

LEGISLATURE OF NEBRASKA
ONE HUNDRED FOURTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 519

Introduced by Sullivan, 41.

Read first time January 21, 2015

Committee:

1 A BILL FOR AN ACT relating to education; to amend sections 79-1001,
2 79-1003, 79-1007.11, 79-1017.01, and 85-1412, Reissue Revised
3 Statutes of Nebraska, and section 9-812, Revised Statutes Cumulative
4 Supplement, 2014; to change provisions relating to the Nebraska
5 Education Improvement Fund; to provide for best practices aid, grant
6 programs, and assistance as prescribed; to provide duties for the
7 State Board of Education, the State Department of Education, the
8 Coordinating Commission for Postsecondary Education, and the
9 Department of Labor; to change provisions relating to state aid to
10 schools; to harmonize provisions; to repeal the original sections;
11 and to outright repeal section 79-2306, Reissue Revised Statutes of
12 Nebraska.
13 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 9-812, Revised Statutes Cumulative Supplement,
2 2014, is amended to read:

3 9-812 (1) All money received from the operation of lottery games
4 conducted pursuant to the State Lottery Act in Nebraska shall be credited
5 to the State Lottery Operation Trust Fund, which fund is hereby created.
6 All payments of the costs of establishing and maintaining the lottery
7 games shall be made from the State Lottery Operation Cash Fund. In
8 accordance with legislative appropriations, money for payments for
9 expenses of the division shall be transferred from the State Lottery
10 Operation Trust Fund to the State Lottery Operation Cash Fund, which fund
11 is hereby created. All money necessary for the payment of lottery prizes
12 shall be transferred from the State Lottery Operation Trust Fund to the
13 State Lottery Prize Trust Fund, which fund is hereby created. The amount
14 used for the payment of lottery prizes shall not be less than forty
15 percent of the dollar amount of the lottery tickets which have been sold.

16 (2) A portion of the dollar amount of the lottery tickets which have
17 been sold on an annualized basis shall be transferred from the State
18 Lottery Operation Trust Fund to the Education Innovation Fund, the
19 Nebraska Opportunity Grant Fund, the Nebraska Education Improvement Fund,
20 the Nebraska Environmental Trust Fund, the Nebraska State Fair Board, and
21 the Compulsive Gamblers Assistance Fund as provided in subsection (3) of
22 this section. The dollar amount transferred pursuant to this subsection
23 shall equal the greater of (a) the dollar amount transferred to the funds
24 in fiscal year 2002-03 or (b) any amount which constitutes at least
25 twenty-two percent and no more than twenty-five percent of the dollar
26 amount of the lottery tickets which have been sold on an annualized
27 basis. To the extent that funds are available, the Tax Commissioner and
28 director may authorize a transfer exceeding twenty-five percent of the
29 dollar amount of the lottery tickets sold on an annualized basis.

30 (3) Of the money available to be transferred to the Education
31 Innovation Fund, the Nebraska Opportunity Grant Fund, the Nebraska

1 Education Improvement Fund, the Nebraska Environmental Trust Fund, the
2 Nebraska State Fair Board, and the Compulsive Gamblers Assistance Fund:

3 (a) The first five hundred thousand dollars shall be transferred to
4 the Compulsive Gamblers Assistance Fund to be used as provided in section
5 9-1006;

6 (b) Beginning July 1, 2016, forty-four and one-half percent of the
7 money remaining after the payment of prizes and operating expenses and
8 the initial transfer to the Compulsive Gamblers Assistance Fund shall be
9 transferred to the Nebraska Education Improvement Fund;

10 (c) Through June 30, 2016, nineteen and three-fourths percent of the
11 money remaining after the payment of prizes and operating expenses and
12 the initial transfer to the Compulsive Gamblers Assistance Fund shall be
13 transferred to the Education Innovation Fund;

14 (d) Through June 30, 2016, twenty-four and three-fourths percent of
15 the money remaining after the payment of prizes and operating expenses
16 and the initial transfer to the Compulsive Gamblers Assistance Fund shall
17 be transferred to the Nebraska Opportunity Grant Fund. The Legislature
18 finds that the Nebraska Opportunity Grant Program is an important state
19 program and that the allocation from the State Lottery Operation Trust
20 Fund should be fully replaced with funding from the General Fund,
21 provided through the state budgeting process pursuant to the budget
22 requests submitted by the Coordinating Commission for Postsecondary
23 Education;

24 (e) Forty-four and one-half percent of the money remaining after the
25 payment of prizes and operating expenses and the initial transfer to the
26 Compulsive Gamblers Assistance Fund shall be transferred to the Nebraska
27 Environmental Trust Fund to be used as provided in the Nebraska
28 Environmental Trust Act;

29 (f) Ten percent of the money remaining after the payment of prizes
30 and operating expenses and the initial transfer to the Compulsive
31 Gamblers Assistance Fund shall be transferred to the Nebraska State Fair

1 Board if the most populous city within the county in which the fair is
2 located provides matching funds equivalent to ten percent of the funds
3 available for transfer. Such matching funds may be obtained from the city
4 and any other private or public entity, except that no portion of such
5 matching funds shall be provided by the state. If the Nebraska State Fair
6 ceases operations, ten percent of the money remaining after the payment
7 of prizes and operating expenses and the initial transfer to the
8 Compulsive Gamblers Assistance Fund shall be transferred to the General
9 Fund; and

10 (g) One percent of the money remaining after the payment of prizes
11 and operating expenses and the initial transfer to the Compulsive
12 Gamblers Assistance Fund shall be transferred to the Compulsive Gamblers
13 Assistance Fund to be used as provided in section 9-1006.

