

LEGISLATURE OF NEBRASKA

ONE HUNDRED SECOND LEGISLATURE

FIRST SESSION

LEGISLATIVE BILL 382

Final Reading

Introduced by Nordquist, 7; at the request of the Governor.

Read first time January 13, 2011

Committee: Nebraska Retirement Systems

A BILL

1 FOR AN ACT relating to retirement; to amend section 79-988.01,
2 Reissue Revised Statutes of Nebraska, sections 79-958,
3 79-966, 79-9,113, and 81-2017, Revised Statutes
4 Cumulative Supplement, 2010, section 79-1028.01, Revised
5 Statutes Cumulative Supplement, 2010, as amended by
6 section 21, Legislative Bill 235, One Hundred Second
7 Legislature, First Session, 2011, and section 79-1003,
8 Revised Statutes Cumulative Supplement, 2010, as amended
9 by section 2, Legislative Bill 18, One Hundred Second
10 Legislature, First Session, 2011, and section 5,
11 Legislative Bill 235, One Hundred Second Legislature,
12 First Session, 2011; to change contribution and deposit
13 requirements for employees and employers for school
14 retirement systems and the Nebraska State Patrol
15 Retirement System; to change provisions relating to
16 calculation of state aid for schools; to repeal the

1 original sections; and to declare an emergency.

2 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 79-958, Revised Statutes Cumulative
2 Supplement, 2010, is amended to read:

3 79-958 (1) ~~Beginning on September 1, 2006, and ending~~
4 ~~August 31, 2007, for the purpose of providing the funds to pay for~~
5 ~~formula annuities, every employee shall be required to deposit in the~~
6 ~~School Retirement Fund seven and eighty-three hundredths percent of~~
7 ~~compensation. Beginning on September 1, 2007, and ending August 31,~~
8 ~~2009, for the purpose of providing the funds to pay for formula~~
9 ~~annuities, every employee shall be required to deposit in the School~~
10 ~~Retirement Fund seven and twenty-eight hundredths percent of~~
11 ~~compensation. Beginning on September 1, 2009, and ending August 31,~~
12 ~~2014, 2011, for the purpose of providing the funds to pay for formula~~
13 ~~annuities, every employee shall be required to deposit in the School~~
14 ~~Retirement Fund eight and twenty-eight hundredths percent of~~
15 ~~compensation. Beginning on September 1, 2011, and ending August 31,~~
16 ~~2012, for the purpose of providing the funds to pay for formula~~
17 ~~annuities, every employee shall be required to deposit in the School~~
18 ~~Retirement Fund eight and eighty-eight hundredths percent of~~
19 ~~compensation. Beginning on September 1, 2012, and ending August 31,~~
20 ~~2017, for the purpose of providing the funds to pay for formula~~
21 ~~annuities, every employee shall be required to deposit in the School~~
22 ~~Retirement Fund nine and seventy-eight hundredths percent of~~
23 ~~compensation. Beginning on September 1, 2014, 2017, for the purpose~~
24 ~~of providing the funds to pay for formula annuities, every employee~~
25 ~~shall be required to deposit in the School Retirement Fund seven and~~

1 twenty-eight hundredths percent of compensation. Such deposits shall
2 be transmitted at the same time and in the same manner as required
3 employer contributions.

4 (2) For the purpose of providing the funds to pay for
5 formula annuities, every employer shall be required to deposit in the
6 School Retirement Fund one hundred one percent of the required
7 contributions of the school employees of each employer. Such deposits
8 shall be transmitted to the retirement board at the same time and in
9 the same manner as such required employee contributions.

10 (3) The employer shall pick up the member contributions
11 required by this section for all compensation paid on or after
12 January 1, 1986, and the contributions so picked up shall be treated
13 as employer contributions in determining federal tax treatment under
14 the Internal Revenue Code as defined in section 49-801.01, except
15 that the employer shall continue to withhold federal income taxes
16 based upon these contributions until the Internal Revenue Service or
17 the federal courts rule that, pursuant to section 414(h) of the code,
18 these contributions shall not be included as gross income of the
19 member until such time as they are distributed or made available. The
20 employer shall pay these member contributions from the same source of
21 funds which is used in paying earnings to the member. The employer
22 shall pick up these contributions by a compensation deduction through
23 a reduction in the cash compensation of the member. Member
24 contributions picked up shall be treated for all purposes of the
25 School Employees Retirement Act in the same manner and to the same

1 extent as member contributions made prior to the date picked up.

