Introduced by Groene, 42.

Read first time January 23, 2019

Committee: Revenue

A BILL FOR AN ACT relating to school finance; to amend sections 77-3442, 77-4209, 77-4210, and 77-4212, Reissue Revised Statutes of Nebraska, and sections 79-1001, 79-1003, 79-1008.01, and 79-1023, Revised Statutes Cumulative Supplement, 2018; to change provisions of the Property Tax Credit Act; to provide for school district property tax relief; to change the levy limitations for school districts; to harmonize provisions; and to repeal the original sections.

Be it enacted by the people of the State of Nebraska,
Section 1. Section 77-3442, Reissue Revised Statutes of Nebraska, is amended to read:

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

(2)(a) Except as provided in subdivisions (2)(b) and (2)(e) of this section, school districts and multiple-district school systems may levy a maximum levy of (i) for fiscal years prior to fiscal year 2020-21, one dollar and five cents, and (ii) for fiscal year 2020-21 and each fiscal year thereafter, ninety-eight and seven-tenths cents per one hundred dollars of taxable valuation of property subject to the levy.

(b) For each fiscal year prior to fiscal year 2017-18, learning communities may levy a maximum levy for the general fund budgets of member school districts of ninety-five cents per one hundred dollars of taxable valuation of property subject to the levy. The proceeds from the levy pursuant to this subdivision shall be distributed pursuant to section 79-1073.

(c) Except as provided in subdivision (2)(e) of this section, for each fiscal year prior to fiscal year 2017-18, school districts that are members of learning communities may levy for purposes of such districts' general fund budget and special building funds a maximum combined levy of the difference of one dollar and five cents on each one hundred dollars of taxable property subject to the levy minus the learning community levy pursuant to subdivision (2)(b) of this section for such learning community.

(d) Excluded from the limitations in subdivisions (2)(a) and (2)(c) of this section are (i) amounts levied to pay for current and future sums agreed to be paid by a school district to certificated employees in exchange for a voluntary termination of employment occurring prior to September 1, 2017, (ii) amounts levied by a school district otherwise at
the maximum levy pursuant to subdivision (2)(a) of this section to pay for current and future qualified voluntary termination incentives for certificated teachers pursuant to subsection (3) of section 79-8,142 that are not otherwise included in an exclusion pursuant to subdivision (2)(d) of this section, (iii) amounts levied by a school district otherwise at the maximum levy pursuant to subdivision (2)(a) of this section to pay for seventy-five percent of the current and future sums agreed to be paid to certificated employees in exchange for a voluntary termination of employment occurring between September 1, 2017, and August 31, 2018, as a result of a collective-bargaining agreement in force and effect on September 1, 2017, that are not otherwise included in an exclusion pursuant to subdivision (2)(d) of this section, (iv) amounts levied by a school district otherwise at the maximum levy pursuant to subdivision (2)(a) of this section to pay for fifty percent of the current and future sums agreed to be paid to certificated employees in exchange for a voluntary termination of employment occurring between September 1, 2018, and August 31, 2019, as a result of a collective-bargaining agreement in force and effect on September 1, 2017, that are not otherwise included in an exclusion pursuant to subdivision (2)(d) of this section, (v) amounts levied by a school district otherwise at the maximum levy pursuant to subdivision (2)(a) of this section to pay for twenty-five percent of the current and future sums agreed to be paid to certificated employees in exchange for a voluntary termination of employment occurring between September 1, 2019, and August 31, 2020, as a result of a collective-bargaining agreement in force and effect on September 1, 2017, that are not otherwise included in an exclusion pursuant to subdivision (2)(d) of this section, (vi) amounts levied in compliance with sections 79-10,110 and 79-10,110.02, and (vii) amounts levied to pay for special building funds and sinking funds established for projects commenced prior to April 1, 1996, for construction, expansion, or alteration of school district buildings. For purposes of this subsection, commenced means any action
taken by the school board on the record which commits the board to expend
district funds in planning, constructing, or carrying out the project.