14 (4)(a) The Education Innovation Fund is created. At least seventy-
15 five percent of the lottery proceeds allocated to the Education
16 Innovation Fund shall be available for disbursement.

17 ~~(b) For fiscal year 2013-14, the Education Innovation Fund shall be~~
18 ~~allocated as follows: (i) The first one million dollars shall be~~
19 ~~transferred to the Excellence in Teaching Cash Fund to fund the~~
20 ~~Excellence in Teaching Act; (ii) the next allocation shall be distributed~~
21 ~~to local systems as grants for approved accelerated or differentiated~~
22 ~~curriculum programs for students identified as learners with high ability~~
23 ~~pursuant to section 79-1108.02 in an aggregated amount up to the amount~~
24 ~~distributed in the prior fiscal year for such purposes increased by the~~
25 ~~basic allowable growth rate pursuant to section 79-1025; (iii) up to the~~
26 ~~next one hundred sixty thousand dollars shall be used by the State~~
27 ~~Department of Education to implement section 79-759; (iv) the next one~~
28 ~~million seven hundred fifty thousand dollars shall be allocated to early~~
29 ~~childhood education grants awarded by the department pursuant to section~~
30 ~~79-1103; (v) the next one million dollars shall be transferred to the~~
31 ~~Early Childhood Education Endowment Cash Fund for use pursuant to section~~

1 ~~79-1104.02; (vi) the next two hundred thousand dollars shall be used to~~
2 ~~provide grants to establish bridge programs pursuant to sections 79-1189~~
3 ~~to 79-1195; (vii) the next ten thousand dollars shall be used to fund the~~
4 ~~Interstate Compact on Educational Opportunity for Military Children;~~
5 ~~(viii) the next eighty five thousand five hundred fifty dollars shall be~~
6 ~~allocated to the State Department of Education for distribution pursuant~~
7 ~~to section 79-2306; and (ix) the amount remaining shall be allocated,~~
8 ~~after administrative expenses, for distance education equipment and~~
9 ~~incentives pursuant to sections 79-1336 and 79-1337. No funds received as~~
10 ~~allocations from the Education Innovation Fund pursuant to this~~
11 ~~subdivision may be obligated for payment to be made after June 30, 2016.~~

12 (b e) For fiscal year 2014-15, the Education Innovation Fund shall
13 be allocated, after administrative expenses, as follows: (i) The first
14 one million two hundred thousand dollars shall be transferred to the
15 Excellence in Teaching Cash Fund to fund the Excellence in Teaching Act;
16 (ii) the next allocation shall be distributed to local systems as grants
17 for approved accelerated or differentiated curriculum programs for
18 students identified as learners with high ability pursuant to section
19 79-1108.02 in an aggregated amount up to the amount distributed in the
20 prior fiscal year for such purposes increased by the basic allowable
21 growth rate pursuant to section 79-1025; (iii) the next one million eight
22 hundred fifty thousand dollars shall be allocated to early childhood
23 education grants awarded by the State Department of Education pursuant to
24 section 79-1103; (iv) the next one million dollars shall be transferred
25 to the Early Childhood Education Endowment Cash Fund for use pursuant to
26 section 79-1104.02; (v) the next two hundred thousand dollars shall be
27 used to provide grants to establish bridge programs pursuant to sections
28 79-1189 to 79-1195; (vi) the next ten thousand dollars shall be used to
29 fund the Interstate Compact on Educational Opportunity for Military
30 Children; (vii) the next two million dollars shall be allocated for
31 distance education equipment and incentives pursuant to sections 79-1336

1 and 79-1337; (viii) the next one million dollars shall be transferred to
2 the School District Reorganization Fund; (ix) up to the next one hundred
3 forty-five thousand dollars shall be used by the State Department of
4 Education to implement section 79-759; and (x) the next three hundred
5 thirty-five thousand dollars shall be allocated to local systems as
6 grants awarded by the State Department of Education to assist schools in
7 evaluating and improving career education programs to align such programs
8 with the state's economic and workforce needs. Except for funds
9 transferred to the School District Reorganization Fund, the Early
10 Childhood Education Endowment Cash Fund, or the department for early
11 childhood education grants pursuant to section 79-1103, no funds received
12 as allocations from the Education Innovation Fund pursuant to this
13 subdivision may be obligated for payment to be made after June 30, 2016,
14 and such funds received as transfers or allocations from the Education
15 Innovation Fund that have not been used for their designated purpose as
16 of such date shall be transferred to the Nebraska Education Improvement
17 Fund on or before August 1, 2016.

