing to submit the items required by this subsection to its high school districts by the date established in section 79-1083.03.~~

(2) If a school district fails to submit to the department or the auditor the budget documents required pursuant to subsection (1) of this section by the date established in subsection (1) of section 13-508 or fails to make any corrections of errors in the documents pursuant to section 13-504 or 13-511, ~~or a Class I district fails to submit the items required by subsection (1) of this section to its high school districts by the date established in section 79-1083.03,~~ the commissioner, upon notification from the auditor or upon his or her own knowledge that the required budget documents and any required corrections of errors from any school district have not been properly filed in accordance with the Nebraska Budget Act and after notice to the district and an opportunity to be heard, shall direct that any state aid granted pursuant to the Tax Equity and Educational Opportunities Support Act be withheld until such time as the required budget documents or corrections of errors are received by the auditor and the department. In addition, the commissioner shall direct the county treasurer to withhold all school money belonging to the school district until such time as the commissioner notifies the county treasurer of receipt of the required budget documents or corrections of errors. The county treasurer shall withhold such money. For school districts that are members of learning communities, a determination of school money belonging to the district shall be based on the proportionate share of property tax receipts allocated to the school district by the learning community coordinating council, and the learning community coordinating council shall withhold any such school money in the possession of the learning community coordinating council from the school district. If the school district does not comply with this section prior to the end of the state's biennium following the biennium which included the fiscal year for which state aid was calculated, the state aid funds shall revert to the General Fund. The amount of any reverted funds shall be included in data provided to the Governor in accordance with section 79-1031. The board of any district failing to submit to the department or the auditor the budget documents required pursuant to this section by the date established in subsection (1) of section 13-508 or failing to make any corrections of errors in the documents pursuant to section 13-504 or 13-511 ~~or the board of a Class I district failing to submit the items required by subsection (1) of this section to its high school districts by the date established in section 79-1083.03~~ shall be liable to the school district for all school money which

such district may lose by such failing.

Sec. 45. Section 79-1028, Revised Statutes Supplement, 2007, is amended to read:

79-1028 For school fiscal years prior to school fiscal year 2008-09:

(1) A Class II, III, IV, V, or VI school district may exceed its applicable allowable growth rate for (a) expenditures in support of a service which is the subject of an agreement or a modification of an existing agreement whether operated by one of the parties to the agreement or an independent joint entity or joint public agency, (b) expenditures to pay for repairs to infrastructure damaged by a natural disaster which is declared a disaster emergency pursuant to the Emergency Management Act, (c) expenditures to pay for judgments, except judgments or orders from the Commission of Industrial Relations, obtained against a school district which require or obligate a school district to pay such judgment, to the extent such judgment is not paid by liability insurance coverage of a school district, (d) expenditures to pay for sums agreed to be paid by a school district to certificated employees in exchange for a voluntary termination of employment, or (e) expenditures to pay for lease-purchase contracts approved on or after July 1, 1997, and before July 1, 1998, to the extent the lease payments were not budgeted expenditures for fiscal year 1997-98;--

(2) A Class II, III, IV, V, or VI district may exceed its applicable allowable growth rate by a specific dollar amount if the district projects an increase in formula students in the district over the current school year greater than twenty-five students or greater than those listed in the schedule provided in this ~~subsection~~, subdivision, whichever is less. Districts shall project increases in formula students on forms prescribed by the department. The department shall approve, deny, or modify the projected increases.

Average daily membership of district	Projected increase of formula students by percentage
0 - 50	10
50.01 - 250	5
250.01 - 1,000	3
1,000.01 and over	1

The department shall compute the district's estimated allowable budget per pupil using the budgeted general fund expenditures found on the budget statement for the current school year divided by the number of formula students in the current school year and multiplied by the district's applicable allowable growth rate. The resulting allowable budget per pupil shall be multiplied by the projected formula students to arrive at the estimated budget needs for the ensuing year. The department shall allow the district to increase its general fund budget of expenditures for the ensuing school year by the amount necessary to fund the estimated budget needs of the district as computed pursuant to this ~~subsection~~, subdivision. On or before July 1, the department shall make available to districts which have been allowed additional growth pursuant to this ~~subsection~~ subdivision the necessary document to recalculate the actual formula students of such district. Such document shall be filed with the department under subsection (1) of section 79-1024;--

