impact. You should be aware of that. But the belief is that this is an obligation being placed on school districts. It seems appropriate to allow them this additional spending authority, not levy authority, for the two years, and only the two years involved, in order to deal with this obligation that they now face. So with that, I would be happy to address any questions. I would ask your support to return LB 503 to Select File. Thank you.

SENATOR CUDABACK: Thank you, Senator Raikes. You've heard the opening on the motion to return for specific amendment. Open for discussion on that motion. Senator Stuhr, followed by Senators Smith and Kremer. Senator Stuhr.

SENATOR STUHR: Thank you, Mr. President and members of the body. First of all, I want to rise in support of the amendment. As you recall from the earlier debate on this bill, the employee and the employer retirement contributions would be increased for a two-year period in order to meet the required actuarial contribution amount as determined by the State Actuary's report last November. Under LB 503, the employee contribution rate will be increased from 7.25 percent to 7.98 percent for '05 and '06, and then to 7.83 percent in '06 and '07. Thereafter, the rate would return back to 7.25 percent. Because the employer rate is determined by the employee contribution rate, the employer rate will be increased from 7.32 percent to 8.06 percent for '05-06, and then to 7.91 percent in '06 and '07. That .74 percent in '05-06 and that .59 percent in '06 and '07 is the exact budget authority that we are asking for in this amendment. Had the schools and the school members not come forth and agreed to do this rate increase, the state of Nebraska would have had to pay about $14.9 million each for the next two fiscal years. The state is required to fund the actuarial contribution shortfall from a defined benefit plan, unless a structural change is made to the retirement plan, such as the change that we have done in LB 503. There has been some discussions on whether school employees and employers should be responsible for this amount, or should this state be responsible for the additional contribution. The additional contribution rate needed now is because of the downturn in the market in 2001 and 2002. In 2006, even if the market does perform according to