2 (4) The employer shall pick up the member contributions
3 made through irrevocable payroll deduction authorizations pursuant to
4 sections 79-921, 79-933.03 to 79-933.06, and 79-933.08, and the
5 contributions so picked up shall be treated as employer contributions
6 in the same manner as contributions picked up under subsection (3) of
7 this section.

8 Sec. 2. Section 79-966, Revised Statutes Cumulative
9 Supplement, 2010, is amended to read:

10 79-966 (1) On the basis of all data in the possession of
11 the retirement board, including such mortality and other tables as
12 are recommended by the actuary engaged by the retirement board and
13 adopted by the retirement board, the retirement board shall annually,
14 on or before July 1, determine the state deposit to be made by the
15 state in the School Retirement Fund for that fiscal year. The amount
16 of such state deposit shall be determined pursuant to section
17 79-966.01. The retirement board shall thereupon certify the amount of
18 such state deposit, and on the warrant of the Director of
19 Administrative Services, the State Treasurer shall, as of July 1 of
20 such year, transfer from funds appropriated by the state for that
21 purpose to the School Retirement Fund the amount of such state
22 deposit.

23 (2) In addition to the state deposits required by
24 subsections (1) and (3) of this section, the state shall deposit in
25 the School Retirement Fund an amount equal to seven-tenths of one

1 percent of the compensation of all members of the retirement system
2 for each fiscal year on or after July 1, 1984, until July 1, 2009.
3 For each fiscal year beginning July 1, 2009, until July 1, ~~2014,~~
4 2017, in addition to the state deposits required by subsections (1)
5 and (3) of this section, the state shall deposit in the School
6 Retirement Fund an amount equal to one percent of the compensation of
7 all members of the retirement system. For each fiscal year beginning
8 July 1, ~~2014,~~2017, in addition to the state deposits required by
9 subsections (1) and (3) of this section, the state shall deposit in
10 the School Retirement Fund an amount equal to seven-tenths of one
11 percent of the compensation of all members of the retirement system.

12 (3) In addition to the state deposits required by
13 subsections (1) and (2) of this section, beginning on July 1, 2005,
14 and each fiscal year thereafter, the state shall deposit in the
15 Service Annuity Fund such amounts as may be necessary to pay the
16 normal cost and amortize the unfunded actuarial accrued liability of
17 the service annuity benefit established pursuant to sections 79-933
18 and 79-952 as accrued through the end of the previous fiscal year of
19 the school employees who are members of the retirement system
20 established pursuant to the Class V School Employees Retirement Act.

21 Sec. 3. Section 79-988.01, Reissue Revised Statutes of
22 Nebraska, is amended to read:

23 79-988.01 ~~In~~ Through the 2013-14 fiscal year, in addition
24 to the transfers pursuant to section 79-916, the state shall transfer
25 to the funds of each retirement system provided for in the Class V

1 School Employees Retirement Act an amount equal to 14.11604 percent
2 of six million eight hundred ninety-five thousand dollars.

3 Sec. 4. Section 79-9,113, Revised Statutes Cumulative
4 Supplement, 2010, is amended to read:

5 79-9,113 (1)(a) If, at any future time, a majority of the
6 eligible members of the retirement system votes to be included under
7 an agreement providing old age and survivors insurance under the
8 Social Security Act of the United States, the contributions to be
9 made by the member and the school district for membership service,
10 from and after the effective date of the agreement with respect to
11 services performed subsequent to December 31, 1954, shall each be
12 reduced from five to three percent but not less than three percent of
13 the member's salary per annum, and the credits for membership service
14 under this system, as provided in section 79-999, shall thereafter be
15 reduced from one and one-half percent to nine-tenths of one percent
16 and not less than nine-tenths of one percent of salary or wage earned
17 by the member during each fiscal year, and from one and sixty-five
18 hundredths percent to one percent and not less than one percent of
19 salary or wage earned by the member during each fiscal year and from
20 two percent to one and two-tenths percent of salary or wage earned by
21 the member during each fiscal year, and from two and four-tenths
22 percent to one and forty-four hundredths percent of salary or wage
23 earned by the member during each fiscal year, except that after
24 September 1, 1963, and prior to September 1, 1969, all employees of
25 the school district shall contribute an amount equal to the