(e) Federal aid school districts may exceed the maximum levy
prescribed by subdivision (2)(a) or (2)(c) of this section only to the
extent necessary to qualify to receive federal aid pursuant to 20 U.S.C.
7701 et seq., as such sections existed on January 1, 2019 Title VIII of
Public Law 103-382, as such title existed on September 1, 2001. For
purposes of this subdivision, federal aid school district means any
school district which receives ten percent or more of the revenue for its
general fund budget from federal government sources pursuant to 20 U.S.C.
7701 et seq., as such sections existed on January 1, 2019 Title VIII of
Public Law 103-382, as such title existed on September 1, 2001.

(f) For each fiscal year, learning communities may levy a maximum
levy of one-half cent on each one hundred dollars of taxable property
subject to the levy for elementary learning center facility leases, for
remodeling of leased elementary learning center facilities, and for up to
fifty percent of the estimated cost for focus school or program capital
projects approved by the learning community coordinating council pursuant
to section 79-2111.

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

(3) For each fiscal year, community college areas may levy the
levies provided in subdivisions (2)(a) through (c) of section 85-1517, in
accordance with the provisions of such subdivisions. A community college area may exceed the levy provided in subdivision (2)(b) of section
(4)(a) Natural resources districts may levy a maximum levy of four and one-half cents per one hundred dollars of taxable valuation of property subject to the levy.

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

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

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

(6)(a) Incorporated cities and villages which are not within the
boundaries of a municipal county may levy a maximum levy of forty-five
cents per one hundred dollars of taxable valuation of property subject to
the levy plus an additional five cents per one hundred dollars of taxable
valuation to provide financing for the municipality's share of revenue
required under an agreement or agreements executed pursuant to the
Interlocal Cooperation Act or the Joint Public Agency Act. The maximum
levy shall include amounts levied to pay for sums to support a library
pursuant to section 51-201, museum pursuant to section 51-501, visiting
community nurse, home health nurse, or home health agency pursuant to
section 71-1637, or statue, memorial, or monument pursuant to section
80-202.

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

(7) Sanitary and improvement districts which have been in existence
for more than five years may levy a maximum levy of forty cents per one
hundred dollars of taxable valuation of property subject to the levy, and
sanitary and improvement districts which have been in existence for five
years or less shall not have a maximum levy. Unconsolidated sanitary and
improvement districts which have been in existence for more than five
years and are located in a municipal county may levy a maximum of eighty-
five cents per hundred dollars of taxable valuation of property subject
(8) Counties may levy or authorize a maximum levy of fifty cents per one hundred dollars of taxable valuation of property subject to the levy, except that five cents per one hundred dollars of taxable valuation of property subject to the levy may only be levied to provide financing for the county's share of revenue required under an agreement or agreements executed pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. The maximum levy shall include amounts levied to pay for sums to support a library pursuant to section 51-201 or museum pursuant to section 51-501. The county may allocate up to fifteen cents of its authority to other political subdivisions subject to allocation of property tax authority under subsection (1) of section 77-3443 and not specifically covered in this section to levy taxes as authorized by law which do not collectively exceed fifteen cents per one hundred dollars of taxable valuation on any parcel or item of taxable property. The county may allocate to one or more other political subdivisions subject to allocation of property tax authority by the county under subsection (1) of section 77-3443 some or all of the county's five cents per one hundred dollars of valuation authorized for support of an agreement or agreements to be levied by the political subdivision for the purpose of supporting that political subdivision's share of revenue required under an agreement or agreements executed pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. If an allocation by a county would cause another county to exceed its levy authority under this section, the second county may exceed the levy authority in order to levy the amount allocated.

