

**ONE HUNDRED THIRD LEGISLATURE - FIRST SESSION - 2013**  
**COMMITTEE STATEMENT**  
**LB407**

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**Hearing Date:** Monday February 11, 2013  
**Committee On:** Education  
**Introducer:** Sullivan  
**One Liner:** Change calculation provisions under the Tax Equity and Educational Opportunities Support Act

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**Roll Call Vote - Final Committee Action:**  
Advanced to General File with amendment(s)

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**Vote Results:**

<b>Aye:</b>	5	Senators Avery, Davis, Scheer, Seiler, Sullivan
<b>Nay:</b>	3	Senators Cook, Haar, Kolowski
<b>Absent:</b>		
<b>Present Not Voting:</b>		

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**Proponents:**

Senator Kate Sullivan  
Virgil Harden  
Jon Habben  
Craig Kautz  
Sandra Rosenboom

**Representing:**

Introducer  
Grand Island Public Schools  
Nebraska Rural Community Schools Association  
Hastings Public Schools  
Crete Public Schools

**Opponents:**

Ken Fossen  
Linda Richards  
Jeff Rippe

**Representing:**

Millard Public Schools  
Ralston Public Schools  
Bellevue Public Schools

**Neutral:**

**Representing:**

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**Summary of purpose and/or changes:**

Legislative Bill 407 would amend the Tax Equity and Educational Opportunities Support Act (TEEOSA). The measure contains two types of changes. The first type of changes would be permanent modifications. The second type of change would phase in the scheduled return to permanent provisions that were temporarily modified over the last few years in response to economic conditions.

The permanent modifications would include:

1. Allowing tuition paid and transportation fees paid to other districts to be included in general fund operating expenditures (GFOE);
2. Eliminating the teacher education allowance, the instructional time allowance, averaging adjustment, and the local choice adjustment;
3. Limiting the summer school allowance to reported summer school expenditures that are not included in other allowances; and
4. Allowing additional budget authority for early childhood education when programs move from grant funding to being included in the calculation of TEEOSA aid.

The phase in provisions would include a base limitation rate for school districts of 1.5% for 2013-14 and a local effort rate of \$1.03 for 2013-14 and 2014-15. The base limitation rate for school districts was 0.5% for 2012-13 and would return to the permanent provisions of 2.5% for 2014-15. The local effort rate was \$1.0395 for 2012-13 and would return

to the permanent provisions of \$1.00 for 2015-16.

Section 77-3446 would be amended by decreasing the base limitation rate from 2.5% to 1.5% for 2013-14. Obsolete provisions in the section would be eliminated.

Section 79-1003 would be amended by modifying the definitions of general fund operating expenditures (GFOE) and adjusted general fund operating expenditures (AGFOE). General fund operating expenditures would be modified by removing tuition paid and transportation fees paid to other districts from the list of costs that are excluded from GFOE. Adjusted general fund operating expenditures would be modified by removing the instructional time allowance and teacher education allowance from the list of elements excluded from AGFOE to harmonize with the elimination of the two allowances. Obsolete provisions in the section would be eliminated.

Section 79-1003.01 would be amended by limiting the amount of the summer school allowance, beginning with aid for the 2014-15 school fiscal year, for any district to the lesser of the calculated amount or the summer school and early childhood summer school expenditures that are paid for with noncategorical funds generated by state or local taxes and that are not included in other allowances as reported on the annual financial report for the most recently available data year.

Section 79-1007.07 would be amended by clarifying the procedures for determining poverty allowance expenditures by moving the placement of the exclusion of expenditures that are included in other allowances closer to the beginning of the expenditures description.

Section 79-1007.09 would be amended by clarifying the procedures for determining limited English proficiency allowance expenditures by moving the placement of the exclusion of expenditures that are included in other allowances closer to the beginning of the expenditures description.

Section 79-1007.11 would be amended by removing the instructional time allowance, teacher education allowance, averaging adjustment, and local choice adjustment from the calculation of each district's formula need beginning with aid calculated for the 2013-14 school fiscal year. Obsolete provisions in the section would be eliminated and subsection references would be harmonized.

