

LEGISLATURE OF NEBRASKA
NINETY-SIXTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 149

Introduced by Education Committee: Bohlke, 33, Chairperson;
Brashear, 4; Coordsen, 32; Price, 26; Raikes, 25;
Stuhr, 24; Suttle, 10; Wickersham, 49

Read first time January 7, 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, 79-1003,
3 79-1005.01, 79-1007.02, 79-1008.01, 79-1010, 79-1015.01,
4 79-1018.01, 79-1022, 79-1026, 79-1027, 79-1028, 79-1031,
5 79-1031.01, 79-1083.02, 79-1083.03, and 79-1089, Revised
6 Statutes Supplement, 1998; to provide for recalculation
7 and recertification of state aid; to redefine terms; to
8 change and eliminate provisions relating to allocated
9 income tax funds, local effort rate, data reporting, and
10 appropriations; to change dates; to harmonize provisions;
11 to repeal the original sections; and to declare an
12 emergency.

13 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 2 of
4 this act shall be known and may be cited as the Tax Equity and
5 Educational Opportunities Support Act.

6 Sec. 2. Notwithstanding any other provision of law, the
7 December 1, 1998, certification of state aid pursuant to section
8 79-1022 to be paid to school districts during school year 1999-2000
9 and the December 1, 1998, certifications pursuant to sections
10 79-1026, 79-1027, and 79-1083.03 are null and void. State aid to
11 be paid during such school year and the certifications pursuant to
12 sections 79-1026, 79-1027, and 79-1083.03 shall be recertified on
13 or before April 1, 1999. For the final calculation of state aid
14 for school year 1998-99 pursuant to section 79-1065, no district
15 shall receive less than its final calculation of state aid for the
16 1998-99 school year pursuant to such section as of December 1.
17 1998.

18 Sec. 3. Section 79-1003, Revised Statutes Supplement,
19 1998, is amended to read:

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

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

28 (2) Adjusted valuation means the assessed valuation of

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

13 (3) Allocated income tax funds means the amount of
14 assistance paid to a local system pursuant to section 79-1005.01 as
15 adjusted by the minimum levy adjustment pursuant to section
16 79-1008.02;

17 (4) Average daily attendance of a student who resides on
18 Indian land means average daily attendance of a student who resides
19 on Indian land from the most recent data available on November 1
20 preceding the school fiscal year in which aid is to be paid;

21 (5) Average daily membership means the average daily
22 membership for grades kindergarten through twelve attributable to
23 the district for school fiscal years before school fiscal year
24 1998-99, and for school fiscal year 1998-99 and each school fiscal
25 year thereafter, attributable to the local system, as provided in
26 each district's annual statistical summary and includes the
27 proportionate share of students enrolled in a public school
28 instructional program on less than a full-time basis;

1 (6) Base fiscal year means (a) for school district
2 reorganizations which occurred during the 1995-96 school fiscal
3 year or the 1996-97 school fiscal year, the second school fiscal
4 year following the school fiscal year in which the reorganization
5 occurred or (b) for school district reorganizations or unifications
6 which occur during or after the 1997-98 school fiscal year, the
7 first school fiscal year following the school fiscal year in which
8 the reorganization or unification occurred;

9 (7) Board means the school board of each school district;

10 (8) Categorical funds means funds limited to a specific
11 purpose by federal or state law, including, but not limited to,
12 Title I funds, Title VI funds, federal vocational education funds,
13 federal school lunch funds, Indian education funds, Head Start
14 funds, funds from the Education Innovation Fund, and funds from the
15 School Technology Fund;

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

19 (10) Department means the State Department of Education;

20 (11) District means any Class I, II, III, IV, V, or VI
21 school district;

22 (12) Ensuing school fiscal year means the school fiscal
23 year following the current school fiscal year;

24 (13) Equalization aid means the amount of assistance
25 calculated to be paid to a local system pursuant to sections
26 79-1008.01 to 79-1022;

27 (14) Fall membership means the total membership in
28 kindergarten through grade twelve attributable to the district for

1 school fiscal years before school fiscal year 1998-99, and for
2 school fiscal year 1998-99 and each school fiscal year thereafter,
3 attributable to the local system, as reported on the fall school
4 district membership reports for each district pursuant to section
5 79-528;

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

8 (16) Formula students means (a) for state aid certified
9 pursuant to section 79-1022, the sum of fall membership from the
10 school fiscal year immediately preceding the school fiscal year in
11 which the aid is to be paid, multiplied by the average ratio of
12 average daily membership to fall membership for the second school
13 fiscal year immediately preceding the school fiscal year in which
14 aid is to be paid and the prior two school fiscal years, and
15 tuitioned students from the school fiscal year immediately
16 preceding the school fiscal year in which the aid is to be paid and
17 (b) for final calculation of state aid pursuant to section 79-1065,
18 the sum of average daily membership and tuitioned students from the
19 school fiscal year immediately preceding the school fiscal year in
20 which the aid was paid;

21 (17) Free lunch and free milk student means a student who
22 qualified for free lunches or free milk from the most recent data
23 available on November 1 of the school fiscal year immediately
24 preceding the school fiscal year in which aid is to be paid;

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

28 (19) General fund budget of expenditures means the total

1 budgeted expenditures for general fund purposes as certified in the
2 budget statement adopted pursuant to the Nebraska Budget Act,
3 except that for purposes of the limitation imposed in section
4 79-1023, ~~and~~ the calculation of Class I total allowable general
5 fund budget of expenditures minus the special education budget of
6 expenditures pursuant to section 79-1083.03, and the calculation
7 pursuant to subsection (2) of section 79-1027.01, the general fund
8 budget of expenditures does not include any special grant funds,
9 exclusive of local matching funds, received by a district subject
10 to the approval of the department;

11 (20) General fund expenditures means all expenditures
12 from the general fund;

13 (21) General fund operating expenditures means the total
14 general fund expenditures minus categorical funds, tuition paid,
15 transportation fees paid to other districts, adult education,
16 summer school, community services, redemption of the principal
17 portion of general fund debt service, and transfers from other
18 funds into the general fund. ~~For state aid certified pursuant to~~
19 ~~section 79-1022 and budget limitations certified pursuant to~~
20 ~~section 79-1026 for school fiscal year 1998-99 and each school~~
21 ~~fiscal year thereafter, general fund operating expenditures shall~~
22 ~~equal the general fund operating expenditures from the most~~
23 ~~recently available complete data year, adjusted by the average~~
24 ~~annual change in each district's general fund operating~~
25 ~~expenditures for the most recently available complete data year and~~
26 ~~the two school fiscal years immediately preceding the most recently~~
27 ~~available complete data year. For final calculation of state aid~~
28 ~~pursuant to section 79-1065, general fund operating expenditures~~

1 shall be as reported in the annual financial reports from the most
2 ~~recently available complete data year~~ for the second school fiscal
3 year immediately preceding the school fiscal year in which aid is
4 to be paid;

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

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

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

14 (25) Limited English proficiency student means a student
15 with limited English proficiency from the most recent data
16 available on November 1 of the school fiscal year preceding the
17 school fiscal year in which aid is to be paid;

