

LEGISLATURE OF NEBRASKA
NINETY-SIXTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 646

Introduced by Raikes, 25; Price, 26

Read first time January 19, 1999

Committee: Education

A BILL

1 FOR AN ACT relating to the Tax Equity and Educational Opportunities
2 Support Act; to amend sections 79-1001 to 79-1003,
3 Revised Statutes Supplement, 1998; to change provisions
4 relating to calculation of state aid; to provide for
5 professional staff incentive aid; and to repeal the
6 original sections.
7 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 79-1001, Revised Statutes Supplement,
2 1998, is amended to read:

3 79-1001. Sections 79-1001 to 79-1033 and section 4 of
4 this act shall be known and may be cited as the Tax Equity and
5 Educational Opportunities Support Act.

6 Sec. 2. Section 79-1002, Revised Statutes Supplement,
7 1998, is amended to read:

8 79-1002. (1) The Legislature finds and declares that:

9 (a) Nebraska currently finances over seventy percent of
10 the costs of operating its public school system from the property
11 tax and other local sources while nationally only forty-three
12 percent of the costs are supported by property taxes and other
13 local sources;

14 (b) State support for the public school system has not
15 kept pace with the increased costs of operating such system;

16 (c) Nebraska has a higher per capita property tax burden
17 than most other states while the overall state and local per capita
18 tax burden in the state is below the national average;

19 (d) The cost of operating the public school system is
20 near the national average in per pupil cost as well as per capita
21 spending;

22 (e) The overreliance on the property tax for the support
23 of the public school system has resulted in great disparities in
24 local property tax rates; ~~and~~

25 (f) The overreliance on the property tax for the support
26 of the public school system has created inequitable educational
27 fiscal resources for students;

28 (g) The ability of school districts to attract and retain

1 a highly professionalized staff and provide quality educational
2 opportunities has been overly dependent on the property tax wealth
3 of such school districts;

4 (h) The quality of education received by students in the
5 public schools is related to the competence and innovation of
6 professional teaching staff in the classroom which depends on the
7 experience and commitment to continuing education of professional
8 teaching staff; and

9 (i) School systems that employ professional staff with
10 above-average teaching experience and continuing education often
11 invest more funds in professional staff salaries and benefits to
12 attract and retain these professional staff.

13 (2) It is the intent, purpose, and goal of the
14 Legislature to create a system of financing the public school
15 system which will:

16 (a) Provide state support from all sources of state
17 funding sufficient to support the statewide aggregate general fund
18 operating expenditures for Nebraska elementary and secondary public
19 education that cannot be met by local resources;

20 (b) Reduce the reliance on the property tax for the
21 support of the public school system;

22 (c) Broaden financial support for the public school
23 system by dedicating a portion of the revenue received from the
24 state income tax for support of the system;

25 (d) Keep pace with the increasing cost of operating the
26 public school system;

27 (e) Assure each district a foundation support level for
28 the operation of schools within each district taking into

1 consideration the taxable wealth and other accessible resources of
2 the district;

3 (f) Assure a greater level of equity of educational
4 opportunities for students in all districts through an incentive
5 system which recognizes the efforts of school districts which
6 employ highly professionalized staff;

7 (g) Assure a greater level of equity in property tax
8 rates for the support of the public school system; and

9 (h) Assure that there is a shift to sustainable revenue
10 sources, other than the property tax, for the support of the public
11 school system through the establishment of limits on the growth of
12 general fund budgets of districts; and

13 (i) Support school district efforts for high-quality
14 education through an incentive adjustment factor which encourages
15 the employment of well-experienced and educated professional staff.

16 (3) The Legislature further finds and declares that all
17 funds to be distributed pursuant to section 79-1022 shall be used
18 specifically for the purpose of reducing property taxes in the
19 district to which they are distributed.

