

LEGISLATURE OF NEBRASKA
ONE HUNDRED FOURTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 1063

Introduced by Sullivan, 41.

Read first time January 20, 2016

Committee: Education

1 A BILL FOR AN ACT relating to state aid to schools; to amend sections
2 79-1005.01, 79-1007.18, 79-1008.02, 79-1009, and 79-1022, Reissue
3 Revised Statutes of Nebraska, and sections 77-3442 and 79-1003,
4 Revised Statutes Supplement, 2015; to provide duties for the
5 Property Tax Administrator; to provide for student support aid and a
6 student support aid reduction to a maximum levy; to redefine a term;
7 to change provisions relating to allocated income tax funds, an
8 averaging adjustment, a minimum levy adjustment, net option funding,
9 and certification of state aid; to harmonize provisions; and to
10 repeal the original sections.

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

1 Section 1. On or before August 10, 2017, and on or before August 10
2 of each year thereafter, the Property Tax Administrator shall certify the
3 student support aid for each local system to the county clerk of each
4 county with territory in the local system and to the Auditor of Public
5 Accounts. The county clerk of each county with territory in the local
6 system shall calculate the student support aid reduction to the maximum
7 levy pursuant to section 77-3442 for such local system which shall equal
8 the student support aid certified pursuant to section 79-1022 for the
9 affected school fiscal year, with any adjustments resulting from the
10 final calculation of state aid pursuant to section 79-1065 for prior
11 school fiscal years, divided by the taxable valuation of property subject
12 to the levy in the local system and then divided again by one hundred to
13 arrive at the reduction to the maximum levy per one hundred dollars of
14 taxable valuation. For purposes of this section, local system has the
15 definition found in section 79-1003.

16 Sec. 2. Section 77-3442, Revised Statutes Supplement, 2015, is
17 amended to read:

18 77-3442 (1) Property tax levies for the support of local governments
19 for fiscal years beginning on or after July 1, 1998, shall be limited to
20 the amounts set forth in this section except as provided in section
21 77-3444.

22 (2)(a) Except as provided in subdivision (2)(e) of this section,
23 school districts and multiple-district school systems, except learning
24 communities and school districts that are members of learning
25 communities, may levy: (i) For fiscal years beginning before January 1,
26 2017, a maximum levy of one dollar and five cents per one hundred dollars
27 of taxable valuation of property subject to the levy; and (ii) for fiscal
28 years beginning on or after January 1, 2017, a maximum levy of one dollar
29 and five cents per one hundred dollars of taxable valuation of property
30 subject to the levy minus the student support aid reduction in the
31 maximum levy calculated pursuant to section 1 of this act for the school

1 district or multiple-district school system for such fiscal year.

2 (b) For each fiscal year, learning communities may levy a maximum
3 levy for the general fund budgets of member school districts of ninety-
4 five cents per one hundred dollars of taxable valuation of property
5 subject to the levy. The proceeds from the levy pursuant to this
6 subdivision shall be distributed pursuant to section 79-1073.

7 (c) Except as provided in subdivision (2)(e) of this section, for
8 each fiscal year, school districts that are members of learning
9 communities may levy: (i) For fiscal years beginning before January 1,
10 2017, for purposes of such districts' general fund budget and special
11 building funds a maximum combined levy of the difference of one dollar
12 and five cents on each one hundred dollars of taxable property subject to
13 the levy minus the learning community levies pursuant to subdivisions (2)
14 (b) and (2)(g) of this section for such learning community; and (ii) for
15 fiscal years beginning on or after January 1, 2017, for purposes of such
16 districts' general fund budget and special building funds, a maximum
17 combined levy of the difference of one dollar and five cents on each one
18 hundred dollars of taxable property subject to the levy minus the
19 learning community levies pursuant to subdivisions (2)(b) and (2)(g) of
20 this section for such learning community and minus the student support
21 aid reduction to the maximum levy calculated pursuant to section 1 of
22 this act for such member school districts for such fiscal year.

23 (d) Excluded from the limitations in subdivisions (2)(a) and (2)(c)
24 of this section are amounts levied to pay for sums agreed to be paid by a
25 school district to certificated employees in exchange for a voluntary
26 termination of employment and amounts levied to pay for special building
27 funds and sinking funds established for projects commenced prior to April
28 1, 1996, for construction, expansion, or alteration of school district
29 buildings. For purposes of this subsection, commenced means any action
30 taken by the school board on the record which commits the board to expend
31 district funds in planning, constructing, or carrying out the project.

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

9 (f) For school fiscal year 2002-03 through school fiscal year
10 2007-08, school districts and multiple-district school systems may, upon
11 a three-fourths majority vote of the school board of the school district,
12 the board of the unified system, or the school board of the high school
13 district of the multiple-district school system that is not a unified
14 system, exceed the maximum levy prescribed by subdivision (2)(a) of this
15 section in an amount equal to the net difference between the amount of
16 state aid that would have been provided under the Tax Equity and
17 Educational Opportunities Support Act without the temporary aid
18 adjustment factor as defined in section 79-1003 for the ensuing school
19 fiscal year for the school district or multiple-district school system
20 and the amount provided with the temporary aid adjustment factor. The
21 State Department of Education shall certify to the school districts and
22 multiple-district school systems the amount by which the maximum levy may
23 be exceeded for the next school fiscal year pursuant to this subdivision
24 (f) of this subsection on or before February 15 for school fiscal years
25 2004-05 through 2007-08.