(3) A Class II, III, IV, V, or VI district may exceed its applicable allowable growth rate by a specific dollar amount if construction, expansion, or alteration of district buildings will cause an increase in building operation and maintenance costs of at least five percent. The department shall document the projected increase in building operation and maintenance costs and may allow a Class II, III, IV, V, or VI district to exceed its applicable allowable growth rate by the amount necessary to fund such increased costs. The department shall compute the actual increased costs for the school year and shall notify the district on or before July 1 of the recovery of the additional growth pursuant to this ~~subsection~~, subdivision;

(4) A Class II, III, IV, V, or VI district may exceed its applicable allowable growth rate by a specific dollar amount if the district demonstrates to the satisfaction of the department that it will exceed its applicable allowable growth rate as a result of costs pursuant to the Retirement Incentive Plan authorized in section 79-855 or the Staff

Development Assistance authorized in section 79-856. The department shall compute the amount by which the increased cost of such program or programs exceeds the district's applicable allowable growth rate and shall allow the district to increase its general fund expenditures by such amount for that fiscal year.

(5) A Class II, III, IV, or V district may exceed its applicable allowable growth rate by the specific dollar amount of incentive payments or base fiscal year incentive payments to be received in such school fiscal year pursuant to section 79-1011.

(6) A Class II, III, IV, V, or VI district may exceed its applicable allowable growth rate by a specific dollar amount in any year for which the state aid calculation for the local system includes students in the qualified early childhood education fall membership of the district for the first time or for a year in which an early childhood education program of the district is receiving an expansion grant. The department shall compute the amount by which the district may exceed the district's applicable allowable growth rate by multiplying the cost grouping cost per student for the applicable cost grouping by the district's adjusted formula students attributed to early childhood education programs if students are included in the district's qualified early childhood education fall membership for the first time or by the district's adjusted formula students attributed to such early childhood education programs minus the district's adjusted formula students attributed to such early childhood education programs for the prior school fiscal year if a program is receiving an expansion grant in the school fiscal year for which the fall membership is measured. The department shall allow the district to increase its general fund expenditures by such amount for such school fiscal year.

(7) For school fiscal year 2005-06, a Class II, III, IV, V, or VI district may exceed its applicable allowable growth rate by a specific dollar amount not to exceed seventy-four hundredths percent of the amount budgeted for employee salaries for such school fiscal year. For school fiscal year 2006-07, a Class II, III, IV, V, or VI district may exceed its applicable allowable growth rate by a specific dollar amount not to exceed fifty-nine hundredths percent of the amount budgeted for employee salaries for such school fiscal year.

(8) A Class II, III, IV, or V district that is a member of a learning community may exceed its applicable allowable growth rate for the first school fiscal year in which the school district will be a member of a learning community for the full school fiscal year by an amount equal to anticipated increases in transportation expenditures necessary to meet the requirements of subsection (2) of section 79-611 as approved by the department. The department shall approve, deny, or modify the amount allowed for anticipated increases in transportation expenditures. The department shall compute the actual increase in transportation expenditures necessary to meet the requirements of subsection (2) of section 79-611 for such school fiscal year and shall, if needed, modify the district's applicable allowable growth rate for the ensuing school fiscal year.

(9) For school fiscal year 2008-09, a Class II, III, IV, or V district may exceed its applicable allowable growth rate by a specific dollar amount if the sum of the poverty allowance, elementary class size allowance, focus school and program allowance, and limited English proficiency allowance for the school district for school fiscal year 2008-09 exceeds the poverty weightings plus limited English proficiency weightings multiplied by the cost grouping cost per student for the school district for school fiscal year 2007-08. The department shall compute the amount by which the district may exceed the applicable allowable growth rate by subtracting the product of the sum of the poverty weightings and limited English proficiency weightings for school fiscal year 2007-08 multiplied by the average formula cost per student in the school district's cost grouping for school fiscal year 2007-08 from the sum of the school fiscal year 2008-09 poverty allowance, elementary class size allowance, focus school and program allowance, and limited English proficiency allowance for the school district. The department shall allow the district to increase its general fund expenditures by such amount for school fiscal year 2008-09.

