

LEGISLATURE OF NEBRASKA  
 ONE HUNDRED THIRD LEGISLATURE  
 FIRST SESSION  
**LEGISLATIVE BILL 407**

Final Reading

Introduced by Sullivan, 41.

Read first time January 22, 2013

Committee: Education

A BILL

1 FOR AN ACT relating to state aid to schools; to amend section  
 2 79-1007.17, Reissue Revised Statutes of Nebraska, and  
 3 sections 77-3446, 79-1003, 79-1003.01, 79-1007.07,  
 4 79-1007.09, 79-1007.11, 79-1007.18, 79-1007.23,  
 5 79-1007.25, 79-1015.01, 79-1017.01, and 79-1028.01,  
 6 Revised Statutes Cumulative Supplement, 2012; to redefine  
 7 a term; to change provisions relating to the base  
 8 limitation, allowances, reports, calculation of formula  
 9 need, adjustments, local system formula resources, and  
 10 budget authority; to eliminate obsolete provisions; to  
 11 harmonize provisions; to repeal the original sections;  
 12 and to declare an emergency.

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

1                   Section 1. Section 77-3446, Revised Statutes Cumulative  
2 Supplement, 2012, is amended to read:

3                   77-3446 Base limitation means the budget limitation rate  
4 applicable to school districts and the limitation on growth of  
5 restricted funds applicable to other political subdivisions prior to  
6 any increases in the rate as a result of special actions taken by a  
7 supermajority of any governing board or of any exception allowed by  
8 law. The base limitation is two and one-half percent until adjusted,  
9 except that the base limitation for school districts for school  
10 fiscal year 2010-11 is ~~twenty five hundredths of one percent, the~~  
11 ~~base limitation for school districts for school fiscal year 2011-12~~  
12 ~~is zero percent, and the base limitation for school districts for~~  
13 ~~school fiscal year 2012-13 is one-half of one percent and the base~~  
14 limitation for school districts for school fiscal year 2013-14 is one  
15 and one-half percent. The base limitation may be adjusted annually by  
16 the Legislature to reflect changes in the prices of services and  
17 products used by school districts and political subdivisions.

18                   Sec. 2. Section 79-1003, Revised Statutes Cumulative  
19 Supplement, 2012, is amended to read:

20                   79-1003 For purposes of the Tax Equity and Educational  
21 Opportunities Support Act:

22                   (1) Adjusted general fund operating expenditures means  
23 (a) for school fiscal years 2010-11 through 2012-13, the difference  
24 of the general fund operating expenditures as calculated pursuant to  
25 subdivision (22) of this section increased by, or for aid calculated

1 for school fiscal year 2010-11 multiplied by, the cost growth factor  
2 calculated pursuant to section 79-1007.10, minus the transportation  
3 allowance, special receipts allowance, poverty allowance, limited  
4 English proficiency allowance, distance education and  
5 telecommunications allowance, elementary site allowance, elementary  
6 class size allowance, summer school allowance, instructional time  
7 allowance, teacher education allowance, and focus school and program  
8 allowance, and (b) for school fiscal year 2013-14 and each school  
9 fiscal year thereafter, the difference of the general fund operating  
10 expenditures as calculated pursuant to subdivision (22) of this  
11 section increased by the cost growth factor calculated pursuant to  
12 section 79-1007.10, minus the transportation allowance, special  
13 receipts allowance, poverty allowance, limited English proficiency  
14 allowance, distance education and telecommunications allowance,  
15 elementary site allowance, summer school allowance, instructional  
16 time allowance, teacher education allowance, and focus school and  
17 program allowance;

18 (2) Adjusted valuation means the assessed valuation of  
19 taxable property of each local system in the state, adjusted pursuant  
20 to the adjustment factors described in section 79-1016. Adjusted  
21 valuation means the adjusted valuation for the property tax year  
22 ending during the school fiscal year immediately preceding the school  
23 fiscal year in which the aid based upon that value is to be paid. For  
24 purposes of determining the local effort rate yield pursuant to  
25 section 79-1015.01, adjusted valuation does not include the value of

1 any property which a court, by a final judgment from which no appeal  
2 is taken, has declared to be nontaxable or exempt from taxation;

3 (3) Allocated income tax funds means the amount of  
4 assistance paid to a local system pursuant to section 79-1005.01 as  
5 adjusted by the minimum levy adjustment pursuant to section  
6 79-1008.02;

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

12 (5) Base fiscal year means the first school fiscal year  
13 following the school fiscal year in which the reorganization or  
14 unification occurred;

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

16 (7) Categorical funds means funds limited to a specific  
17 purpose by federal or state law, including, but not limited to, Title  
18 I funds, Title VI funds, federal vocational education funds, federal  
19 school lunch funds, Indian education funds, Head Start funds, and  
20 funds from the Education Innovation Fund. Categorical funds does not  
21 include funds received pursuant to section 79-1028.02 or 79-1028.04;

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

25 (9) Converted contract means an expired contract that was

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

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

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

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

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

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

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

5                   (16) Fiscal year means the state fiscal year which is the  
6 period from July 1 to the following June 30;

7                   (17) Formula students means:

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

20                   (b) For the final calculation of state aid pursuant to  
21 section 79-1065, the sum of average daily membership plus sixty  
22 percent of the qualified early childhood education average daily  
23 membership plus tuitioned students minus the product of the number of  
24 students enrolled in kindergarten that is not full-day kindergarten  
25 from the average daily membership multiplied by 0.5 from the school

1 fiscal year immediately preceding the school fiscal year in which aid  
2 was paid;

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

7 (19) Full-day kindergarten means kindergarten offered by  
8 a district for at least one thousand thirty-two instructional hours;

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

17 (21) General fund expenditures means all expenditures  
18 from the general fund;

19 (22) General fund operating expenditures means+ ~~(a) For~~  
20 ~~state aid calculated for school fiscal years 2010-11 and 2011-12, as~~  
21 ~~reported on the annual financial report for the second school fiscal~~  
22 ~~year immediately preceding the school fiscal year in which aid is to~~  
23 ~~be paid, the total general fund expenditures minus (i) the amount of~~  
24 ~~all receipts to the general fund, to the extent that such receipts~~  
25 ~~are not included in local system formula resources, from early~~