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

31 (h) For each fiscal year, learning communities may levy a maximum

1 levy of one-half cent on each one hundred dollars of taxable property
2 subject to the levy for elementary learning center facility leases, for
3 remodeling of leased elementary learning center facilities, and for up to
4 fifty percent of the estimated cost for focus school or program capital
5 projects approved by the learning community coordinating council pursuant
6 to section 79-2111.

7 (i) For each fiscal year, learning communities may levy a maximum
8 levy of one and one-half cents on each one hundred dollars of taxable
9 property subject to the levy for early childhood education programs for
10 children in poverty, for elementary learning center employees, for
11 contracts with other entities or individuals who are not employees of the
12 learning community for elementary learning center programs and services,
13 and for pilot projects, except that no more than ten percent of such levy
14 may be used for elementary learning center employees.

15 (3)(a) For fiscal years 2011-12 and 2012-13, community college areas
16 may levy a maximum of ten and one-quarter cents per one hundred dollars
17 of taxable valuation of property subject to the levy for operating
18 expenditures and may also levy the additional levies provided in
19 subdivisions (1)(b) and (c) of section 85-1517.

20 (b) For fiscal year 2013-14 and each fiscal year thereafter,
21 community college areas may levy the levies provided in subdivisions (2)
22 (a) through (c) of section 85-1517, in accordance with the provisions of
23 such subdivisions. A community college area may exceed the levy provided
24 in subdivision (2)(b) of section 85-1517 by the amount necessary to
25 retire general obligation bonds assumed by the community college area or
26 issued pursuant to section 85-1515 according to the terms of such bonds
27 or for any obligation pursuant to section 85-1535 entered into prior to
28 January 1, 1997.

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

1 (b) Natural resources districts shall also have the power and
2 authority to levy a tax equal to the dollar amount by which their
3 restricted funds budgeted to administer and implement ground water
4 management activities and integrated management activities under the
5 Nebraska Ground Water Management and Protection Act exceed their
6 restricted funds budgeted to administer and implement ground water
7 management activities and integrated management activities for FY2003-04,
8 not to exceed one cent on each one hundred dollars of taxable valuation
9 annually on all of the taxable property within the district.

10 (c) In addition, natural resources districts located in a river
11 basin, subbasin, or reach that has been determined to be fully
12 appropriated pursuant to section 46-714 or designated as overappropriated
13 pursuant to section 46-713 by the Department of Natural Resources shall
14 also have the power and authority to levy a tax equal to the dollar
15 amount by which their restricted funds budgeted to administer and
16 implement ground water management activities and integrated management
17 activities under the Nebraska Ground Water Management and Protection Act
18 exceed their restricted funds budgeted to administer and implement ground
19 water management activities and integrated management activities for
20 FY2005-06, not to exceed three cents on each one hundred dollars of
21 taxable valuation on all of the taxable property within the district for
22 fiscal year 2006-07 and each fiscal year thereafter through fiscal year
23 2017-18.

24 (5) Any educational service unit authorized to levy a property tax
25 pursuant to section 79-1225 may levy a maximum levy of one and one-half
26 cents per one hundred dollars of taxable valuation of property subject to
27 the levy.

28 (6)(a) Incorporated cities and villages which are not within the
29 boundaries of a municipal county may levy a maximum levy of forty-five
30 cents per one hundred dollars of taxable valuation of property subject to
31 the levy plus an additional five cents per one hundred dollars of taxable

1 valuation to provide financing for the municipality's share of revenue
2 required under an agreement or agreements executed pursuant to the
3 Interlocal Cooperation Act or the Joint Public Agency Act. The maximum
4 levy shall include amounts levied to pay for sums to support a library
5 pursuant to section 51-201, museum pursuant to section 51-501, visiting
6 community nurse, home health nurse, or home health agency pursuant to
7 section 71-1637, or statue, memorial, or monument pursuant to section
8 80-202.

9 (b) Incorporated cities and villages which are within the boundaries
10 of a municipal county may levy a maximum levy of ninety cents per one
11 hundred dollars of taxable valuation of property subject to the levy. The
12 maximum levy shall include amounts paid to a municipal county for county
13 services, amounts levied to pay for sums to support a library pursuant to
14 section 51-201, a museum pursuant to section 51-501, a visiting community
15 nurse, home health nurse, or home health agency pursuant to section
16 71-1637, or a statue, memorial, or monument pursuant to section 80-202.

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

26 (8) Counties may levy or authorize a maximum levy of fifty cents per
27 one hundred dollars of taxable valuation of property subject to the levy,
28 except that five cents per one hundred dollars of taxable valuation of
29 property subject to the levy may only be levied to provide financing for
30 the county's share of revenue required under an agreement or agreements
31 executed pursuant to the Interlocal Cooperation Act or the Joint Public

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

19 (9) Municipal counties may levy or authorize a maximum levy of one
20 dollar per one hundred dollars of taxable valuation of property subject
21 to the levy. The municipal county may allocate levy authority to any
22 political subdivision or entity subject to allocation under section
23 77-3443.