18 (c) For fiscal year 2015-16, the Education Innovation Fund shall
19 be allocated, after administrative expenses, as follows: (i) The first
20 one million two hundred thousand dollars shall be transferred to the
21 Excellence in Teaching Cash Fund to fund the Excellence in Teaching Act;
22 (ii) the next allocation shall be distributed to local systems as grants
23 for approved accelerated or differentiated curriculum programs for
24 students identified as learners with high ability pursuant to section
25 79-1108.02 in an aggregated amount up to the amount distributed in the
26 prior fiscal year for such purposes increased by the basic allowable
27 growth rate pursuant to section 79-1025; (iii) the next one million nine
28 hundred fifty thousand dollars shall be allocated to early childhood
29 education grants awarded by the State Department of Education pursuant to
30 section 79-1103; (iv) the next one million dollars shall be transferred
31 to the Early Childhood Education Endowment Cash Fund for use pursuant to

1 section 79-1104.02; (v) the next ten thousand dollars shall be used to
2 fund the Interstate Compact on Educational Opportunity for Military
3 Children; (vi) the next two million five hundred thousand dollars shall
4 be allocated for distance education equipment and incentives pursuant to
5 sections 79-1336 and 79-1337; (vii) the next one million dollars shall be
6 transferred to the School District Reorganization Fund; (viii) up to the
7 next one hundred forty-five thousand dollars shall be used by the State
8 Department of Education to implement section 79-759; and (ix) of the
9 amount remaining, (A) three million dollars shall be retained in the
10 Education Innovation Fund to transfer to the Nebraska Education
11 Improvement Fund on June 30, 2016, and (B) the remaining amount shall be
12 allocated to local systems as grants awarded by the State Department of
13 Education to assist schools in evaluating and improving career education
14 programs to align such programs with the state's economic and workforce
15 needs. Except for funds transferred to the School District Reorganization
16 Fund, the Early Childhood Education Endowment Cash Fund, or the
17 department for early childhood education grants pursuant to section
18 79-1103, no funds received as allocations from the Education Innovation
19 Fund pursuant to this subdivision may be obligated for payment to be made
20 after June 30, 2016, and such funds received as transfers or allocations
21 from the Education Innovation Fund that have not been used for their
22 designated purpose as of such date shall be transferred to the Nebraska
23 Education Improvement Fund on or before August 1, 2016.

24 ~~(e)~~—The Education Innovation Fund terminates on June 30, 2016. Any
25 money in the fund on such date shall be transferred to the Nebraska
26 Education Improvement Fund on such date. The Legislature finds that the
27 programs funded by the Education Innovation Fund immediately prior to its
28 termination should continue as state programs with funding from the
29 General Fund, provided through the state budgeting process pursuant to
30 the budget requests submitted by the State Department of Education.

31 (5) The Nebraska Education Improvement Fund is created. The fund

1 shall consist of money transferred pursuant to subsections (3) and (4) of
2 this section, money transferred pursuant to section 85-1920, and any
3 other funds appropriated by the Legislature. The fund shall be allocated
4 as provided in this section for fiscal years 2016-17 through 2026-27. On
5 or before December 31, 2025, the Education Committee of the Legislature
6 shall electronically submit recommendations to the Clerk of the
7 Legislature regarding how the fund should be allocated to best advance
8 the educational priorities of the state for the following ten-year
9 period. For fiscal years 2016-17 through 2026-27, ten percent of the
10 available balance for any fiscal year shall be retained in the fund with
11 ninety percent of the fund allocated as follows: Any money in the fund
12 available for investment shall be invested by the state investment
13 officer pursuant to the Nebraska Capital Expansion Act and the Nebraska
14 State Funds Investment Act.

15 (a) Forty percent of the allocated funds to the State Board of
16 Education for competitive innovation grants pursuant to section 2 of this
17 act;

18 (b) Forty percent of the allocated funds to the Coordinating
19 Commission for Postsecondary Education for competitive innovation grants
20 pursuant to section 3 of this act;

21 (c) Ten percent of the allocated funds to the State Board of
22 Education to assist high school students pursuant to section 4 of this
23 act with postsecondary and certification costs associated with trade
24 occupations that are experiencing shortages of qualified workers; and

25 (d) Ten percent of the allocated funds to the Coordinating
26 Commission for Postsecondary Education to assist students attending
27 community colleges pursuant to section 5 of this act with postsecondary
28 and certification costs associated with trade occupations that are
29 experiencing shortages of qualified workers.

30 (6) Any money in the State Lottery Operation Trust Fund, the State
31 Lottery Operation Cash Fund, the State Lottery Prize Trust Fund, the

1 Nebraska Education Improvement Fund, or the Education Innovation Fund
2 available for investment shall be invested by the state investment
3 officer pursuant to the Nebraska Capital Expansion Act and the Nebraska
4 State Funds Investment Act.

5 (7) Unclaimed prize money on a winning lottery ticket shall be
6 retained for a period of time prescribed by rules and regulations. If no
7 claim is made within such period, the prize money shall be used at the
8 discretion of the Tax Commissioner for any of the purposes prescribed in
9 this section.

10 Sec. 2. (1) The State Board of Education shall establish a
11 competitive innovation grant program with funding from the Nebraska
12 Education Improvement Fund. Grantees shall be a school district, an
13 educational service unit, or a combination of entities that includes at
14 least one school district or educational service unit. For grantees that
15 consist of a combination of entities, a participating school district or
16 educational service unit shall be designated to act as the fiscal agent
17 and administer the program funded by the grant. The state board shall
18 only award grants pursuant to applications that the board deems to be
19 sufficiently innovative and to have a high chance of success.

20 (2) An application for a grant pursuant to subsection (1) of this
21 section shall describe:

22 (a) Specific measurable objectives for improving education outcomes
23 for early childhood students, elementary students, middle school
24 students, or high school students or for improving the transitions
25 between any successive stages of education or between education and the
26 workforce;

27 (b) The method for annually evaluating progress toward a measurable
28 objective, with the final evaluation due six months prior to the end of
29 the grant period;

30 (c) The potential for the project to be both scalable and
31 replicable; and

1 (d) Any cost savings that could be achieved by reductions in other
2 programs if the funded program is successful.