Section 79-1007.17 would be amended by limiting the calculation of the local choice adjustment to school fiscal years through 2012-13.

Section 79-1007.18 would be amended by limiting the calculation of the averaging adjustment to school fiscal years through 2012-13. Obsolete provisions in the section would be eliminated.

Section 79-1007.23 would be amended by limiting the calculation of the instructional time allowance to school fiscal years through 2012-13.

Section 79-1007.25 would be amended by limiting the calculation of the teacher education allowance to school fiscal years through 2012-13.

Section 79-1015.01 would be amended by increasing the local effort rate for 2013-14 and 2014-15 to 2 cents less than the maximum levy of \$1.05. Without the proposal, the local effort rate would be 5 cents less than the maximum levy. For school fiscal years 2011-12 and 2012-13, the local effort rate was 1.05 cents less than the maximum levy. With the proposal, the local effort rate would return to 5 cents less than the maximum levy for 2015-16.

Section 79-1028.01 would be amended by allowing additional budget authority for the first school fiscal year for which early childhood education membership is included in formula students for the calculation of state aid. The additional authority for early childhood education expenditures would equal the amount the school district received in early childhood education grants for the prior school fiscal year, increased by the basic allowable growth rate. The additional budget authority would be included in the budget of expenditures used to calculate budget authority for future years.

The measure contains an emergency clause.

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### **Explanation of amendments:**

The Committee Amendments would allow for a modified teacher education allowance to continue for 2013-14 and 2014-15, would add a new element of teacher education aid for those two school fiscal years, and allow the budget exception for voluntary termination agreements to continue for terminations occurring on or after the first day of the 2013-14 school year with the additional requirement that the district would prove to the State Board of Education a net savings in salary and benefits over a 5 year period. The provisions for voluntary termination agreements are based on concepts in Legislative Bills 357 and 469. The amendments would also reinstate the exclusion of tuition paid and transportation fees paid to other districts from the definition for general fund operating expenditures. Language in the

introduced version of the measure clarifying that the summer school allowance expenditures do not qualify for inclusion in other allowances would be moved for further clarification.

In section 79-1003, the adjusted general fund operating expenditures definition would be further amended to reinstate the teacher education allowance for school fiscal years 2013-14 and 2014-15.

In section 79-1003, the definition for general fund operating expenditures would be further amended to exclude expenditures for voluntary termination agreements which would qualify for an exception to spending limitations. The definition currently excludes such expenditures for voluntary terminations occurring prior to July 1, 2009 or after the last day of the 2010-11 school year and prior to the first day of the 2013-14 school year. The current provisions do not include the savings requirement.

Changes in section 79-1003 that would include tuition paid and transportation fees paid to other districts in the definition for general fund operating expenditures in the introduced version of the measure would be removed.

Section 79-1003.01 would be further amended by moving new language stating that expenditures included in the summer school allowance cannot be included in other allowances within the sentence for better clarification.

Section 79-1007.11 would be further amended by including the modified teacher education allowance in the calculation of formula need for 2013-14 and 2014-15.

Section 79-1007.25 would be further amended by providing for a modified teacher education allowance for 2013-14 and 2014-15 and teacher education aid for the same years. The new teacher education allowance would equal \$30 million statewide distributed between districts based on their share of the statewide teacher education points. Teacher education aid would be paid to each district in an amount equal to 50% of their allowance.

Modifications to section 79-1017.01 would include teacher education aid in the resource calculation for each district for school fiscal years 2013-14 and 2014-15.

Section 79-1028.01 would be further amended by allowing the current exclusion from budget limitations for voluntary terminations occurring prior to July 1, 2009 or after the last day of the 2010-11 school year and prior to the first day of the 2013-14 school year to extend to agreements occurring on or after the first day of the 2013-14 school year, but only to the extent that a district can demonstrate to the State Board of Education that the agreement will result in a net savings in salary and benefit costs to the school district over a five-year period. The State Board of Education is currently required to approve, deny, or modify the amount allowed for any exclusions to budget authority.

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Kate Sullivan, Chairperson