18 (26) Local system means a Class VI district and the
19 associated Class I districts or a Class II, III, IV, or V district
20 and any affiliated Class I districts or portions of Class I
21 districts. The membership, expenditures, and resources of Class I
22 districts that are affiliated with multiple high school districts
23 will be attributed to local systems based on the percent of the
24 Class I valuation that is affiliated with each high school
25 district;

26 (27) Low-income child means a child under nineteen years
27 of age living in a household having an annual adjusted gross income
28 of fifteen thousand dollars or less for the second calendar year

1 preceding the beginning of the school fiscal year for which aid is
2 being calculated;

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

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

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

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

17 (32) Special education means specially designed
18 kindergarten through grade twelve instruction pursuant to section
19 79-1125, and includes special education transportation;

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

1 ~~complete data year. For the final calculation of state aid~~
2 ~~pursuant to section 79-1065, the special education allowance shall~~
3 ~~be as reported in the annual financial reports from the most~~
4 ~~recently available complete data year;~~

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

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

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

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

17 (38)~~(a)~~ Transportation allowance means the lesser of ~~(i)~~
18 ~~the (a) each local system's~~ general fund expenditures for regular
19 route transportation and in lieu of transportation expenditures
20 pursuant to section 79-611 in ~~the most recently available complete~~
21 ~~data year~~ the second school fiscal year immediately preceding the
22 school fiscal year in which aid is to be paid, but not including
23 special education transportation expenditures or other expenditures
24 previously excluded from general fund operating expenditures,
25 ~~except that for state aid certified pursuant to section 79-1022 and~~
26 ~~budget limitations certified pursuant to section 79-1026, the~~
27 ~~general fund operating expenditures for regular route~~
28 ~~transportation and in lieu of transportation expenditures shall~~

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

24 (b) For the final calculation of state aid pursuant to
25 section 79-1065, the transportation allowance shall be the lesser
26 of (i) the general fund expenditures for regular route
27 transportation and in lieu of transportation expenditures pursuant
28 to section 79-611 as reported in the annual financial reports from

1 the most recently available complete data year, but not including
 2 special education transportation expenditures or other expenditures
 3 previously excluded from general fund operating expenditures, or
 4 (ii) the number of miles traveled in the most recently available
 5 complete data year by vehicles owned, leased, or contracted by the
 6 district for the purpose of regular route transportation multiplied
 7 by four hundred percent of the mileage rate established by the
 8 Department of Administrative Services pursuant to section 81-1176
 9 as of January 1 of the most recently available complete data year
 10 added to in lieu of transportation expenditures pursuant to section
 11 79-611 from the same data year; and

12 (39) Tuitioned students means students in kindergarten
 13 through grade twelve of the district whose tuition is paid by the
 14 district to some other district or education agency.

15 Sec. 4. Section 79-1005.01, Revised Statutes Supplement,
 16 1998, is amended to read:

17 79-1005.01. For state aid calculated for school fiscal
 18 year 1998-99 and each school fiscal year thereafter:

19 (1) ~~Of the funds dedicated to the use and support of~~
 20 ~~public education, an~~ An amount equal to the amount appropriated to
 21 the School District Income Tax Fund for distribution in school
 22 fiscal year 1992-93 shall be disbursed as option payments as
 23 determined under section 79-1009 and as allocated income tax funds
 24 as determined in this section and sections 79-1008.01, 79-1015.01,
 25 79-1017.01, and 79-1018.01, except as provided in section
 26 79-1008.02. Funds not distributed as allocated income tax funds
 27 due to minimum levy adjustments shall be ~~distributed as~~
 28 ~~equalization aid~~ not increase the amount available to local systems

1 for distribution as allocated income tax funds;

2 (2) Not later than November 15 of each year, the Tax
3 Commissioner shall certify to the department for the preceding tax
4 year the income tax liability of resident individuals for each
5 local system. The 1996 income tax liability of resident
6 individuals of Class I districts that are affiliated with multiple
7 high school districts shall be divided between local systems based
8 on the percentage of the Class I district's valuation affiliated
9 with each high school district; and

10 (3) Using the data certified by the Tax Commissioner
11 pursuant to subdivision (2) of this section, the department shall
12 calculate the allocation percentage and each local system's
13 allocated income tax funds. The allocation percentage shall be an
14 amount equal to the amount appropriated to the School District
15 Income Tax Fund for distribution in school fiscal year 1992-93
16 minus the total amount paid for option students pursuant to section
17 79-1009 with the difference divided by the aggregate statewide
18 income tax liability of all resident individuals certified pursuant
19 to subdivision (2) of this section. Each local system's allocated
20 income tax funds shall be calculated by multiplying the allocation
21 percentage times the local system's income tax liability certified
22 pursuant to subdivision (2) of this section.

23 Sec. 5. Section 79-1007.02, Revised Statutes Supplement,
24 1998, is amended to read:

25 79-1007.02. For state aid calculated for school fiscal
26 year 1998-99 and each school fiscal year thereafter:

27 (1) Using data from the annual financial reports for ~~the~~
28 ~~most recently available complete data year~~ the second school fiscal

1 year immediately preceding the school fiscal year in which aid is
2 to be paid, the annual statistical summary reports for the school
3 fiscal year immediately preceding the school fiscal year in which
4 aid is to be paid, the fall membership reports and supplements
5 thereto for the school fiscal year immediately preceding the school
6 fiscal year in which aid is to be paid, and the school district
7 census as reported under sections 79-524 and 79-578 for the second
8 school fiscal year preceding the school fiscal year in which aid is
9 to be paid, the department shall divide the local systems into
10 three cost groupings prior to the certification of state aid based
11 upon the following criteria:

12 (a) The very sparse cost grouping will consist of local
13 systems that have (i)(A) less than one-half student per square mile
14 in the county in which the high school attendance center is
15 located, based on the school district census, (B) less than one
16 formula student per square mile in the local system, and (C) more
17 than fifteen miles between the high school attendance center and
18 the next closest high school attendance center on paved roads or
19 (ii)(A) more than four hundred fifty square miles in the local
20 system, (B) less than one-half student per square mile in the local
21 system, and (C) more than fifteen miles between the high school
22 attendance center and the next closest high school attendance
23 center on paved roads;

24 (b) The sparse cost grouping will consist of local
25 systems that do not qualify for the very sparse cost grouping but
26 which meet the following criteria:

27 (i)(A) Less than two students per square mile in the
28 county in which the high school is located, based on the school

1 district census, (B) less than one formula student per square mile
2 in the local system, and (C) more than ten miles between the high
3 school attendance center and the next closest high school
4 attendance center on paved roads;

5 (ii)(A) Less than one and one-half formula students per
6 square mile in the local system and (B) more than fifteen miles
7 between the high school attendance center and the next closest high
8 school attendance center on paved roads; or

9 (iii) The local system includes ninety-five percent or
10 more of a county; and

11 (c) The standard cost grouping will consist of local
12 systems that do not qualify for the very sparse or the sparse cost
13 groupings.

