

LEGISLATURE OF NEBRASKA
ONE HUNDRED FIFTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 633

Introduced by Kolowski, 31.

Read first time January 18, 2017

Committee: Revenue

1 A BILL FOR AN ACT relating to the Tax Equity and Educational
2 Opportunities Support Act; to amend sections 77-3442, 79-1003, and
3 79-1028.01, Revised Statutes Cumulative Supplement, 2016; to
4 authorize school districts to levy for school security measures and
5 student technology as prescribed; to redefine a term; to authorize
6 school districts to exceed budget limitations as prescribed; to
7 authorize the creation of school funds; to repeal the original
8 sections; and to declare an emergency.
9 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-3442, Revised Statutes Cumulative Supplement,
2 2016, is amended to read:

3 77-3442 (1) Property tax levies for the support of local governments
4 for fiscal years beginning on or after July 1, 1998, shall be limited to
5 the amounts set forth in this section except as provided in section
6 77-3444.

7 (2)(a) Except as provided in subdivisions (2)(b) and (2)(e) of this
8 section, school districts and multiple-district school systems may levy a
9 maximum levy of one dollar and five cents per one hundred dollars of
10 taxable valuation of property subject to the levy.

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

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

25 (d) Excluded from the limitations in subdivisions (2)(a) and (2)(c)
26 of this section are amounts levied to pay for sums agreed to be paid by a
27 school district to certificated employees in exchange for a voluntary
28 termination of employment, amounts levied in compliance with sections
29 79-10,110 and 79-10,110.02, and amounts levied to pay for special
30 building funds and sinking funds established for projects commenced prior
31 to April 1, 1996, for construction, expansion, or alteration of school

1 district buildings. For purposes of this subdivision subsection,
2 commenced means any action taken by the school board on the record which
3 commits the board to expend district funds in planning, constructing, or
4 carrying out the project.

5 (e) Federal aid school districts may exceed the maximum levy
6 prescribed by subdivision (2)(a) or (2)(c) of this section only to the
7 extent necessary to qualify to receive federal aid pursuant to Title VIII
8 of Public Law 103-382, as such title existed on September 1, 2001. For
9 purposes of this subdivision, federal aid school district means any
10 school district which receives ten percent or more of the revenue for its
11 general fund budget from federal government sources pursuant to Title
12 VIII of Public Law 103-382, as such title existed on September 1, 2001.

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

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

28 (h) For each fiscal year, school districts may, upon a two-thirds
29 majority vote of the school board of the school district, levy a maximum
30 levy of one cent on each one hundred dollars of taxable property subject
31 to the levy for school security measures. The levy authorized in this

1 subdivision shall be excluded from the limitations in subdivision (2)(a)
2 of this section. The proceeds of such levy shall be deposited by the
3 school district into a fund created pursuant to section 4 of this act.

4 (i) For each fiscal year, school districts may, upon a two-thirds
5 majority vote of the school board of the school district, levy a maximum
6 levy of one cent on each one hundred dollars of taxable property subject
7 to the levy for student technology expenditures. The levy authorized in
8 this subdivision shall be excluded from the limitations in subdivision
9 (2)(a) of this section. The proceeds of such levy shall be deposited by
10 the school district into a fund created pursuant to section 5 of this
11 act.

12 (3) For each fiscal year, community college areas may levy the
13 levies provided in subdivisions (2)(a) through (c) of section 85-1517, in
14 accordance with the provisions of such subdivisions. A community college
15 area may exceed the levy provided in subdivision (2)(b) of section
16 85-1517 by the amount necessary to retire general obligation bonds
17 assumed by the community college area or issued pursuant to section
18 85-1515 according to the terms of such bonds or for any obligation
19 pursuant to section 85-1535 entered into prior to January 1, 1997.

20 (4)(a) Natural resources districts may levy a maximum levy of four
21 and one-half cents per one hundred dollars of taxable valuation of
22 property subject to the levy.

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

1 (c) In addition, natural resources districts located in a river
2 basin, subbasin, or reach that has been determined to be fully
3 appropriated pursuant to section 46-714 or designated as overappropriated
4 pursuant to section 46-713 by the Department of Natural Resources shall
5 also have the power and authority to levy a tax equal to the dollar
6 amount by which their restricted funds budgeted to administer and
7 implement ground water management activities and integrated management
8 activities under the Nebraska Ground Water Management and Protection Act
9 exceed their restricted funds budgeted to administer and implement ground
10 water management activities and integrated management activities for
11 FY2005-06, not to exceed three cents on each one hundred dollars of
12 taxable valuation on all of the taxable property within the district for
13 fiscal year 2006-07 and each fiscal year thereafter through fiscal year
14 2017-18.