3 (3) Following the final evaluation for each grant, the State Board
4 of Education shall recommend the grant project as:

5 (a) Representing a best practice;

6 (b) A model for a state-supported program; or

7 (c) A local issue for further study.

8 (4) For grant projects that are recommended as best practices after
9 receiving a grant for four years, the State Board of Education may
10 establish criteria allowing such best practices to be included in the
11 best practices allowance to school districts pursuant to section 8 of
12 this act. The criteria shall:

13 (a) Specify qualifications for a school district to participate in
14 the best practices allowance for each best practice to be included in the
15 allowance;

16 (b) Specify a best practices dollar amount based on eighty-five
17 percent of the estimated costs related to each best practice included in
18 the allowance that would not otherwise be incurred without the best
19 practice and that do not replace other such costs;

20 (c) Specify an accountability process which will result in a future
21 aid correction if a school district is found to be in violation of any of
22 the qualifications; and

23 (d) Specify any other criteria deemed relevant by the state board.

24 (5) On or before November 1 of each year for which the best
25 practices allowance has been implemented, the department shall certify to
26 each qualifying school district the amount of the best practices cost
27 pursuant to this section for such school district and the total best
28 practices cost for all qualifying school districts to be included in the
29 calculation of state aid for the next school fiscal year.

30 (6) On or before December 1 of each odd-numbered year, the state
31 board shall electronically submit a report to the Clerk of the

1 Legislature on all such grants, including, but not limited to, the
2 results of the evaluations for each grant and on the best practices
3 allowance if the allowance has been implemented. No more than five
4 percent of the funds received from the Nebraska Education Improvement
5 Fund shall be retained for administration. The state board may adopt and
6 promulgate rules and regulations to carry out this section.

7 Sec. 3. (1) The Coordinating Commission for Postsecondary Education
8 shall establish a competitive innovation grant program with funding from
9 the Nebraska Education Improvement Fund. Grantees shall be a public
10 postsecondary education institution or combination of entities that
11 includes at least one public postsecondary education institution. For
12 grantees that consist of a combination of entities, a participating
13 public postsecondary education institution shall be designated to act as
14 the fiscal agent and administer the program funded by the grant. The
15 commission shall only award grants pursuant to applications that the
16 commission deems to be sufficiently innovative and to have a high chance
17 of success.

18 (2) Applications shall describe:

19 (a) Specific measurable objectives for improving postsecondary
20 education or transition into postsecondary education or into the
21 workforce;

22 (b) The method for annually evaluating progress toward a measurable
23 objective, with the final evaluation due six months prior to the end of
24 the grant;

25 (c) The potential for the project to be both scalable and
26 replicable; and

27 (d) Any cost savings that could be achieved by reductions in other
28 programs if the funded program is successful.

29 (3) Following the final evaluation for each grant, the commission
30 shall recommend the grant project as:

31 (a) Representing a best practice;

1 (b) A model for a state-supported program; or

2 (c) An institutional issue for further study.

3 (4) On or before December 1 of each odd-numbered year, the
4 commission shall electronically submit a report to the Clerk of the
5 Legislature on all such grants, including, but not limited to, the
6 results of the evaluations for each grant. No more than five percent of
7 the funds received from the Nebraska Education Improvement Fund shall be
8 retained for administration. The commission may adopt and promulgate
9 rules and regulations to carry out this section.

10 Sec. 4. The State Board of Education shall establish a program with
11 funding from the Nebraska Education Improvement Fund to provide
12 assistance to high school students for postsecondary education and
13 certification costs associated with obtaining credentials for trade
14 occupations that are experiencing shortages of qualified workers as
15 identified by the Department of Labor pursuant to section 6 of this act.
16 A high school student who begins a course of study for a trade occupation
17 that is on the list described in such section at such time shall continue
18 to be eligible for assistance pursuant to this section for such course of
19 study until the student graduates from high school or otherwise ceases to
20 be a high school student in Nebraska. No more than five percent of the
21 funds received from the Nebraska Education Improvement Fund shall be
22 retained for administration. The state board may adopt and promulgate
23 rules and regulations to carry out this section.

24 Sec. 5. The Coordinating Commission for Postsecondary Education
25 shall establish a program with funding from the Nebraska Education
26 Improvement Fund to provide assistance to community college students for
27 postsecondary education and certification costs associated with obtaining
28 credentials for trade occupations that are on the list described in
29 section 6 of this act. A community college student who begins a course of
30 study for a trade occupation that is on the list described in such
31 section at such time shall continue to be eligible for assistance

1 pursuant to this section for such course of study for a period of three
2 years or until the student completes such course of study, whichever
3 occurs first. No more than five percent of the funds received from the
4 Nebraska Education Improvement Fund shall be retained for administration.
5 The Coordinating Commission for Postsecondary Education may adopt and
6 promulgate rules and regulations to carry out this section.

7 Sec. 6. On or before December 31 of each year, the Department of
8 Labor shall certify to the State Department of Education and the
9 Coordinating Commission for Postsecondary Education a list of trade
10 occupations that are experiencing shortages of qualified workers for use
11 in providing assistance to students during the immediately following
12 fiscal year pursuant to sections 4 and 5 of this act for postsecondary
13 education and certification costs associated with obtaining credentials.
14 The list shall include the specific coursework, certifications, or other
15 postsecondary credentials sought by employers and for which there is a
16 shortage for each listed trade occupation.