1 membership contribution which shall be two and three-fourths percent
2 of salary covered by old age and survivors insurance, and five
3 percent above that amount. Commencing September 1, 1969, all
4 employees of the school district shall contribute an amount equal to
5 the membership contribution which shall be two and three-fourths
6 percent of the first seven thousand eight hundred dollars of salary
7 or wages earned each fiscal year and five percent of salary or wages
8 earned above that amount in the same fiscal year. Commencing
9 September 1, 1976, all employees of the school district shall
10 contribute an amount equal to the membership contribution which shall
11 be two and nine-tenths percent of the first seven thousand eight
12 hundred dollars of salary or wages earned each fiscal year and five
13 and twenty-five hundredths percent of salary or wages earned above
14 that amount in the same fiscal year. Commencing on September 1, 1982,
15 all employees of the school district shall contribute an amount equal
16 to the membership contribution which shall be four and nine-tenths
17 percent of the compensation earned in each fiscal year. Commencing
18 September 1, 1989, all employees of the school district shall
19 contribute an amount equal to the membership contribution which shall
20 be five and eight-tenths percent of the compensation earned in each
21 fiscal year. Commencing September 1, 1995, all employees of the
22 school district shall contribute an amount equal to the membership
23 contribution which shall be six and three-tenths percent of the
24 compensation earned in each fiscal year. Commencing September 1,
25 2007, all employees of the school district shall contribute an amount

1 equal to the membership contribution which shall be seven and three-
2 tenths percent of the compensation paid in each fiscal year.
3 Commencing September 1, 2009, all employees of the school district
4 shall contribute an amount equal to the membership contribution which
5 shall be eight and three-tenths percent of the compensation paid in
6 each fiscal year. Commencing September 1, 2011, all employees of the
7 school district shall contribute an amount equal to the membership
8 contribution which shall be nine and three-tenths percent of the
9 compensation paid in each fiscal year.

10 (b) The contributions by the school district in any
11 fiscal year beginning on or after September 1, 1999, shall be the
12 greater of (i) one hundred percent of the contributions by the
13 employees for such fiscal year or (ii) such amount as may be
14 necessary to maintain the solvency of the system, as determined
15 annually by the board upon recommendation of the actuary and the
16 trustees.

17 (c) The contributions by the school district in any
18 fiscal year beginning on or after September 1, 2007, shall be the
19 greater of (i) one hundred and one percent of the contributions by
20 the employees for such fiscal year or (ii) such amount as may be
21 necessary to maintain the solvency of the system, as determined
22 annually by the board upon recommendation of the actuary and the
23 trustees.

24 (d) The employee's contribution shall be made in the form
25 of a monthly deduction from compensation as provided in subsection

1 (2) of this section. Every employee who is a member of the system
2 shall be deemed to consent and agree to such deductions and shall
3 receipt in full for compensation, and payment to such employee of
4 compensation less such deduction shall constitute a full and complete
5 discharge of all claims and demands whatsoever for services rendered
6 by such employee during the period covered by such payment except as
7 to benefits provided under the Class V School Employees Retirement
8 Act.

9 (e) After September 1, 1963, and prior to September 1,
10 1969, all employees shall be credited with a membership service
11 annuity which shall be nine-tenths of one percent of salary or wage
12 covered by old age and survivors insurance and one and one-half
13 percent of salary or wages above that amount, except that those
14 employees who retire on or after August 31, 1969, shall be credited
15 with a membership service annuity which shall be one percent of
16 salary or wages covered by old age and survivors insurance and one
17 and sixty-five hundredths percent of salary or wages above that
18 amount for service performed after September 1, 1963, and prior to
19 September 1, 1969. Commencing September 1, 1969, all employees shall
20 be credited with a membership service annuity which shall be one
21 percent of the first seven thousand eight hundred dollars of salary
22 or wages earned by the employee during each fiscal year and one and
23 sixty-five hundredths percent of salary or wages earned above that
24 amount in the same fiscal year, except that all employees retiring on
25 or after August 31, 1976, shall be credited with a membership service