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

19 (6)(a) Incorporated cities and villages which are not within the
20 boundaries of a municipal county may levy a maximum levy of forty-five
21 cents per one hundred dollars of taxable valuation of property subject to
22 the levy plus an additional five cents per one hundred dollars of taxable
23 valuation to provide financing for the municipality's share of revenue
24 required under an agreement or agreements executed pursuant to the
25 Interlocal Cooperation Act or the Joint Public Agency Act. The maximum
26 levy shall include amounts levied to pay for sums to support a library
27 pursuant to section 51-201, museum pursuant to section 51-501, visiting
28 community nurse, home health nurse, or home health agency pursuant to
29 section 71-1637, or statue, memorial, or monument pursuant to section
30 80-202.

31 (b) Incorporated cities and villages which are within the boundaries

1 of a municipal county may levy a maximum levy of ninety cents per one
2 hundred dollars of taxable valuation of property subject to the levy. The
3 maximum levy shall include amounts paid to a municipal county for county
4 services, amounts levied to pay for sums to support a library pursuant to
5 section 51-201, a museum pursuant to section 51-501, a visiting community
6 nurse, home health nurse, or home health agency pursuant to section
7 71-1637, or a statue, memorial, or monument pursuant to section 80-202.

8 (7) Sanitary and improvement districts which have been in existence
9 for more than five years may levy a maximum levy of forty cents per one
10 hundred dollars of taxable valuation of property subject to the levy, and
11 sanitary and improvement districts which have been in existence for five
12 years or less shall not have a maximum levy. Unconsolidated sanitary and
13 improvement districts which have been in existence for more than five
14 years and are located in a municipal county may levy a maximum of eighty-
15 five cents per hundred dollars of taxable valuation of property subject
16 to the levy.

17 (8) Counties may levy or authorize a maximum levy of fifty cents per
18 one hundred dollars of taxable valuation of property subject to the levy,
19 except that five cents per one hundred dollars of taxable valuation of
20 property subject to the levy may only be levied to provide financing for
21 the county's share of revenue required under an agreement or agreements
22 executed pursuant to the Interlocal Cooperation Act or the Joint Public
23 Agency Act. The maximum levy shall include amounts levied to pay for sums
24 to support a library pursuant to section 51-201 or museum pursuant to
25 section 51-501. The county may allocate up to fifteen cents of its
26 authority to other political subdivisions subject to allocation of
27 property tax authority under subsection (1) of section 77-3443 and not
28 specifically covered in this section to levy taxes as authorized by law
29 which do not collectively exceed fifteen cents per one hundred dollars of
30 taxable valuation on any parcel or item of taxable property. The county
31 may allocate to one or more other political subdivisions subject to

1 allocation of property tax authority by the county under subsection (1)
2 of section 77-3443 some or all of the county's five cents per one hundred
3 dollars of valuation authorized for support of an agreement or agreements
4 to be levied by the political subdivision for the purpose of supporting
5 that political subdivision's share of revenue required under an agreement
6 or agreements executed pursuant to the Interlocal Cooperation Act or the
7 Joint Public Agency Act. If an allocation by a county would cause another
8 county to exceed its levy authority under this section, the second county
9 may exceed the levy authority in order to levy the amount allocated.

10 (9) Municipal counties may levy or authorize a maximum levy of one
11 dollar per one hundred dollars of taxable valuation of property subject
12 to the levy. The municipal county may allocate levy authority to any
13 political subdivision or entity subject to allocation under section
14 77-3443.

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

26 (11) Property tax levies (a) for judgments, except judgments or
27 orders from the Commission of Industrial Relations, obtained against a
28 political subdivision which require or obligate a political subdivision
29 to pay such judgment, to the extent such judgment is not paid by
30 liability insurance coverage of a political subdivision, (b) for
31 preexisting lease-purchase contracts approved prior to July 1, 1998, (c)

1 for bonds as defined in section 10-134 approved according to law and
2 secured by a levy on property except as provided in section 44-4317 for
3 bonded indebtedness issued by educational service units and school
4 districts, and (d) for payments by a public airport to retire interest-
5 free loans from the Department of Aeronautics in lieu of bonded
6 indebtedness at a lower cost to the public airport are not included in
7 the levy limits established by this section.