20 Sec. 3. Section 79-1003, Revised Statutes Supplement,
21 1998, is amended to read:

22 79-1003. For purposes of the Tax Equity and Educational
23 Opportunities Support Act:

24 (1) Adjusted general fund operating expenditures means
25 general fund operating expenditures as calculated pursuant to
26 subdivision ~~(21)~~ (23) of this section minus the transportation
27 allowance and, for purposes of state aid paid in school fiscal year
28 1998-99 and each school fiscal year thereafter, minus the special

1 education allowance;

2 (2) Adjusted valuation means the assessed valuation of
3 taxable property of each district in the state, for school fiscal
4 years before school fiscal year 1998-99, and of each local system
5 in the state, for school fiscal year 1998-99 and each school fiscal
6 year thereafter, adjusted pursuant to the adjustment factors
7 described in section 79-1016. Adjusted valuation means the
8 adjusted valuation for the property tax year ending during the
9 school fiscal year immediately preceding the school fiscal year in
10 which the aid based upon that value is to be paid. For purposes of
11 determining the local effort rate yield pursuant to section
12 79-1015.01, adjusted valuation does not include the value of any
13 property which a court, by a final judgment from which no appeal is
14 taken, has declared to be nontaxable or exempt from taxation;

15 (3) Advanced degree means a master's degree plus
16 thirty-six credit hours of graduate course work or an education
17 specialist degree;

18 (4) Allocated income tax funds means the amount of
19 assistance paid to a local system pursuant to section 79-1005.01 as
20 adjusted by the minimum levy adjustment pursuant to section
21 79-1008.02;

22 ~~(4)~~ (5) Average daily attendance of a student who resides
23 on Indian land means average daily attendance of a student who
24 resides on Indian land from the most recent data available on
25 November 1 preceding the school fiscal year in which aid is to be
26 paid;

27 ~~(5)~~ (6) Average daily membership means the average daily
28 membership for grades kindergarten through twelve attributable to

1 the district for school fiscal years before school fiscal year
2 1998-99, and for school fiscal year 1998-99 and each school fiscal
3 year thereafter, attributable to the local system, as provided in
4 each district's annual statistical summary and includes the
5 proportionate share of students enrolled in a public school
6 instructional program on less than a full-time basis;

7 ~~(6)~~ (7) Base fiscal year means (a) for school district
8 reorganizations which occurred during the 1995-96 school fiscal
9 year or the 1996-97 school fiscal year, the second school fiscal
10 year following the school fiscal year in which the reorganization
11 occurred or (b) for school district reorganizations or unifications
12 which occur during or after the 1997-98 school fiscal year, the
13 first school fiscal year following the school fiscal year in which
14 the reorganization or unification occurred;

15 ~~(7)~~ (8) Board means the school board of each school
16 district;

17 ~~(8)~~ (9) Categorical funds means funds limited to a
18 specific purpose by federal or state law, including, but not
19 limited to, Title I funds, Title VI funds, federal vocational
20 education funds, federal school lunch funds, Indian education
21 funds, Head Start funds, funds from the Education Innovation Fund,
22 and funds from the School Technology Fund;

23 ~~(9)~~ (10) Consolidate means to voluntarily reduce the
24 number of school districts providing education to a grade group and
25 does not include dissolution pursuant to section 79-498;

26 ~~(10)~~ (11) Department means the State Department of
27 Education;

28 ~~(11)~~ (12) District means any Class I, II, III, IV, V, or

1 VI school district;

2 ~~(12)~~ (13) Ensuing school fiscal year means the school
3 fiscal year following the current school fiscal year;

4 ~~(13)~~ (14) Equalization aid means the amount of assistance
5 calculated to be paid to a local system pursuant to sections
6 79-1008.01 to 79-1022;

7 (15) Experience means the teaching or administrative
8 experience of individuals in elementary and secondary education
9 while such individuals were holding the appropriate teaching or
10 administrative certificate issued by the department or issued by a
11 jurisdiction with which the department maintains a reciprocity
12 agreement with respect to certification standards;

13 ~~(14)~~ (16) Fall membership means the total membership in
14 kindergarten through grade twelve attributable to the district for
15 school fiscal years before school fiscal year 1998-99, and for
16 school fiscal year 1998-99 and each school fiscal year thereafter,
17 attributable to the local system, as reported on the fall school
18 district membership reports for each district pursuant to section
19 79-528;

20 ~~(15)~~ (17) Fiscal year means the state fiscal year which
21 is the period from July 1 to the following June 30;

22 ~~(16)~~ (18) Formula students means (a) for state aid
23 certified pursuant to section 79-1022, the sum of fall membership
24 from the school fiscal year immediately preceding the school fiscal
25 year in which the aid is to be paid, multiplied by the average
26 ratio of average daily membership to fall membership for the second
27 school fiscal year immediately preceding the school fiscal year in
28 which aid is to be paid and the prior two school fiscal years, and