(10) For school fiscal year 2009-10 and each school fiscal year thereafter, a Class II, III, IV, or V district may exceed its applicable allowable growth rate by a specific dollar amount if the sum of the poverty allowance, elementary class size allowance, focus school and program allowance, and limited English proficiency allowance for the school district has grown at a rate higher than the applicable allowable growth rate of the district. The department shall compute the amount by which the district may exceed the applicable allowable growth rate by subtracting the product

of the sum of the poverty allowance, elementary class size allowance, focus school and program allowance, and limited English proficiency allowance for the immediately preceding school fiscal year multiplied by the sum of one plus the applicable allowable growth rate to be exceeded from the sum of the poverty allowance, elementary class size allowance, focus school and program allowance, and limited English proficiency allowance for the district for the school fiscal year for which the applicable allowable growth rate would be exceeded. The department shall allow the district to increase its general fund expenditures by such amount for the applicable school fiscal year.

~~(11) (7) A Class II, III, IV, or V school district may exceed its applicable allowable growth rate by a specific dollar amount not to exceed the amount received during such school fiscal year from educational entities as defined in section 79-1201.01 for providing distance education courses through the Distance Education Council; and until July 1, 2008, and the Educational Service Unit Coordinating Council on and after July 1, 2008, to such educational entities.~~

~~(12) (8) A Class II, III, IV, or V school district may exceed its applicable allowable growth rate for school fiscal year 2007-08 by a specific dollar amount equal to the amount paid in school fiscal year 2006-07 to any distance education consortium in which the school district was participating pursuant to an interlocal agreement.~~

Sec. 46. For school fiscal year 2008-09 and each school fiscal year thereafter, a school district may exceed its maximum general fund budget of expenditures minus the special education budget of expenditures by a specific dollar amount for:

(1) Expenditures for repairs to infrastructure damaged by a natural disaster which is declared a disaster emergency pursuant to the Emergency Management Act;

(2) Expenditures for judgments, except judgments or orders from the Commission of Industrial Relations, obtained against a school district which require or obligate a school district to pay such judgment, to the extent such judgment is not paid by liability insurance coverage of a school district;

(3) Expenditures pursuant to the Retirement Incentive Plan authorized in section 79-855 or the Staff Development Assistance authorized in section 79-856;

(4) Expenditures of incentive payments or base fiscal year incentive payments to be received in such school fiscal year pursuant to section 79-1011;

(5) Expenditures of amounts received from educational entities as defined in section 79-1201.01 for providing distance education courses through the Educational Service Unit Coordinating Council to such educational entities; and

(6) A school district may exceed its applicable allowable growth rate for either (a) the first and second school fiscal years the district will be participating in Network Nebraska for the full school fiscal year or (b) school fiscal year 2008-09, if the school district participated in Network Nebraska for all of school fiscal year 2007-08, by a specific dollar amount equal to the estimated expenditures, to be made in the school fiscal year in which the district may exceed its applicable allowable growth rate, for (i) telecommunication services, (ii) access to data transmission networks that transmit data to and from the school district, and (iii) the transmission of data on such networks as such expenditures are defined by the department for purposes of the distance education and telecommunications allowance minus the dollar amount of such expenditures for the school fiscal year immediately preceding the first full school fiscal year the district participates in Network Nebraska. Districts shall estimate expenditures on forms prescribed by the department. The department shall approve, deny, or modify the estimated expenditures.

The state board shall approve, deny, or modify the amount allowed for any exception to the maximum general fund budget of expenditures minus the special education budget of expenditures pursuant to this section.

Sec. 47. Section 79-1029, Reissue Revised Statutes of Nebraska, is amended to read:

79-1029 (1) A For school fiscal years prior to school fiscal year 2008-09, a Class II, III, IV, V, or VI district may exceed the basic allowable growth rate prescribed in section 79-1025 upon an affirmative vote of at least seventy-five percent of the board. The total growth shall not exceed the applicable allowable growth rate certified for the local system under section 79-1026 plus one percent. The vote shall be taken at a public meeting of the board following a special public hearing called for the purpose of receiving testimony on such proposed increase. The board shall give at least five calendar days' notice of such public hearing and shall publish such notice at

least once in a newspaper of general circulation in the local system.