1 ~~childhood education tuition, summer school tuition, educational~~  
2 ~~entities as defined in section 79-1201.01 for providing distance~~  
3 ~~education courses through the Educational Service Unit Coordinating~~  
4 ~~Council to such educational entities, private foundations,~~  
5 ~~individuals, associations, charitable organizations, the textbook~~  
6 ~~loan program authorized by section 79-734, federal impact aid, and~~  
7 ~~levy override elections pursuant to section 77-3444, (ii) the amount~~  
8 ~~of expenditures for categorical funds, tuition paid, transportation~~  
9 ~~fees paid to other districts, adult education, community services,~~  
10 ~~redemption of the principal portion of general fund debt service,~~  
11 ~~retirement incentive plans authorized by section 79-855, and staff~~  
12 ~~development assistance authorized by section 79-856, (iii) the amount~~  
13 ~~of any transfers from the general fund to any bond fund and transfers~~  
14 ~~from other funds into the general fund, (iv) any legal expenses in~~  
15 ~~excess of fifteen hundredths of one percent of the formula need for~~  
16 ~~the school fiscal year in which the expenses occurred, (v)~~  
17 ~~expenditures to pay for sums agreed to be paid by a school district~~  
18 ~~to certificated employees in exchange for a voluntary termination~~  
19 ~~occurring prior to July 1, 2009, and (vi)(A) expenditures in school~~  
20 ~~fiscal years 2009-10 through 2013-14 to pay for employer~~  
21 ~~contributions pursuant to subsection (2) of section 79-958 to the~~  
22 ~~School Retirement System of the State of Nebraska to the extent that~~  
23 ~~such expenditures exceed the employer contributions under such~~  
24 ~~subsection that would have been made at a contribution rate of seven~~  
25 ~~and thirty five hundredths percent or (B) expenditures in school~~

1 ~~fiscal years 2009-10 through 2013-14 to pay for school district~~  
2 ~~contributions pursuant to subdivision (1)(c)(i) of section 79-9,113~~  
3 ~~to the retirement system established pursuant to the Class V School~~  
4 ~~Employees Retirement Act to the extent that such expenditures exceed~~  
5 ~~the school district contributions under such subdivision that would~~  
6 ~~have been made at a contribution rate of seven and thirty seven~~  
7 ~~hundredths percent; and (b) For for state aid calculated for school~~  
8 fiscal years 2012-13 and each school fiscal year thereafter, as  
9 reported on the annual financial report for the second school fiscal  
10 year immediately preceding the school fiscal year in which aid is to  
11 be paid, the total general fund expenditures minus ~~(i)~~ (a) the amount  
12 of all receipts to the general fund, to the extent that such receipts  
13 are not included in local system formula resources, from early  
14 childhood education tuition, summer school tuition, educational  
15 entities as defined in section 79-1201.01 for providing distance  
16 education courses through the Educational Service Unit Coordinating  
17 Council to such educational entities, private foundations,  
18 individuals, associations, charitable organizations, the textbook  
19 loan program authorized by section 79-734, federal impact aid, and  
20 levy override elections pursuant to section 77-3444, ~~(ii)~~ (b) the  
21 amount of expenditures for categorical funds, tuition paid,  
22 transportation fees paid to other districts, adult education,  
23 community services, redemption of the principal portion of general  
24 fund debt service, retirement incentive plans authorized by section  
25 79-855, and staff development assistance authorized by section

1 79-856, ~~(iii)~~-(c) the amount of any transfers from the general fund  
2 to any bond fund and transfers from other funds into the general  
3 fund, ~~(iv)~~-(d) any legal expenses in excess of fifteen-hundredths of  
4 one percent of the formula need for the school fiscal year in which  
5 the expenses occurred, ~~(v)~~-(e) expenditures to pay for sums agreed to  
6 be paid by a school district to certificated employees in exchange  
7 for a voluntary termination occurring prior to July 1, 2009, ~~or~~  
8 occurring on or after the last day of the 2010-11 school year and  
9 prior to the first day of the 2013-14 school year, ~~(vi)(A)~~ or, to the  
10 extent that a district has demonstrated to the State Board of  
11 Education pursuant to section 79-1028.01 that the agreement will  
12 result in a net savings in salary and benefit costs to the school  
13 district over a five-year period, occurring on or after the first day  
14 of the 2013-14 school year, (f)(i) expenditures in school fiscal  
15 years 2009-10 through 2016-17 to pay for employer contributions  
16 pursuant to subsection (2) of section 79-958 to the School Employees  
17 Retirement System of the State of Nebraska to the extent that such  
18 expenditures exceed the employer contributions under such subsection  
19 that would have been made at a contribution rate of seven and thirty-  
20 five hundredths percent or ~~(B)~~-(ii) expenditures in school fiscal  
21 years 2009-10 through 2016-17 to pay for school district  
22 contributions pursuant to subdivision (1)(c)(i) of section 79-9,113  
23 to the retirement system established pursuant to the Class V School  
24 Employees Retirement Act to the extent that such expenditures exceed  
25 the school district contributions under such subdivision that would

1 have been made at a contribution rate of seven and thirty-seven  
2 hundredths percent, and ~~(vii)~~(g) any amounts paid by the district  
3 for lobbyist fees and expenses reported to the Clerk of the  
4 Legislature pursuant to section 49-1483.

5 For purposes of this subdivision (22) of this section,  
6 receipts from levy override elections shall equal ninety-nine percent  
7 of the difference of the total general fund levy minus a levy of one  
8 dollar and five cents per one hundred dollars of taxable valuation  
9 multiplied by the assessed valuation for school districts that have  
10 voted pursuant to section 77-3444 to override the maximum levy  
11 provided pursuant to section 77-3442;

12 (23) High school district means a school district  
13 providing instruction in at least grades nine through twelve;

14 (24) Income tax liability means the amount of the  
15 reported income tax liability for resident individuals pursuant to  
16 the Nebraska Revenue Act of 1967 less all nonrefundable credits  
17 earned and refunds made;

18 (25) Income tax receipts means the amount of income tax  
19 collected pursuant to the Nebraska Revenue Act of 1967 less all  
20 nonrefundable credits earned and refunds made;

21 (26) Limited English proficiency students means the  
22 number of students with limited English proficiency in a district  
23 from the most recent data available on November 1 of the school  
24 fiscal year preceding the school fiscal year in which aid is to be  
25 paid plus the difference of such students with limited English

1 proficiency minus the average number of limited English proficiency  
2 students for such district, prior to such addition, for the three  
3 immediately preceding school fiscal years if such difference is  
4 greater than zero;

5 (27) Local system means a learning community for purposes  
6 of calculation of state aid for the second full school fiscal year  
7 after becoming a learning community and each school fiscal year  
8 thereafter, a unified system, a Class VI district and the associated  
9 Class I districts, or a Class II, III, IV, or V district and any  
10 affiliated Class I districts or portions of Class I districts. The  
11 membership, expenditures, and resources of Class I districts that are  
12 affiliated with multiple high school districts will be attributed to  
13 local systems based on the percent of the Class I valuation that is  
14 affiliated with each high school district;