24 (10) Rural and suburban fire protection districts may levy a maximum
25 levy of ten and one-half cents per one hundred dollars of taxable
26 valuation of property subject to the levy if (a) such district is located
27 in a county that had a levy pursuant to subsection (8) of this section in
28 the previous year of at least forty cents per one hundred dollars of
29 taxable valuation of property subject to the levy or (b) for any rural or
30 suburban fire protection district that had a levy request pursuant to
31 section 77-3443 in the previous year, the county board of the county in

1 which the greatest portion of the valuation of such district is located
2 did not authorize any levy authority to such district in the previous
3 year.

4 (11) Property tax levies (a) for judgments, except judgments or
5 orders from the Commission of Industrial Relations, obtained against a
6 political subdivision which require or obligate a political subdivision
7 to pay such judgment, to the extent such judgment is not paid by
8 liability insurance coverage of a political subdivision, (b) for
9 preexisting lease-purchase contracts approved prior to July 1, 1998, (c)
10 for bonds as defined in section 10-134 approved according to law and
11 secured by a levy on property except as provided in section 44-4317 for
12 bonded indebtedness issued by educational service units and school
13 districts, and (d) for payments by a public airport to retire interest-
14 free loans from the Department of Aeronautics in lieu of bonded
15 indebtedness at a lower cost to the public airport are not included in
16 the levy limits established by this section.

17 (12) The limitations on tax levies provided in this section are to
18 include all other general or special levies provided by law.
19 Notwithstanding other provisions of law, the only exceptions to the
20 limits in this section are those provided by or authorized by sections
21 77-3442 to 77-3444.

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

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

28 (15) For school districts that file a binding resolution on or
29 before May 9, 2008, with the county assessors, county clerks, and county
30 treasurers for all counties in which the school district has territory
31 pursuant to subsection (7) of section 79-458, if the combined levies,

1 except levies for bonded indebtedness approved by the voters of the
2 school district and levies for the refinancing of such bonded
3 indebtedness, are in excess of the greater of (a) one dollar and twenty
4 cents per one hundred dollars of taxable valuation of property subject to
5 the levy or (b) the maximum levy authorized by a vote pursuant to section
6 77-3444, all school district levies, except levies for bonded
7 indebtedness approved by the voters of the school district and levies for
8 the refinancing of such bonded indebtedness, shall be considered
9 unauthorized levies under section 77-1606.

10 Sec. 3. Section 79-1003, Revised Statutes Supplement, 2015, is
11 amended to read:

12 79-1003 For purposes of the Tax Equity and Educational Opportunities
13 Support Act:

14 (1) Adjusted general fund operating expenditures means (a) for
15 school fiscal years 2013-14 through 2015-16, the difference of the
16 general fund operating expenditures as calculated pursuant to subdivision
17 (23) of this section increased by the cost growth factor calculated
18 pursuant to section 79-1007.10, minus the transportation allowance,
19 special receipts allowance, poverty allowance, limited English
20 proficiency allowance, distance education and telecommunications
21 allowance, elementary site allowance, summer school allowance,
22 instructional time allowance, teacher education allowance, and focus
23 school and program allowance, and (b) for school fiscal year 2016-17 and
24 each school fiscal year thereafter, the difference of the general fund
25 operating expenditures as calculated pursuant to subdivision (23) of this
26 section increased by the cost growth factor calculated pursuant to
27 section 79-1007.10, minus the transportation allowance, special receipts
28 allowance, poverty allowance, limited English proficiency allowance,
29 distance education and telecommunications allowance, elementary site
30 allowance, summer school allowance, best practices allowance, and focus
31 school and program allowance;

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

11 (3) Allocated income tax funds means, for school fiscal years prior
12 to school fiscal year 2017-18, the amount of assistance paid to a local
13 system pursuant to section 79-1005.01 as adjusted by the minimum levy
14 adjustment pursuant to section 79-1008.02;

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

20 (5) Base fiscal year means the first school fiscal year following
21 the school fiscal year in which the reorganization or unification
22 occurred;

23 (6) Board means the school board of each school district;

24 (7) Categorical funds means funds limited to a specific purpose by
25 federal or state law, including, but not limited to, Title I funds, Title
26 VI funds, federal vocational education funds, federal school lunch funds,
27 Indian education funds, Head Start funds, and funds from the Education
28 Innovation Fund. Categorical funds does not include funds received
29 pursuant to section 79-1028.02 or 79-1028.04;

30 (8) Consolidate means to voluntarily reduce the number of school
31 districts providing education to a grade group and does not include

1 dissolution pursuant to section 79-498;

2 (9) Converted contract means an expired contract that was in effect
3 for at least fifteen school years beginning prior to school year 2012-13
4 for the education of students in a nonresident district in exchange for
5 tuition from the resident district when the expiration of such contract
6 results in the nonresident district educating students, who would have
7 been covered by the contract if the contract were still in effect, as
8 option students pursuant to the enrollment option program established in
9 section 79-234;

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

16 (11) Department means the State Department of Education;

17 (12) District means any Class I, II, III, IV, V, or VI school
18 district and, beginning with the calculation of state aid for school
19 fiscal year 2011-12 and each school fiscal year thereafter, a unified
20 system as defined in section 79-4,108;