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

(10) Beginning July 1, 2016, rural and suburban fire protection
districts may levy a maximum levy of ten and one-half cents per one
hundred dollars of taxable valuation of property subject to the levy if
(a) such district is located in a county that had a levy pursuant to
subsection (8) of this section in the previous year of at least forty
cents per one hundred dollars of taxable valuation of property subject to
the levy or (b) for any rural or suburban fire protection district that
had a levy request pursuant to section 77-3443 in the previous year, the
county board of the county in which the greatest portion of the valuation
of such district is located did not authorize any levy authority to such
district in the previous year.

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

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

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

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

(15) For school districts that file a binding resolution on or before May 9, 2008, with the county assessors, county clerks, and county treasurers for all counties in which the school district has territory pursuant to subsection (7) of section 79-458, if the combined levies, except levies for bonded indebtedness approved by the voters of the school district and levies for the refinancing of such bonded indebtedness, are in excess of the greater of (a) one dollar and twenty cents per one hundred dollars of taxable valuation of property subject to the levy or (b) the maximum levy authorized by a vote pursuant to section 77-3444, all school district levies, except levies for bonded indebtedness approved by the voters of the school district and levies for the refinancing of such bonded indebtedness, shall be considered unauthorized levies under section 77-1606.

Sec. 2. Section 77-4209, Reissue Revised Statutes of Nebraska, is amended to read:

77-4209 Sections 77-4209 to 77-4212 and sections 4 to 6 of this act shall be known and may be cited as the Property Tax Credit Act.

Sec. 3. Section 77-4210, Reissue Revised Statutes of Nebraska, is amended to read:

77-4210 The purpose of the Property Tax Credit Act is to provide property tax relief for property taxes levied against real property. The property tax relief will be made to owners of real property in the form of a property tax credit.

Sec. 4. (1) On or before January 30, 2020, and on or before January 30 of each year thereafter, the Department of Revenue shall determine the minimum amount necessary to be appropriated to the Property Tax Credit Cash Fund to carry out the requirements of the Property Tax Credit Act
for the ensuing fiscal year and shall certify the amounts to the Governor, the Appropriations Committee of the Legislature, the Revenue Committee of the Legislature, and the Education Committee of the Legislature. Each certification submitted to the committees of the Legislature shall be submitted electronically.

(2) The amount certified pursuant to subsection (1) of this section as the minimum amount necessary to be appropriated to the Property Tax Credit Cash Fund shall equal the greater of the sum of the amounts certified to the Department of Revenue by the State Department of Education to be transferred to the Tax Equity and Educational Opportunities Fund pursuant to section 5 of this act and to be distributed as school district property tax relief aid pursuant to section 6 of this act or two hundred twenty-four million dollars.

(3) The Appropriations Committee of the Legislature shall annually include at least the minimum amount necessary to be appropriated to the Property Tax Credit Cash Fund as certified pursuant to subsection (1) of this section in its recommendations to the Legislature to carry out the requirements of the Property Tax Credit Act.

Sec. 5. (1) For tax year 2020 and each tax year thereafter, on or before January 15 of each such tax year, the State Department of Education shall certify to the State Treasurer an estimate of the statewide increase in state aid to be paid to local systems as defined in section 79-1003 pursuant to the Tax Equity and Educational Opportunities Support Act resulting from the decrease in the maximum levy for school districts and multiple-district school systems from one dollar and five cents to ninety-eight and seven-tenths cents per one hundred dollars of taxable valuation of property subject to the levy.

(2) For tax year 2020 and each tax year thereafter, the State Treasurer shall transfer an amount equal to the statewide increase in state aid certified pursuant to subsection (1) of this section from the Property Tax Credit Cash Fund to the Tax Equity and Educational Opportunities Support Act.
Opportunities Fund to pay such increase in state aid to local systems.

Sec. 6. (1) For tax year 2020 and each tax year thereafter, the Department of Revenue shall calculate, using data certified by the State Department of Education, and distribute school district property tax relief aid pursuant to this section for each local system that qualifies pursuant to subsection (2) of this section.