14 For purposes of subdivision (1) of this section, if a
15 local system did not operate and offer instruction in grades nine
16 through twelve within the boundaries of the local system during the
17 school fiscal year immediately preceding the school fiscal year in
18 which aid is to be paid, the local system shall not be considered
19 to have a high school attendance center;

20 (2) The department shall calculate the average formula
21 cost per student in each cost grouping prior to the certification
22 of state aid by dividing the total estimated general fund operating
23 expenditures for the cost grouping by the total adjusted formula
24 students for all local systems in the cost grouping. The
25 calculation of total adjusted formula students for purposes of this
26 subdivision shall take into account the requirements of subsection
27 (2) of section 79-1007.01. The total estimated general fund
28 operating expenditures for the cost grouping is equal to the total

1 adjusted general fund operating expenditures for all local systems
2 in the cost grouping multiplied by a cost growth factor. The cost
3 growth factor for each cost grouping is equal to the sum of: (a)
4 One; plus (b) the product of two times the ratio of the difference
5 between the formula students attributable to the cost grouping
6 without weighting or adjustment pursuant to section 79-1007.01 and
7 the average daily membership attributable to the cost grouping for
8 the most recently available complete data year divided by the
9 average daily membership attributable to the cost grouping for the
10 most recently available complete data year, except that the ratio
11 shall not be less than zero; plus (c) the basic allowable growth
12 rate pursuant to section 79-1025 for the school fiscal year in
13 which the aid is to be distributed; plus (d) the basic allowable
14 growth rate pursuant to section 79-1025 for the school fiscal year
15 immediately preceding the school fiscal year in which the aid is to
16 be distributed; plus (e) one-half of any additional growth rate
17 allowed by special action of school boards for the school fiscal
18 year in which the aid is to be distributed as determined ~~on~~ ~~or~~
19 ~~before December 1 of~~ for the school fiscal year immediately
20 preceding the school fiscal year when aid is to be distributed;
21 plus (f) one-half of any additional growth rate allowed by special
22 action of the school boards for the school fiscal year immediately
23 preceding the school fiscal year when the aid is to be distributed;
24 and

25 (3) Each local system's formula need will be equal to the
26 local system's transportation allowance plus the local system's
27 special education allowance plus the product of the local system's
28 adjusted formula students multiplied by the average formula cost

1 per student in the local system's cost grouping. The calculation
2 of total adjusted formula students for purposes of this subdivision
3 shall take into account the requirements of subsection (2) of
4 section 79-1007.01.

5 Sec. 6. Section 79-1008.01, Revised Statutes Supplement,
6 1998, is amended to read:

7 79-1008.01. (1) Except as provided in subsection (2) of
8 this section and sections 79-1008.02 to 79-1010, each local system
9 shall receive equalization aid in the amount that the total formula
10 need of each local system, as determined pursuant to sections
11 79-1007.01 and 79-1007.02, exceeds its total formula resources as
12 determined pursuant to sections 79-1015.01 to 79-1017.01 and
13 79-1018.01.

14 (2) Except as provided in section 79-1008.02, a local
15 system shall not receive state aid for any school fiscal year which
16 is less than an amount equal to the difference of eighty-five
17 percent of the amount of aid certified in the preceding school
18 fiscal year minus an amount equal to any increase in the adjusted
19 valuation between the adjusted valuation used for the certification
20 of aid in the preceding school fiscal year and the adjusted
21 valuation used for the aid being calculated multiplied by the
22 maximum levy pursuant to subdivision (2)(a) of section 77-3442
23 without a vote pursuant to section 77-3444.

24 (3) Except as provided in subsection (2) of this section,
25 no local system may receive equalization aid such that, when total
26 aid is added to a levy of one dollar for state aid to be
27 distributed in school fiscal years 1998-99 and 1999-00 or of ninety
28 cents for state aid to be distributed in school fiscal year 2000-01

1 and each school fiscal year thereafter, multiplied by the local
2 system's adjusted valuation divided by one hundred, would result in
3 total local system revenue from state aid plus property tax
4 receipts which exceeds the total of:

5 (a) State aid plus property tax receipts received by the
6 local system during the preceding school fiscal year multiplied by
7 the total of (i) 1.01 plus (ii) the applicable allowable growth
8 rate for the local system calculated pursuant to section 79-1026 as
9 determined ~~on or before December 1 of~~ for the school fiscal year
10 immediately preceding the school fiscal year when aid is to be
11 distributed plus (iii) the percentage growth in formula students
12 from the certification of state aid for the immediately preceding
13 school fiscal year to the formula students for the certification of
14 state aid for the current school fiscal year, except that the
15 percentage growth shall not be less than zero;

16 (b) Unused budget authority authorized pursuant to
17 section 79-1030;

18 (c) The difference between the other actual receipts
19 included in local system formula resources for the certification of
20 state aid in the preceding school fiscal year and other actual
21 receipts included in local system formula resources for the
22 certification of state aid for the current school fiscal year,
23 except that such difference shall not be less than zero; and

24 (d) The absolute value of any negative prior year
25 adjustment pursuant to section 79-1065.

26 For local systems that have reorganized, state aid,
27 property tax receipts, and number of formula students shall be
28 attributed based on valuation. The revenue from property tax

1 receipts shall be calculated by multiplying the reported general
2 fund common levy by the assessed valuation subject to the levy
3 divided by one hundred.

4 (4) The aid that is not distributed through equalization
5 based on subsection (3) of this section shall be distributed
6 through this subsection. Local systems qualify for distribution
7 under this subsection if they have nine hundred or less formula
8 students and adjusted general fund operating expenditures per
9 formula student less than the average for all local systems with
10 nine hundred or less formula students. The aid shall be
11 distributed proportionally to qualifying districts based on the
12 dollar amount each local system's calculated state aid plus the
13 product of a levy of one dollar and ten cents for school fiscal
14 years 1998-99 and 1999-00 and of one dollar for school fiscal year
15 2000-01 and each school fiscal year thereafter multiplied by the
16 assessed valuation divided by one hundred is below ninety percent
17 of state aid plus property tax receipts received by the local
18 system during the preceding school fiscal year. No system shall
19 receive aid pursuant to this subsection such that the calculated
20 state aid plus the product of a levy of one dollar and ten cents
21 for school fiscal years 1998-99 and 1999-00 and of one dollar for
22 school fiscal year 2000-01 and each school fiscal year thereafter
23 multiplied by the assessed valuation divided by one hundred is
24 ninety percent or more of state aid plus property tax receipts
25 received by the local system during the preceding school fiscal
26 year. Any aid available for distribution pursuant to this
27 subsection that is not distributed pursuant to this subsection
28 shall be distributed as equalization aid.

1 Sec. 7. Section 79-1010, Revised Statutes Supplement,
2 1998, is amended to read:

3 79-1010. (1) To encourage consolidation and unification
4 of school districts, incentives shall be paid to reorganized
5 districts and unified systems in certain size ranges for a
6 three-year period to reward the reorganized districts or unified
7 systems for their efforts to increase efficiency in the delivery of
8 educational services. This section shall only apply to
9 consolidations and unifications with an effective date after May
10 31, 1996, and before August 2, 2001.