(2) A For school fiscal years prior to school fiscal year 2008-09, a Class II, III, IV, V, or VI district may exceed the applicable allowable growth rate prescribed in section 79-1026 by an amount approved by a majority of legal voters voting on the issue at a primary, general, or special election called for such purpose upon the recommendation of the board or upon the receipt by the county clerk or election commissioner of a petition requesting an election signed by at least five percent of the legal voters of the district. The recommendation of the board or the petition of the legal voters shall include the amount and percentage by which the board would increase its general fund budget of expenditures for the ensuing school year over and above the current year's general fund budget of expenditures. The county clerk or election commissioner shall place the question on the primary or general election ballot or call for a special election on the issue after the receipt of such board recommendation or legal voter petition. The election shall be held pursuant to the Election Act or section 77-3444, and all costs for a special election shall be paid by the district. A vote to exceed the applicable allowable growth rate may be approved on the same question as a vote to exceed the levy limits provided in section 77-3444.

(3) For school fiscal year 2008-09 and each school fiscal year thereafter, a Class II, III, IV, V, or VI district may exceed the maximum general fund budget of expenditures minus the special education budget of expenditures prescribed in section 79-1023 by an amount approved by a majority of legal voters voting on the issue at a primary, general, or special election called for such purpose upon the recommendation of the board or upon the receipt by the county clerk or election commissioner of a petition requesting an election, signed by at least five percent of the legal voters of the district. The recommendation of the board or the petition of the legal voters shall include the amount by which the board would increase its general fund budget of expenditures for the ensuing school year over and above the maximum general fund budget of expenditures minus the special education budget of expenditures prescribed in section 79-1023. The county clerk or election commissioner shall place the question on the primary or general election ballot or call for a special election on the issue after the receipt of such board recommendation or legal voter petition. The election shall be held pursuant to the Election Act or section 77-3444, and all costs for a special election shall be paid by the district. A vote to exceed the maximum general fund budget of expenditures minus the special education budget of expenditures may be approved on the same question as a vote to exceed the levy limits provided in section 77-3444.

Sec. 48. Section 79-1031.01, Revised Statutes Supplement, 2007, is amended to read:

79-1031.01 The Appropriations Committee of the Legislature shall annually include the amount necessary to fund the state aid that will be certified to school districts on or before February 15, 2007, April 30, 2008, and on or before February 1 for each ~~ensuing~~ school year thereafter in its recommendations to the Legislature to carry out the requirements of the Tax Equity and Educational Opportunities Support Act.

Sec. 49. Section 79-1073, Revised Statutes Supplement, 2007, is amended to read:

79-1073 On or before October 1 for each year, each learning community coordinating council shall determine the expected amounts to be distributed to each member school district from general fund property tax receipts pursuant to subdivision (2)(b) of section 77-3442 and shall certify such amounts to each member school district and the State Department of Education. Such property tax receipts shall be divided among member school districts proportionally based on the difference of one hundred percent of the school district's formula need calculated pursuant to section ~~79-1007.02~~ 13 of this act minus the sum of the state aid certified pursuant to section 79-1022 and the other actual receipts included in local system formula resources pursuant to section 79-1018.01 for the school fiscal year for which the distribution is being made, except that no school district shall receive property tax receipts in excess of the lesser of such difference or the school district's property tax request submitted to the learning community coordinating council.

Each time a learning community coordinating council distributes property tax receipts to member school districts, the amount to be distributed to each district shall be proportional based on the total amounts to be distributed to each member school district for the school fiscal year.