1 annuity which shall be one and forty-four hundredths percent of the
2 first seven thousand eight hundred dollars of salary or wages earned
3 by the employee during such fiscal year and two and four-tenths
4 percent of salary or wages earned above that amount in the same
5 fiscal year and the retirement annuities of employees who have not
6 retired prior to September 1, 1963, and who elected under the
7 provisions of section 79-988 as such section existed immediately
8 prior to February 20, 1982, not to become members of the system shall
9 not be less than they would have been had they remained under any
10 preexisting system to date of retirement.

11 (f) Members of this system having the service
12 qualifications of members of the School Retirement System of the
13 State of Nebraska, as provided by section 79-926, shall receive the
14 state service annuity provided by sections 79-933 to 79-935 and
15 79-951.

16 (2) The school district shall pick up the employee
17 contributions required by this section for all compensation paid on
18 or after January 1, 1985, and the contributions so picked up shall be
19 treated as employer contributions in determining federal tax
20 treatment under the Internal Revenue Code, except that the school
21 district shall continue to withhold federal income taxes based upon
22 these contributions until the Internal Revenue Service or the federal
23 courts rule that, pursuant to section 414(h) of the Internal Revenue
24 Code, these contributions shall not be included as gross income of
25 the employee until such time as they are distributed or made

1 available. The school district shall pay these employee contributions
2 from the same source of funds which is used in paying earnings to the
3 employee. The school district shall pick up these contributions by a
4 salary deduction either through a reduction in the cash salary of the
5 employee or a combination of a reduction in salary and offset against
6 a future salary increase. Beginning September 1, 1995, the school
7 district shall also pick up any contributions required by sections
8 79-990, 79-991, and 79-992 which are made under an irrevocable
9 payroll deduction authorization between the member and the school
10 district, and the contributions so picked up shall be treated as
11 employer contributions in determining federal tax treatment under the
12 Internal Revenue Code, except that the school district shall continue
13 to withhold federal and state income taxes based upon these
14 contributions until the Internal Revenue Service rules that, pursuant
15 to section 414(h) of the Internal Revenue Code, these contributions
16 shall not be included as gross income of the employee until such time
17 as they are distributed from the system. Employee contributions
18 picked up shall be treated for all purposes of the Class V School
19 Employees Retirement Act in the same manner and to the extent as
20 employee contributions made prior to the date picked up.

21 Sec. 5. Section 79-1003, Revised Statutes Cumulative
22 Supplement, 2010, as amended by section 2, Legislative Bill 18, One
23 Hundred Second Legislature, First Session, 2011, and section 5,
24 Legislative Bill 235, One Hundred Second Legislature, First Session,
25 2011, is amended to read:

1 79-1003 For purposes of the Tax Equity and Educational
2 Opportunities Support Act:

3 (1) Adjusted general fund operating expenditures means
4 (a) for school fiscal years 2010-11 through 2012-13, the difference
5 of the general fund operating expenditures as calculated pursuant to
6 subdivision (22) of this section increased by, or for aid calculated
7 for school fiscal year 2010-11 multiplied by, the cost growth factor
8 calculated pursuant to section 79-1007.10, minus the transportation
9 allowance, special receipts allowance, poverty allowance, limited
10 English proficiency allowance, distance education and
11 telecommunications allowance, elementary site allowance, elementary
12 class size allowance, summer school allowance, instructional time
13 allowance, teacher education allowance, and focus school and program
14 allowance, and (b) for school fiscal year 2013-14 and each school
15 fiscal year thereafter, the difference of the general fund operating
16 expenditures as calculated pursuant to subdivision (22) of this
17 section increased by the cost growth factor calculated pursuant to
18 section 79-1007.10, minus the transportation allowance, special
19 receipts allowance, poverty allowance, limited English proficiency
20 allowance, distance education and telecommunications allowance,
21 elementary site allowance, summer school allowance, instructional
22 time allowance, teacher education allowance, and focus school and
23 program allowance;