15 (28) Low-income child means a child under nineteen years  
16 of age living in a household having an annual adjusted gross income  
17 for the second calendar year preceding the beginning of the school  
18 fiscal year for which aid is being calculated equal to or less than  
19 the maximum household income that would allow a student from a family  
20 of four people to be a free lunch and free milk student during the  
21 school fiscal year immediately preceding the school fiscal year for  
22 which aid is being calculated;

23 (29) Low-income students means the number of low-income  
24 children within the district multiplied by the ratio of the formula  
25 students in the district divided by the total children under nineteen

1 years of age residing in the district as derived from income tax  
2 information;

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

9 (31) Poverty students means the number of low-income  
10 students or the number of students who are free lunch and free milk  
11 students in a district plus the difference of the number of low-  
12 income students or the number of students who are free lunch and free  
13 milk students in a district, whichever is greater, minus the average  
14 number of poverty students for such district, prior to such addition,  
15 for the three immediately preceding school fiscal years if such  
16 difference is greater than zero;

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

1 section for the third year; (b) the program has already received  
2 grants pursuant to such section for three years; or (c) the program  
3 has been approved pursuant to subsection (5) of section 79-1103 for  
4 such school year and the two preceding school years, including any  
5 such students in portions of any of such programs receiving an  
6 expansion grant;

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

21 (34) Regular route transportation means the  
22 transportation of students on regularly scheduled daily routes to and  
23 from the attendance center;

24 (35) Reorganized district means any district involved in  
25 a consolidation and currently educating students following

1 consolidation;

2 (36) School year or school fiscal year means the fiscal  
3 year of a school district as defined in section 79-1091;

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

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

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

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

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

24 (38) Special education means specially designed  
25 kindergarten through grade twelve instruction pursuant to section

1 79-1125, and includes special education transportation;

2 (39) Special grant funds means the budgeted receipts for  
3 grants, including, but not limited to, categorical funds,  
4 reimbursements for wards of the court, short-term borrowings  
5 including, but not limited to, registered warrants and tax  
6 anticipation notes, interfund loans, insurance settlements, and  
7 reimbursements to county government for previous overpayment. The  
8 state board shall approve a listing of grants that qualify as special  
9 grant funds;

10 (40) State aid means the amount of assistance paid to a  
11 district pursuant to the Tax Equity and Educational Opportunities  
12 Support Act;

13 (41) State board means the State Board of Education;

14 (42) State support means all funds provided to districts  
15 by the State of Nebraska for the general fund support of elementary  
16 and secondary education;

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

20 (44) Statewide average general fund operating  
21 expenditures per formula student means the statewide total general  
22 fund operating expenditures for all districts divided by the  
23 statewide total formula students for all districts;

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

25 (46) Temporary aid adjustment factor means (a) for school

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

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

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

19 (49) Very sparse local system means a local system that  
20 has:

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

1 school attendance center on paved roads; or

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

7 Sec. 3. Section 79-1003.01, Revised Statutes Cumulative  
8 Supplement, 2012, is amended to read:

9 79-1003.01 (1) The department shall calculate a summer  
10 school allowance for each district which submits the information  
11 required for the calculation on a form prescribed by the department  
12 on or before October 15 of the school fiscal year preceding the  
13 school fiscal year for which aid is being calculated. ~~A—For aid~~  
14 calculated for school fiscal years through school fiscal year  
15 2013-14, the summer school allowance shall be equal to two and one-  
16 half percent of the summer school student units for such district  
17 multiplied by eighty-five percent of the statewide average general  
18 fund operating expenditures per formula student. For aid calculated  
19 for school fiscal year 2014-15 and each school fiscal year  
20 thereafter, the summer school allowance shall be equal to the lesser  
21 of two and one-half percent of the product of the summer school  
22 student units for such district multiplied by eighty-five percent of  
23 the statewide average general fund operating expenditures per formula  
24 student or the summer school and early childhood summer school  
25 expenditures that are paid for with noncategorical funds generated by

1 state or local taxes as reported on the annual financial report for  
2 the most recently available data year and that are not included in  
3 other allowances.

4           (2) Summer school student units shall be calculated for  
5 each student enrolled in summer school as defined in section 79-536  
6 in a school district who attends such summer school for at least  
7 twelve days in the most recently available complete data year,  
8 whether or not the student is in the membership of the school  
9 district. The initial number of units for each such student shall  
10 equal the sum of the ratios, each rounded down to the nearest whole  
11 number, of the number of days for which the student attended summer  
12 school classes in such district for at least three hours and less  
13 than six hours per day divided by twelve days and of two times the  
14 number of days for which the student attended summer school classes  
15 in such district for six or more hours per day divided by twelve  
16 days.

17           (3) Each school district shall receive an additional  
18 summer school student unit for each summer school student unit  
19 attributed to remedial math or reading programs. Each school district  
20 shall also receive an additional summer school student unit for each  
21 summer school student unit attributed to a free lunch and free milk  
22 student.

23           (4) Beginning with state aid calculated for school fiscal  
24 year 2012-13, summer school student units shall be calculated for  
25 each student who was both enrolled in the most recently available

1 complete data year in a summer session of an early childhood  
2 education program for which a qualified early childhood education  
3 fall membership greater than zero has been calculated for the school  
4 fiscal year for which aid is being calculated and eligible to attend  
5 kindergarten in the fall immediately following such summer session.  
6 The initial number of units for each such early childhood education  
7 student shall equal the sum of the ratios, each rounded down to the  
8 nearest whole number, of the number of days for which the student  
9 attended the summer session in such district for at least three hours  
10 and less than six hours per day divided by twelve days and of two  
11 times the number of days for which the student attended the summer  
12 session in such district for six or more hours per day divided by  
13 twelve days. The initial summer school student units for early  
14 childhood education students shall be multiplied by six-tenths.  
15 Instructional hours included in the calculation of the qualified  
16 early childhood education fall membership or the qualified early  
17 childhood education average daily membership shall not be included in  
18 the calculation of the summer school allowance.

19 (5) Each school district shall receive an additional six-  
20 tenths of a summer school student unit for each early childhood  
21 education student unit attributed to a free lunch and free milk early  
22 childhood education student.

23 (6) This section does not prevent school districts from  
24 requiring and collecting fees for summer school or summer sessions of  
25 early childhood education programs, except that summer school student

1 units shall not be calculated for school districts which collect fees  
2 for summer school from students who qualify for free or reduced-price  
3 lunches under United States Department of Agriculture child nutrition  
4 programs.