1 tuitioned students from the school fiscal year immediately
2 preceding the school fiscal year in which the aid is to be paid and
3 (b) for final calculation of state aid pursuant to section 79-1065,
4 the sum of average daily membership and tuitioned students from the
5 school fiscal year immediately preceding the school fiscal year in
6 which the aid was paid;

7 ~~(17)~~ (19) Free lunch and free milk student means a
8 student who qualified for free lunches or free milk from the most
9 recent data available on November 1 of the school fiscal year
10 immediately preceding the school fiscal year in which aid is to be
11 paid;

12 ~~(18)~~ (20) Full-day kindergarten means kindergarten
13 offered by a district for at least one thousand thirty-two
14 instructional hours;

15 ~~(19)~~ (21) General fund budget of expenditures means the
16 total budgeted expenditures for general fund purposes as certified
17 in the budget statement adopted pursuant to the Nebraska Budget
18 Act, except that for purposes of the limitation imposed in section
19 79-1023 and the calculation of Class I total allowable general fund
20 budget of expenditures minus the special education budget of
21 expenditures pursuant to section 79-1083.03, the general fund
22 budget of expenditures does not include any special grant funds,
23 exclusive of local matching funds, received by a district subject
24 to the approval of the department;

25 ~~(20)~~ (22) General fund expenditures means all
26 expenditures from the general fund;

27 ~~(21)~~ (23) General fund operating expenditures means the
28 total general fund expenditures minus categorical funds, tuition

1 paid, transportation fees paid to other districts, adult education,
2 summer school, community services, redemption of the principal
3 portion of general fund debt service, and transfers from other
4 funds into the general fund. For state aid certified pursuant to
5 section 79-1022 and budget limitations certified pursuant to
6 section 79-1026 for school fiscal year 1998-99 and each school
7 fiscal year thereafter, general fund operating expenditures shall
8 equal the general fund operating expenditures from the most
9 recently available complete data year, adjusted by the average
10 annual change in each district's general fund operating
11 expenditures for the most recently available complete data year and
12 the two school fiscal years immediately preceding the most recently
13 available complete data year. For final calculation of state aid
14 pursuant to section 79-1065, general fund operating expenditures
15 shall be as reported in the annual financial reports from the most
16 recently available complete data year;

17 (24) High school district means a school district
18 providing instruction in at least grades nine through twelve;

19 ~~(22)~~ (25) Income tax liability means the amount of the
20 reported income tax liability for resident individuals pursuant to
21 the Nebraska Revenue Act of 1967 less all nonrefundable credits
22 earned and refunds made;

23 ~~(23)~~ (26) Income tax receipts means the amount of income
24 tax collected pursuant to the Nebraska Revenue Act of 1967 less all
25 nonrefundable credits earned and refunds made;

26 ~~(24) High school district means a school district~~
27 ~~providing instruction in at least grades nine through twelve;~~

28 ~~(25)~~ (27) Limited English proficiency student means a

1 student with limited English proficiency from the most recent data
2 available on November 1 of the school fiscal year preceding the
3 school fiscal year in which aid is to be paid;

4 ~~(26)~~ (28) Local system means a Class VI district and the
5 associated Class I districts or a Class II, III, IV, or V district
6 and any affiliated Class I districts or portions of Class I
7 districts. The membership, expenditures, and resources of Class I
8 districts that are affiliated with multiple high school districts
9 will be attributed to local systems based on the percent of the
10 Class I valuation that is affiliated with each high school
11 district;

12 ~~(27)~~ (29) Low-income child means a child under nineteen
13 years of age living in a household having an annual adjusted gross
14 income of fifteen thousand dollars or less for the second calendar
15 year preceding the beginning of the school fiscal year for which
16 aid is being calculated;

17 ~~(28)~~ (30) Most recently available complete data year
18 means the most recent single school fiscal year for which the
19 annual financial report, fall school district membership report,
20 annual statistical summary, Nebraska income tax liability by school
21 district for the calendar year in which the majority of the school
22 fiscal year falls, and adjusted valuation data are available;

23 (31) National board certification means certification in
24 teaching offered by the National Board for Professional Teaching
25 Standards and reported by school districts to the department for
26 each teacher who acquires such certification;

27 (32) Professional staff means teaching, administrative,
28 and professional support staff who are required to hold a

1 certificate from the department as a condition of employment in the
2 schools of this state pursuant to Chapter 79, article 8;