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

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

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

19 (15) For school districts that file a binding resolution on or
20 before May 9, 2008, with the county assessors, county clerks, and county
21 treasurers for all counties in which the school district has territory
22 pursuant to subsection (7) of section 79-458, if the combined levies,
23 except levies for bonded indebtedness approved by the voters of the
24 school district and levies for the refinancing of such bonded
25 indebtedness, are in excess of the greater of (a) one dollar and twenty
26 cents per one hundred dollars of taxable valuation of property subject to
27 the levy or (b) the maximum levy authorized by a vote pursuant to section
28 77-3444, all school district levies, except levies for bonded
29 indebtedness approved by the voters of the school district and levies for
30 the refinancing of such bonded indebtedness, shall be considered
31 unauthorized levies under section 77-1606.

1 Sec. 2. Section 79-1003, Revised Statutes Cumulative Supplement,
2 2016, is amended to read:

3 79-1003 For purposes of the Tax Equity and Educational Opportunities
4 Support Act:

5 (1) Adjusted general fund operating expenditures means (a) for
6 school fiscal years 2013-14 through 2015-16, the difference of the
7 general fund operating expenditures as calculated pursuant to subdivision
8 (23) of this section increased by the cost growth factor calculated
9 pursuant to section 79-1007.10, minus the transportation allowance,
10 special receipts allowance, poverty allowance, limited English
11 proficiency allowance, distance education and telecommunications
12 allowance, elementary site allowance, summer school allowance,
13 instructional time allowance, teacher education allowance, and focus
14 school and program allowance, (b) for school fiscal years 2016-17 through
15 2018-19, the difference of the general fund operating expenditures as
16 calculated pursuant to subdivision (23) of this section increased by the
17 cost growth factor calculated pursuant to section 79-1007.10, minus the
18 transportation allowance, special receipts allowance, poverty allowance,
19 limited English proficiency allowance, distance education and
20 telecommunications allowance, elementary site allowance, summer school
21 allowance, best practices allowance, and focus school and program
22 allowance, and (c) for school fiscal year 2019-20 and each school fiscal
23 year thereafter, the difference of the general fund operating
24 expenditures as calculated pursuant to subdivision (23) of this section
25 increased by the cost growth factor calculated pursuant to section
26 79-1007.10, minus the transportation allowance, special receipts
27 allowance, poverty allowance, limited English proficiency allowance,
28 distance education and telecommunications allowance, elementary site
29 allowance, summer school allowance, best practices allowance, community
30 achievement plan allowance, and focus school and program allowance;

31 (2) Adjusted valuation means the assessed valuation of taxable

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

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

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

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

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

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

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

31 (9) Converted contract means an expired contract that was in effect

1 for at least fifteen school years beginning prior to school year 2012-13
2 for the education of students in a nonresident district in exchange for
3 tuition from the resident district when the expiration of such contract
4 results in the nonresident district educating students, who would have
5 been covered by the contract if the contract were still in effect, as
6 option students pursuant to the enrollment option program established in
7 section 79-234;

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

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

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

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

21 (14) Equalization aid means the amount of assistance calculated to
22 be paid to a local system pursuant to sections 79-1007.11 to 79-1007.23,
23 79-1007.25, 79-1008.01 to 79-1022, and 79-1022.02;

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

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

30 (17) Formula students means:

31 (a) For state aid certified pursuant to section 79-1022, the sum of

1 the product of fall membership from the school fiscal year immediately
2 preceding the school fiscal year in which the aid is to be paid
3 multiplied by the average ratio of average daily membership to fall
4 membership for the second school fiscal year immediately preceding the
5 school fiscal year in which the aid is to be paid and the prior two
6 school fiscal years plus sixty percent of the qualified early childhood
7 education fall membership plus tuitioned students from the school fiscal
8 year immediately preceding the school fiscal year in which aid is to be
9 paid minus the product of the number of students enrolled in kindergarten
10 that is not full-day kindergarten from the fall membership multiplied by
11 0.5; and

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

19 (18) Free lunch and free milk calculated students means, using the
20 most recent data available on November 1 of the school fiscal year
21 immediately preceding the school fiscal year in which aid is to be paid,