5 Sec. 4. Section 79-1007.07, Revised Statutes Cumulative  
6 Supplement, 2012, is amended to read:

7 79-1007.07 (1)(a) The annual financial report required  
8 pursuant to section 79-528 shall include:

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

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

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

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

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

24 (b) The department shall set up accounting codes for the  
25 receipts and expenditures required to be reported on the annual

1 financial report pursuant to this subsection.

2 (2) The department shall determine the poverty allowance  
3 expenditures using the reported expenditures on the annual financial  
4 report for the most recently available complete data year that would  
5 include in the poverty allowance expenditures only those expenditures  
6 that are not included in other allowances, that were used to  
7 specifically address issues related to the education of students  
8 living in poverty or to the implementation of the poverty plan, that  
9 do not replace expenditures that would have occurred if the students  
10 involved in the program did not live in poverty, ~~that are not~~  
11 ~~included in other allowances,~~ and that are paid for with  
12 noncategorical funds generated by state or local taxes or funds  
13 distributed through the Tax Equity and Educational Opportunities  
14 Support Act pursuant to the federal American Recovery and  
15 Reinvestment Act of 2009 or the federal Education Jobs Fund created  
16 pursuant to Public Law 111-226. The department shall establish a  
17 procedure to allow school districts to receive preapproval for  
18 categories of expenditures that could be included in poverty  
19 allowance expenditures.

20 (3) If the poverty allowance expenditures do not equal  
21 117.65 percent or more of the poverty allowance for the most recently  
22 available complete data year, the department shall calculate a  
23 poverty allowance correction. The poverty allowance correction shall  
24 equal the poverty allowance minus eighty-five percent of the poverty  
25 allowance expenditures. If the poverty allowance expenditures do not

1 equal fifty percent or more of the allowance for such school fiscal  
2 year, the school district shall also be disqualified from receiving a  
3 poverty allowance for the school fiscal year for which aid is being  
4 calculated.

5 (4) If the department determines that the school district  
6 did not meet the required elements of the poverty plan for the most  
7 recently available complete data year, the department shall calculate  
8 a poverty allowance correction equal to fifty percent of the poverty  
9 allowance for such school fiscal year and the school district shall  
10 also be disqualified from receiving a poverty allowance for the  
11 school fiscal year for which aid is being calculated. Any poverty  
12 allowance correction calculated pursuant to this subsection shall be  
13 added to any poverty allowance correction calculated pursuant to  
14 subsection (3) of this section to arrive at the total poverty  
15 allowance correction.

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

23 (6) The department shall provide electronically an annual  
24 report to the Legislature containing a general description of the  
25 expenditures and funding sources for programs related to poverty

1 statewide and specific descriptions of the expenditures and funding  
2 sources for programs related to poverty for each school district.

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

6 Sec. 5. Section 79-1007.09, Revised Statutes Cumulative  
7 Supplement, 2012, is amended to read:

8 79-1007.09 (1)(a) The annual financial report required  
9 pursuant to section 79-528 shall include:

10 (i) The amount of the limited English proficiency  
11 allowance used in the certification of state aid pursuant to section  
12 79-1022 for such school fiscal year;

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

16 (iii) The expenditures and sources of funding for each  
17 program related to limited English proficiency with a narrative  
18 description of the program, the method used to allocate money to the  
19 program and within the program, and the program's relationship to the  
20 limited English proficiency plan submitted pursuant to section  
21 79-1014 for such school fiscal year;

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

25 (v) An explanation of how any required elements of the

1 limited English proficiency plan for such school fiscal year were  
2 met.

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

6 (2) The department shall determine the limited English  
7 proficiency allowance expenditures using the reported expenditures on  
8 the annual financial report for the most recently available complete  
9 data year that would only include in the limited English proficiency  
10 allowance expenditures those expenditures that are not included in  
11 other allowances, that were used to specifically address issues  
12 related to the education of students with limited English proficiency  
13 or to the implementation of the limited English proficiency plan,  
14 that do not replace expenditures that would have occurred if the  
15 students involved in the program did not have limited English  
16 proficiency, ~~that are not included in other allowances,~~ and that are  
17 paid for with noncategorical funds generated by state or local taxes  
18 or funds distributed through the Tax Equity and Educational  
19 Opportunities Support Act pursuant to the federal American Recovery  
20 and Reinvestment Act of 2009 or the federal Education Jobs Fund  
21 created pursuant to Public Law 111-226. The department shall  
22 establish a procedure to allow school districts to receive  
23 preapproval for categories of expenditures that could be included in  
24 limited English proficiency allowance expenditures.

25 (3) If the limited English proficiency allowance

1 expenditures do not equal 117.65 percent or more of the limited  
2 English proficiency allowance for the most recently available  
3 complete data year, the department shall calculate a limited English  
4 proficiency allowance correction. The limited English proficiency  
5 allowance correction shall equal the limited English proficiency  
6 allowance minus eighty-five percent of the limited English  
7 proficiency allowance expenditures. If the limited English  
8 proficiency allowance expenditures do not equal fifty percent or more  
9 of the allowance for such school fiscal year, the school district  
10 shall also be disqualified from receiving a limited English  
11 proficiency allowance for the school fiscal year for which aid is  
12 being calculated.

13 (4) If the department determines that the school district  
14 did not meet the required elements of the limited English proficiency  
15 plan for the most recently available complete data year, the  
16 department shall calculate a limited English proficiency allowance  
17 correction equal to fifty percent of the limited English proficiency  
18 allowance for such school fiscal year and the school district shall  
19 also be disqualified from receiving a limited English proficiency  
20 allowance for the school fiscal year for which aid is being  
21 calculated. Any limited English proficiency allowance correction  
22 calculated pursuant to this subsection shall be added to any limited  
23 English proficiency allowance correction calculated pursuant to  
24 subsection (3) of this section to arrive at the total limited English  
25 proficiency allowance correction.

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

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

14           (7) The state board shall establish a procedure for  
15 appeal of decisions of the department to the state board for a final  
16 determination.