3 (33) Professional staff incentive aid means the state aid
4 paid to a local system pursuant to section 4 of this act in order
5 to recognize that a highly professionalized staff is a key
6 component of equitable access to educational opportunities for all
7 students;

8 ~~(29)~~ (34) Regular route transportation means the
9 transportation of students on regularly scheduled daily routes to
10 and from the attendance center;

11 ~~(30)~~ (35) Reorganized district means any district
12 involved in a consolidation and currently educating students
13 following consolidation;

14 ~~(31)~~ (36) School year or school fiscal year means the
15 fiscal year of a school district as defined in section 79-1091;

16 ~~(32)~~ (37) Special education means specially designed
17 kindergarten through grade twelve instruction pursuant to section
18 79-1125, and includes special education transportation;

19 ~~(33)~~ (38) Special education allowance means the amount of
20 special education, state ward, and accelerated or differentiated
21 curriculum program receipts included in local system formula
22 resources under subdivisions (7), (8), (16), and (17) of section
23 79-1018.01. For state aid certified pursuant to section 79-1022,
24 the special education allowance shall be adjusted by the average
25 annual change in each district's special education allowance for
26 the most recently available complete data year and the two school
27 fiscal years immediately preceding the most recently available
28 complete data year. For the final calculation of state aid

1 pursuant to section 79-1065, the special education allowance shall
2 be as reported in the annual financial reports from the most
3 recently available complete data year;

4 ~~(34)~~ (39) Special grant funds means the budgeted receipts
5 for grants, including, but not limited to, Title I funds, Title VI
6 funds, funds from the Education Innovation Fund, interfund loans,
7 insurance settlements, and reimbursements to county government for
8 previous overpayment, that have been approved by the state board;

9 ~~(35)~~ (40) State aid means the amount of assistance paid
10 to a district pursuant to the Tax Equity and Educational
11 Opportunities Support Act;

12 ~~(36)~~ (41) State board means the State Board of Education;

13 ~~(37)~~ (42) State support means all funds provided to
14 districts by the State of Nebraska for the general fund support of
15 elementary and secondary education;

16 ~~(38)(a)~~ (43)(a) Transportation allowance means the lesser
17 of (i) the general fund expenditures for regular route
18 transportation and in lieu of transportation expenditures pursuant
19 to section 79-611 in the most recently available complete data
20 year, but not including special education transportation
21 expenditures or other expenditures previously excluded from general
22 fund operating expenditures, except that for state aid certified
23 pursuant to section 79-1022 and budget limitations certified
24 pursuant to section 79-1026, the general fund operating
25 expenditures for regular route transportation and in lieu of
26 transportation expenditures shall equal such expenditures from the
27 most recently available complete data year, adjusted by the average
28 annual change in each district's such expenditures for the most

1 recently available complete data year and the two school years
2 immediately preceding the most recently available complete data
3 year or (ii) the number of miles traveled in the most recently
4 available complete data year by vehicles owned, leased, or
5 contracted by the district for the purpose of regular route
6 transportation multiplied by four hundred percent of the mileage
7 rate established by the Department of Administrative Services
8 pursuant to section 81-1176 as of January 1 of the most recently
9 available complete data year added to in lieu of transportation
10 expenditures pursuant to section 79-611 from the same data year or,
11 for state aid certified pursuant to section 79-1022 and budget
12 limitations certified pursuant to section 79-1026, the in lieu of
13 transportation expenditures for this subdivision shall equal such
14 expenditures from the most recently available complete data year,
15 adjusted by the average annual change in each district's such
16 expenditures for the most recently available complete data year and
17 the two school fiscal years immediately preceding the most recently
18 available complete data year.

19 (b) For the final calculation of state aid pursuant to
20 section 79-1065, the transportation allowance shall be the lesser
21 of (i) the general fund expenditures for regular route
22 transportation and in lieu of transportation expenditures pursuant
23 to section 79-611 as reported in the annual financial reports from
24 the most recently available complete data year, but not including
25 special education transportation expenditures or other expenditures
26 previously excluded from general fund operating expenditures, or
27 (ii) the number of miles traveled in the most recently available
28 complete data year by vehicles owned, leased, or contracted by the

1 district for the purpose of regular route transportation multiplied
2 by four hundred percent of the mileage rate established by the
3 Department of Administrative Services pursuant to section 81-1176
4 as of January 1 of the most recently available complete data year
5 added to in lieu of transportation expenditures pursuant to section
6 79-611 from the same data year; and

7 ~~(39)~~ (44) Tuitioned students means students in
8 kindergarten through grade twelve of the district whose tuition is
9 paid by the district to some other district or education agency.