21 (13) Ensuing school fiscal year means the school fiscal year
22 following the current school fiscal year;

23 (14) Equalization aid means the amount of assistance calculated to
24 be paid to a local system pursuant to sections 79-1007.11 to 79-1007.23,
25 79-1007.25, 79-1008.01 to 79-1022, 79-1022.02, 79-1028.02, and
26 79-1028.04;

27 (15) Fall membership means the total membership in kindergarten
28 through grade twelve attributable to the local system as reported on the
29 fall school district membership reports for each district pursuant to
30 section 79-528;

31 (16) Fiscal year means the state fiscal year which is the period

1 from July 1 to the following June 30;

2 (17) Formula students means:

3 (a) For state aid certified pursuant to section 79-1022, the sum of
4 the product of fall membership from the school fiscal year immediately
5 preceding the school fiscal year in which the aid is to be paid
6 multiplied by the average ratio of average daily membership to fall
7 membership for the second school fiscal year immediately preceding the
8 school fiscal year in which the aid is to be paid and the prior two
9 school fiscal years plus sixty percent of the qualified early childhood
10 education fall membership plus tuitioned students from the school fiscal
11 year immediately preceding the school fiscal year in which aid is to be
12 paid minus the product of the number of students enrolled in kindergarten
13 that is not full-day kindergarten from the fall membership multiplied by
14 0.5; and

15 (b) For the final calculation of state aid pursuant to section
16 79-1065, the sum of average daily membership plus sixty percent of the
17 qualified early childhood education average daily membership plus
18 tuitioned students minus the product of the number of students enrolled
19 in kindergarten that is not full-day kindergarten from the average daily
20 membership multiplied by 0.5 from the school fiscal year immediately
21 preceding the school fiscal year in which aid was paid;

22 (18) Free lunch and free milk calculated student means, for school
23 fiscal year 2016-17 and each school fiscal year thereafter, using the
24 most recent data available on November 1 of the school fiscal year
25 immediately preceding the school fiscal year in which aid is to be paid,

26 (a) a student who qualified for free lunches or free milk and attended a
27 school that uses information collected from parents and guardians
28 pursuant to section 79-10,143 to determine such qualifications pursuant
29 to the federal Richard B. Russell National School Lunch Act, 42 U.S.C.
30 1751 et seq., and the federal Child Nutrition Act of 1966, 42 U.S.C. 1771
31 et seq., as such acts and sections existed on January 1, 2015, and rules

1 and regulations adopted thereunder, plus (b) the product of the students
2 who attend a school that provides free meals to all students pursuant to
3 the community eligibility provision multiplied by the identified student
4 percentage calculated pursuant to such federal provision;

5 (19) Free lunch and free milk student means, for school fiscal years
6 prior to school fiscal year 2016-17, a student who qualified for free
7 lunches or free milk from the most recent data available on November 1 of
8 the school fiscal year immediately preceding the school fiscal year in
9 which aid is to be paid;

10 (20) Full-day kindergarten means kindergarten offered by a district
11 for at least one thousand thirty-two instructional hours;

12 (21) General fund budget of expenditures means the total budget of
13 disbursements and transfers for general fund purposes as certified in the
14 budget statement adopted pursuant to the Nebraska Budget Act, except that
15 for purposes of the limitation imposed in section 79-1023 and the
16 calculation pursuant to subdivision (2) of section 79-1027.01, the
17 general fund budget of expenditures does not include any special grant
18 funds, exclusive of local matching funds, received by a district;

19 (22) General fund expenditures means all expenditures from the
20 general fund;

21 (23) General fund operating expenditures means for state aid
22 calculated for school fiscal years 2012-13 and each school fiscal year
23 thereafter, as reported on the annual financial report for the second
24 school fiscal year immediately preceding the school fiscal year in which
25 aid is to be paid, the total general fund expenditures minus (a) the
26 amount of all receipts to the general fund, to the extent that such
27 receipts are not included in local system formula resources, from early
28 childhood education tuition, summer school tuition, educational entities
29 as defined in section 79-1201.01 for providing distance education courses
30 through the Educational Service Unit Coordinating Council to such
31 educational entities, private foundations, individuals, associations,

1 charitable organizations, the textbook loan program authorized by section
2 79-734, federal impact aid, and levy override elections pursuant to
3 section 77-3444, (b) the amount of expenditures for categorical funds,
4 tuition paid, transportation fees paid to other districts, adult
5 education, community services, redemption of the principal portion of
6 general fund debt service, retirement incentive plans authorized by
7 section 79-855, and staff development assistance authorized by section
8 79-856, (c) the amount of any transfers from the general fund to any bond
9 fund and transfers from other funds into the general fund, (d) any legal
10 expenses in excess of fifteen-hundredths of one percent of the formula
11 need for the school fiscal year in which the expenses occurred, (e)
12 expenditures to pay for sums agreed to be paid by a school district to
13 certificated employees in exchange for a voluntary termination occurring
14 prior to July 1, 2009, occurring on or after the last day of the 2010-11
15 school year and prior to the first day of the 2013-14 school year, or, to
16 the extent that a district has demonstrated to the State Board of
17 Education pursuant to section 79-1028.01 that the agreement will result
18 in a net savings in salary and benefit costs to the school district over
19 a five-year period, occurring on or after the first day of the 2013-14
20 school year, (f)(i) expenditures to pay for employer contributions
21 pursuant to subsection (2) of section 79-958 to the School Employees
22 Retirement System of the State of Nebraska to the extent that such
23 expenditures exceed the employer contributions under such subsection that
24 would have been made at a contribution rate of seven and thirty-five
25 hundredths percent or (ii) expenditures to pay for school district
26 contributions pursuant to subdivision (1)(c)(i) of section 79-9,113 to
27 the retirement system established pursuant to the Class V School
28 Employees Retirement Act to the extent that such expenditures exceed the
29 school district contributions under such subdivision that would have been
30 made at a contribution rate of seven and thirty-seven hundredths percent,
31 and (g) any amounts paid by the district for lobbyist fees and expenses