17           Sec. 6. Section 79-1007.11, Revised Statutes Cumulative  
18 Supplement, 2012, is amended to read:

19           79-1007.11 ~~(1) Except as otherwise provided in this~~  
20 ~~section, for school fiscal year 2010 11, each school district's~~  
21 ~~formula need shall equal the difference of the sum of the school~~  
22 ~~district's basic funding, poverty allowance, limited English~~  
23 ~~proficiency allowance, elementary class size allowance, focus school~~  
24 ~~and program allowance, summer school allowance, special receipts~~  
25 ~~allowance, transportation allowance, elementary site allowance,~~

1 ~~instructional time allowance, teacher education allowance, distance~~  
2 ~~education and telecommunications allowance, averaging adjustment, new~~  
3 ~~learning community transportation adjustment, student growth~~  
4 ~~adjustment, and new school adjustment, minus the sum of the limited~~  
5 ~~English proficiency allowance correction, poverty allowance~~  
6 ~~correction, and local choice adjustment.~~

7           ~~(2)~~(1) Except as otherwise provided in this section, for  
8 school fiscal years 2011-12 and 2012-13, each school district's  
9 formula need shall equal the difference of the sum of the school  
10 district's basic funding, poverty allowance, limited English  
11 proficiency allowance, elementary class size allowance, focus school  
12 and program allowance, summer school allowance, special receipts  
13 allowance, transportation allowance, elementary site allowance,  
14 instructional time allowance, teacher education allowance, distance  
15 education and telecommunications allowance, averaging adjustment, new  
16 learning community transportation adjustment, student growth  
17 adjustment, any positive student growth adjustment correction, and  
18 new school adjustment, minus the sum of the limited English  
19 proficiency allowance correction, poverty allowance correction, any  
20 negative student growth adjustment correction, and local choice  
21 adjustment.

22           ~~(3)~~(2) Except as otherwise provided in this section, for  
23 school fiscal year 2013-14 and each school fiscal year thereafter,  
24 each school district's formula need shall equal the difference of the  
25 sum of the school district's basic funding, poverty allowance,

1 limited English proficiency allowance, focus school and program  
2 allowance, summer school allowance, special receipts allowance,  
3 transportation allowance, elementary site allowance, instructional  
4 time allowance, teacher education allowance, distance education and  
5 telecommunications allowance, averaging adjustment, new learning  
6 community transportation adjustment, student growth adjustment, any  
7 positive student growth adjustment correction, and new school  
8 adjustment, minus the sum of the limited English proficiency  
9 allowance correction, poverty allowance correction, and any negative  
10 student growth adjustment correction. ~~, and local choice adjustment.~~

11 ~~(4) For state aid calculated for all school fiscal years~~  
12 ~~except school fiscal year 2011-12, if (3) If the formula need~~  
13 ~~calculated for a school district pursuant to subsections (1) through~~  
14 ~~(3) and (2) of this section is less than one hundred percent of the~~  
15 ~~formula need for such district for the school fiscal year immediately~~  
16 ~~preceding the school fiscal year for which aid is being calculated,~~  
17 ~~the formula need for such district shall equal one hundred percent of~~  
18 ~~the formula need for such district for the school fiscal year~~  
19 ~~immediately preceding the school fiscal year for which aid is being~~  
20 ~~calculated. For state aid calculated for school fiscal year 2011-12,~~  
21 ~~if the formula need calculated for a school district pursuant to~~  
22 ~~subsection (2) of this section is less than ninety five percent of~~  
23 ~~the formula need for such district for the school fiscal year~~  
24 ~~immediately preceding the school fiscal year for which aid is being~~  
25 ~~calculated, the formula need for such district shall equal ninety-~~

1 ~~five percent of the formula need for such district for the school~~  
2 ~~fiscal year immediately preceding the school fiscal year for which~~  
3 ~~aid is being calculated.~~

4 ~~(5) For state aid calculated for school fiscal years~~  
5 ~~except school fiscal year 2011-12, except (4) Except as provided in~~  
6 ~~subsection (7)-(6) of this section, if the formula need calculated~~  
7 ~~for a school district pursuant to subsections (1) through (3) and (2)~~  
8 ~~of this section is more than one hundred twelve percent of the~~  
9 ~~formula need for such district for the school fiscal year immediately~~  
10 ~~preceding the school fiscal year for which aid is being calculated,~~  
11 ~~the formula need for such district shall equal one hundred twelve~~  
12 ~~percent of the formula need for such district for the school fiscal~~  
13 ~~year immediately preceding the school fiscal year for which aid is~~  
14 ~~being calculated, except that the formula need shall not be reduced~~  
15 ~~pursuant to this subsection for any district receiving a student~~  
16 ~~growth adjustment for the school fiscal year for which aid is being~~  
17 ~~calculated. For state aid calculated for school fiscal year 2011-12,~~  
18 ~~except as provided in subsection (7) of this section, if the formula~~  
19 ~~need calculated for a school district pursuant to subsection (2) of~~  
20 ~~this section is more than one hundred seven percent of the formula~~  
21 ~~need for such district for the school fiscal year immediately~~  
22 ~~preceding the school fiscal year for which aid is being calculated,~~  
23 ~~the formula need for such district shall equal one hundred seven~~  
24 ~~percent of the formula need for such district for the school fiscal~~  
25 ~~year immediately preceding the school fiscal year for which aid is~~

1 ~~being calculated, except that the formula need shall not be reduced~~  
2 ~~pursuant to this subsection for any district receiving a student~~  
3 ~~growth adjustment for the school fiscal year for which aid is being~~  
4 ~~calculated.~~

5           ~~(6)~~(5) For purposes of subsections (3) and (4) and ~~(5)~~  
6 of this section, the formula need for the school fiscal year  
7 immediately preceding the school fiscal year for which aid is being  
8 calculated shall be the formula need used in the final calculation of  
9 aid pursuant to section 79-1065 and for districts that were affected  
10 by a reorganization with an effective date in the calendar year  
11 preceding the calendar year in which aid is certified for the school  
12 fiscal year for which aid is being calculated, the formula need for  
13 the school fiscal year immediately preceding the school fiscal year  
14 for which aid is being calculated shall be attributed to the affected  
15 school districts based on information provided to the department by  
16 the school districts or proportionally based on the adjusted  
17 valuation transferred if sufficient information has not been provided  
18 to the department.

19           ~~(7)~~(6) For state aid calculated for the first full  
20 school fiscal year of a new learning community, if the formula need  
21 calculated for a member school district pursuant to subsections (1)  
22 through ~~(4)~~(3) of this section is less than the sum of the school  
23 district's state aid certified for the school fiscal year immediately  
24 preceding the first full school fiscal year of the learning community  
25 plus the school district's other actual receipts included in local

1 system formula resources pursuant to section 79-1018.01 for such  
2 school fiscal year plus the product of the school district's general  
3 fund levy for such school fiscal year up to one dollar and five cents  
4 multiplied by the school district's assessed valuation for such  
5 school fiscal year, the formula need for such school district for the  
6 school fiscal year for which aid is being calculated shall equal such  
7 sum.

