

COMMITTEE STATEMENT
LB 1134

HEARING DATE: January 27,1998

COMMITTEE ON: Education

TITLE: LB 1134 (Janssen, Bromm, Hartnett, Hudkins, Dw. Pedersen, Robinson, Stuhr, Vrtiska) Change Tax Equity and Educational Opportunities Support Act provisions relating to reorganization incentives

ROLL CALL VOTE - FINAL COMMITTEE ACTION

Advanced to General File

Y Advanced to General File with Amendments

Indefinitely Postponed

Vote Results:

8 Yes Senators Bohlke, Beutler, Brashear, Raikes, Stuhr, Suttle, Willhoft, Wickersham

0 No

0 Present. not voting

0 Absent

PROPONENTS

Senator Ray Janssen

Rex R. Schultze

Harlan Schrieber

David Hingst

Lon Strand

Steve Kruger

Ruth McMaster

Craig Christiansen

REPRESENTING

Introducer

Ally. for Logan View Public Schools

Superintendent. Logan View Public Schools

Logan View Board of Education

Luther Broadview Public School

Sheridan Public School

Auburn Patron

Nebraska State Education Association

OPPONENTS

REPRESENTING

NEUTRAL

Virgil Home

REPRESENTING

Lincoln Public Schools

SUMMARY OF PURPOSE AND/OR CHANGES:

Legislative Bill 1134 amends the reorganization incentive payments by creating a new fund to make the payments from, moving the payments up one year, and doubling the payments for reorganizations involving a Class VI district. A new section is also added with a "hold harmless" provision for reorganized districts.

Section 79-1001 is amended to add the new section to the Tax Equity and Educational Opportunities Support Act.

The base fiscal year definition in § 79-1003 is amended for school district reorganizations occurring during or after 1997-98. For the affected reorganizations, the base fiscal year is the first fiscal year in which the reorganized district provides educational services. Without the amendment, the base fiscal year for these reorganizations would be the second school fiscal year following the year in which the reorganization

occurred. Because reorganizations are generally effective as of June 1 of the year preceding the, delivery of educational services, the base fiscal year is currently the second year the reorganized district provides educational services. The base fiscal year is used in calculating incentive payments and is the first year the reorganized district receives incentive payments.

Section 79-1010 is amended by adding a new subdivision, which creates the Reorganized School Assistance Fund. The initial appropriation to the fund is \$1 million. Beginning with fiscal year 1999-00, 1 % of the Tax Equity and Educational Opportunities Fund will be transferred to the new fund. The fund shall terminate after incentive payments are paid to districts for the 2003-04 school fiscal year and any funds remaining will be transferred back to the Tax Equity and Educational Opportunities Fund.

Incentive payments pursuant to § 79-1010 will be calculated as of August 2 immediately preceding the school year in which the reorganization takes effect and shall be paid from the Reorganized School Assistance Fund. The language regarding the proration of incentive payments is amended to refer to the amount appropriated to the Reorganized School Assistance Fund, rather than 1% of the appropriation to the Tax Equity and Educational Opportunities Fund. The deadline for all incentive payments is moved up from July 1, 2006 to July 1, 2004. Assuming there are no payment delays or errors, all payments will be made by the new deadline with the changes in the bill.

Another new subdivision in § 79-1010 doubles the amount of payments to reorganized district if formed by one or more Class VI districts and one or more Class I districts.

A new section provides that the state aid for a reorganized district shall be at least 100% of the state aid or portion thereof, calculated for districts in the fiscal year prior to the base fiscal year. Payments pursuant to the new section shall also be made from the Reorganized School Assistance Fund until the fund terminates., If the amount of payments exceeds the total amount appropriated, the incentive payment under 79-1010 shall be reduced proportionately.

EXPLANATION OF AMENDMENTS, IF ANY:

The committee amendments strike the original sections and inserts new provisions to:

- a. Create a fund for first year reorganization incentive payments in 1998-99;
- b. Set aside funds for first year reorganization incentives in 1999-00, 2000-01, and 2001-02;
- c. Move first year reorganization incentive payments up one year.

The base fiscal year definition in § 79-1003 is amended for school district reorganizations occurring during or after 1997-98. For the affected reorganizations, the base fiscal year is the first school fiscal year following the fiscal year in which the reorganization occurred. Without the amendment, the base fiscal year for these reorganizations would be the second school fiscal year following the year in which the reorganization occurred. Because reorganizations are generally effective as of June 1 of the year preceding the delivery of educational services, the base fiscal year is currently the second year the reorganized district provides educational services. The base fiscal year is used in calculating incentive payments and is the first year the reorganized district receives incentive payments.

A new section creates the Reorganized School Assistance Fund. The fund shall be used to make base fiscal year incentive payments for 1998-99 and to make transfers to the Cash Reserve Fund. The fund shall receive a transfer of \$2 million from the Cash Reserve Fund on or before September 1, 1998. On or before September 1,

1999, \$2 million will be transferred from the General Fund to the Reorganized School Assistance Fund and then immediately retransferred to the Cash Reserve Fund. An intent is also stated to reduce the appropriation to the Tax Equity and Educational Opportunities Fund for 1999-2000 by a corresponding \$2 million. The Reorganized School Assistance Fund shall terminate on September 2, 1999, and any money remaining in the fund shall revert to the General Fund. Section 79-1001 is amended to add the new section to the Tax Equity and Educational Opportunities Support Act.

Section 79-1010 is amended to set aside funds for base fiscal year incentive payments after the fund terminates and to provide for the earlier payments. For school fiscal years 1999-2000, 2000-2001, and 2001-2002, \$2 million will be set aside from the Tax Equity and Educational Opportunities Fund for base fiscal year incentive payments. The Legislature shall reappropriate unexpended balances of the set-aside funds for the certification of state aid following the school fiscal year in which the incentives were paid.

A new subsection of § 79-1010 directs that incentive payments for the base fiscal year, not already included in the certification of state aid, shall be calculated as of August 2 immediately preceding the base fiscal year and shall be paid from the Reorganized School Assistance Fund for the 1998-99 school fiscal year and from the \$2 million set aside for school fiscal years 1999-2000, 2000-2001, and 2001-2002. The payments shall be made in ten equal payments on the last business day of each month, beginning in September and ending the following June for the base fiscal year. This is the same as the payment schedule for state aid generally. If the total amount of incentive payments to school districts for that school fiscal year exceeds the balance of the Reorganized School Assistance Fund for 1998-99 or \$2 million for school fiscal years 1999-2000, 2000-2001, and 2001-2002, the incentive payments under this subsection shall be reduced proportionately so that the total amount of incentive payments equals the balance of the Fund or the \$2 million, whichever is applicable. The incentive payments shall not be included in district formula resources. No incentive payments shall be made pursuant to this section after July 1, 2002.

Payments under the existing provisions are limited to two consecutive school fiscal years following the base fiscal year if payments were made in the base fiscal year pursuant to the new provisions. A statutory reference to § 79-1018 is replaced with a reference to § 79-1018.01, because the existing reference is to a section that is obsolete. The deadline for all incentive payments is moved up from July 1, 2006 to July 1, 2004 due to moving up the incentive payments by one year last session and another year in this bill. Assuming there are no payment delays or errors, all payments will be made by the new deadline with the changes in the bill.

Section 84-612 is amended by adding a requirement for the State Treasurer to transfer \$2 million dollars from the Cash Reserve Fund to the Reorganized School Assistance Fund on or before September 1, 1998. The section currently creates and provides for the Cash Reserve Fund.

Ardyce Bohlke, Chairperson