Sec. 50. Section 79-1083.03, Revised Statutes Supplement, 2007, is amended to read:

79-1083.03 For school fiscal years prior to school fiscal year

2008-09:

(1) (a) If the primary high school district designated pursuant to section 79-1083.02 is a Class VI district, the Class I district's total allowable general fund budget of expenditures minus the special education budget of expenditures shall be determined by the school board of such Class VI district and shall be certified to the Class I district on or before ~~June 24, 2003, and on or before~~ March 1 each year thereafter for the following school fiscal year; ~~and-~~

(b) The Class VI primary high school district shall certify the total allowable general fund budget of expenditures minus the special education budget of expenditures for the Class I district to the State Department of Education on or before ~~August 1, 2003, and on or before~~ April 20 each year thereafter. April 20;

(2) If the primary high school district is not a Class VI district, the Class I district's total allowable general fund budget of expenditures minus the special education budget of expenditures shall be determined by the department as follows and certified on or before ~~June 15, 2003, and on or before~~ February 1 each year thereafter, for the following school fiscal year:

(a) The total allowable general fund budget of expenditures minus the special education budget of expenditures for the Class I district in the school fiscal year immediately preceding the school fiscal year for which the budget is prepared shall be divided by the formula students in the Class I district as defined in section 79-1003, and the result shall be increased by the applicable allowable growth rate for the primary high school district's local system for the ensuing school fiscal year calculated pursuant to section 79-1026 as determined on or before ~~June 15, 2003, and on or before~~ February 1 each year thereafter, of the school fiscal year immediately preceding the school fiscal year for which the budget is prepared;

(b) The total allowable general fund budget of expenditures minus the special education budget of expenditures for the primary high school district in the school fiscal year immediately preceding the school fiscal year for which the budget is prepared shall be divided by the formula students as defined in section 79-1003 in the primary high school district weighted by the grade weighting factors contained in subdivision (1)(a) of section 79-1007.01, and the result shall be multiplied by the kindergarten through grade eight formula students as defined in section 79-1003 weighted by the grade weighting factors contained in subdivision (1)(a) of section 79-1007.01 to calculate the total allowable general fund budget of expenditures minus the special education budget of expenditures for kindergarten through grade eight in the primary high school district. The total allowable general fund budget of expenditures minus the special education budget of expenditures for kindergarten through grade eight shall be divided by the kindergarten through grade eight formula students without weighting. The result shall be increased by the applicable allowable growth rate for the primary high school district's local system for the ensuing school fiscal year calculated pursuant to section 79-1026 as determined ~~on or before~~ June 15, 2003, and on or before February 1 each year thereafter, of the school fiscal year immediately preceding the school fiscal year for which the budget is prepared;

(c) The amounts calculated in subdivisions (2)(a) and (2)(b) of this section shall be summed and the result divided by two to arrive at the total allowable general fund budget of expenditures minus the special education budget of expenditures per formula student for the Class I district; and

(d) The total allowable general fund budget of expenditures minus the special education budget of expenditures per formula student for the Class I district shall be multiplied by the formula students as defined in section 79-1003 for the Class I district as used by the department for certification of the ensuing school fiscal year's state aid, and the result shall be the total allowable general fund budget of expenditures minus the special education budget of expenditures for the Class I district for the ensuing school fiscal year except as provided in ~~subsection~~ subdivision (3) of this section; ~~-~~

(3) (a) The school board of the Class I district may, ~~on or before~~ July 1, 2003, and on or before March 10, each year thereafter, submit a request to exceed the total allowable general fund budget of expenditures minus the special education budget of expenditures to all the school boards of the high school district or districts with which the Class I district is affiliated or of which it is a part. For Class I districts to exceed the total allowable general fund budget of expenditures minus the special education budget of expenditures, the total general fund budget of expenditures request shall be approved by high school districts, including the primary high school district, such that the portions of the Class I district that are affiliated with or part of the approving high school districts comprise at least



two-thirds of the assessed valuation of the Class I district. Such request shall specify the total general fund budget of expenditures, broken down by expenditures for special education, for regular education, and for special grant funds as defined in section 79-1003, for which the Class I district seeks authority; ~~and-~~

(b) The high school district shall approve or deny the request ~~on or before July 15, 2003,~~ and on or before April 10 each year thereafter following the receipt of such request and shall forward written notification to the Class I district of approval or denial. A request for additional budget authority shall be considered approved if (i) no action is taken by the high school district or (ii) the high school district fails to send written notification to the Class I district of the denial of a request for additional budget authority; ~~-~~