8           Sec. 7. Section 79-1007.17, Reissue Revised Statutes of  
9 Nebraska, is amended to read:

10           79-1007.17 For school fiscal year ~~2008-09~~ and each school  
11 ~~fiscal year thereafter, years through school fiscal year 2012-13,~~ the  
12 department shall calculate a local choice adjustment for each  
13 district that:

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

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

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

22           The local choice adjustment for each such district shall  
23 equal fifty percent of the difference between the basic funding per  
24 formula student for the district for which the local choice  
25 adjustment is being calculated and the basic funding per formula

1 student for the district that has the closest to three hundred ninety  
2 formula students multiplied by the formula students for the district  
3 for which the local choice adjustment is being calculated, except  
4 that the local choice adjustment shall equal zero if the basic  
5 funding per formula student for the district for which the local  
6 choice adjustment is being calculated is less than the basic funding  
7 per formula student for the district that has the closest to three  
8 hundred ninety formula students. If more than one district has the  
9 closest to three hundred ninety formula students, the basic funding  
10 representing the district that has the closest to three hundred  
11 ninety formula students shall equal the average of the basic funding  
12 per formula student for each such district. The closest to three  
13 hundred ninety formula students shall be measured using the absolute  
14 value of the difference of three hundred ninety students minus the  
15 district formula students with the difference rounded to the nearest  
16 whole number.

17           Sec. 8. Section 79-1007.18, Revised Statutes Cumulative  
18 Supplement, 2012, is amended to read:

19           79-1007.18 (1) The department shall calculate an  
20 averaging adjustment for districts if the basic funding per formula  
21 student is less than the averaging adjustment threshold and the  
22 general fund levy for the school fiscal year immediately preceding  
23 the school fiscal year for which aid is being calculated was at least  
24 one dollar per one hundred dollars of taxable valuation. For school  
25 districts that are members of a learning community, the general fund

1 levy for purposes of this section includes both the common general  
2 fund levy and the school district general fund levy authorized  
3 pursuant to subdivisions (2)(b) and (2)(c) of section 77-3442. The  
4 averaging adjustment shall equal the district's formula students  
5 multiplied by the percentage specified in this section for such  
6 district of the difference between the averaging adjustment threshold  
7 minus such district's basic funding per formula student.

8 ~~(2)(a) For school fiscal year 2010-11, the averaging~~  
9 ~~adjustment threshold shall equal the lesser of (i) the averaging~~  
10 ~~adjustment threshold for the school fiscal year immediately preceding~~  
11 ~~the school fiscal year for which aid is being calculated increased by~~  
12 ~~the sum of the basic allowable growth rate plus five tenths of one~~  
13 ~~percent or (ii) the statewide average basic funding per formula~~  
14 ~~student for the school fiscal year for which aid is being calculated.~~

15 ~~(b) For school fiscal year 2011-12, the averaging~~  
16 ~~adjustment threshold shall equal ninety five percent of the lesser of~~  
17 ~~(i) the averaging adjustment threshold for school fiscal year 2010-11~~  
18 ~~increased by the basic allowable growth rate or (ii) the statewide~~  
19 ~~average basic funding per formula student for school fiscal year~~  
20 ~~2011-12.~~

21 ~~(c) (2)(a) For school fiscal year years 2012-13 and~~  
22 ~~2013-14, and each school fiscal year thereafter, the averaging~~  
23 ~~adjustment threshold shall equal the lesser of (i) the averaging~~  
24 ~~adjustment threshold for the school fiscal year immediately preceding~~  
25 ~~the school fiscal year for which aid is being calculated increased by~~

1 the basic allowable growth rate or (ii) the statewide average basic  
2 funding per formula student for the school fiscal year for which aid  
3 is being calculated.

4 (b) For school fiscal year 2014-15 and each school fiscal  
5 year thereafter, the averaging adjustment threshold shall equal the  
6 aggregate basic funding for all districts with nine hundred or more  
7 formula students divided by the aggregate formula students for all  
8 districts with nine hundred or more formula students for the school  
9 fiscal year for which aid is being calculated.

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

14 (4) The percentages to be used in the calculation of  
15 averaging adjustments shall be as follows:

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

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

24 (c) If such levy was at least one dollar and two cents  
25 per one hundred dollars of taxable valuation but less than one dollar

1 and three cents per one hundred dollars of taxable valuation, the  
2 percentage shall be seventy percent;

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

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

10 Sec. 9. Section 79-1007.23, Revised Statutes Cumulative  
11 Supplement, 2012, is amended to read:

12 79-1007.23 (1)(a) For state aid calculated for school  
13 fiscal year ~~2009-10~~ and each school fiscal year thereafter: years  
14 through school fiscal year 2012-13, the ~~(1)~~ The department shall  
15 calculate an instructional time allowance for each district which  
16 submits the information required for the calculation on a form  
17 prescribed by the department on or before October 15 of the school  
18 fiscal year preceding the school fiscal year for which aid is being  
19 calculated. The instructional time allowance shall be equal to the  
20 product of the formula students of such district multiplied by the  
21 instructional time factor for such district multiplied by eighty-five  
22 percent of the statewide average general fund operating expenditures  
23 per formula student.  $\div$

24 ~~(2)~~ (b) The instructional time factor shall equal the  
25 difference of the ratio of the district's average hours of

1 instruction for each full-time student during the regular school year  
2 for the most recently available complete data year divided by: ~~(a)~~  
3 ~~For state aid calculated for school fiscal year 2009-10, the~~  
4 ~~comparison group average hours of instruction for each full-time~~  
5 ~~student during the regular school year for the most recently~~  
6 ~~available complete data year minus one; or (b) for state aid~~  
7 ~~calculated for school fiscal year 2010-11 and each school fiscal year~~  
8 ~~thereafter,~~ the statewide average hours of instruction for each full-  
9 time student during the regular school year for the most recently  
10 available complete data year minus one, except that if the result is  
11 less than zero, the instructional time factor shall equal zero. ~~;~~

12 ~~(3) For school fiscal years 2009-10 and 2010-11, the~~  
13 ~~comparison group average hours of instruction for each full-time~~  
14 ~~student shall be an average of the averages for all school districts~~  
15 ~~in the comparison group. The average hours of instruction shall be~~  
16 ~~defined by the department and shall not include extracurricular~~  
17 ~~activities outside of the regular school day or time designated for~~  
18 ~~students to eat lunch. The statewide average hours of instruction for~~  
19 ~~each full-time student shall be an average of the averages for all~~  
20 ~~school districts; and~~

21 ~~(4) For school fiscal year 2011-12 and each school fiscal~~  
22 ~~year thereafter, the (c) The average hours of instruction shall be~~  
23 defined by the department and shall be based on scheduled time for  
24 courses and the number of students participating in such courses as  
25 reported to the department for the most recently available complete

1 data year. Hours of instruction shall not include extracurricular  
2 activities outside of the regular school day or time designated for  
3 students to eat lunch. The statewide average hours of instruction for  
4 each student shall be an average of the averages for all school  
5 districts.