(2) A local system shall qualify for school district property tax relief aid pursuant to this section for each tax year when, for the most recently available complete data year as of January 1 of such tax year, the general fund property tax receipts exceed fifty-five percent of the total general fund revenue for such local system.

(3) For each tax year, the property tax gap for each local system that qualifies for school district property tax relief aid shall equal the general fund property tax receipts minus fifty-five percent of the total general fund revenue for such local system for the most recently available complete data year as of January 1 of such tax year.

(4) Except as otherwise provided in this section, each local system that qualifies pursuant to subsection (2) of this section for each tax year shall be paid school district property tax relief aid from the Property Tax Credit Cash Fund equal to seventy-five percent of the school district property tax gap for such local system.

(5) Each school district in a local system receiving school district property tax relief aid shall decrease the estimated amount to be raised from taxation of personal and real property shown on the proposed budget statement pursuant to section 13-505 by the amount of such aid to be received.

(6) For purposes of this section, local system and most recently available complete data year have the definitions found in section 79-1003. School district property tax relief aid paid pursuant to this section shall be considered a general fund property tax receipt for purposes of calculations pursuant to subsections (2) and (3) of this
section and shall be considered a state receipt for all other purposes, including the annual financial report.

(7) For tax year 2020 and each tax year thereafter, on or before January 15 of such tax year, the State Department of Education shall certify to the Department of Revenue the general fund property tax receipts, including any school district property tax relief aid, and the total general fund revenue for each local system for the most recently available complete data year as of January 1 of such tax year to use in calculations pursuant to this section.

(8) The Department of Revenue may adopt and promulgate rules and regulations to carry out this section.

Sec. 7. Section 77-4212, Reissue Revised Statutes of Nebraska, is amended to read:

77-4212 (1) For tax year 2007, the amount of relief granted under the Property Tax Credit Act shall be one hundred five million dollars. For tax year 2008, the amount of relief granted under the act shall be one hundred fifteen million dollars. It is the intent of the Legislature to fund the Property Tax Credit Act for tax years after tax year 2008 using available revenue. For tax years 2017, 2018, and 2019, the amount of relief granted under the act shall be two hundred twenty-four million dollars. For tax year 2020 and each tax year thereafter, the amount of relief granted through property tax credits under this section shall be the amount available in the Property Tax Credit Cash Fund after transferring funds to the Tax Equity and Educational Opportunities Fund pursuant to section 5 of this act and distributing funds as school district property tax relief aid pursuant to section 6 of this act. The relief pursuant to this section shall be in the form of a property tax credit which appears on the property tax statement.

(2)(a) For tax years prior to tax year 2017, to determine the amount of the property tax credit, the county treasurer shall multiply the amount disbursed to the county under subdivision (4)(a) of this section
by the ratio of the real property valuation of the parcel to the total
real property valuation in the county. The amount determined shall be the
property tax credit for the property.

(b) Beginning with tax year 2017, to determine the amount of the
property tax credit, the county treasurer shall multiply the amount
disbursed to the county under subdivision (4)(b) of this section by the
ratio of the credit allocation valuation of the parcel to the total
credit allocation valuation in the county. The amount determined shall be
the property tax credit for the property.

(3) If the real property owner qualifies for a homestead exemption
under sections 77-3501 to 77-3529, the owner shall also be qualified for
the relief provided in the act to the extent of any remaining liability
after calculation of the relief provided by the homestead exemption. If
the credit results in a property tax liability on the homestead that is
less than zero, the amount of the credit which cannot be used by the
taxpayer shall be returned to the State Treasurer by July 1 of the year
the amount disbursed to the county was disbursed. The State Treasurer
shall immediately credit any funds returned under this subsection to the
Property Tax Credit Cash Fund. Upon the return of any funds under this
subsection, the county treasurer shall electronically file a report with
the Property Tax Administrator, on a form prescribed by the Tax
Commissioner, indicating the amount of funds distributed to each taxing
unit in the county in the year the funds were returned, any collection
fee retained by the county in such year, and the amount of unused credits
returned.