(4) The school board of a Class I district may, after October 15 of each year, amend the general fund budget of expenditures (a) by increasing the special education budget of expenditures, (b) for any special grant funds as defined in section 79-1003 received any time during a school fiscal year, or (c) for current fiscal year expenditures the board deems essential if the expenditures could not reasonably have been anticipated at the time the budget for the current year was adopted. A copy of the revised budget shall be filed pursuant to subsection (4) of section 13-511 and section 79-1024; ~~-~~

(5) All Class I districts shall certify the items required by subsection (1) of section 13-508 to all of their high school districts on or before August 1; ~~and-~~

(6) All primary high school districts shall certify to the department and all other affected districts, ~~on or before August 1, 2003,~~ and on or before April 20, each year thereafter, the approved total general fund budget of expenditures for a Class I district when the Class I district has requested to exceed its certified budget authority and the request has been approved.

Sec. 51. Section 79-1229, Reissue Revised Statutes of Nebraska, is amended to read:

79-1229 (1) On or before January 31 of each year, the administrator of each educational service unit shall submit to the Commissioner of Education a report described as the annual financial report showing (a) the amount of money received from all sources during the year and the amount of money expended by the educational service unit during the year, (b) other information as necessary to fulfill the requirements of section 79-1241.03, and (c) such other information as the commissioner directs.

(2) The board of each educational service unit shall cause a complete and comprehensive annual audit to be made of the books, accounts, records, and affairs of the educational service unit. The audits shall be conducted annually, except that the Auditor of Public Accounts may determine an audit of less frequency to be appropriate but not less than once in any three-year period. The board of each educational service unit may contract with the Auditor of Public Accounts or select a licensed public accountant or certified public accountant or firm of such accountants to conduct the audit and shall be responsible for the cost of the audit pursuant to the contract. Such audit shall be conducted in the same manner as audits of county officers. The original copy of the audit shall be filed in the office of the Auditor of Public Accounts.

Sec. 52. Section 79-1336, Revised Statutes Supplement, 2007, is amended to read:

79-1336 (1) For fiscal years 2007-08 through 2013-14, the State Department of Education shall provide distance education equipment reimbursement to school districts and educational service units from the Education Innovation Fund as provided in this section. Such reimbursements shall be for hardware or software purchased either by, or on behalf of, the school district or educational service unit seeking reimbursement after July 14, 2006, for use in distance education and shall be limited to a total through fiscal year 2013-14 of twenty thousand dollars multiplied by the number of high school buildings for each school district and twenty thousand dollars for each educational service unit office with a distance education classroom, except that no educational service unit shall count more than one office with a distance education classroom for each four thousand square miles within the boundaries of the educational service unit. If a school district has one or more former high school buildings that are no longer being used as high school buildings due to a school district merger and such buildings have distance education classrooms at the time of application, such buildings shall be deemed high school buildings for the purposes of this subsection. The reimbursements may include installation costs for such hardware or software. Applications shall be accepted by the department beginning in the first year

that the school district or the educational service unit accesses Network Nebraska and ending June 30, 2013. Applications shall be submitted on or before July 1 of each year on a form specified by the department and shall include:

(a) A description of the hardware or software purchased and how the hardware or software will be used for distance education;

(b) Copies of receipts for the purchases to be reimbursed; and

(c) For purchases made on behalf of a school district or educational service unit, evidence that such purchase was made on behalf of such school district or educational service unit and that such school district or educational service unit paid directly or indirectly for such purchase; and

~~(e)~~ (d) For school districts, a commitment to either send or receive two-way interactive video distance education courses through the Distance Education Council until July 1, 2008, and the Educational Service Unit Coordinating Council on and after July 1, 2008, each semester, or the equivalent of two semester courses each year, for four consecutive years and to apply for distance education incentives pursuant to section 79-1337 or to provide any other evidence required by the department to show that the commitment was met.

(2) On or before August 1 of each year, the department shall certify the reimbursements to be paid to each school district or educational service unit on or before September 1 of each year.