6 (2)(a) For state aid calculated for school fiscal year  
7 2013-14 and each school fiscal year thereafter, the department shall  
8 calculate an instructional time allowance for a school district if  
9 the average days in session for such school district exceeds one  
10 hundred seventy-five days for the most recently available complete  
11 data year.

12 (b) For purposes of this subsection:

13 (i) The allowance student days for each qualifying school  
14 district shall equal the formula students for such district  
15 multiplied by the difference of the average days in session for such  
16 school district minus one hundred seventy-five days;

17 (ii) The average days in session for each school district  
18 shall equal a weighted average of the days in session for all schools  
19 in the school district as defined by the department; and

20 (iii) The statewide allowance student days shall equal  
21 the sum of the allowance student days for all qualifying school  
22 districts.

23 (c) The instructional time allowance for each qualifying  
24 school district shall equal the product of twenty million dollars  
25 multiplied by the ratio of the allowance student days for such school

1 district divided by the statewide allowance student days.

2 (d) Fifty percent of the instructional time allowance  
3 calculated pursuant to this subsection for each qualifying school  
4 district shall be paid to such school district as instructional time  
5 aid for the school fiscal year for which aid is being calculated.

6 Sec. 10. Section 79-1007.25, Revised Statutes Cumulative  
7 Supplement, 2012, is amended to read:

8 79-1007.25 ~~For school fiscal year 2010-11 and each school~~  
9 ~~fiscal year thereafter, the~~ The department shall calculate a teacher  
10 education allowance for each district as follows:

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

22 (2) ~~A~~ For school fiscal years prior to school fiscal year  
23 2013-14, a teacher education index shall be calculated for each  
24 district by dividing the ratio of teacher education points for the  
25 district divided by the number of full-time equivalent teachers in

1 the district by the ratio of teacher education points for all  
2 districts divided by the number of full-time equivalent teachers in  
3 all districts; ~~and~~

4 (3) ~~The~~ For school fiscal years prior to school fiscal  
5 year 2013-14, the teacher education allowance for each district shall  
6 equal eight and one-half percent of the statewide average general  
7 fund operating expenditures per formula student multiplied by the  
8 district's formula students and multiplied by the difference of the  
9 product of the district's teacher education index minus one, except  
10 that if the result is less than zero, the teacher education allowance  
11 shall equal zero; ~~and~~ -

12 (4) For school fiscal year 2013-14 and each school fiscal  
13 year thereafter, the teacher education allowance for each district  
14 shall equal the product of thirty million dollars multiplied by the  
15 ratio of teacher education points calculated for the district divided  
16 by the aggregate teacher education points calculated for all  
17 districts. Fifty percent of the teacher education allowance  
18 calculated pursuant to this subdivision for each school district  
19 shall be paid to such school district as teacher education aid for  
20 the school fiscal year for which aid is being calculated.

21 Sec. 11. Section 79-1015.01, Revised Statutes Cumulative  
22 Supplement, 2012, is amended to read:

23 79-1015.01 (1) Local system formula resources shall  
24 include local effort rate yield which shall be computed as prescribed  
25 in this section.

1                   (2) For each school fiscal year except school fiscal  
2 years 2011-12 ~~and 2012-13~~ through 2014-15: (a) For state aid  
3 certified pursuant to section 79-1022, the local effort rate shall be  
4 the maximum levy, for the school fiscal year for which aid is being  
5 certified, authorized pursuant to subdivision (2)(a) of section  
6 77-3442 less five cents; (b) for the final calculation of state aid  
7 pursuant to section 79-1065, the local effort rate shall be the rate  
8 which, when multiplied by the total adjusted valuation of all taxable  
9 property in local systems receiving equalization aid pursuant to the  
10 Tax Equity and Educational Opportunities Support Act, will produce  
11 the amount needed to support the total formula need of such local  
12 systems when added to state aid appropriated by the Legislature and  
13 other actual receipts of local systems described in section  
14 79-1018.01; and (c) the local effort rate yield for such school  
15 fiscal years shall be determined by multiplying each local system's  
16 total adjusted valuation by the local effort rate.

17                   (3) For school fiscal years 2011-12 and 2012-13: (a) For  
18 state aid certified pursuant to section 79-1022, the local effort  
19 rate shall be the maximum levy, for the school fiscal year for which  
20 aid is being certified, authorized pursuant to subdivision (2)(a) of  
21 section 77-3442 less one and five-hundredths of one cent; (b) for the  
22 final calculation of state aid pursuant to section 79-1065, the local  
23 effort rate shall be the rate which, when multiplied by the total  
24 adjusted valuation of all taxable property in local systems receiving  
25 equalization aid pursuant to the Tax Equity and Educational

1 Opportunities Support Act, will produce the amount needed to support  
2 the total formula need of such local systems when added to state aid  
3 appropriated by the Legislature and other actual receipts of local  
4 systems described in section 79-1018.01; and (c) the local effort  
5 rate yield for such school fiscal years shall be determined by  
6 multiplying each local system's total adjusted valuation by the local  
7 effort rate.

8 (4) For school fiscal years 2013-14 and 2014-15: (a) For  
9 state aid certified pursuant to section 79-1022, the local effort  
10 rate shall be the maximum levy, for the school fiscal year for which  
11 aid is being certified, authorized pursuant to subdivision (2)(a) of  
12 section 77-3442 less two cents; (b) for the final calculation of  
13 state aid pursuant to section 79-1065, the local effort rate shall be  
14 the rate which, when multiplied by the total adjusted valuation of  
15 all taxable property in local systems receiving equalization aid  
16 pursuant to the Tax Equity and Educational Opportunities Support Act,  
17 will produce the amount needed to support the total formula need of  
18 such local systems when added to state aid appropriated by the  
19 Legislature and other actual receipts of local systems described in  
20 section 79-1018.01; and (c) the local effort rate yield for such  
21 school fiscal years shall be determined by multiplying each local  
22 system's total adjusted valuation by the local effort rate.

23 Sec. 12. Section 79-1017.01, Revised Statutes Cumulative  
24 Supplement, 2012, is amended to read:

25 79-1017.01 (1) For state aid calculated for school fiscal

1 years prior to school fiscal year 2012-13, local system formula  
2 resources includes retirement aid determined under section  
3 79-1028.03, allocated income tax funds determined for each such  
4 district pursuant to the provisions of section 79-1005.01, and  
5 adjustments pursuant to section 79-1008.02.