11 (2) To qualify for incentive payments under this section,
12 the consolidation or unification must be approved for incentive
13 payments by the State Committee for the Reorganization of School
14 Districts. For consolidations, when reviewing a petition for the
15 boundary change pursuant to section 79-413, the state committee
16 shall issue a preliminary approval or disapproval for incentive
17 payments along with a notice specifying application procedures.
18 For consolidations, affected school districts shall file an
19 application for incentive payments with the state committee within
20 thirty days following the issuance of the boundary change order
21 pursuant to subsection (1) of section 79-479. For unifications,
22 the unified system or participating districts shall file an
23 application for incentive payments with the state committee either
24 following approval of the application for unification or in
25 conjunction with the application for unification. The state
26 committee shall, within thirty days, approve or disapprove
27 incentive payments. For consolidations, if there are no material
28 changes in the reorganization plan between a preliminary approval

1 and application for incentive payments following the boundary
2 change order, the state committee shall approve the incentive
3 payments. If a preliminary disapproval was issued or if there was
4 a material change in the reorganization plan prior to the issuance
5 of the boundary change order, the state committee shall reconsider
6 the approval or disapproval of incentive payments. The state
7 committee shall make the determination regarding whether or not any
8 changes in a reorganization plan are material for the purpose of
9 approving or disapproving incentive payments.

10 (3) For incentive payments to be approved for either
11 consolidations or unifications by the state committee, a
12 reorganization study, including efficiency, demographic,
13 curriculum, facility, financial, and community components, must be
14 completed. If a study containing such elements is completed and
15 the reorganization plan or unification agreement will most likely
16 result in more efficiency in the delivery of educational services
17 or greater educational opportunities, the state committee may
18 approve incentive payments for the affected districts.

19 (4) Incentive payments shall be based on the number of
20 students moving from one size range to a lower cost size range
21 based on the average daily membership in each affected district in
22 the school fiscal year immediately preceding the first school
23 fiscal year the boundary change or unification is in effect and the
24 average daily membership the consolidated district or unified
25 system would have had following the boundary change or unification
26 if it had occurred in the school fiscal year immediately preceding
27 the first school fiscal year the boundary change or unification is
28 in effect. The reorganized school districts or unified systems

1 existing after the qualified boundary change or unification shall
 2 receive incentive payments based on the following criteria for each
 3 student meeting the criteria:

4 For grades one through six, including full-day
 5 kindergarten:

6 Average daily 7 membership range 8 before 9 consolidation 10 or unification	11 Average daily 12 membership range with 13 boundary change 14 or unification	15 Incentive payment 16 per student who 17 moves from the 18 average daily 19 membership range 20 before 21 consolidation 22 or unification 23 to the 24 average daily 25 membership range 26 with boundary 27 change or 28 unification
20 .01 - 101.00	101.01 - 185.00	\$ 590
21 .01 - 101.00	185.01 - 375.00	890
22 .01 - 101.00	375.01 - 1,000.00	1,190
23 .01 - 101.00	1,000.01 - 1,900.00	1,320
24 101.01 - 185.00	185.01 - 375.00	300
25 101.01 - 185.00	375.01 - 1,000.00	590
26 101.01 - 185.00	1,000.01 - 1,900.00	730
27 185.01 - 375.00	375.01 - 1,000.00	300
28 185.01 - 375.00	1,000.01 - 1,900.00	430

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1	375.01 - 1,000.00	1,000.01 - 1,900.00	130
2	For grades seven and eight:		
3	Average daily	Average daily	Incentive payment
4	membership range	membership range with	per student who
5	before	boundary change	moves from the
6	consolidation	or unification	average daily
7	or unification		membership range
8			before
9			consolidation
10			or unification
11			to the
12			average daily
13			membership range
14			with boundary
15			change or
16			unification
17	.01 - 31.00	31.01 - 57.00	\$ 710
18	.01 - 31.00	57.01 - 115.00	1,070
19	.01 - 31.00	115.01 - 308.00	1,430
20	.01 - 31.00	308.01 - 585.00	1,590
21	31.01 - 57.00	57.01 - 115.00	360
22	31.01 - 57.00	115.01 - 308.00	710
23	31.01 - 57.00	308.01 - 585.00	870
24	57.01 - 115.00	115.01 - 308.00	350
25	57.01 - 115.00	308.01 - 585.00	510
26	115.01 - 308.00	308.01 - 585.00	160
27	For grades nine through twelve:		
28	Average daily	Average daily	Incentive payment

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1	membership range	membership range with	per student who
2	before	boundary change	moves from the
3	consolidation	or unification	average daily
4	or unification		membership range
5			before
6			consolidation
7			or unification
8			to the
9			average daily
10			membership range
11			with boundary
12			change
13			or unification
14	.01 - 50.00	50.01 - 75.00	\$1,640
15	.01 - 50.00	75.01 - 100.00	2,550
16	.01 - 50.00	100.01 - 150.00	2,924
17	.01 - 50.00	150.01 - 250.00	3,180
18	.01 - 50.00	250.01 - 500.00	3,450
19	.01 - 50.00	500.01 - 1,000.00	3,750
20	50.01 - 75.00	75.01 - 100.00	910
21	50.01 - 75.00	100.01 - 150.00	1,280
22	50.01 - 75.00	150.01 - 250.00	1,540
23	50.01 - 75.00	250.01 - 500.00	1,810
24	50.01 - 75.00	500.01 - 1,000.00	2,110
25	75.01 - 100.00	100.01 - 150.00	380
26	75.01 - 100.00	150.01 - 250.00	630
27	75.01 - 100.00	250.01 - 500.00	900
28	75.01 - 100.00	500.01 - 1,000.00	1,200

1	100.01 - 150.00	150.01 - 250.00	260
2	100.01 - 150.00	250.01 - 500.00	530
3	100.01 - 150.00	500.01 - 1,000.00	830
4	150.01 - 250.00	250.01 - 500.00	270
5	150.01 - 250.00	500.01 - 1,000.00	570
6	250.01 - 500.00	500.01 - 1,000.00	300

7 (5) Except as otherwise provided in subsection (6) of
8 this section, for school fiscal years 1999-00, 2000-01, and
9 2001-02, two million dollars shall be set aside for base fiscal
10 year incentive payments pursuant to subsection (6) of this section.
11 ~~and shall be subtracted from the appropriation to the Tax Equity~~
12 ~~and Educational Opportunities Fund prior to any calculations~~
13 ~~affecting the distribution of equalization aid pursuant to the Tax~~
14 ~~Equity and Educational Opportunities Support Act. The Legislature~~
15 ~~shall reappropriate any unexpended balances of the set-aside funds~~
16 ~~to the Tax Equity and Educational Opportunities Fund for the~~
17 ~~certification of state aid following the school fiscal year in~~
18 ~~which the incentives were paid. All other payments pursuant to~~
19 ~~this section shall be paid directly to the consolidated district or~~
20 ~~unified system from the Tax Equity and Educational Opportunities~~
21 ~~Fund. and shall be subtracted from the appropriation prior to any~~
22 ~~calculations affecting the distribution of equalization aid~~
23 ~~pursuant to the Tax Equity and Educational Opportunities Support~~
24 ~~Act.~~

