Hearing Date: Tuesday January 25, 2022
Committee On: Education
Introducer: Walz
One Liner: Change the Tax Equity and Educational Opportunities Support Act

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

Vote Results:
Aye: 5 Senators Day, McKinney, Morfeld, Walz, Pansing Brooks
Nay: 3 Senators Linehan, Sanders, Murman
Absent: Present Not Voting:

Oral Testimony:
Proponents: Representing:
Senator Lynne Walz Introducer
Troy Loeffelholz Columbus Public Schools
Chip Kay Columbus Public Schools
Jack Moles Nebraska Rural Community Schools Association
Dave Welsch Milford Public Schools
Mark Fritch Nebraska City Public Schools
Daniel DeFreeze Nebraska City Area Economic Development Corporation
Ginger Meyer Chadron Public Schools
Shawn Scott Adams Central Public Schools
Jami Thompson Norfolk Public Schools
Liz Standish Lincoln Public Schools
John Schwartz STANCE
Kyle Fairbairn GNSA
Brad Wilkins Nebraska Association of School Boards, Ainsworth Community Schools
Grant Norgaard McCook Public Schools
Kyle McGowan Nebraska Council of School Administrators
Elizabeth Everett First Five Nebraska
Connie Knoche OpenSky Policy
Rachel Gibson League of Women Voters Nebraska
Cindy Maxwell-Ostdiek Self

Opponents: Representing:
Cheryl Logan Omaha Public Schools
Jacqueline Casey Self
Gwen Easter Safe Haven
Summary of purpose and/or changes:
Legislative Bill 890 makes permanent revisions to the Tax Equity and Educational Opportunities Act (TEEOSA) formula.

Section 1:
Eliminates language related to the community achievement plans.

Section 2:
Adds nine new sections to the Tax Equity and Educational Opportunities Support Act (TEEOSA).

Section 3:
Updates the intent language for the TEEOSA to reflect the changes in the bill.

Section 4:
Adds a new section of statute that clarifies what components comprise state aid within the TEEOSA formula. Subsection (1) applies to school fiscal years prior to 2022-23 and is the same as current statute: equalization aid, allocated income tax funds, net option funding, community achievement plan, and adjustments due to changes in school district boundaries. Subsection (2) applies to school fiscal years 2022-23 and 2023-24. It adds education stabilization base aid and hold harmless adjustments pursuant to section 15 of this act. It also removes net option funding and community achievement plan. Subsection (3) applies to school fiscal year 2024-25 and each school fiscal year thereafter. It is the same as subsection (2) except that it eliminates the hold harmless adjustments.

Section 5:
Definitions section of TEEOSA. The following definitions had a substantive change:
*Adjusted general fund operating expenses removes the community achievement plan allowance beginning in school fiscal year 2022-23.
*Categorical funds removed a sunset date related to lottery funds now that the sunset has been extended.
*Formula students removes the calculation of 4-year-olds in preschool at 60% beginning in school fiscal year 2022-23.
*General fund operating expenditures language no longer states the general fund maximum levy amount, but rather cross references it to Neb. Rev. Stat. 77-3442 which is where it is statutory set. This is not a substantive change.

Section 6:
Sunsets the community achievement plan after school fiscal year 2021-22.

Section 7:
Changes the allocated income tax funds to 10% of each school district's income tax liability for 2022-23, and to 20% for 2023-24 and each school fiscal year thereafter.

Section 8:
For school fiscal year 2022-23 and each school fiscal year thereafter, removes the community achievement plan allowance and the new community achievement plan adjustment from the calculation of formula needs.

Section 9:
Harmonizes language in the special receipts allowance calculation with changes made in section 18 of this act.

Section 10:
Beginning in school fiscal year 2022-23, adds a total state and local spending authority aid adjustment to equalization aid pursuant to the calculation in section 20 of this act.

Sections 11-12:
Eliminates net option funding beginning with school fiscal year 2022-23.

Section 13:
Establishes Education Stabilization Base Aid (ESBA) to be paid to each school district from money appropriated from the Education Stabilization Base Aid Trust Fund. For school fiscal year 2022-23, it is $550 per formula student, in 2023-24 it is $1100 per formula student, and beginning in 2024-25 it grows by the basic allowable growth rate annually. If there is more money in the ESBA Trust Fund than needed, the difference shall remain in the fund for future ESBA payments. If there is not enough money in the fund to cover the ESBA calculation, the State Treasurer shall transfer from the general fund the amount necessary.

Section 14:
Creates the Education Stabilization Base Aid Trust Fund.

Section 15:
Provides a hold harmless adjustment for school fiscal years 2022-23 and 2023-24 for school districts receiving less state aid from the TEEOSA changes in this bill.

Section 16:
Reduces the Local Effort Rate (LER) for school fiscal year 2022-23 to 10 cents below the maximum levy pursuant to Neb. Rev. Stat. 77-3442, and 20 cents below the maximum levy for each year thereafter. Establishes that the LER may be adjusted to a rate between 75-85 cents, for one year only, if both the total sales and use tax collected and the general fund revenues collected drop.

Section 17:
Beginning in school fiscal year 2022-23, removes net option funding and community achievement plan from formula resources and adds education stabilization base aid.