1 reported to the Clerk of the Legislature pursuant to section 49-1483.

2 For purposes of this subdivision (23) of this section, receipts from
3 levy override elections shall equal ninety-nine percent of the difference
4 of the total general fund levy minus a levy of one dollar and five cents
5 per one hundred dollars of taxable valuation multiplied by the assessed
6 valuation for school districts that have voted pursuant to section
7 77-3444 to override the maximum levy provided pursuant to section
8 77-3442;

9 (24) High school district means a school district providing
10 instruction in at least grades nine through twelve;

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

14 (26) Income tax receipts means the amount of income tax collected
15 pursuant to the Nebraska Revenue Act of 1967 less all nonrefundable
16 credits earned and refunds made;

17 (27) Limited English proficiency students means the number of
18 students with limited English proficiency in a district from the most
19 recent data available on November 1 of the school fiscal year preceding
20 the school fiscal year in which aid is to be paid plus the difference of
21 such students with limited English proficiency minus the average number
22 of limited English proficiency students for such district, prior to such
23 addition, for the three immediately preceding school fiscal years if such
24 difference is greater than zero;

25 (28) Local system means a learning community for purposes of
26 calculation of state aid for the second full school fiscal year after
27 becoming a learning community and each school fiscal year thereafter, a
28 unified system, a Class VI district and the associated Class I districts,
29 or a Class II, III, IV, or V district and any affiliated Class I
30 districts or portions of Class I districts. The membership, expenditures,
31 and resources of Class I districts that are affiliated with multiple high

1 school districts will be attributed to local systems based on the percent
2 of the Class I valuation that is affiliated with each high school
3 district;

4 (29) Low-income child means (a) for school fiscal years prior to
5 2016-17, a child under nineteen years of age living in a household having
6 an annual adjusted gross income for the second calendar year preceding
7 the beginning of the school fiscal year for which aid is being calculated
8 equal to or less than the maximum household income that would allow a
9 student from a family of four people to be a free lunch and free milk
10 student during the school fiscal year immediately preceding the school
11 fiscal year for which aid is being calculated and (b) for school fiscal
12 year 2016-17 and each school fiscal year thereafter, a child under
13 nineteen years of age living in a household having an annual adjusted
14 gross income for the second calendar year preceding the beginning of the
15 school fiscal year for which aid is being calculated equal to or less
16 than the maximum household income pursuant to sections 9(b)(1) and 17(c)
17 (4) of the Richard B. Russell National School Lunch Act, 42 U.S.C.
18 1758(b)(1) and 42 U.S.C. 1766(c)(4), respectively, and sections 3(a)(6)
19 and 4(e)(1)(A) of the Child Nutrition Act of 1966, 42 U.S.C. 1772(a)(6)
20 and 42 U.S.C. 1773(e)(1)(A), respectively, as such acts and sections
21 existed on January 1, 2015, for a household of that size that would have
22 allowed the child to meet the income qualifications for free meals during
23 the school fiscal year immediately preceding the school fiscal year for
24 which aid is being calculated;

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

29 (31) Most recently available complete data year means the most
30 recent single school fiscal year for which the annual financial report,
31 fall school district membership report, annual statistical summary,

1 Nebraska income tax liability by school district for the calendar year in
2 which the majority of the school fiscal year falls, and adjusted
3 valuation data are available;

4 (32) Poverty students means (a) for school fiscal years prior to
5 2016-17, the number of low-income students or the number of students who
6 are free lunch and free milk students in a district plus the difference
7 of the number of low-income students or the number of students who are
8 free lunch and free milk students in a district, whichever is greater,
9 minus the average number of poverty students for such district, prior to
10 such addition, for the three immediately preceding school fiscal years if
11 such difference is greater than zero and (b) for school fiscal year
12 2016-17 and each school fiscal year thereafter, the unadjusted poverty
13 students plus the difference of such unadjusted poverty students minus
14 the average number of poverty students for such district, prior to such
15 addition, for the three immediately preceding school fiscal years if such
16 difference is greater than zero;