25 (6) Base fiscal year payments approved by the State
26 Committee for the Reorganization of School Districts on or before
27 October 1 of the school fiscal year in which the reorganization or
28 unification will occur shall be calculated and paid from the Tax

1 Equity and Educational Opportunities Fund pursuant to subsection
2 (5) of this section with the state aid certified for the base
3 fiscal year. Any base fiscal year payments from the Tax Equity and
4 Educational Opportunities Fund that are not distributed due to
5 proration shall be paid from the Reorganized School Assistance
6 Fund. Unless previously included in the certification of state
7 aid, incentive payments for the base fiscal year shall be
8 calculated as of August 2 immediately preceding the base fiscal
9 year and shall be paid directly to the consolidated district or
10 unified system from the Reorganized School Assistance Fund for the
11 1998-99 school fiscal year and from the two million dollars set
12 aside from the Tax Equity and Educational Opportunities Fund
13 pursuant to subsection (5) of this section for school fiscal years
14 1999-00, 2000-01, and 2001-02. The payments shall be made in ten
15 as nearly as possible equal payments on the last business day of
16 each month, beginning in September and ending the following June,
17 for the base fiscal year. If the total amount of incentive
18 payments to school districts for that school fiscal year exceeds
19 the balance of the Reorganized School Assistance Fund for school
20 fiscal year 1998-99 or two million dollars for school fiscal year
21 1999-00, 2000-01, or 2001-02, the incentive payments under this
22 subsection shall be reduced proportionately so that the total
23 amount of incentive payments to school districts equals the balance
24 of the Reorganized School Assistance Fund or the two million
25 dollars, whichever is applicable. The incentive payments shall not
26 be included in local system formula resources as calculated under
27 section 79-1018.01. No incentive payments shall be made pursuant
28 to this subsection after July 1, 2002.

1 (7) For consolidations, one hundred percent of the amount
2 calculated pursuant to subsection (4) of this section shall be
3 included in the distribution of state aid for each of the first
4 three consecutive school fiscal years beginning with the base
5 fiscal year or two consecutive school fiscal years following the
6 base fiscal year if payments were made in the base fiscal year
7 pursuant to subsection (6) of this section. For unifications, one
8 hundred percent of the amount calculated pursuant to subsection (4)
9 of this section shall be included in the distribution of state aid
10 for the first school fiscal year beginning with the base fiscal
11 year, seventy-five percent for the second school fiscal year
12 beginning with the base fiscal year, and fifty percent for the
13 third school fiscal year beginning with the base fiscal year. If a
14 unified system consolidates and the boundary change takes effect
15 before August 2, 2001, the consolidated district will be eligible
16 to receive seventy-five percent of the amount originally calculated
17 pursuant to subsection (4) of this section in the base fiscal year.
18 If a consolidated district is still receiving incentive payments
19 for a unification in the base fiscal year, the payments for the
20 remainder of the first three years will be at one hundred percent
21 of the amount calculated pursuant to subsection (4) of this section
22 and in the fourth year, the district will receive the difference
23 between the incentive payments received and three hundred percent
24 of the amount calculated pursuant to subsection (4) of this
25 section. If additional districts are added to the unified system
26 or are added in a consolidation, the additional incentives shall be
27 calculated by the department and added to the incentive payments.

28 (8) If, prior to the beginning of the eighth year of

1 operating as a unified system, the unified system (a) discontinues
2 its status as a unified system and (b) does not consolidate, the
3 districts in the unified system shall pay back the incentives. The
4 total incentives paid to the unified system shall be divided
5 between the districts based on the adjusted valuation of each
6 district in the year prior to the discontinuation of the unified
7 system, and each district's share shall be paid back through
8 reductions in state aid in equal amounts for five years. If a
9 district withdraws from a unified system prior to the beginning of
10 the eighth year of participating in the unified system, the
11 district shall pay back the incentives attributable to the
12 district's participation in the unified system through reductions
13 in state aid in equal amounts for five years. The total incentives
14 paid shall include interest calculated from the date of payment
15 until the estimated repayment at the rate specified in section
16 45-104.02 as of the expiration of the agreement or the effective
17 date of withdrawal. If the state aid is less than the repayment
18 amount in any school fiscal year, the remaining repayment will
19 reduce state aid in future school fiscal years.

20 (9) If the total amount of incentive payments to school
21 districts for a school year exceeds one percent of the
22 appropriation to the Tax Equity and Educational Opportunities Fund
23 minus two million dollars, the incentive payments shall be reduced
24 proportionately so that the total amount of incentive payments to
25 school districts equals one percent of the appropriation to the Tax
26 Equity and Educational Opportunities Fund. The payments shall not
27 be included in local system formula resources as calculated under
28 section 79-1018.01. No incentive payments shall be made pursuant

1 to this section after July 1, 2004.

2 Sec. 8. Section 79-1015.01, Revised Statutes Supplement,
3 1998, is amended to read:

4 79-1015.01. (1) Local system formula resources shall
5 include local effort rate yield which shall be computed as
6 prescribed in this section.

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

22 Sec. 9. Section 79-1018.01, Revised Statutes Supplement,
23 1998, is amended to read:

24 79-1018.01. Local system formula resources include other
25 actual receipts available for the funding of general fund operating
26 expenditures as determined by the department for the ~~most~~ most recently
27 available complete data year the second school fiscal year
28 immediately preceding the school fiscal year in which aid is to be

1 paid, except that receipts from the Community Improvements Cash
2 Fund and receipts acquired pursuant to the Low-Level Radioactive
3 Waste Disposal Act shall not be included. Other actual receipts
4 include:

5 (1) Public power district sales tax revenue;

6 (2) Fines and license fees;

7 (3) Tuition receipts from individuals, other districts,
8 or any other source except those derived from adult education;

9 (4) Transportation receipts;

10 (5) Interest on investments;

11 (6) Other miscellaneous noncategorical local receipts,
12 not including receipts from private foundations, individuals,
13 associations, or charitable organizations;

14 (7) Special education receipts, excluding grant funds
15 received pursuant to section 9-812;

16 (8) Special education receipts and non-special education
17 receipts from the state for wards of the court and wards of the
18 state;

19 (9) All receipts from the temporary school fund;

20 (10) Motor vehicle tax receipts received on or after
21 January 1, 1998;

22 (11) Pro rata motor vehicle license fee receipts;

23 (12) Other miscellaneous state receipts excluding revenue
24 from the textbook loan program authorized by section 79-734;

25 (13) Impact aid entitlements for the school fiscal year
26 which have actually been received by the district to the extent
27 allowed by federal law;

28 (14) All other noncategorical federal receipts;

1 (15) All receipts pursuant to the enrollment option
2 program under sections 79-232 to 79-246;

3 (16) Receipts under the federal Medicare Catastrophic
4 Coverage Act of 1988 as authorized pursuant to sections 43-2510 and
5 43-2511 but only to the extent of the amount the local system would
6 have otherwise received pursuant to the Special Education Act; and

7 (17) Receipts for accelerated or differentiated
8 curriculum programs pursuant to sections 79-1106 to 79-1108.03.