17 Sec. 7. Section 79-1001, Reissue Revised Statutes of Nebraska, is
18 amended to read:

19 79-1001 Sections 79-1001 to 79-1033 and section 8 of this act shall
20 be known and may be cited as the Tax Equity and Educational Opportunities
21 Support Act.

22 Sec. 8. For any school fiscal year for which the best practices
23 allowance has been implemented by the State Board of Education, the State
24 Department of Education shall calculate a best practices allowance for
25 each school district qualifying pursuant to section 2 of this act equal
26 to the lesser of (1) the best practices cost certified pursuant to such
27 section for such school district or (2) the product of the best practices
28 cost certified pursuant to such section for such school district
29 multiplied by the ratio of one million dollars divided by the aggregate
30 total of the best practices cost certified for all qualifying school
31 districts for such school fiscal year. Fifty percent of the best

1 practices allowance calculated pursuant to this section for each
2 qualifying school district shall be paid to such school district as best
3 practices aid for the school fiscal year for which aid is being
4 calculated.

5 Sec. 9. Section 79-1003, Reissue Revised Statutes of Nebraska, is
6 amended to read:

7 79-1003 For purposes of the Tax Equity and Educational Opportunities
8 Support Act:

9 (1) Adjusted general fund operating expenditures means (a) for
10 school fiscal years 2013-14 through 2015-16, the difference of the
11 general fund operating expenditures as calculated pursuant to subdivision
12 (22) of this section increased by the cost growth factor calculated
13 pursuant to section 79-1007.10, minus the transportation allowance,
14 special receipts allowance, poverty allowance, limited English
15 proficiency allowance, distance education and telecommunications
16 allowance, elementary site allowance, summer school allowance,
17 instructional time allowance, teacher education allowance, and focus
18 school and program allowance, and (b) for school fiscal year 2016-17 and
19 each school fiscal year thereafter, the difference of the general fund
20 operating expenditures as calculated pursuant to subdivision (22) of this
21 section increased by the cost growth factor calculated pursuant to
22 section 79-1007.10, minus the transportation allowance, special receipts
23 allowance, poverty allowance, limited English proficiency allowance,
24 distance education and telecommunications allowance, elementary site
25 allowance, summer school allowance, best practices allowance, and focus
26 school and program allowance;

27 (2) Adjusted valuation means the assessed valuation of taxable
28 property of each local system in the state, adjusted pursuant to the
29 adjustment factors described in section 79-1016. Adjusted valuation means
30 the adjusted valuation for the property tax year ending during the school
31 fiscal year immediately preceding the school fiscal year in which the aid

1 based upon that value is to be paid. For purposes of determining the
2 local effort rate yield pursuant to section 79-1015.01, adjusted
3 valuation does not include the value of any property which a court, by a
4 final judgment from which no appeal is taken, has declared to be
5 nontaxable or exempt from taxation;

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

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

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

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

18 (7) Categorical funds means funds limited to a specific purpose by
19 federal or state law, including, but not limited to, Title I funds, Title
20 VI funds, federal vocational education funds, federal school lunch funds,
21 Indian education funds, Head Start funds, and funds from the Education
22 Innovation Fund. Categorical funds does not include funds received
23 pursuant to section 79-1028.02 or 79-1028.04;

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

27 (9) Converted contract means an expired contract that was in effect
28 for at least fifteen school years beginning prior to school year 2012-13
29 for the education of students in a nonresident district in exchange for
30 tuition from the resident district when the expiration of such contract
31 results in the nonresident district educating students, who would have

1 been covered by the contract if the contract were still in effect, as
2 option students pursuant to the enrollment option program established in
3 section 79-234;

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

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

11 (12) District means any Class I, II, III, IV, V, or VI school
12 district and, beginning with the calculation of state aid for school
13 fiscal year 2011-12 and each school fiscal year thereafter, a unified
14 system as defined in section 79-4,108;

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

17 (14) Equalization aid means the amount of assistance calculated to
18 be paid to a local system pursuant to sections 79-1007.11 to 79-1007.23,
19 79-1007.25, 79-1008.01 to 79-1022, 79-1022.02, 79-1028.02, and
20 79-1028.04;

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

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

27 (17) Formula students means:

28 (a) For state aid certified pursuant to section 79-1022, the sum of
29 the product of fall membership from the school fiscal year immediately
30 preceding the school fiscal year in which the aid is to be paid
31 multiplied by the average ratio of average daily membership to fall

1 membership for the second school fiscal year immediately preceding the
2 school fiscal year in which the aid is to be paid and the prior two
3 school fiscal years plus sixty percent of the qualified early childhood
4 education fall membership plus tuitioned students from the school fiscal
5 year immediately preceding the school fiscal year in which aid is to be
6 paid minus the product of the number of students enrolled in kindergarten
7 that is not full-day kindergarten from the fall membership multiplied by
8 0.5; and

9 (b) For the final calculation of state aid pursuant to section
10 79-1065, the sum of average daily membership plus sixty percent of the
11 qualified early childhood education average daily membership plus
12 tuitioned students minus the product of the number of students enrolled
13 in kindergarten that is not full-day kindergarten from the average daily
14 membership multiplied by 0.5 from the school fiscal year immediately
15 preceding the school fiscal year in which aid was paid;

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

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

22 (20) General fund budget of expenditures means the total budget of
23 disbursements and transfers for general fund purposes as certified in the
24 budget statement adopted pursuant to the Nebraska Budget Act, except that
25 for purposes of the limitation imposed in section 79-1023 and the
26 calculation pursuant to subdivision (2) of section 79-1027.01, the
27 general fund budget of expenditures does not include any special grant
28 funds, exclusive of local matching funds, received by a district;