(4)(a) For tax years prior to tax year 2017, the amount disbursed to
each county shall be equal to the amount available for disbursement
determined under subsection (1) of this section multiplied by the ratio
of the real property valuation in the county to the real property
valuation in the state. By September 15, the Property Tax Administrator
shall determine the amount to be disbursed under this subdivision to each
county and certify such amounts to the State Treasurer and to each county. The disbursements to the counties shall occur in two equal payments, the first on or before January 31 and the second on or before April 1. After retaining one percent of the receipts for costs, the county treasurer shall allocate the remaining receipts to each taxing unit levying taxes on taxable property in the tax district in which the real property is located in the same proportion that the levy of such taxing unit bears to the total levy on taxable property of all the taxing units in the tax district in which the real property is located.

(b) Beginning with tax year 2017, the amount disbursed to each county shall be equal to the amount available for disbursement determined under subsection (1) of this section multiplied by the ratio of the credit allocation valuation in the county to the credit allocation valuation in the state. By September 15, the Property Tax Administrator shall determine the amount to be disbursed under this subdivision to each county and certify such amounts to the State Treasurer and to each county. The disbursements to the counties shall occur in two equal payments, the first on or before January 31 and the second on or before April 1. After retaining one percent of the receipts for costs, the county treasurer shall allocate the remaining receipts to each taxing unit based on its share of the credits granted to all taxpayers in the taxing unit.

(5) For purposes of this section, credit allocation valuation means the taxable value for all real property except agricultural land and horticultural land, one hundred twenty percent of taxable value for agricultural land and horticultural land that is not subject to special valuation, and one hundred twenty percent of taxable value for agricultural land and horticultural land that is subject to special valuation.

(6) The State Treasurer shall transfer from the General Fund to the Property Tax Credit Cash Fund one hundred five million dollars by August
1, 2007, and one hundred fifteen million dollars by August 1, 2008.

(7) The Legislature shall have the power to transfer funds from the Property Tax Credit Cash Fund to the General Fund.

Sec. 8. Section 79-1001, Revised Statutes Cumulative Supplement, 2018, is amended to read:

79-1001 Sections 79-1001 to 79-1033 and section 11 of this act shall be known and may be cited as the Tax Equity and Educational Opportunities Support Act.

Sec. 9. Section 79-1003, Revised Statutes Cumulative Supplement, 2018, is amended to read:

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

(1) Adjusted general fund operating expenditures means (a) for school fiscal years 2013-14 through 2015-16, the difference of the general fund operating expenditures as calculated pursuant to subdivision (23) of this section increased by the cost growth factor calculated pursuant to section 79-1007.10, minus the transportation allowance, special receipts allowance, poverty allowance, limited English proficiency allowance, distance education and telecommunications allowance, elementary site allowance, summer school allowance, instructional time allowance, teacher education allowance, and focus school and program allowance, (b) for school fiscal years 2016-17 through 2018-19, the difference of the general fund operating expenditures as calculated pursuant to subdivision (23) of this section increased by the cost growth factor calculated pursuant to section 79-1007.10, minus the transportation allowance, special receipts allowance, poverty allowance, limited English proficiency allowance, distance education and telecommunications allowance, elementary site allowance, and focus school and program allowance, and (c) for school fiscal year 2019-20 and each school fiscal year thereafter, the difference of the general fund operating expenditures as calculated.
pursuant to subdivision (23) of this section increased by the cost growth factor calculated pursuant to section 79-1007.10, minus the transportation allowance, special receipts allowance, poverty allowance, limited English proficiency allowance, distance education and telecommunications allowance, elementary site allowance, summer school allowance, community achievement plan allowance, and focus school and program allowance;