9 ~~For state aid certified pursuant to section 79-1022,~~
10 ~~other actual receipts shall equal each local system's other actual~~
11 ~~receipts from the most recently available complete data year,~~
12 ~~adjusted by the average annual change in each local system's other~~
13 ~~actual receipts for the most recently available complete data year~~
14 ~~and the two school fiscal years immediately preceding the most~~
15 ~~recently available complete data year. For final calculation of~~
16 ~~state aid pursuant to section 79-1065, other actual receipts shall~~
17 ~~be as reported in the annual financial reports from the most~~
18 ~~recently available complete data year.~~

19 Sec. 10. Section 79-1022, Revised Statutes Supplement,
20 1998, is amended to read:

21 79-1022. (1) On or before ~~December 1~~ of each year April
22 1, 1999, and on or before February 1 for each year thereafter, the
23 department shall determine the amounts to be distributed to each
24 local system and each district pursuant to the Tax Equity and
25 Educational Opportunities Support Act ~~based on estimated funding~~
26 ~~levels provided by the Legislative Fiscal Analyst~~ and shall certify
27 the amounts to the Director of Administrative Services, the Auditor
28 of Public Accounts, and each district. ~~The Legislative Fiscal~~

1 ~~Analyst shall provide such estimated funding level not later than~~
2 ~~November 1 of each year.~~ The amount to be distributed to each
3 district from the amount certified for a local system shall be
4 proportional based on the weighted formula students attributed to
5 each district in the local system. On or before April 1, 1999, and
6 on or before February 1 for each year thereafter, the department
7 shall report the necessary funding level to the Governor, the
8 Appropriations Committee of the Legislature, and the Education
9 Committee of the Legislature.

10 (2) Except as provided in subsection (7) of section
11 79-1016, the amounts certified pursuant to subsection (1) of this
12 section shall be distributed in ten as nearly as possible equal
13 payments on the last business day of each month beginning in
14 September of each ensuing school fiscal year and ending in June of
15 the following year. Such certified state aid amounts shall be
16 shown as budgeted non-property-tax receipts and deducted prior to
17 calculating the property tax request in the district's general fund
18 budget statement as provided to the Auditor of Public Accounts
19 pursuant to section 79-1024.

20 Sec. 11. Section 79-1026, Revised Statutes Supplement,
21 1998, is amended to read:

22 79-1026. ~~On or before December 1 of each year~~ April 1,
23 1999, and on or before February 1 for each year thereafter, the
24 department shall determine and certify to each Class II, III, IV,
25 V, or VI district an applicable allowable growth percentage carried
26 out at least four decimal places for each local system as follows:

27 (1) For each school fiscal year, the department shall
28 determine a target budget level for each local system by

1 multiplying the adjusted formula students as calculated pursuant to
2 section 79-1007.01 by the cost grouping cost per student as
3 calculated under section 79-1007.02. The sum of such product and
4 the local system's special education allowance and transportation
5 allowance shall be each local system's target budget level;

6 (2) The department shall establish a target budget level
7 range of general fund operating expenditure levels for each school
8 fiscal year for each local system which shall begin at twenty
9 percent less than the target budget level and end at the target
10 budget level. The beginning point of the range shall be assigned a
11 number equal to the maximum allowable growth rate established in
12 section 79-1025, and the end point of the range shall be assigned a
13 number equal to the basic allowable growth rate as prescribed in
14 such section such that the lower end of the range shall be assigned
15 the maximum allowable growth rate and the higher end of the range
16 shall be assigned the basic allowable growth rate; and

17 (3) For each school fiscal year, each local system's
18 general fund operating expenditures shall be compared to its target
19 budget level along the range described in subdivision (2) of this
20 section to arrive at an applicable allowable growth rate as
21 follows: If each local system's general fund operating expenditures
22 fall below the lower end of the range, such applicable allowable
23 growth rate shall be the maximum growth rate identified in section
24 79-1025. If each local system's general fund operating
25 expenditures are greater than the higher end of the range, the
26 local system's allowable growth rate shall be the basic growth rate
27 identified in such section. If each local system's general fund
28 operating expenditures fall between the lower end and the higher

1 end of the range, the department shall use a linear interpolation
2 calculation between the end points of the range to arrive at the
3 applicable allowable growth rate for the local system.

4 Sec. 12. Section 79-1027, Revised Statutes Supplement,
5 1998, is amended to read:

6 79-1027. No district shall adopt a budget, which
7 includes contingency funds, depreciation funds, and necessary
8 general fund cash reserves, exceeding the applicable allowable
9 reserve percentages of total general fund budget of expenditures as
10 specified in the schedule set forth in this section.

11	Average daily	Allowable reserve
12	membership of	reserve
13	district	percentage
14	0 - 471	45
15	471.01 - 3,044	35
16	3,044.01 - 10,000	25
17	10,000.01 and over	20

18 On or before ~~December 1~~ April 1, 1999, and on or before
19 February 1 for each year thereafter of each year, the department
20 shall determine and certify each district's applicable allowable
21 reserve percentage.

22 Each district with combined necessary general fund cash
23 reserves, depreciation funds, and contingency funds less than the
24 applicable allowable reserve percentage specified in this section
25 may, notwithstanding the district's applicable allowable growth
26 percentage, increase its necessary general fund cash reserves by an
27 amount which will increase its combined necessary general fund cash
28 reserves, depreciation funds, and contingency funds by two percent

1 of its total general fund budget of expenditures, except that (1) a
2 district shall not increase such necessary general fund cash
3 reserves when such increase will result in total necessary general
4 fund cash reserves, depreciation funds, and contingency funds which
5 exceed the applicable allowable reserve percentage and (2) a
6 district may increase such necessary general fund cash reserves in
7 excess of such two percent limitation due to projected increases in
8 federal funds.

9 Sec. 13. Section 79-1028, Revised Statutes Supplement,
10 1998, is amended to read:

11 79-1028. (1) A Class II, III, IV, V, or VI school
12 district may exceed the local system's allowable growth rate for
13 (a) expenditures in support of a service which is the subject of an
14 interlocal cooperation agreement or a modification of an existing
15 agreement whether operated by one of the parties to the agreement
16 or an independent joint entity, (b) expenditures to pay for repairs
17 to infrastructure damaged by a natural disaster which is declared a
18 disaster emergency pursuant to the Emergency Management Act, (c)
19 expenditures to pay for judgments, except judgments or orders from
20 the Commission of Industrial Relations, obtained against a school
21 district which require or obligate a school district to pay such
22 judgment, to the extent such judgment is not paid by liability
23 insurance coverage of a school district, (d) expenditures to pay
24 for sums agreed to be paid by a school district to certificated
25 employees in exchange for a voluntary termination of employment, or
26 (e) expenditures to pay for lease-purchase contracts approved on or
27 after July 1, 1997, and before July 1, 1998, to the extent the
28 lease payments are not budgeted expenditures for fiscal year

1 1997-98.