29 (21) General fund expenditures means all expenditures from the
30 general fund;

31 (22) General fund operating expenditures means for state aid

1 calculated for school fiscal years 2012-13 and each school fiscal year
2 thereafter, as reported on the annual financial report for the second
3 school fiscal year immediately preceding the school fiscal year in which
4 aid is to be paid, the total general fund expenditures minus (a) the
5 amount of all receipts to the general fund, to the extent that such
6 receipts are not included in local system formula resources, from early
7 childhood education tuition, summer school tuition, educational entities
8 as defined in section 79-1201.01 for providing distance education courses
9 through the Educational Service Unit Coordinating Council to such
10 educational entities, private foundations, individuals, associations,
11 charitable organizations, the textbook loan program authorized by section
12 79-734, federal impact aid, and levy override elections pursuant to
13 section 77-3444, (b) the amount of expenditures for categorical funds,
14 tuition paid, transportation fees paid to other districts, adult
15 education, community services, redemption of the principal portion of
16 general fund debt service, retirement incentive plans authorized by
17 section 79-855, and staff development assistance authorized by section
18 79-856, (c) the amount of any transfers from the general fund to any bond
19 fund and transfers from other funds into the general fund, (d) any legal
20 expenses in excess of fifteen-hundredths of one percent of the formula
21 need for the school fiscal year in which the expenses occurred, (e)
22 expenditures to pay for sums agreed to be paid by a school district to
23 certificated employees in exchange for a voluntary termination occurring
24 prior to July 1, 2009, occurring on or after the last day of the 2010-11
25 school year and prior to the first day of the 2013-14 school year, or, to
26 the extent that a district has demonstrated to the State Board of
27 Education pursuant to section 79-1028.01 that the agreement will result
28 in a net savings in salary and benefit costs to the school district over
29 a five-year period, occurring on or after the first day of the 2013-14
30 school year, (f)(i) expenditures to pay for employer contributions
31 pursuant to subsection (2) of section 79-958 to the School Employees

1 Retirement System of the State of Nebraska to the extent that such
2 expenditures exceed the employer contributions under such subsection that
3 would have been made at a contribution rate of seven and thirty-five
4 hundredths percent or (ii) expenditures to pay for school district
5 contributions pursuant to subdivision (1)(c)(i) of section 79-9,113 to
6 the retirement system established pursuant to the Class V School
7 Employees Retirement Act to the extent that such expenditures exceed the
8 school district contributions under such subdivision that would have been
9 made at a contribution rate of seven and thirty-seven hundredths percent,
10 and (g) any amounts paid by the district for lobbyist fees and expenses
11 reported to the Clerk of the Legislature pursuant to section 49-1483.

12 For purposes of this subdivision (22) of this section, receipts from
13 levy override elections shall equal ninety-nine percent of the difference
14 of the total general fund levy minus a levy of one dollar and five cents
15 per one hundred dollars of taxable valuation multiplied by the assessed
16 valuation for school districts that have voted pursuant to section
17 77-3444 to override the maximum levy provided pursuant to section
18 77-3442;

19 (23) High school district means a school district providing
20 instruction in at least grades nine through twelve;

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

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

27 (26) Limited English proficiency students means the number of
28 students with limited English proficiency in a district from the most
29 recent data available on November 1 of the school fiscal year preceding
30 the school fiscal year in which aid is to be paid plus the difference of
31 such students with limited English proficiency minus the average number

1 of limited English proficiency students for such district, prior to such
2 addition, for the three immediately preceding school fiscal years if such
3 difference is greater than zero;

4 (27) Local system means a learning community for purposes of
5 calculation of state aid for the second full school fiscal year after
6 becoming a learning community and each school fiscal year thereafter, a
7 unified system, a Class VI district and the associated Class I districts,
8 or a Class II, III, IV, or V district and any affiliated Class I
9 districts or portions of Class I districts. The membership, expenditures,
10 and resources of Class I districts that are affiliated with multiple high
11 school districts will be attributed to local systems based on the percent
12 of the Class I valuation that is affiliated with each high school
13 district;

14 (28) Low-income child means a child under nineteen years of age
15 living in a household having an annual adjusted gross income for the
16 second calendar year preceding the beginning of the school fiscal year
17 for which aid is being calculated equal to or less than the maximum
18 household income that would allow a student from a family of four people
19 to be a free lunch and free milk student during the school fiscal year
20 immediately preceding the school fiscal year for which aid is being
21 calculated;

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

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

1 (31) Poverty students means the number of low-income students or the
2 number of students who are free lunch and free milk students in a
3 district plus the difference of the number of low-income students or the
4 number of students who are free lunch and free milk students in a
5 district, whichever is greater, minus the average number of poverty
6 students for such district, prior to such addition, for the three
7 immediately preceding school fiscal years if such difference is greater
8 than zero;

9 (32) Qualified early childhood education average daily membership
10 means the product of the average daily membership for school fiscal year
11 2006-07 and each school fiscal year thereafter of students who will be
12 eligible to attend kindergarten the following school year and are
13 enrolled in an early childhood education program approved by the
14 department pursuant to section 79-1103 for such school district for such
15 school year multiplied by the ratio of the actual instructional hours of
16 the program divided by one thousand thirty-two if: (a) The program is
17 receiving a grant pursuant to such section for the third year; (b) the
18 program has already received grants pursuant to such section for three
19 years; or (c) the program has been approved pursuant to subsection (5) of
20 section 79-1103 for such school year and the two preceding school years,
21 including any such students in portions of any of such programs receiving
22 an expansion grant;