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

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

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

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

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

(7) Categorical funds means funds limited to a specific purpose by
federal or state law, including, but not limited to, Title I funds, Title VI funds, federal vocational education funds, federal school lunch funds, Indian education funds, Head Start funds, and funds from the Education Innovation Fund;

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

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

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

(11) Department means the State Department of Education;

(12) District means any school district or unified system as defined in section 79-4,108;

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

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

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

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

(17) Formula students means:

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

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

(18) Free lunch and free milk calculated students means, using the most recent data available on November 1 of the school fiscal year immediately preceding the school fiscal year in which aid is to be paid, (a) for schools that did not provide free meals to all students pursuant to the community eligibility provision, students who individually qualified for free lunches or free milk pursuant to the federal Richard B. Russell National School Lunch Act, 42 U.S.C. 1751 et seq., and the
federal Child Nutrition Act of 1966, 42 U.S.C. 1771 et seq., as such acts and sections existed on January 1, 2015, and rules and regulations adopted thereunder, plus (b) for schools that provided free meals to all students pursuant to the community eligibility provision, (i) for school fiscal year 2016-17, the product of the students who attended such school multiplied by the identified student percentage calculated pursuant to such federal provision or (ii) for school fiscal year 2017-18 and each school fiscal year thereafter, the greater of the number of students in such school who individually qualified for free lunch or free milk using the most recent school fiscal year for which the school did not provide free meals to all students pursuant to the community eligibility provision or one hundred ten percent of the product of the students who qualified for free meals at such school pursuant to the community eligibility provision multiplied by the identified student percentage calculated pursuant to such federal provision, except that the free lunch and free milk students calculated for any school pursuant to subdivision (18)(b)(ii) of this section shall not exceed one hundred percent of the students qualified for free meals at such school pursuant to the community eligibility provision;

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

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

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

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

(23) General fund operating expenditures means for state aid
calculated for school fiscal years 2012-13 and each school fiscal year
thereafter, as reported on the annual financial report for the second
school fiscal year immediately preceding the school fiscal year in which
aid is to be paid, the total general fund expenditures minus (a) the
amount of all receipts to the general fund, to the extent that such
receipts are not included in local system formula resources, from early
childhood education tuition, summer school tuition, educational entities
as defined in section 79-1201.01 for providing distance education courses
through the Educational Service Unit Coordinating Council to such
educational entities, private foundations, individuals, associations,
charitable organizations, the textbook loan program authorized by section
79-734, federal impact aid, and levy override elections pursuant to
section 77-3444, (b) the amount of expenditures for categorical funds,
tuition paid, transportation fees paid to other districts, adult
education, community services, redemption of the principal portion of
general fund debt service, retirement incentive plans authorized by
section 79-855, and staff development assistance authorized by section
79-856, (c) the amount of any transfers from the general fund to any bond
fund and transfers from other funds into the general fund, (d) any legal
expenses in excess of fifteen-hundredths of one percent of the formula
need for the school fiscal year in which the expenses occurred, (e)(i)
for state aid calculated for school fiscal years prior to school fiscal
year 2018-19, expenditures to pay for sums agreed to be paid by a school
district to certificated employees in exchange for a voluntary
termination occurring prior to July 1, 2009, occurring on or after the
last day of the 2010-11 school year and prior to the first day of the
2013-14 school year, or, to the extent that a district has demonstrated
to the State Board of Education pursuant to section 79-1028.01 that the
agreement will result in a net savings in salary and benefit costs to the
school district over a five-year period, occurring on or after the first
day of the 2013-14 school year or (ii) for state aid calculated for
school fiscal year 2018-19 and each school fiscal year thereafter,
expenditures to pay for incentives agreed to be paid by a school district
to certificated employees in exchange for a voluntary termination of
employment for which the State Board of Education approved an exclusion
pursuant to subdivision (1)(h), (i), (j), or (k) of section 79-1028.01,
(f)(i) expenditures to pay for employer contributions pursuant to
subsection (2) of section 79-958 to the School Employees Retirement
System of the State of Nebraska to the extent that such expenditures
exceed the employer contributions under such subsection that would have
been made at a contribution rate of seven and thirty-five hundredths
percent or (ii) expenditures to pay for school district contributions
pursuant to subdivision (1)(c)(i) or (1)(d)(i) of section 79-9,113 to the
retirement system established pursuant to the Class V School Employees
Retirement Act to the extent that such expenditures exceed the school
district contributions under such subdivision that would have been made
at a contribution rate of seven and thirty-seven hundredths percent, and
(g) any amounts paid by the district for lobbyist fees and expenses
reported to the Clerk of the Legislature pursuant to section 49-1483.