Section 18:
Bifurcates the list of Other Actual Receipts, beginning in 2022-23 by moving the following to a new category of Additional Revenue Receipts:
* Public power district sales tax revenue
* Fines and license fees
* Interest on investments
* Other miscellaneous noncategorical receipts
* All receipts from the Temporary School Fund (aka Apportionment)
* Motor vehicle tax receipts
* Pro rata motor vehicle license fee receipts
* Other miscellaneous state receipts excluding revenue from the textbook loan program
*Revenue received from the nameplate capacity tax (tax on wind turbines and solar panels)
All other noncategorical federal receipts were removed altogether from Other Actual Receipts.

Section 19:
Creates the Total State and Local Spending Authority for each school district beginning in school fiscal year 2022-23, which is the sum of its budget authority, exclusions to budget authority, and the projected state and local special expenditures. Establishes that no school district shall collect state and local revenue in excess of this amount.

Section 20:
Identifies the formula for the total state and local spending authority aid adjustment to equalization aid. If the sum of other actual receipts and formula needs for an equalized school district exceed its total state and local spending authority calculated in section (19), then equalization aid shall be adjusted by this amount (but not lower than zero).

Section 21:
Beginning in school fiscal year 2022-23, creates a district-specific max levy for each school district that shall not exceed the general fund maximum levy pursuant to Neb. Rev. Stat. 77-3442. Allows a school board to exceed the district-specific max levy, up to the general fund maximum levy, by a two-thirds majority vote of all school board members.

The Nebraska Department of Education (NDE) shall first calculate the projected general fund tax asking, the formula for which is the total state and local spending authority less the sum of ESBA, allocated income tax funds, equalization aid, other actual receipts, additional revenue receipts, any state and local spending authority adjustment, and, for 2022-23 and 2023-24, any hold harmless adjustment.

The district-specific max levy is then calculated on a form prescribed by the Auditor of Public Accounts by multiplying the projected general fund tax asking by 100 and then dividing by the total current taxable value of all taxable property in the school district as certified by the county assessor pursuant to Neb. Rev. Stat. 13-509.

Section 22:
Requires NDE to certify state aid for school fiscal year 2022-23 pursuant to the changes in the bill by May 15, 2022. Consolidates all the components that NDE shall certify in one section of statute. All items in the list are either currently required to be certified or added by the language in this bill. This consolidation is not a substantive change.

Section 23:
Renders any certifications of state aid certified for school fiscal year 2022-23 prior to March 2, 2022 null and void.

Sections 24-25:
Removes the certification dates for budget authority and applicable allowable reserve percentages, while still outlining the details of each calculation, and instead refers to dates in Section 22 (the consolidated list). This is not a substantive change.

Section 26:
Adds the Tax Commissioner or the Tax Commissioner's designee to the persons assisting NDE with its initial estimates of TEEOSA each November.

Section 27:
Removes the certification date from the requirement that the Appropriations Committee include the amount necessary to fund the state aid and instead refers to the date in Section 22 (the consolidated list). This is not a substantive change.

Section 28:
Establishes a report to be completed by the Education Committee for the Legislature every four years to review TEEOSA and make any recommendations regarding the formula. Outlines the minimum requirements that must be included. Identifies other state personnel that may assist the committee with such report. Allows the Chairperson of the Education or
Appropriation Committee to request a report more frequently.

Section 29:
Provides intent language to identify the order in which levers within the TEEOSA formula may be adjusted, for one year, to adapt to economic downturns. The levers, in order, are:
1. Increase the per student ESBA amount
2. Adjust the LER
3. Adjust the base limitation pursuant to Neb. Rev. Stat. 77-3446

Section 30:
Harmonizes the distribution of state aid payments pursuant to changes made in the bill. This is not a substantive change.

Sections 31-36:
Removes statutory language related to the elimination of the community achievement plan.

Section 37:
Repeals original sections of statute and replaces with the language from the bill.

Section 38:

Section 39:
This bill includes an emergency clause.

Explanation of amendments:
The Committee considered and adopted AM1756 which substitutes for the bill and revises the language of LB890 as introduced. The original provisions of LB890 are amended as follows.

Modified the original language of the bill in order to fully reinstate the community achievement plan as it currently exists in statute. This includes:

- The elimination of sections 1, 6, 8, 31-36, and 38 from the original bill
- The addition of community achievement plan aid back into state aid to be paid to a school district in original section 4 of the bill (new section 3)
- The removal of all changes to the definition of adjusted general fund operating expenditures in TEEOSA in subsection 1 of original section 5 (new section 4)
- The addition of the community achievement plan aid back into the calculation of local system resources in original section 17 (new section 14)
- The addition of community achievement plan aid into the newly created calculation for projected general fund tax asking in original section 21 (new section 18)
- The addition of community achievement plan aid into the newly written summations of the state aid components to be certified in original section 22 (new section 19)

Provisions were added to guarantee that every school district, beginning in 2022-23, will be guaranteed at least 20% of its basic funding as state aid. (original section 4; new section 3)

Language related to "fines and license fees" within "other actual receipts" and "additional revenue receipts" reverted back to current statutory language. (original section 18; new section 15)
Clarification was added in the calculation of total state and local spending authority to identify what year's data to use. For budget authority for the general fund budget of expenditures it is the same school fiscal year for which aid is being certified. For exclusions to the budget authority and projected state and local special education expenditures it is the previous school fiscal year. (original section 19; new section 16)

Corrections were made to the calculation to the total state and local spending authority aid adjustment to accurately refer to "additional revenue receipts" instead of "other actual receipts" in subdivision 1(a), saying "less than zero" instead of "greater than zero" in subdivision 1(c), and "greater than" not "less than" in subdivision 1(d). (original section 20; new section 17)

Lynne Walz, Chairperson