17 (33) Qualified early childhood education average daily membership
18 means the product of the average daily membership for school fiscal year
19 2006-07 and each school fiscal year thereafter of students who will be
20 eligible to attend kindergarten the following school year and are
21 enrolled in an early childhood education program approved by the
22 department pursuant to section 79-1103 for such school district for such
23 school year multiplied by the ratio of the actual instructional hours of
24 the program divided by one thousand thirty-two if: (a) The program is
25 receiving a grant pursuant to such section for the third year; (b) the
26 program has already received grants pursuant to such section for three
27 years; or (c) the program has been approved pursuant to subsection (5) of
28 section 79-1103 for such school year and the two preceding school years,
29 including any such students in portions of any of such programs receiving
30 an expansion grant;

31 (34) Qualified early childhood education fall membership means the

1 product of membership on the last Friday in September 2006 and each year
2 thereafter of students who will be eligible to attend kindergarten the
3 following school year and are enrolled in an early childhood education
4 program approved by the department pursuant to section 79-1103 for such
5 school district for such school year multiplied by the ratio of the
6 planned instructional hours of the program divided by one thousand
7 thirty-two if: (a) The program is receiving a grant pursuant to such
8 section for the third year; (b) the program has already received grants
9 pursuant to such section for three years; or (c) the program has been
10 approved pursuant to subsection (5) of section 79-1103 for such school
11 year and the two preceding school years, including any such students in
12 portions of any of such programs receiving an expansion grant;

13 (35) Regular route transportation means the transportation of
14 students on regularly scheduled daily routes to and from the attendance
15 center;

16 (36) Reorganized district means any district involved in a
17 consolidation and currently educating students following consolidation;

18 (37) School year or school fiscal year means the fiscal year of a
19 school district as defined in section 79-1091;

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

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

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

31 (c)(i) Less than one and one-half formula students per square mile

1 in the local system and (ii) more than two hundred seventy-five square
2 miles in the local system; or

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

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

10 (40) Special grant funds means the budgeted receipts for grants,
11 including, but not limited to, categorical funds, reimbursements for
12 wards of the court, short-term borrowings including, but not limited to,
13 registered warrants and tax anticipation notes, interfund loans,
14 insurance settlements, and reimbursements to county government for
15 previous overpayment. The state board shall approve a listing of grants
16 that qualify as special grant funds;

17 (41) State aid means the amount of assistance paid to a district
18 pursuant to the Tax Equity and Educational Opportunities Support Act;

19 (42) State board means the State Board of Education;

20 (43) State support means all funds provided to districts by the
21 State of Nebraska for the general fund support of elementary and
22 secondary education;

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

26 (45) Statewide average general fund operating expenditures per
27 formula student means the statewide total general fund operating
28 expenditures for all districts divided by the statewide total formula
29 students for all districts;

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

31 (47) Temporary aid adjustment factor means (a) for school fiscal

1 years before school fiscal year 2007-08, one and one-fourth percent of
2 the sum of the local system's transportation allowance, the local
3 system's special receipts allowance, and the product of the local
4 system's adjusted formula students multiplied by the average formula cost
5 per student in the local system's cost grouping and (b) for school fiscal
6 year 2007-08, one and one-fourth percent of the sum of the local system's
7 transportation allowance, special receipts allowance, and distance
8 education and telecommunications allowance and the product of the local
9 system's adjusted formula students multiplied by the average formula cost
10 per student in the local system's cost grouping;

11 (48) Tuition receipts from converted contracts means tuition
12 receipts received by a district from another district in the most
13 recently available complete data year pursuant to a converted contract
14 prior to the expiration of the contract;

15 (49) Tuitioned students means students in kindergarten through grade
16 twelve of the district whose tuition is paid by the district to some
17 other district or education agency;

18 (50) Unadjusted poverty students means, for school fiscal year
19 2016-17 and each school fiscal year thereafter, the greater of the number
20 of low-income students or the free lunch and free milk calculated
21 students in a district; and

22 (51) Very sparse local system means a local system that has:

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

29 (b)(i) More than four hundred fifty square miles in the local
30 system, (ii) less than one-half student per square mile in the local
31 system, and (iii) more than fifteen miles between each high school

1 attendance center and the next closest high school attendance center on
2 paved roads.

3 Sec. 4. Section 79-1005.01, Reissue Revised Statutes of Nebraska, is
4 amended to read:

5 79-1005.01 (1) For school fiscal years prior to school fiscal year
6 2017-18:

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

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

23 (c 3) Using the data certified by the Tax Commissioner pursuant to
24 subdivision (1)(b) subsection (2) of this section, the department shall
25 calculate the allocation percentage and each local system's allocated
26 income tax funds. The allocation percentage shall be an amount equal to
27 the amount appropriated to the School District Income Tax Fund for
28 distribution in school fiscal year 1992-93 minus the total amount paid
29 for option students pursuant to section 79-1009 ~~and (a) for aid~~
30 ~~calculated for school fiscal year 2010-11, minus twenty million dollars~~
31 ~~and (b) for aid calculated for school fiscal years 2011-12 and 2012-13,~~

1 ~~minus twenty-one million dollars~~ with the difference divided by the
2 aggregate statewide income tax liability of all resident individuals
3 certified pursuant to subdivision (1)(b) subsection (2) of this section.
4 Each local system's allocated income tax funds shall be calculated by
5 multiplying the allocation percentage times the local system's income tax
6 liability certified pursuant to subdivision (1)(b) subsection (2) of this
7 section.