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

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

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

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

(27) Local system means a unified system or a school district;

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

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

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

(31) Poverty students means (a) for school fiscal years prior to
2016-17, the number of low-income students or the number of students who
are free lunch and free milk students in a district plus the difference
of the number of low-income students or the number of students who are
free lunch and free milk students in a district, whichever is greater,
minus the average number of poverty students for such district, prior to
such addition, for the three immediately preceding school fiscal years if
such difference is greater than zero and (b) for school fiscal year
2016-17 and each school fiscal year thereafter, the unadjusted poverty
students plus the difference of such unadjusted poverty students minus
the average number of poverty students for such district, prior to such
addition, for the three immediately preceding school fiscal years if such
difference is greater than zero;

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

(33) Qualified early childhood education fall membership means the product of membership on October 1 of each school year of students who will be eligible to attend kindergarten the following school year and are enrolled in an early childhood education program approved by the department pursuant to section 79-1103 for such school district for such school year multiplied by the ratio of the planned instructional hours of the program divided by one thousand thirty-two if: (a) The program is receiving a grant pursuant to such section for the third year; (b) the program has already received grants pursuant to such section for three years; or (c) the program has been approved pursuant to subsection (5) of section 79-1103 for such school year and the two preceding school years, including any such students in portions of any of such programs receiving an expansion grant;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(46) Temporary aid adjustment factor means (a) for school fiscal years before school fiscal year 2007-08, one and one-fourth percent of the sum of the local system's transportation allowance, the local system's special receipts allowance, and the product of the local system's adjusted formula students multiplied by the average formula cost per student in the local system's cost grouping and (b) for school fiscal year 2007-08, one and one-fourth percent of the sum of the local system's transportation allowance, special receipts allowance, and distance education and telecommunications allowance and the product of the local system's adjusted formula students multiplied by the average formula cost per student in the local system's cost grouping;

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

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

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

(50) Very sparse local system means a local system that has:

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

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

Sec. 10. Section 79-1008.01, Revised Statutes Cumulative Supplement, 2018, is amended to read:

79-1008.01 (1) For school fiscal years prior to school fiscal year 2020-21, except as provided in section 79-1008.02 for school fiscal years prior to school fiscal year 2017-18 and section 79-1009, each local system shall receive equalization aid in the amount that the total formula need of each local system, as determined pursuant to sections 79-1007.04 to 79-1007.23 and 79-1007.25, exceeds its total formula resources as determined pursuant to sections 79-1015.01 to 79-1018.01.

(2) For school fiscal year 2020-21 and each school fiscal year thereafter, the department shall calculate a preliminary equalization aid amount for the purpose of determining qualification for an option enrollment relief correction pursuant to section 11 of this act. The preliminary equalization aid amount for each local system shall equal the amount that the total formula need of each local system, as determined pursuant to sections 79-1007.04 to 79-1007.23 and 79-1007.25, exceeds its total formula resources as determined pursuant to sections 79-1015.01 to
(3) For school fiscal year 2020-21 and each school fiscal year thereafter, each local system shall receive equalization aid in the amount that the total formula need of each local system, as determined pursuant to sections 79-1007.04 to 79-1007.23 and 79-1007.25, exceeds the sum of its total formula resources as determined pursuant to sections 79-1015.01 to 79-1018.01 plus any option enrollment relief correction.