2 (2) A Class II, III, IV, V, or VI district may exceed its
 3 applicable allowable growth rate by a specific dollar amount if the
 4 district projects an increase in formula students in the district
 5 over the current school year greater than twenty-five students or
 6 greater than those listed in the schedule provided in this
 7 subsection, whichever is less. Districts shall project increases
 8 in formula students on forms prescribed by the department. The
 9 state board shall approve, deny, or modify the projected increases.

10	Average daily	Projected increase
11	membership of	of formula students
12	district	by percentage
13	0 - 50	10
14	50.01 - 250	5
15	250.01 - 1,000	3
16	1,000.01 and over	1

17 The department shall compute the district's estimated
 18 allowable budget per pupil using the budgeted general fund
 19 expenditures found on the budget statement for the current school
 20 year divided by the number of formula students in the current
 21 school year and multiplied by the district's applicable allowable
 22 growth rate. The resulting allowable budget per pupil shall be
 23 multiplied by the projected formula students to arrive at the
 24 estimated budget needs for the ensuing year. The department shall
 25 allow the district to increase its general fund budget of
 26 expenditures for the ensuing school year by the amount necessary to
 27 fund the estimated budget needs of the district as computed
 28 pursuant to this subsection. On or before July 1, 1998, and on or

1 ~~before December 1, 1998, and each December 1 thereafter~~ April 1,
2 1999, and on or before February 1 for each year thereafter, the
3 department shall make needed revisions in the applicable allowable
4 growth rate of districts which have been allowed additional growth
5 pursuant to this subsection to reflect the actual formula students
6 of such district and shall certify such revisions to each district.

7 (3) A Class II, III, IV, V, or VI district may exceed its
8 applicable allowable growth rate by a specific dollar amount if
9 construction, expansion, or alteration of district buildings will
10 cause an increase in building operation and maintenance costs of at
11 least five percent. The department shall document the projected
12 increase in building operation and maintenance costs and may allow
13 a Class II, III, IV, V, or VI district to exceed the local system's
14 applicable allowable growth percentage by the amount necessary to
15 fund such increased costs. The department shall compute the actual
16 increased costs for the school year and shall, if needed, modify
17 the local system's applicable allowable growth rate for the ensuing
18 school year.

19 (4) A Class II, III, IV, V, or VI district may exceed its
20 applicable allowable growth rate by a specific dollar amount if the
21 district demonstrates to the satisfaction of the state board that
22 it will exceed its applicable allowable growth rate as a result of
23 costs pursuant to the Retirement Incentive Plan authorized in
24 section 79-855 or the Staff Development Assistance authorized in
25 section 79-856. The department shall compute the amount by which
26 the increased cost of such program or programs exceeds the
27 district's applicable allowable growth rate and shall allow the
28 district to increase its general fund expenditures by such amount

1 for that fiscal year.

2 Sec. 14. Section 79-1031, Revised Statutes Supplement,
3 1998, is amended to read:

4 79-1031. The department, with assistance from the
5 Property Tax Administrator, the Legislative Fiscal Analyst, and the
6 budget division of the Department of Administrative Services, shall
7 annually, on or before ~~December~~ November 15, provide data an
8 estimate to the Governor, the Appropriations Committee of the
9 Legislature, and the Education Committee of the Legislature. to
10 enable the Governor to prepare the necessary legislation to:

11 (1) ~~Appropriate an amount which will provide financial~~
12 ~~support from all state sources, including the amounts transferred~~
13 ~~pursuant to sections 79-947.01 and 79-988.01, sufficient to support~~
14 ~~the estimated statewide aggregate general fund operating~~
15 ~~expenditures for Nebraska elementary and secondary public education~~
16 ~~that cannot be met by local resources for the ensuing school fiscal~~
17 ~~year;~~

18 (2)(a) ~~Except as provided in subdivisions (2)(b) and (c)~~
19 ~~of this section, appropriate an amount of income tax revenue~~
20 ~~received to insure that twenty percent of all income tax receipts~~
21 ~~are dedicated to the support of districts throughout the state;~~

22 (b) ~~Appropriate an amount of income tax revenue received~~
23 ~~to insure that twenty-one and twenty-eight hundredths percent of~~
24 ~~all income tax receipts for tax year 1997 are dedicated to the~~
25 ~~support of districts throughout the state; and~~

26 (c) ~~Appropriate an amount of income tax revenue received~~
27 ~~to insure that twenty-one and twenty-five hundredths percent of all~~
28 ~~income tax receipts for tax year 1998 are dedicated to the support~~

1 of districts throughout the state;

2 (3) Appropriate an amount equal to any state aid funds
3 which have been returned to the General Fund from an earlier
4 appropriation; and

5 (4) Establish and implement a local system basic
6 allowable growth rate and a local system allowable growth range for
7 Class II, III, IV, V, or VI district budgets for the ensuing school
8 fiscal year.

9 The Governor shall submit such legislation, along with
10 any modifications made by the Governor as part of his or her annual
11 budget request, to the Legislature.

12 Sec. 15. Section 79-1031.01, Revised Statutes
13 Supplement, 1998, is amended to read:

14 79-1031.01. It is the intent of the Legislature to
15 ensure sufficient appropriations to the Tax Equity and Educational
16 Opportunities Fund to result in a statewide tax levy for each
17 year's state aid calculation that would be less than the maximum
18 tax levy specified in section 77-3442. To carry out the intent of
19 this provision, the Legislative Fiscal Analyst shall calculate an
20 amount which most accurately accounts for the growth in school
21 district budgets. The Appropriations Committee of the Legislature
22 shall annually include ~~such amounts~~ the amount necessary to fund
23 the state aid certified to school districts on or before April 1,
24 1999, and on or before February 1 for each ensuing school year
25 thereafter in its recommendations to the Legislature to carry out
26 the requirements of ~~this section~~ the Tax Equity and Educational
27 Opportunities Support Act.

28 Sec. 16. Section 79-1083.02, Revised Statutes

1 Supplement, 1998, is amended to read:

2 79-1083.02. On or before ~~December 1~~ of each year
3 February 1, the State Department of Education shall designate a
4 primary high school district for each Class I school district for
5 the following school fiscal year. The primary high school district
6 shall be the one Class II, III, IV, V, or VI school district or the
7 unified system with which the greatest share of the Class I
8 district's assessed valuation is affiliated or of which such share
9 is a part for the school fiscal year immediately preceding the
10 school fiscal year in which the primary high school district
11 determination is made. The department shall certify to all school
12 districts and all county clerks the primary high school district
13 for each Class I district.

14 Sec. 17. Section 79-1083.03, Revised Statutes
15 Supplement, 1998, is amended to read:

16 79-1083.03. (1)(a) If the primary high school district
17 is a Class VI district, the Class I district's total allowable
18 general fund budget of expenditures minus the special education
19 budget of expenditures shall be determined by the school board of
20 such Class VI district and shall be certified to the Class I
21 district on or before ~~January 1~~ of each year April 5, 1999, and on
22 or before March 1 for each year thereafter for the following school
23 fiscal year.