8 (2) For school fiscal year 2017-18 and each school fiscal year
9 thereafter:

10 (a) Not later than November 15 of each year, the Tax Commissioner
11 shall certify to the department the income tax liability of resident
12 individuals of the state for the preceding tax year;

13 (b) The department shall determine the student support aid for each
14 local system by calculating the statewide student support aid per formula
15 student and multiplying the statewide student support aid per formula
16 student by the total of the local system's formula students. The
17 statewide student support aid per formula student for each fiscal year
18 shall equal the percentage specified in this subsection of the income tax
19 liability of resident individuals of the state for the preceding tax year
20 as certified pursuant to subdivision (2)(a) of this section divided by
21 the statewide total formula students for the school fiscal year for which
22 aid is being calculated. The percentage of the income tax liability of
23 resident individuals of the state that shall be used for student support
24 aid shall be three percent for school fiscal year 2017-18, four percent
25 for school fiscal year 2018-19, and five percent for school fiscal year
26 2019-20 and each school fiscal year thereafter;

27 (c) For the final calculation of state aid pursuant to section
28 79-1065, student support aid shall reflect changes in formula students
29 but the statewide total amount of student support aid shall not be
30 modified; and

31 (d) Student support aid shall be paid directly to each school

1 district but shall not be included in local system formula resources
2 pursuant to section 79-1017.01 for the calculation of equalization aid
3 pursuant to section 79-1008.01.

4 Sec. 5. Section 79-1007.18, Reissue Revised Statutes of Nebraska, is
5 amended to read:

6 79-1007.18 (1) For school fiscal years prior to school fiscal year
7 2017-18:

8 (a) The department shall calculate an averaging adjustment for
9 districts if the basic funding per formula student is less than the
10 averaging adjustment threshold and the general fund levy for the school
11 fiscal year immediately preceding the school fiscal year for which aid is
12 being calculated was at least one dollar per one hundred dollars of
13 taxable valuation. For school districts that are members of a learning
14 community, the general fund levy for purposes of this section includes
15 both the common general fund levy and the school district general fund
16 levy authorized pursuant to subdivisions (2)(b) and (2)(c) of section
17 77-3442. The averaging adjustment shall equal the district's formula
18 students multiplied by the percentage specified in this subsection
19 ~~section~~ for such district of the difference between the averaging
20 adjustment threshold minus such district's basic funding per formula
21 student; -

22 ~~(2)(a) For school fiscal years 2012-13 and 2013-14, the averaging~~
23 ~~adjustment threshold shall equal the lesser of (i) the averaging~~
24 ~~adjustment threshold for the school fiscal year immediately preceding the~~
25 ~~school fiscal year for which aid is being calculated increased by the~~
26 ~~basic allowable growth rate or (ii) the statewide average basic funding~~
27 ~~per formula student for the school fiscal year for which aid is being~~
28 ~~calculated.~~

29 (b) ~~The For school fiscal year 2014-15 and each school fiscal year~~
30 ~~thereafter,~~ the averaging adjustment threshold shall equal the aggregate
31 basic funding for all districts with nine hundred or more formula

1 students divided by the aggregate formula students for all districts with
2 nine hundred or more formula students for the school fiscal year for
3 which aid is being calculated; and -

4 (c 3) The percentage to be used in the calculation of an averaging
5 adjustment shall be based on the general fund levy for the school fiscal
6 year immediately preceding the school fiscal year for which aid is being
7 calculated and shall be as follows: -

8 ~~(4) The percentages to be used in the calculation of averaging~~
9 ~~adjustments shall be as follows:~~

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

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

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

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

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

29 (2) For school fiscal year 2017-18 and each school fiscal year
30 thereafter, the department shall calculate an averaging adjustment for
31 districts with at least nine hundred formula students if the basic

1 funding per formula student is less than the averaging adjustment
2 threshold. The averaging adjustment shall equal the district's formula
3 students multiplied ninety percent of the difference of the averaging
4 adjustment threshold minus such district's basic funding per formula
5 student. The averaging adjustment threshold shall equal the aggregate
6 basic funding for all districts with nine hundred or more formula
7 students divided by the aggregate formula students for all districts with
8 nine hundred or more formula students for the school fiscal year for
9 which aid is being calculated.

10 Sec. 6. Section 79-1008.02, Reissue Revised Statutes of Nebraska, is
11 amended to read:

12 79-1008.02 For school fiscal years prior to school fiscal year
13 2017-18, a A minimum levy adjustment shall be calculated and applied to
14 any local system that has a general fund common levy for the fiscal year
15 during which aid is certified that is less than the maximum levy, for
16 such fiscal year for such local system, allowed pursuant to subdivision
17 (2)(a) or (b) of section 77-3442 without a vote pursuant to section
18 77-3444 less five cents for learning communities and less ten cents for
19 all other local systems. To calculate the minimum levy adjustment, the
20 department shall subtract the local system general fund common levy for
21 such fiscal year for such local system from the maximum levy allowed
22 pursuant to subdivision (2)(a) or (b) of section 77-3442 without a vote
23 pursuant to section 77-3444 less five cents for learning communities and
24 less ten cents for all other local systems and multiply the result by the
25 local system's adjusted valuation divided by one hundred. The minimum
26 levy adjustment shall be added to the formula resources of the local
27 system for the determination of equalization aid pursuant to section
28 79-1008.01. If the minimum levy adjustment is greater than or equal to
29 the allocated income tax funds calculated pursuant to section 79-1005.01,
30 the local system shall not receive allocated income tax funds. If the
31 minimum levy adjustment is less than the allocated income tax funds

1 calculated pursuant to section 79-1005.01, the local system shall receive
2 allocated income tax funds in the amount of the difference between the
3 allocated income tax funds calculated pursuant to section 79-1005.01 and
4 the minimum levy adjustment. This section does not apply to the
5 calculation of aid for a local system containing a learning community for
6 the first school fiscal year for which aid is calculated for such local
7 system.