Sec. 11. (1) For state aid calculated for school fiscal year 2020-21 and each school fiscal year thereafter, for each local system that qualifies pursuant to this section, an option enrollment relief correction shall be added to the amounts to be distributed as certified pursuant to section 79-1022.

(2) A local system shall qualify for an option enrollment relief correction if (a) such local system does not qualify to receive school district property tax relief aid pursuant to section 6 of this act for the fiscal year corresponding to the majority of such school fiscal year and (b) the net option funding calculated for the school districts in such local system pursuant to section 79-1009 is greater than ninety percent of the preliminary state aid calculated for such local system pursuant to this section for such school fiscal year.

(3) The preliminary state aid for purposes of this section shall equal the sum of the preliminary equalization aid calculated pursuant to section 79-1008.01, net option funding determined pursuant to section 79-1009, allocated income tax funds determined pursuant to section 79-1005.01, and community achievement plan aid determined pursuant to section 79-1005.

(4) The option enrollment relief correction for each local system that qualifies shall equal six and three-tenths cents per one hundred dollars of adjusted valuation for such local system as certified by the Property Tax Administrator for the school fiscal year for which aid is being calculated.
1 Sec. 12. Section 79-1023, Revised Statutes Cumulative Supplement, 2018, is amended to read:

2 79-1023 (1) On or before June 1, 2017, and on or before March 1 of each year thereafter, the department shall determine and certify to each school district budget authority for the general fund budget of expenditures for the ensuing school fiscal year.

3 (2) Except as provided in this section or sections 79-1028.01, 79-1029, 79-1030, and 81-829.51, each school district shall have budget authority for the general fund budget of expenditures equal to the greater of (a) the general fund budget of expenditures for the immediately preceding school fiscal year minus exclusions pursuant to subsection (1) of section 79-1028.01 for such school fiscal year with the difference increased by the basic allowable growth rate for the school fiscal year for which budget authority is being calculated, (b) the general fund budget of expenditures for the immediately preceding school fiscal year minus exclusions pursuant to subsection (1) of section 79-1028.01 for such school fiscal year with the difference increased by an amount equal to any student growth adjustment calculated for the school fiscal year for which budget authority is being calculated, or (c) one hundred ten percent of formula need for the school fiscal year for which budget authority is being calculated minus the special education budget of expenditures as filed on the school district budget statement on or before September 20 for the immediately preceding school fiscal year, which special education budget of expenditures is increased by the basic allowable growth rate for the school fiscal year for which budget authority is being calculated.

4 (3) For any school fiscal year for which the budget authority for the general fund budget of expenditures for a school district is based on a student growth adjustment, the budget authority for the general fund budget of expenditures for such school district shall be adjusted in future years to reflect any student growth adjustment corrections related
to such student growth adjustment.

(4) For school districts receiving school district property tax
relief aid pursuant to section 6 of this act for any school fiscal year,
the budget authority for the general fund budget of expenditures pursuant
to subsection (2) of this section shall be reduced for such school fiscal
year by twenty-five percent of the property tax gap calculated pursuant
to section 6 of this act for such school district unless an override of
all or part of such reduction is approved by the school board of such
school district by a two-thirds majority vote of the members of such
school board at least thirty days prior to approving the annual budget of
the school district. Prior to such vote, a school board shall hold a
public hearing on the override after identifying for what purpose the
funds from the override would be used. Any reduction in budget authority
pursuant to this subsection shall only be in effect for the applicable
school fiscal year and shall not reduce the budget authority for such
school fiscal year for purposes of calculating budget authority for
subsequent school fiscal years.

Sec. 13. Original sections 77-3442, 77-4209, 77-4210, and 77-4212,
Reissue Revised Statutes of Nebraska, and sections 79-1001, 79-1003,
79-1008.01, and 79-1023, Revised Statutes Cumulative Supplement, 2018,
are repealed.