(3) The department shall use the applications for distance education incentives submitted pursuant to section 79-1337 and any other information requested by the department pursuant to rules and regulations of the department to verify that each school district that received a reimbursement completes the commitment to either send or receive two-way interactive video distance education courses through the council for four years. Any school district failing to complete such commitment shall repay the Education Innovation Fund for the amount of any reimbursements received pursuant to this section. On or before September 1 of each year, the department shall notify any school district failing to complete the commitment for the prior school year that repayment of the reimbursement is required and the amount of such repayment. Repayments shall be due on or before the immediately following December 31. Late repayments shall accrue interest at the rate prescribed in section 45-104.02 from the date of the initial reimbursement.

(4) On or before October 1 of each year, a school district or educational service unit may appeal the denial of reimbursements or a school district may appeal the requirement to repay reimbursements to the State Board of Education. The board shall allow a representative of the school district or educational service unit an opportunity to present information concerning the appeal to the board at the November board meeting. If the board finds that the department denied the reimbursement in error, the department shall pay the district or educational service unit from the Education Innovation Fund as soon as practical the amount which was denied in error. If the board finds that the department erred in notifying a school district that a reimbursement is required to be repaid, such notification shall be void.

(5) The State Board of Education shall adopt and promulgate rules and regulations to carry out this section.

Sec. 53. Section 79-1337, Revised Statutes Supplement, 2007, is amended to read:

79-1337 (1) For fiscal years 2007-08 through 2015-16, the State Department of Education shall provide distance education incentives from the Education Innovation Fund to school districts and educational service units for qualified distance education courses and coordinated through the Distance Education Council until July 1, 2008, and the Educational Service Unit Coordinating Council on and after July 1, 2008, as provided in this section.

(2) School districts and educational service units shall apply for incentives annually to the department on or before August 1 on a form specified by the department. The application shall:

(a) For school districts, specify (i) the qualified distance education courses which were received by students in the membership of the district in the then-current school fiscal year and which were not taught by a teacher employed by the school district and (ii) for each such course (A) the number of students in the membership of the district who received the course, (B) the educational entity employing the teacher, and (C) whether the course was a two-way interactive video distance education course; and

(b) For school districts and educational service units, specify (i) the qualified distance education courses which were received by students in the membership of another educational entity in the then-current school fiscal year and which were taught by a teacher employed by the school district or educational service unit, (ii) for each such course for school districts, the

number of students in the membership of the district who received the course, and (iii) for each such course (A) the other educational entities in which students received the course and how many students received the course at such educational entities, (B) any school districts in the ~~sparse cost grouping or the very sparse cost grouping~~ as described in section 79-1007.02 district that is sparse or very sparse as such terms are defined in section 79-1003 that had at least one student in the membership who received the course, and (C) whether the course was a two-way interactive video distance education course.

(3) On or before September 1 of each year, the department shall certify the incentives ~~to be paid to~~ for each school district and educational service unit which shall be paid on or before October 1 of each such year. The incentives for each district shall be calculated as follows:

(a) Each district shall receive distance education units for each qualified distance education course as follows:

(i) One distance education unit for each qualified distance education course received as reported pursuant to subdivision (2)(a) of this section if the course was a two-way interactive video distance education course;

(ii) One distance education unit for each qualified distance education course sent as reported pursuant to subdivision (2)(b) of this section if the course was not received by at least one student who was in the membership of another school district which was ~~in the sparse cost grouping or the very sparse cost grouping,~~ sparse or very sparse;

(iii) One distance education unit for each qualified distance education course sent as reported pursuant to subdivision (2)(b) of this section if the course was received by at least one student who was in the membership of another school district which was ~~in the sparse cost grouping or the very sparse cost grouping,~~ sparse or very sparse, but the course was not a two-way interactive video distance education course; and

(iv) Two distance education units for each qualified distance education course sent as reported pursuant to subdivision (2)(b) of this section if the course was received by at least one student who was in the membership of another school district which was ~~in the sparse cost grouping or the very sparse cost grouping~~ sparse or very sparse and the course was a two-way interactive video distance education course;

(b) The difference of the amount available for distribution in the Education Innovation Fund on the August 1 when the applications were due minus any amount to be paid to school districts pursuant to section 79-1336 shall be divided by the number of distance education units to determine the incentive per distance education unit, except that the incentive per distance education unit shall not equal an amount greater than one thousand dollars; and

(c) The incentives for each school district shall equal the number of distance education units calculated for the school district multiplied by the incentive per distance education unit.