10 Sec. 4. (1) In addition to state aid otherwise received
11 by a local system pursuant to the Tax Equity and Educational
12 Opportunities Support Act, local systems shall also be eligible to
13 receive professional staff incentive aid. Based on data reported
14 in the fall personnel report for the immediately preceding school
15 year, for the calculation of state aid to be paid for school fiscal
16 year 2000-01 and each school fiscal year thereafter, the department
17 shall calculate professional staff incentive aid for local systems
18 pursuant to subsections (2) through (7) of this section.

19 (2) School districts shall report to the department, as
20 part of the fall personnel report, the degree-level status, years
21 of experience, and national board certification status of
22 professional staff (a) who are under contract of employment with
23 the school district and who provide services primarily for such
24 school district and (b) who are under contract to some other entity
25 when (i) such staff provide services primarily for the school
26 district and (ii) the school district incurs the costs for the
27 primary support of such staff. Staff whose primary assignment is
28 special education shall be excluded from the calculation of the

1 school district and statewide professional staff weighting factors
2 as described in subsection (3) of this section.

3 (3) The department shall assign weighting factors for
4 each professional staff member in each local system as follows:

5 Each teacher or administrator employed in each school
6 district in a local system shall be assigned a weighting factor
7 based on the following table:

8 Base 1.0 for each teacher
9 or administrator

10 and

11 Master's degree Add 0.24 to the base

12 or

13 Advanced Degree

14 or National Board

15 Certification Add 0.35 to the base

16 or

17 Doctorate Add 0.52 to the base

18 and

19 Four or more years'

20 experience Add 0.16 to the base

21 or

22 Eight or more years'

23 experience Add 0.40 to the base

24 or

25 Twelve or more years'

26 experience with

27 a master's degree,

28 advanced degree,

1 national board
 2 certification,
 3 or doctorate Add 0.52 to the base.

4 (4) The weighted professional staff count of professional
 5 staff employed by each school district in a local system shall be
 6 added together to determine total weighted professional staff
 7 count. The total weighted professional staff count shall be
 8 divided by unweighted staff count to determine each local system's
 9 professional staff weighting factor.

10 (5) A statewide average professional staff factor shall
 11 be determined by totaling the weighted professional staff count for
 12 all professional staff employed by school districts and dividing
 13 such total by the total unweighted number of professional staff
 14 employed in all school districts in the state.

15 (6) The professional staff incentive factor for each
 16 local system shall be divided by the statewide average professional
 17 staff factor to determine each local system's professional staff
 18 incentive factor.

19 (7) The product of each local system's adjusted formula
 20 membership, as determined in section 79-1007.01, multiplied by the
 21 local system's average formula cost per student in the local
 22 system's cost grouping, as determined in section 79-1007.02, shall
 23 be multiplied by the local system's professional staff incentive
 24 factor as determined in subsection (6) of this section. The amount
 25 so derived, if greater than zero, shall be the professional staff
 26 incentive aid payable to the local system. Professional staff
 27 incentive aid payable to a local system shall be distributed to
 28 school districts in proportion to the weighted professional staff

1 count of each school district within the local system.

2 (8) Professional staff incentive aid shall be used by
3 school boards for salaries and benefits for professional staff and
4 for no other purpose.

5 (9) The impact of professional staff incentive aid shall
6 be evaluated by the department after five years to determine the
7 success of the program in supporting school district recruitment
8 and retention of well-qualified and effective professional staff.
9 The evaluation shall also include a consideration of the
10 appropriateness of weighting factors prescribed in subsection (4)
11 of this section and the statewide average weighting factor
12 described in subsection (5) of this section. The department shall
13 report its findings and recommendations to the Education Committee
14 of the Legislature by October 1, 2005.

15 (10) The Legislature shall appropriate funds sufficient
16 to pay the professional staff incentive aid provided in this
17 section. Appropriations made pursuant to this section shall be
18 separate from and in addition to appropriations for state aid
19 otherwise payable under the Tax Equity and Educational
20 Opportunities Support Act.

21 Sec. 5. Original sections 79-1001 to 79-1003, Revised
22 Statutes Supplement, 1998, are repealed.