8 Sec. 7. Section 79-1009, Reissue Revised Statutes of Nebraska, is
9 amended to read:

10 79-1009 (1)(a) A district shall receive net option funding if option
11 students as defined in section 79-233 (i) were actually enrolled in the
12 school year immediately preceding the school year in which the aid is to
13 be paid or (ii) will be enrolled in the school year in which the aid is
14 to be paid as converted contract option students.

15 (b) The determination of the net number of option students shall be
16 based on (i) the number of students enrolled in the district as option
17 students and the number of students residing in the district but enrolled
18 in another district as option students as of the day of the fall
19 membership count pursuant to section 79-528, for the school fiscal year
20 immediately preceding the school fiscal year in which aid is to be paid,
21 and (ii) the number of option students that will be enrolled in the
22 district or enrolled in another district as converted contract option
23 students for the fiscal year in which the aid is to be paid.

24 (c) Net number of option students means the difference of the number
25 of option students enrolled in the district minus the number of students
26 residing in the district but enrolled in another district as option
27 students.

28 (2) For purposes of this section, net option funding for each school
29 district shall be: (a) For school fiscal years prior to school fiscal
30 year 2017-18, the sum of the product of the net number of option students
31 multiplied by the statewide average basic funding per formula student;

1 and (b) for school fiscal year 2017-18 and each school fiscal year
2 thereafter, the product of the net number of option students multiplied
3 by eighty-five percent of the difference of the statewide average basic
4 funding per formula student minus the statewide student support aid per
5 formula student calculated pursuant to section 79-1005.01.

6 (3) A district's net option funding shall be zero if the calculation
7 produces a negative result.

8 For school fiscal years prior to school fiscal year 2017-18,
9 payments ~~Payments~~ made under this section shall be made from the funds to
10 be disbursed under section 79-1005.01.

11 Such payments shall go directly to the option school district but
12 shall count as a formula resource for the local system.

13 Sec. 8. Section 79-1022, Reissue Revised Statutes of Nebraska, is
14 amended to read:

15 79-1022 (1) On or before ~~April 10, 2014, and on or before~~ March 1 of
16 each year ~~thereafter~~ for each ensuing fiscal year, the department shall
17 determine the amounts to be distributed to each local system and each
18 district for the ensuing school fiscal year pursuant to the Tax Equity
19 and Educational Opportunities Support Act and shall certify the amounts
20 to the Director of Administrative Services, the Auditor of Public
21 Accounts, the Property Tax Administrator, each learning community, and
22 each district. For school fiscal year 2017-18 and each school fiscal year
23 thereafter, such certification shall separately state the amount of
24 student support aid and the amount of all other aid to be distributed
25 pursuant to the act. The amount to be distributed to each district that
26 is not a member of a learning community from the amount certified for a
27 local system shall be proportional based on the formula students
28 attributed to each district in the local system. The amount to be
29 distributed to each district that is a member of a learning community
30 from the amount certified for the local system shall be proportional
31 based on the formula needs calculated for each district in the local

1 system. On or before April 10, 2014, and on or before March 1 of each
2 year thereafter for each ensuing fiscal year, the department shall report
3 the necessary funding level for the ensuing school fiscal year to the
4 Governor, the Appropriations Committee of the Legislature, and the
5 Education Committee of the Legislature. The report submitted to the
6 committees of the Legislature shall be submitted electronically. Except
7 as otherwise provided in this subsection, certified state aid amounts,
8 including adjustments pursuant to section 79-1065.02, shall be shown as
9 budgeted non-property-tax receipts and deducted prior to calculating the
10 property tax request in the district's general fund budget statement as
11 provided to the Auditor of Public Accounts pursuant to section 79-1024.

12 (2) Except as provided in this subsection, subsection (8) of section
13 79-1016, and sections 79-1033 and 79-1065.02, the amounts certified
14 pursuant to subsection (1) of this section shall be distributed in ten as
15 nearly as possible equal payments on the last business day of each month
16 beginning in September of each ensuing school fiscal year and ending in
17 June of the following year, except that when a school district is to
18 receive a monthly payment of less than one thousand dollars, such payment
19 shall be one lump-sum payment on the last business day of December during
20 the ensuing school fiscal year.

21 Sec. 9. Original sections 79-1005.01, 79-1007.18, 79-1008.02,
22 79-1009, and 79-1022, Reissue Revised Statutes of Nebraska, and sections
23 77-3442 and 79-1003, Revised Statutes Supplement, 2015, are repealed.