22 (a) for schools that did not provide free meals to all students pursuant
23 to the community eligibility provision, students who individually
24 qualified for free lunches or free milk pursuant to the federal Richard
25 B. Russell National School Lunch Act, 42 U.S.C. 1751 et seq., and the
26 federal Child Nutrition Act of 1966, 42 U.S.C. 1771 et seq., as such acts
27 and sections existed on January 1, 2015, and rules and regulations
28 adopted thereunder, plus (b) for schools that provided free meals to all
29 students pursuant to the community eligibility provision, (i) for school
30 fiscal year 2016-17, the product of the students who attended such school
31 multiplied by the identified student percentage calculated pursuant to

1 such federal provision or (ii) for school fiscal year 2017-18 and each
2 school fiscal year thereafter, the greater of the number of students in
3 such school who individually qualified for free lunch or free milk using
4 the most recent school fiscal year for which the school did not provide
5 free meals to all students pursuant to the community eligibility
6 provision or one hundred ten percent of the product of the students who
7 qualified for free meals at such school pursuant to the community
8 eligibility provision multiplied by the identified student percentage
9 calculated pursuant to such federal provision, except that the free lunch
10 and free milk students calculated for any school pursuant to subdivision
11 (18)(b)(ii) of this section shall not exceed one hundred percent of the
12 students qualified for free meals at such school pursuant to the
13 community eligibility provision;

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

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

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

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

30 (23) General fund operating expenditures means for state aid
31 calculated for school fiscal years 2012-13 and each school fiscal year

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

1 expenditures exceed the employer contributions under such subsection that
2 would have been made at a contribution rate of seven and thirty-five
3 hundredths percent or (ii) expenditures to pay for school district
4 contributions pursuant to subdivision (1)(c)(i) of section 79-9,113 to
5 the retirement system established pursuant to the Class V School
6 Employees Retirement Act to the extent that such expenditures exceed the
7 school district contributions under such subdivision that would have been
8 made at a contribution rate of seven and thirty-seven hundredths percent,
9 ~~and~~ (g) any amounts paid by the district for lobbyist fees and expenses
10 reported to the Clerk of the Legislature pursuant to section 49-1483, and
11 (h) expenditures of funds received from the levies authorized in
12 subdivisions (2)(h) and (i) of section 77-3442 for school security
13 measures and student technology.

14 For purposes of this subdivision (23) of this section, receipts from
15 levy override elections shall equal ninety-nine percent of the difference
16 of the total general fund levy minus a levy of one dollar and five cents
17 per one hundred dollars of taxable valuation multiplied by the assessed
18 valuation for school districts that have voted pursuant to section
19 77-3444 to override the maximum levy provided pursuant to section
20 77-3442;

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

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

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

29 (27) Limited English proficiency students means the number of
30 students with limited English proficiency in a district from the most
31 recent data available on November 1 of the school fiscal year preceding

1 the school fiscal year in which aid is to be paid plus the difference of
2 such students with limited English proficiency minus the average number
3 of limited English proficiency students for such district, prior to such
4 addition, for the three immediately preceding school fiscal years if such
5 difference is greater than zero;

6 (28) Local system means a learning community for purposes of
7 calculation of state aid for each school fiscal year prior to school
8 fiscal year 2017-18, a unified system, a Class VI district and the
9 associated Class I districts, or a Class II, III, IV, or V district and
10 any affiliated Class I districts or portions of Class I districts. The
11 membership, expenditures, and resources of Class I districts that are
12 affiliated with multiple high school districts will be attributed to
13 local systems based on the percent of the Class I valuation that is
14 affiliated with each high school district;

15 (29) Low-income child means (a) for school fiscal years prior to
16 2016-17, a child under nineteen years of age living in a household having
17 an annual adjusted gross income for the second calendar year preceding
18 the beginning of the school fiscal year for which aid is being calculated
19 equal to or less than the maximum household income that would allow a
20 student from a family of four people to be a free lunch and free milk
21 student during the school fiscal year immediately preceding the school
22 fiscal year for which aid is being calculated and (b) for school fiscal
23 year 2016-17 and each school fiscal year thereafter, a child under
24 nineteen years of age living in a household having an annual adjusted
25 gross income for the second calendar year preceding the beginning of the
26 school fiscal year for which aid is being calculated equal to or less
27 than the maximum household income pursuant to sections 9(b)(1) and 17(c)
28 (4) of the Richard B. Russell National School Lunch Act, 42 U.S.C.
29 1758(b)(1) and 42 U.S.C. 1766(c)(4), respectively, and sections 3(a)(6)
30 and 4(e)(1)(A) of the Child Nutrition Act of 1966, 42 U.S.C. 1772(a)(6)
31 and 42 U.S.C. 1773(e)(1)(A), respectively, as such acts and sections