24 (b) The Class VI primary high school district shall
25 certify the total allowable general fund budget of expenditures
26 minus the special education budget of expenditures for the Class I
27 district to the State Department of Education on or before ~~April 1~~
28 May 20, 1999, and on or before April 20 for each school fiscal year

1 thereafter.

2 (2) If the primary high school district is not a Class VI
3 district, the Class I district's total allowable general fund
4 budget of expenditures minus the special education budget of
5 expenditures shall be determined by the department as follows and
6 certified on or before ~~December 1 of each year~~ April 1, 1999, and
7 on or before February 1 for each year thereafter for the following
8 school fiscal year:

9 (a) The total allowable general fund budget of
10 expenditures minus the special education budget of expenditures for
11 the Class I district in the school fiscal year immediately
12 preceding the school fiscal year for which the budget is prepared
13 shall be divided by the formula students in the Class I district as
14 defined in section 79-1003, and the result shall be increased by
15 the applicable allowable growth rate for the primary high school
16 district's local system for the ensuing school fiscal year
17 calculated pursuant to section 79-1026 as determined on or before
18 ~~December 1~~ April 1, 1999, and on or before February 1 of the school
19 fiscal year immediately preceding the school fiscal year for which
20 the budget is prepared;

21 (b) The total allowable general fund budget of
22 expenditures minus the special education budget of expenditures for
23 the primary high school district in the school fiscal year
24 immediately preceding the school fiscal year for which the budget
25 is prepared shall be divided by the formula students as defined in
26 section 79-1003 in the primary high school district weighted by the
27 grade weighting factors contained in subdivision (1)(a) of section
28 79-1007.01, and the result shall be multiplied by the kindergarten

1 through grade eight formula students as defined in section 79-1003
2 weighted by the grade weighting factors contained in subdivision
3 (1)(a) of section 79-1007.01 to calculate the total allowable
4 general fund budget of expenditures minus the special education
5 budget of expenditures for kindergarten through grade eight in the
6 primary high school district. The total allowable general fund
7 budget of expenditures minus the special education budget of
8 expenditures for kindergarten through grade eight shall be divided
9 by the kindergarten through grade eight formula students without
10 weighting. The result shall be increased by the applicable
11 allowable growth rate for the primary high school district's local
12 system for the ensuing school fiscal year calculated pursuant to
13 section 79-1026 as determined on or before ~~December 1~~ April 1,
14 1999, and on or before February 1 of the school fiscal year
15 immediately preceding the school fiscal year for which the budget
16 is prepared;

17 (c) The amounts calculated in subdivisions (2)(a) and
18 (2)(b) of this section shall be summed and the result divided by
19 two to arrive at the total allowable general fund budget of
20 expenditures minus the special education budget of expenditures per
21 formula student for the Class I district; and

22 (d) The total allowable general fund budget of
23 expenditures minus the special education budget of expenditures per
24 formula student for the Class I district shall be multiplied by the
25 formula students as defined in section 79-1003 for the Class I
26 district as used by the department for certification of the ensuing
27 school fiscal year's state aid, and the result shall be the total
28 allowable general fund budget of expenditures minus the special

1 education budget of expenditures for the Class I district for the
2 ensuing school fiscal year except as provided in subsection (3) of
3 this section.

4 (3) The school board of the Class I district may, prior
5 to ~~February 1 of each year beginning in 1998~~ April 10, 1999, and on
6 or before March 10 for each year thereafter, submit a request to
7 exceed the total allowable general fund budget of expenditures
8 minus the special education budget of expenditures to all the
9 school boards of the high school district or districts with which
10 the Class I district is affiliated or of which it is a part. For
11 Class I districts to exceed the total allowable general fund budget
12 of expenditures minus the special education budget of expenditures,
13 the request shall be approved by high school districts, including
14 the primary high school district, such that the portions of the
15 Class I district that are affiliated with or part of the approving
16 high school districts comprise at least two-thirds of the assessed
17 valuation of the Class I district. Such request shall specify the
18 total general fund budget of expenditures for which the Class I
19 district seeks authority. The high school district shall act on
20 the request by ~~March 1~~ May 10, 1999, and on or before April 10 for
21 each year thereafter following the receipt of such request.

22 (4) For school fiscal year 1998-99 and each school fiscal
23 year thereafter, all Class I districts shall certify the items
24 required by subsection (1) of section 13-508 to all of their high
25 school districts on or before August 1.

26 (5) All primary high school districts shall certify to
27 the department and all other affected districts, on or before ~~April~~
28 1 May 20, 1999, and on or before April 20 for each year thereafter,

1 the approved ~~budget authority~~ total general fund budget of
2 expenditures for a Class I district when the Class I district has
3 requested to exceed its certified budget authority and the request
4 has been approved.

5 Sec. 18. Section 79-1089, Revised Statutes Supplement,
6 1998, is amended to read:

7 79-1089. In each school district the school board or
8 board of education shall cause to be examined annually by a public
9 accountant or by a certified public accountant all financial
10 records which are maintained directly or indirectly in the
11 administration and management of public school funds. Rules and
12 regulations governing the scope, extent, pattern, and report of the
13 examination shall be adopted and promulgated by the State Board of
14 Education with the advice and counsel of the Auditor of Public
15 Accounts. A copy of the report shall be filed with the
16 Commissioner of Education and the Auditor of Public Accounts on or
17 before November ~~15~~ 1. A copy of the report regarding the
18 examination of a Class I school district shall be filed with the
19 Commissioner of Education and the county superintendent on or
20 before November ~~15~~ 1. When any school district fails to comply
21 with this section, the commissioner shall, after notice to the
22 district and an opportunity to be heard, direct that any state aid
23 granted pursuant to the Tax Equity and Educational Opportunities
24 Support Act be withheld until such time as the district has
25 complied with this section. In addition, the commissioner shall
26 notify the county superintendent to direct the county treasurer to
27 withhold all school money belonging to the school district until
28 such time as the commissioner notifies the county superintendent of

1 compliance by the district with this section. The county treasurer
2 shall withhold such money. If the school district does not comply
3 with this section prior to the end of the state's biennium
4 following the biennium which included the fiscal year for which
5 state aid was calculated, the state aid funds shall revert to the
6 General Fund. The amount of any reverted funds shall be included
7 in data provided to the Governor in accordance with section
8 79-1031.

9 Sec. 19. Original sections 79-1001, 79-1003, 79-1005.01,
10 79-1007.02, 79-1008.01, 79-1010, 79-1015.01, 79-1018.01, 79-1022,
11 79-1026, 79-1027, 79-1028, 79-1031, 79-1031.01, 79-1083.02,
12 79-1083.03, and 79-1089, Revised Statutes Supplement, 1998, are
13 repealed.

14 Sec. 20. Since an emergency exists, this act takes
15 effect when passed and approved according to law.