24 (2) Adjusted valuation means the assessed valuation of
25 taxable property of each local system in the state, adjusted pursuant

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

9 (3) Allocated income tax funds means the amount of
10 assistance paid to a local system pursuant to section 79-1005.01 as
11 adjusted by the minimum levy adjustment pursuant to section
12 79-1008.02;

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

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

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

22 (7) Categorical funds means funds limited to a specific
23 purpose by federal or state law, including, but not limited to, Title
24 I funds, Title VI funds, federal vocational education funds, federal
25 school lunch funds, Indian education funds, Head Start funds, and

1 funds from the Education Innovation Fund. Categorical funds does not
2 include funds received pursuant to section 79-1028.02 or section 11
3 of this act;

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

7 (9) Converted contract means an expired contract that was
8 in effect for at least fifteen school years beginning prior to school
9 year 2012-13 for the education of students in a nonresident district
10 in exchange for tuition from the resident district when the
11 expiration of such contract results in the nonresident district
12 educating students, who would have been covered by the contract if
13 the contract were still in effect, as option students pursuant to the
14 enrollment option program established in section 79-234;

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

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

23 (12) District means any Class I, II, III, IV, V, or VI
24 school district and, beginning with the calculation of state aid for
25 school fiscal year 2011-12 and each school fiscal year thereafter, a

1 unified system as defined in section 79-4,108;

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

4 (14) Equalization aid means the amount of assistance
5 calculated to be paid to a local system pursuant to sections
6 79-1007.11 to 79-1007.23, 79-1007.25, 79-1008.01 to 79-1022,
7 79-1022.02, and 79-1028.02 and section 11 of this act;

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

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

14 (17) Formula students means:

15 (a) For state aid certified pursuant to section 79-1022,
16 the sum of the product of fall membership from the school fiscal year
17 immediately preceding the school fiscal year in which the aid is to
18 be paid multiplied by the average ratio of average daily membership
19 to fall membership for the second school fiscal year immediately
20 preceding the school fiscal year in which the aid is to be paid and
21 the prior two school fiscal years plus sixty percent of the qualified
22 early childhood education fall membership plus tuitioned students
23 from the school fiscal year immediately preceding the school fiscal
24 year in which aid is to be paid minus the product of the number of
25 students enrolled in kindergarten that is not full-day kindergarten

1 from the fall membership multiplied by 0.5; and

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

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

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

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

24 (21) General fund expenditures means all expenditures
25 from the general fund;

1 (22) General fund operating expenditures means:

2 (a) For state aid calculated for school fiscal years

3 2010-11 and 2011-12, as reported on the annual financial report for

4 the second school fiscal year immediately preceding the school fiscal

5 year in which aid is to be paid, the total general fund expenditures

6 minus (i) the amount of all receipts to the general fund, to the

7 extent that such receipts are not included in local system formula

8 resources, from early childhood education tuition, summer school

9 tuition, educational entities as defined in section 79-1201.01 for

10 providing distance education courses through the Educational Service

11 Unit Coordinating Council to such educational entities, private

12 foundations, individuals, associations, charitable organizations, the

13 textbook loan program authorized by section 79-734, federal impact

14 aid, and levy override elections pursuant to section 77-3444, (ii)

15 the amount of expenditures for categorical funds, tuition paid,

16 transportation fees paid to other districts, adult education,

17 community services, redemption of the principal portion of general

18 fund debt service, retirement incentive plans authorized by section

19 79-855, and staff development assistance authorized by section

20 79-856, (iii) the amount of any transfers from the general fund to

21 any bond fund and transfers from other funds into the general fund,

22 (iv) any legal expenses in excess of fifteen-hundredths of one

23 percent of the formula need for the school fiscal year in which the

24 expenses occurred, (v) expenditures to pay for sums agreed to be paid

25 by a school district to certificated employees in exchange for a

1 voluntary termination occurring prior to July 1, 2009, and (vi)(A)
2 expenditures in school fiscal years 2009-10 through 2013-14 to pay
3 for employer contributions pursuant to subsection (2) of section
4 79-958 to the School Retirement System of the State of Nebraska to
5 the extent that such expenditures exceed the employer contributions
6 under such subsection that would have been made at a contribution
7 rate of seven and thirty-five hundredths percent or (B) expenditures
8 in school fiscal years 2009-10 through 2013-14 to pay for school
9 district contributions pursuant to subdivision (1)(c)(i) of section
10 79-9,113 to the retirement system established pursuant to the Class V
11 School Employees Retirement Act to the extent that such expenditures
12 exceed the school district contributions under such subdivision that
13 would have been made at a contribution rate of seven and thirty-seven
14 hundredths percent; and