(4) If there are additional funds available for distribution after equipment reimbursements pursuant to section 79-1336 and incentives calculated pursuant to subsections (1) through (3) of this section, school districts and educational service units may qualify for additional incentives for elementary distance education courses. Such incentives shall be calculated for sending and receiving school districts and educational service units as follows:

(a) The per-hour incentives shall equal the funds available for distribution after equipment reimbursements pursuant to section 79-1336 and incentives calculated pursuant to subsections (1) through (3) of this section divided by the sum of the hours of elementary distance education courses sent or received for each school district and educational service unit submitting an application, except that the per-hour incentives shall not be greater than ten dollars; and

(b) The elementary distance education incentives for each school district and educational service unit shall equal the per-hour incentive multiplied by the hours of elementary distance education courses sent or received by the school district or educational service unit.

(5) The department may verify any or all application information using annual curriculum reports and may request such verification from the council.

(6) On or before October 1 of each year, a school district or educational service unit may appeal the denial of incentives for any course by the department to the State Board of Education. The board shall allow a representative of the school district or educational service unit an opportunity to present information concerning the appeal to the board at the November board meeting. If the board finds that the course meets the requirements of this section, the department shall pay the district from the Education Innovation Fund as soon as practical in an amount for which

the district or educational service unit should have qualified based on the incentive per distance education unit used in the original certification of incentives pursuant to this section.

(7) The State Board of Education shall adopt and promulgate rules and regulations to carry out this section.

Sec. 54. Section 79-2102, Revised Statutes Supplement, 2007, is amended to read:

79-2102 On or before September 15, 2007, and on or before August 1 of each odd-numbered year following the official designation of any new city of the metropolitan class or any valid request to form a new learning community, the Commissioner of Education shall certify the establishment of a new learning community with the effective date of the first Thursday after the first Tuesday in January of the next odd-numbered year following such certification to the county clerks, election commissioners, and county assessors of the counties with territory in the new learning community, to the Property Tax Administrator, to the State Department of Education, and to the school boards of the member school districts of the new learning community. A learning community shall be established for each city of the metropolitan class and shall include all school districts for which the principal office of the school district is located in the county where the city of the metropolitan class is located and all school districts for which the principal office of the school district is located in a county that has a contiguous border of at least five miles in the aggregate with such city of the metropolitan class. A learning community may also be established for one or more counties at the request of the school boards of all school districts for which the principal office of the school district is located in the specified county or counties if such school districts have a minimum combined total of at least two thousand students, except that districts in local systems that are in the ~~sparse east grouping or the very sparse east grouping as described in section 79-1007.02~~ sparse or very sparse as such terms are defined in section 79-1003 need not have a minimum combined total of at least two thousand students but a learning community with fewer than two thousand students shall include at least two school districts. Such requests shall be received by the Commissioner of Education on or before May 1 of each odd-numbered year.

Sec. 55. Original sections 44-4317, 79-8,137, 79-1022.02, 79-1023, 79-1029, and 79-1229, Reissue Revised Statutes of Nebraska, sections 79-233, 79-1005.01, 79-1008.01, 79-1009, and 79-1024, Revised Statutes Cumulative Supplement, 2006, and sections 77-3442, 79-458, 79-4,108, 79-4,111, 79-1001, 79-1003, 79-1003.01, 79-1007.02, 79-1007.04, 79-1007.06, 79-1007.07, 79-1007.08, 79-1007.09, 79-1007.10, 79-1008.02, 79-1013, 79-1014, 79-1015.01, 79-1016, 79-1018.01, 79-1022, 79-1028, 79-1031.01, 79-1073, 79-1083.03, 79-1336, 79-1337, and 79-2102, Revised Statutes Supplement, 2007, are repealed.

Sec. 56. The following sections are outright repealed: Section 79-1009.01, Reissue Revised Statutes of Nebraska, and section 79-1007.03, Revised Statutes Supplement, 2007.

Sec. 57. Since an emergency exists, this act takes effect when passed and approved according to law.