23 (33) Qualified early childhood education fall membership means the
24 product of membership on the last Friday in September 2006 and each year
25 thereafter of students who will be eligible to attend kindergarten the
26 following school year and are enrolled in an early childhood education
27 program approved by the department pursuant to section 79-1103 for such
28 school district for such school year multiplied by the ratio of the
29 planned instructional hours of the program divided by one thousand
30 thirty-two if: (a) The program is receiving a grant pursuant to such
31 section for the third year; (b) the program has already received grants

1 pursuant to such section for three years; or (c) the program has been
2 approved pursuant to subsection (5) of section 79-1103 for such school
3 year and the two preceding school years, including any such students in
4 portions of any of such programs receiving an expansion grant;

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

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

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

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

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

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

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

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

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

1 special education transportation;

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

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

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

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

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

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

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

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

1 system's adjusted formula students multiplied by the average formula cost
2 per student in the local system's cost grouping;

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

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

10 (49) Very sparse local system means a local system that has:

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

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

22 Sec. 10. Section 79-1007.11, Reissue Revised Statutes of Nebraska,
23 is amended to read:

24 79-1007.11 (1) Except as otherwise provided in this section, for
25 school fiscal years 2013-14 through 2015-16, each school district's
26 formula need shall equal the difference of the sum of the school
27 district's basic funding, poverty allowance, limited English proficiency
28 allowance, focus school and program allowance, summer school allowance,
29 special receipts allowance, transportation allowance, elementary site
30 allowance, instructional time allowance, teacher education allowance,
31 distance education and telecommunications allowance, averaging

1 adjustment, new learning community transportation adjustment, student
2 growth adjustment, any positive student growth adjustment correction, and
3 new school adjustment, minus the sum of the limited English proficiency
4 allowance correction, poverty allowance correction, and any negative
5 student growth adjustment correction.

6 (2) Except as otherwise provided in this section, for school fiscal
7 year 2016-17 and each school fiscal year thereafter, each school
8 district's formula need shall equal the difference of the sum of the
9 school district's basic funding, poverty allowance, limited English
10 proficiency allowance, focus school and program allowance, summer school
11 allowance, special receipts allowance, transportation allowance,
12 elementary site allowance, best practices allowance, distance education
13 and telecommunications allowance, averaging adjustment, new learning
14 community transportation adjustment, student growth adjustment, any
15 positive student growth adjustment correction, and new school adjustment,
16 minus the sum of the limited English proficiency allowance correction,
17 poverty allowance correction, and any negative student growth adjustment
18 correction.

19 (3) If the formula need calculated for a school district pursuant to
20 subsections (1) and (2) of this section is less than one hundred percent
21 of the formula need for such district for the school fiscal year
22 immediately preceding the school fiscal year for which aid is being
23 calculated, the formula need for such district shall equal one hundred
24 percent of the formula need for such district for the school fiscal year
25 immediately preceding the school fiscal year for which aid is being
26 calculated.

27 (4) Except as provided in subsection (6) of this section, if the
28 formula need calculated for a school district pursuant to subsections (1)
29 and (2) of this section is more than one hundred twelve percent of the
30 formula need for such district for the school fiscal year immediately
31 preceding the school fiscal year for which aid is being calculated, the

1 formula need for such district shall equal one hundred twelve percent of
2 the formula need for such district for the school fiscal year immediately
3 preceding the school fiscal year for which aid is being calculated,
4 except that the formula need shall not be reduced pursuant to this
5 subsection for any district receiving a student growth adjustment for the
6 school fiscal year for which aid is being calculated.

7 (5) For purposes of subsections (3) and (4) of this section, the
8 formula need for the school fiscal year immediately preceding the school
9 fiscal year for which aid is being calculated shall be the formula need
10 used in the final calculation of aid pursuant to section 79-1065 and for
11 districts that were affected by a reorganization with an effective date
12 in the calendar year preceding the calendar year in which aid is
13 certified for the school fiscal year for which aid is being calculated,
14 the formula need for the school fiscal year immediately preceding the
15 school fiscal year for which aid is being calculated shall be attributed
16 to the affected school districts based on information provided to the
17 department by the school districts or proportionally based on the
18 adjusted valuation transferred if sufficient information has not been
19 provided to the department.

20 (6) For state aid calculated for the first full school fiscal year
21 of a new learning community, if the formula need calculated for a member
22 school district pursuant to subsections (1) through (3) of this section
23 is less than the sum of the school district's state aid certified for the
24 school fiscal year immediately preceding the first full school fiscal
25 year of the learning community plus the school district's other actual
26 receipts included in local system formula resources pursuant to section
27 79-1018.01 for such school fiscal year plus the product of the school
28 district's general fund levy for such school fiscal year up to one dollar
29 and five cents multiplied by the school district's assessed valuation for
30 such school fiscal year, the formula need for such school district for
31 the school fiscal year for which aid is being calculated shall equal such

1 sum.