15 (b) For state aid calculated for school fiscal years
16 2012-13 and each school fiscal year thereafter, as reported on the
17 annual financial report for the second school fiscal year immediately
18 preceding the school fiscal year in which aid is to be paid, the
19 total general fund expenditures minus (i) the amount of all receipts
20 to the general fund, to the extent that such receipts are not
21 included in local system formula resources, from early childhood
22 education tuition, summer school tuition, educational entities as
23 defined in section 79-1201.01 for providing distance education
24 courses through the Educational Service Unit Coordinating Council to
25 such educational entities, private foundations, individuals,

1 associations, charitable organizations, the textbook loan program
2 authorized by section 79-734, federal impact aid, and levy override
3 elections pursuant to section 77-3444, (ii) the amount of
4 expenditures for categorical funds, tuition paid, transportation fees
5 paid to other districts, adult education, community services,
6 redemption of the principal portion of general fund debt service,
7 retirement incentive plans authorized by section 79-855, and staff
8 development assistance authorized by section 79-856, (iii) the amount
9 of any transfers from the general fund to any bond fund and transfers
10 from other funds into the general fund, (iv) any legal expenses in
11 excess of fifteen-hundredths of one percent of the formula need for
12 the school fiscal year in which the expenses occurred, (v)
13 expenditures to pay for sums agreed to be paid by a school district
14 to certificated employees in exchange for a voluntary termination
15 occurring prior to July 1, 2009, or occurring on or after ~~July 1,~~
16 ~~2011, and on or before June 30, 2013, the last day of the 2010-11~~
17 school year and prior to the first day of the 2013-14 school year,
18 (vi)(A) expenditures in school fiscal years 2009-10 through 2016-17
19 to pay for employer contributions pursuant to subsection (2) of
20 section 79-958 to the School Retirement System of the State of
21 Nebraska to the extent that such expenditures exceed the employer
22 contributions under such subsection that would have been made at a
23 contribution rate of seven and thirty-five hundredths percent or (B)
24 expenditures in school fiscal years 2009-10 through 2016-17 to pay
25 for school district contributions pursuant to subdivision (1)(c)(i)

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

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

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

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

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

24 (26) Limited English proficiency students means the
25 number of students with limited English proficiency in a district

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

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

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

1 (29) Low-income students means the number of low-income
2 children within the district multiplied by the ratio of the formula
3 students in the district divided by the total children under nineteen
4 years of age residing in the district as derived from income tax
5 information;

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

12 (31) Poverty students means the number of low-income
13 students or the number of students who are free lunch and free milk
14 students in a district plus the difference of the number of low-
15 income students or the number of students who are free lunch and free
16 milk students in a district, whichever is greater, minus the average
17 number of poverty students for such district, prior to such addition,
18 for the three immediately preceding school fiscal years if such
19 difference is greater than zero;

20 (32) Qualified early childhood education average daily
21 membership means the product of the average daily membership for
22 school fiscal year 2006-07 and each school fiscal year thereafter of
23 students who will be eligible to attend kindergarten the following
24 school year and are enrolled in an early childhood education program
25 approved by the department pursuant to section 79-1103 for such

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

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

24 (34) Regular route transportation means the
25 transportation of students on regularly scheduled daily routes to and

1 from the attendance center;

2 (35) Reorganized district means any district involved in
3 a consolidation and currently educating students following
4 consolidation;

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

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

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

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

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

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

1 system;

2 (38) Special education means specially designed
3 kindergarten through grade twelve instruction pursuant to section
4 79-1125, and includes special education transportation;