6 (2) For state aid calculated for school fiscal years  
7 2012-13 and 2013-14, year 2012-13, local system formula resources  
8 includes retirement aid determined under section 79-1028.03,  
9 allocated income tax funds determined for each district pursuant to  
10 section 79-1005.01, and adjustments pursuant to section 79-1008.02,  
11 and is reduced by amounts paid by the district in the most recently  
12 available complete data year as property tax refunds pursuant to or  
13 in the manner prescribed by section 77-1736.06.

14 (3) For state aid calculated for school fiscal year  
15 2013-14, local system formula resources includes retirement aid  
16 determined under section 79-1028.03, teacher education aid determined  
17 for each district pursuant to subdivision (4) of section 79-1007.25,  
18 instructional time aid determined pursuant to subsection (2) of  
19 section 79-1007.23, allocated income tax funds determined for each  
20 district pursuant to section 79-1005.01, and adjustments pursuant to  
21 section 79-1008.02 and is reduced by amounts paid by the district in  
22 the most recently available complete data year as property tax  
23 refunds pursuant to or in the manner prescribed by section  
24 77-1736.06.

25 (4) For state aid calculated for school fiscal year

1 2014-15 and each school fiscal year thereafter, local system formula  
2 resources includes teacher education aid determined for each district  
3 pursuant to subdivision (4) of section 79-1007.25, instructional time  
4 aid determined pursuant to subsection (2) of section 79-1007.23,  
5 allocated income tax funds determined for each district pursuant to  
6 section 79-1005.01, and adjustments pursuant to section 79-1008.02  
7 and is reduced by amounts paid by the district in the most recently  
8 available complete data year as property tax refunds pursuant to or  
9 in the manner prescribed by section 77-1736.06.

10           Sec. 13. Section 79-1028.01, Revised Statutes Cumulative  
11 Supplement, 2012, is amended to read:

12           79-1028.01 (1) For each school fiscal year, a school  
13 district may exceed its budget authority for the general fund budget  
14 of expenditures as calculated pursuant to section 79-1023 for such  
15 school fiscal year by a specific dollar amount for the following  
16 exclusions:

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

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

25           (c) Expenditures pursuant to the Retirement Incentive

1 Plan authorized in section 79-855 or the Staff Development Assistance  
2 authorized in section 79-856;

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

7 (e) Expenditures to pay another school district for the  
8 transfer of land from such other school district;

9 (f) Expenditures in school fiscal years 2009-10 through  
10 2016-17 to pay for employer contributions pursuant to subsection (2)  
11 of section 79-958 to the School Employees Retirement System of the  
12 State of Nebraska to the extent that such expenditures exceed the  
13 employer contributions under such subsection that would have been  
14 made at a contribution rate of seven and thirty-five hundredths  
15 percent;

16 (g) Expenditures in school fiscal years 2009-10 through  
17 2016-17 to pay for school district contributions pursuant to  
18 subdivision (1)(c)(i) of section 79-9,113 to the retirement system  
19 established pursuant to the Class V School Employees Retirement Act  
20 to the extent that such expenditures exceed the school district  
21 contributions under such subdivision that would have been made at a  
22 contribution rate of seven and thirty-seven hundredths percent;

23 (h) Expenditures for sums agreed to be paid by a school  
24 district to certificated employees in exchange for a voluntary  
25 termination occurring prior to July 1, 2009, ~~or~~ occurring on or after

1 the last day of the 2010-11 school year and prior to the first day of  
2 the 2013-14 school year, or, to the extent that a district  
3 demonstrates to the State Board of Education pursuant to subsection  
4 (3) of this section that the agreement will result in a net savings  
5 in salary and benefit costs to the school district over a five-year  
6 period, occurring on or after the first day of the 2013-14 school  
7 year;

8 (i) Any expenditures in school fiscal years 2016-17 and  
9 2017-18 of amounts specified in the notice provided by the  
10 Commissioner of Education pursuant to section 79-309.01 for teacher  
11 performance pay;

12 (j) The special education budget of expenditures; and

13 (k) Expenditures of special grant funds.

14 (2) For each school fiscal year, a school district may  
15 exceed its budget authority for the general fund budget of  
16 expenditures as calculated pursuant to section 79-1023 for such  
17 school fiscal year by a specific dollar amount and include such  
18 dollar amount in the budget of expenditures used to calculate budget  
19 authority for the general fund budget of expenditures pursuant to  
20 section 79-1023 for future years for the following exclusions:

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

24 (b) The first school fiscal year the district will be  
25 participating in Network Nebraska for the full school fiscal year,

1 for the difference of the estimated expenditures for such school  
2 fiscal year for telecommunications services, access to data  
3 transmission networks that transmit data to and from the school  
4 district, and the transmission of data on such networks as such  
5 expenditures are defined by the department for purposes of the  
6 distance education and telecommunications allowance minus the dollar  
7 amount of such expenditures for the second school fiscal year  
8 preceding the first full school fiscal year the district participates  
9 in Network Nebraska; ~~and~~

10 (c) Expenditures for new elementary attendance sites in  
11 the first year of operation or the first year of operation after  
12 being closed for at least one school year if such elementary  
13 attendance site will most likely qualify for the elementary site  
14 allowance in the immediately following school fiscal year as  
15 determined by the state board; -

16 (d) For the first school fiscal year for which early  
17 childhood education membership is included in formula students for  
18 the calculation of state aid, expenditures for early childhood  
19 education equal to the amount the school district received in early  
20 childhood education grants pursuant to section 79-1103 for the prior  
21 school fiscal year, increased by the basic allowable growth rate; and

22 (e) For school fiscal year 2013-14, an amount not to  
23 exceed two percent over the previous school year if such increase is  
24 approved by a seventy-five percent majority vote of the school board  
25 of such district.

1                   (3) The state board shall approve, deny, or modify the  
2 amount allowed for any exclusions to the budget authority for the  
3 general fund budget of expenditures pursuant to this section.

4                   Sec. 14. Original section 79-1007.17, Reissue Revised  
5 Statutes of Nebraska, and sections 77-3446, 79-1003, 79-1003.01,  
6 79-1007.07, 79-1007.09, 79-1007.11, 79-1007.18, 79-1007.23,  
7 79-1007.25, 79-1015.01, 79-1017.01, and 79-1028.01, Revised Statutes  
8 Cumulative Supplement, 2012, are repealed.

9                   Sec. 15. Since an emergency exists, this act takes effect  
10 when passed and approved according to law.