2 Sec. 11. Section 79-1017.01, Reissue Revised Statutes of Nebraska,
3 is amended to read:

4 79-1017.01 ~~(1) For state aid calculated for school fiscal year~~
5 ~~2013-14, local system formula resources includes retirement aid~~
6 ~~determined under section 79-1028.03, teacher education aid determined for~~
7 ~~each district pursuant to subdivision (2) of section 79-1007.25,~~
8 ~~instructional time aid determined pursuant to subsection (2) of section~~
9 ~~79-1007.23, allocated income tax funds determined for each district~~
10 ~~pursuant to section 79-1005.01, and adjustments pursuant to section~~
11 ~~79-1008.02 and is reduced by amounts paid by the district in the most~~
12 ~~recently available complete data year as property tax refunds pursuant to~~
13 ~~or in the manner prescribed by section 77-1736.06.~~

14 (1 2) For state aid calculated for school fiscal years 2014-15 and
15 2015-16, local system formula resources includes teacher education aid
16 determined for each district pursuant to section 79-1007.25,
17 instructional time aid determined pursuant to subsection (2) of section
18 79-1007.23, allocated income tax funds determined for each district
19 pursuant to section 79-1005.01, and adjustments pursuant to section
20 79-1008.02 and is reduced by amounts paid by the district in the most
21 recently available complete data year as property tax refunds pursuant to
22 or in the manner prescribed by section 77-1736.06.

23 (2 3) For state aid calculated for school fiscal year 2016-17 and
24 each school fiscal year thereafter, local system formula resources
25 includes best practices aid pursuant to section 8 of this act, if any
26 districts in the local system qualify, allocated income tax funds
27 determined for each district pursuant to section 79-1005.01 and
28 adjustments pursuant to section 79-1008.02 and is reduced by amounts paid
29 by the district in the most recently available complete data year as
30 property tax refunds pursuant to or in the manner prescribed by section
31 77-1736.06.

1 Sec. 12. Section 85-1412, Reissue Revised Statutes of Nebraska, is
2 amended to read:

3 85-1412 The commission shall have the following additional powers
4 and duties:

5 (1) Conduct surveys and studies as may be necessary to undertake the
6 coordination function of the commission pursuant to section 85-1403 and
7 request information from governing boards and appropriate administrators
8 of public institutions and other governmental agencies for research
9 projects. All public institutions and governmental agencies receiving
10 state funds shall comply with reasonable requests for information under
11 this subdivision. Public institutions may comply with such requests
12 pursuant to section 85-1417;

13 (2) Recommend to the Legislature and the Governor legislation it
14 deems necessary or appropriate to improve postsecondary education in
15 Nebraska and any other legislation it deems appropriate to change the
16 role and mission provisions in sections 85-917 to 85-966.01. The
17 recommendations submitted to the Legislature shall be submitted
18 electronically;

19 (3) Establish any advisory committees as may be necessary to
20 undertake the coordination function of the commission pursuant to section
21 85-1403 or to solicit input from affected parties such as students,
22 faculty, governing boards, administrators of the public institutions,
23 administrators of the private nonprofit institutions of postsecondary
24 education and proprietary institutions in the state, and community and
25 business leaders regarding the coordination function of the commission;

26 (4) Participate in or designate an employee or employees to
27 participate in any committee which may be created to prepare a
28 coordinated plan for the delivery of educational programs and services in
29 Nebraska through the telecommunications system;

30 (5) Seek a close liaison with the State Board of Education and the
31 State Department of Education in recognition of the need for close

1 coordination of activities between elementary and secondary education and
2 postsecondary education;

3 (6) Administer the Integrated Postsecondary Education Data System or
4 other information system or systems to provide the commission with
5 timely, comprehensive, and meaningful information pertinent to the
6 exercise of its duties. The information system shall be designed to
7 provide comparable data on each public institution. The commission shall
8 also administer the uniform information system prescribed in sections
9 85-1421 to 85-1427 known as the Nebraska Educational Data System. Public
10 institutions shall supply the appropriate data for the information system
11 or systems required by the commission;

12 (7) Administer (a) the Access College Early Scholarship Program Act,
13 (b) the Community College Aid Act, (c) the Nebraska Community College
14 Student Performance and Occupational Education Grant Fund under the
15 direction of the Nebraska Community College Student Performance and
16 Occupational Education Grant Committee, (d) the Nebraska Opportunity
17 Grant Act, and (e) the Postsecondary Institution Act;

18 (8) Accept and administer loans, grants, and programs from the
19 federal or state government and from other sources, public and private,
20 for carrying out any of its functions, including the administration of
21 privately endowed scholarship programs. Such loans and grants shall not
22 be expended for any other purposes than those for which the loans and
23 grants were provided. The commission shall determine eligibility for such
24 loans, grants, and programs, and such loans and grants shall not be
25 expended unless approved by the Governor;

26 (9) On or before December 1 of each even-numbered year, submit to
27 the Legislature and the Governor a report of its objectives and
28 activities and any new private colleges in Nebraska and the
29 implementation of any recommendations of the commission for the preceding
30 two calendar years. The report submitted to the Legislature shall be
31 submitted electronically;

1 (10) Provide staff support for interstate compacts on postsecondary
2 education;~~and~~

3 (11) Establish and carry out the programs described in sections 3
4 and 5 of this act; and

5 (~~12~~ ~~11~~) Request inclusion of the commission in any existing grant
6 review process and information system.

7 Sec. 13. Original sections 79-1001, 79-1003, 79-1007.11,
8 79-1017.01, and 85-1412, Reissue Revised Statutes of Nebraska, and
9 section 9-812, Revised Statutes Cumulative Supplement, 2014, are
10 repealed.

11 Sec. 14. The following section is outright repealed: Section
12 79-2306, Reissue Revised Statutes of Nebraska.