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

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

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

17 (42) State support means all funds provided to districts
18 by the State of Nebraska for the general fund support of elementary
19 and secondary education;

20 (43) Statewide average basic funding per formula student
21 means the statewide total basic funding for all districts divided by
22 the statewide total formula students for all districts;

23 (44) Statewide average general fund operating
24 expenditures per formula student means the statewide total general
25 fund operating expenditures for all districts divided by the

1 statewide total formula students for all districts;

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

3 (46) Temporary aid adjustment factor means (a) for school
4 fiscal years before school fiscal year 2007-08, one and one-fourth
5 percent of the sum of the local system's transportation allowance,
6 the local system's special receipts allowance, and the product of the
7 local system's adjusted formula students multiplied by the average
8 formula cost per student in the local system's cost grouping and (b)
9 for school fiscal year 2007-08, one and one-fourth percent of the sum
10 of the local system's transportation allowance, special receipts
11 allowance, and distance education and telecommunications allowance
12 and the product of the local system's adjusted formula students
13 multiplied by the average formula cost per student in the local
14 system's cost grouping;

15 (47) Tuition receipts from converted contracts means
16 tuition receipts received by a district from another district in the
17 most recently available complete data year pursuant to a converted
18 contract prior to the expiration of the contract;

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

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

24 (a)(i) Less than one-half student per square mile in each
25 county in which each high school attendance center is located based

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

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

10 Sec. 6. Section 79-1028.01, Revised Statutes Cumulative
11 Supplement, 2010, as amended by section 21, Legislative Bill 235, One
12 Hundred Second Legislature, First Session, 2011, is amended to read:

13 79-1028.01 (1) For each school fiscal year, a school
14 district may exceed its budget authority for the general fund budget
15 of expenditures as calculated pursuant to section 79-1023 for such
16 school fiscal year by a specific dollar amount for the following
17 exclusions:

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

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

1 (c) Expenditures pursuant to the Retirement Incentive
2 Plan authorized in section 79-855 or the Staff Development Assistance
3 authorized in section 79-856;

4 (d) Expenditures of amounts received from educational
5 entities as defined in section 79-1201.01 for providing distance
6 education courses through the Educational Service Unit Coordinating
7 Council to such educational entities;

8 (e) Expenditures to pay another school district for the
9 transfer of land from such other school district;

10 (f) Expenditures in school fiscal years 2009-10 through
11 2016-17 to pay for employer contributions pursuant to subsection (2)
12 of section 79-958 to the School Retirement System of the State of
13 Nebraska to the extent that such expenditures exceed the employer
14 contributions under such subsection that would have been made at a
15 contribution rate of seven and thirty-five hundredths percent;

16 (g) Expenditures in school fiscal years 2009-10 through
17 2016-17 to pay for school district contributions pursuant to
18 subdivision (1)(c)(i) of section 79-9,113 to the Class V School
19 Employees Retirement System to the extent that such expenditures
20 exceed the school district contributions under such subdivision that
21 would have been made at a contribution rate of seven and thirty-seven
22 hundredths percent;

23 (h) Expenditures for sums agreed to be paid by a school
24 district to certificated employees in exchange for a voluntary
25 termination occurring prior to July 1, 2009, or occurring on or after

1 ~~July 1, 2011, and on or before June 30, 2013; the last day of the~~
2 ~~2010-11 school year and prior to the first day of the 2013-14 school~~
3 ~~year;~~

4 (i) Any expenditures in school fiscal years 2016-17 and
5 2017-18 of amounts specified in the notice provided by the
6 Commissioner of Education pursuant to section 79-309.01 for teacher
7 performance pay;

8 (j) The special education budget of expenditures; and

9 (k) Expenditures of special grant funds.