1 existed on January 1, 2015, for a household of that size that would have
2 allowed the child to meet the income qualifications for free meals during
3 the school fiscal year immediately preceding the school fiscal year for
4 which aid is being calculated;

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

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

15 (32) Poverty students means (a) for school fiscal years prior to
16 2016-17, the number of low-income students or the number of students who
17 are free lunch and free milk students in a district plus the difference
18 of the number of low-income students or the number of students who are
19 free lunch and free milk students in a district, whichever is greater,
20 minus the average number of poverty students for such district, prior to
21 such addition, for the three immediately preceding school fiscal years if
22 such difference is greater than zero and (b) for school fiscal year
23 2016-17 and each school fiscal year thereafter, the unadjusted poverty
24 students plus the difference of such unadjusted poverty students minus
25 the average number of poverty students for such district, prior to such
26 addition, for the three immediately preceding school fiscal years if such
27 difference is greater than zero;

28 (33) Qualified early childhood education average daily membership
29 means the product of the average daily membership for school fiscal year
30 2006-07 and each school fiscal year thereafter of students who will be
31 eligible to attend kindergarten the following school year and are

1 enrolled in an early childhood education program approved by the
2 department pursuant to section 79-1103 for such school district for such
3 school year multiplied by the ratio of the actual instructional hours of
4 the program divided by one thousand thirty-two if: (a) The program is
5 receiving a grant pursuant to such section for the third year; (b) the
6 program has already received grants pursuant to such section for three
7 years; or (c) the program has been approved pursuant to subsection (5) of
8 section 79-1103 for such school year and the two preceding school years,
9 including any such students in portions of any of such programs receiving
10 an expansion grant;

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

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

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

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

31 (38) Sparse local system means a local system that is not a very

1 sparse local system but which meets the following criteria:

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

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

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

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

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

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

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

30 (42) State board means the State Board of Education;

31 (43) State support means all funds provided to districts by the

1 State of Nebraska for the general fund support of elementary and
2 secondary education;

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

6 (45) Statewide average general fund operating expenditures per
7 formula student means the statewide total general fund operating
8 expenditures for all districts divided by the statewide total formula
9 students for all districts;

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

11 (47) Temporary aid adjustment factor means (a) for school fiscal
12 years before school fiscal year 2007-08, one and one-fourth percent of
13 the sum of the local system's transportation allowance, the local
14 system's special receipts allowance, and the product of the local
15 system's adjusted formula students multiplied by the average formula cost
16 per student in the local system's cost grouping and (b) for school fiscal
17 year 2007-08, one and one-fourth percent of the sum of the local system's
18 transportation allowance, special receipts allowance, and distance
19 education and telecommunications allowance and the product of the local
20 system's adjusted formula students multiplied by the average formula cost
21 per student in the local system's cost grouping;

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

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

29 (50) Unadjusted poverty students means, for school fiscal year
30 2016-17 and each school fiscal year thereafter, the greater of the number
31 of low-income students or the free lunch and free milk calculated

1 students in a district; and

2 (51) Very sparse local system means a local system that has:

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

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

14 Sec. 3. Section 79-1028.01, Revised Statutes Cumulative Supplement,
15 2016, is amended to read:

16 79-1028.01 (1) For each school fiscal year, a school district may
17 exceed its budget authority for the general fund budget of expenditures
18 as calculated pursuant to section 79-1023 for such school fiscal year by
19 a specific dollar amount for the following exclusions:

20 (a) Expenditures for repairs to infrastructure damaged by a natural
21 disaster which is declared a disaster emergency pursuant to the Emergency
22 Management Act;

23 (b) Expenditures for judgments, except judgments or orders from the
24 Commission of Industrial Relations, obtained against a school district
25 which require or obligate a school district to pay such judgment, to the
26 extent such judgment is not paid by liability insurance coverage of a
27 school district;

28 (c) Expenditures pursuant to the Retirement Incentive Plan
29 authorized in section 79-855 or the Staff Development Assistance
30 authorized in section 79-856;

31 (d) Expenditures of amounts received from educational entities as

1 defined in section 79-1201.01 for providing distance education courses
2 through the Educational Service Unit Coordinating Council to such
3 educational entities;

4 (e) Expenditures to pay for employer contributions pursuant to
5 subsection (2) of section 79-958 to the School Employees Retirement
6 System of the State of Nebraska to the extent that such expenditures
7 exceed the employer contributions under such subsection that would have
8 been made at a contribution rate of seven and thirty-five hundredths
9 percent;

10 (f) Expenditures to pay for school district contributions pursuant
11 to subdivision (1)(c)(i) of section 79-9,113 to the retirement system
12 established pursuant to the Class V School Employees Retirement Act to
13 the extent that such expenditures exceed the school district
14 contributions under such subdivision that would have been made at a
15 contribution rate of seven and thirty-seven hundredths percent;

16 (g) Expenditures for sums agreed to be paid by a school district to
17 certificated employees in exchange for a voluntary termination occurring
18 prior to July 1, 2009, occurring on or after the last day of the 2010-11
19 school year and prior to the first day of the 2013-14 school year, or, to
20 the extent that a district demonstrates to the State Board of Education
21 pursuant to subsection (3) of this section that the agreement will result
22 in a net savings in salary and benefit costs to the school district over
23 a five-year period, occurring on or after the first day of the 2013-14
24 school year;

25 (h) The special education budget of expenditures;

26 (i) Expenditures of special grant funds;~~and~~

27 (j) Expenditures of funds received as federal impact aid pursuant to
28 20 U.S.C. 7701 to 7714, as such sections existed on January 1, 2016, due
29 to a district having land within its boundaries that is federal property
30 classified as Indian lands under 20 U.S.C. 7713(7), as such section
31 existed on January 1, 2016, and funds received as impact aid due to

1 children in attendance who resided on Indian lands in accordance with 20
2 U.S.C. 7703(a)(1)(C), as such section existed on January 1, 2016; and -

3 (k) Expenditures of funds received from the levies authorized in
4 subdivisions (2)(h) and (i) of section 77-3442 for school security
5 measures and student technology.

6 (2) For each school fiscal year, a school district may exceed its
7 budget authority for the general fund budget of expenditures as
8 calculated pursuant to section 79-1023 for such school fiscal year by a
9 specific dollar amount and include such dollar amount in the budget of
10 expenditures used to calculate budget authority for the general fund
11 budget of expenditures pursuant to section 79-1023 for future years for
12 the following exclusions:

13 (a) The first school fiscal year the district will be participating
14 in Network Nebraska for the full school fiscal year, for the difference
15 of the estimated expenditures for such school fiscal year for
16 telecommunications services, access to data transmission networks that
17 transmit data to and from the school district, and the transmission of
18 data on such networks as such expenditures are defined by the department
19 for purposes of the distance education and telecommunications allowance
20 minus the dollar amount of such expenditures for the second school fiscal
21 year preceding the first full school fiscal year the district
22 participates in Network Nebraska;

23 (b) Expenditures for new elementary attendance sites in the first
24 year of operation or the first year of operation after being closed for
25 at least one school year if such elementary attendance site will most
26 likely qualify for the elementary site allowance in the immediately
27 following school fiscal year as determined by the state board;

28 (c) For the first school fiscal year for which early childhood
29 education membership is included in formula students for the calculation
30 of state aid, expenditures for early childhood education equal to the
31 amount the school district received in early childhood education grants

1 pursuant to section 79-1103 for the prior school fiscal year, increased
2 by the basic allowable growth rate; and

3 (d) For school fiscal year 2013-14, an amount not to exceed two
4 percent over the previous school year if such increase is approved by a
5 seventy-five percent majority vote of the school board of such district.

6 (3) The state board shall approve, deny, or modify the amount
7 allowed for any exclusions to the budget authority for the general fund
8 budget of expenditures pursuant to this section.

9 Sec. 4. If a school district makes a levy for school security
10 measures pursuant to subdivision (2)(h) of section 77-3442, the school
11 board or board of education of such school district shall establish a
12 school security fund for the proceeds of such levy. Such funds shall be
13 used only for school security measures.

14 Sec. 5. If a school district makes a levy for school technology
15 pursuant to subdivision (2)(i) of section 77-3442, the school board or
16 board of education of such school district shall establish a student
17 technology fund for the proceeds of such levy. Such funds shall be used
18 only for student technology expenditures.

19 Sec. 6. Original sections 77-3442, 79-1003, and 79-1028.01, Revised
20 Statutes Cumulative Supplement, 2016, are repealed.

21 Sec. 7. Since an emergency exists, this act takes effect when
22 passed and approved according to law.