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

17 (a) Expenditures of incentive payments or base fiscal
18 year incentive payments to be received in such school fiscal year
19 pursuant to section 79-1011;

20 (b) The first school fiscal year the district will be
21 participating in Network Nebraska for the full school fiscal year,
22 for the difference of the estimated expenditures for such school
23 fiscal year for telecommunications services, access to data
24 transmission networks that transmit data to and from the school
25 district, and the transmission of data on such networks as such

1 expenditures are defined by the department for purposes of the
2 distance education and telecommunications allowance minus the dollar
3 amount of such expenditures for the second school fiscal year
4 preceding the first full school fiscal year the district participates
5 in Network Nebraska; and

6 (c) Expenditures for new elementary attendance sites in
7 the first year of operation or the first year of operation after
8 being closed for at least one school year if such elementary
9 attendance site will most likely qualify for the elementary site
10 allowance in the immediately following school fiscal year as
11 determined by the state board.

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

15 Sec. 7. Section 81-2017, Revised Statutes Cumulative
16 Supplement, 2010, is amended to read:

17 ~~81-2017 (1) Commencing July 1, 2005, and until July 1,~~
18 ~~2009, each officer while in the service of the Nebraska State Patrol~~
19 ~~shall pay or have paid on his or her behalf a sum equal to thirteen~~
20 ~~percent of his or her monthly compensation. Commencing July 1, 2009,~~
21 ~~and until July 1, 2010, each officer while in the service of the~~
22 ~~Nebraska State Patrol shall pay or have paid on his or her behalf a~~
23 ~~sum equal to fifteen percent of his or her monthly compensation.~~
24 Commencing July 1, 2010, and until July 1, 2011, each officer while
25 in the service of the Nebraska State Patrol shall pay or have paid on

1 his or her behalf a sum equal to sixteen percent of his or her
2 monthly compensation. Commencing July 1, 2011, and until July 1,
3 2013, each officer while in the service of the Nebraska State Patrol
4 shall pay or have paid on his or her behalf a sum equal to nineteen
5 percent of his or her monthly compensation. Commencing July 1, 2013,
6 each officer while in the service of the Nebraska State Patrol shall
7 pay or have paid on his or her behalf a sum equal to sixteen percent
8 of his or her monthly compensation. Such amounts shall be deducted
9 monthly by the Director of Administrative Services who shall draw a
10 warrant monthly in the amount of the total deductions from the
11 compensation of members of the Nebraska State Patrol in accordance
12 with subsection (4) of this section, and the State Treasurer shall
13 credit the amount of such warrant to the State Patrol Retirement
14 Fund. The director shall cause a detailed report of all monthly
15 deductions to be made each month to the board.

16 (2) In addition, ~~commencing July 1, 2005, and until July~~
17 ~~1, 2010, there shall be assessed against the appropriation of the~~
18 ~~Nebraska State Patrol a sum equal to the amount of fifteen percent of~~
19 ~~each officer's monthly compensation which shall be credited to the~~
20 ~~State Patrol Retirement Fund. Commencing commencing July 1, 2010, and~~
21 ~~until July 1, 2011, there shall be assessed against the appropriation~~
22 ~~of the Nebraska State Patrol a sum equal to the amount of sixteen~~
23 ~~percent of each officer's monthly compensation which shall be~~
24 ~~credited to the State Patrol Retirement Fund. Commencing July 1,~~
25 ~~2011, and until July 1, 2013, there shall be assessed against the~~

1 appropriation of the Nebraska State Patrol a sum equal to the amount
2 of nineteen percent of each officer's monthly compensation which
3 shall be credited to the State Patrol Retirement Fund. Commencing
4 July 1, 2013, there shall be assessed against the appropriation of
5 the Nebraska State Patrol a sum equal to the amount of sixteen
6 percent of each officer's monthly compensation which shall be
7 credited to the State Patrol Retirement Fund.

8 (3) For the fiscal year beginning on July 1, 2002, and
9 each fiscal year thereafter, the actuary for the board shall perform
10 an actuarial valuation of the system using the entry age actuarial
11 cost method. Under this method, the actuarially required funding rate
12 is equal to the normal cost rate, plus the contribution rate
13 necessary to amortize the unfunded actuarial accrued liability on a
14 level payment basis. The normal cost under this method shall be
15 determined for each individual member on a level percentage of salary
16 basis. The normal cost amount is then summed for all members.
17 Beginning July 1, 2006, any existing unfunded liabilities shall be
18 reinitialized and amortized over a thirty-year period, and during
19 each subsequent actuarial valuation, changes in the funded actuarial
20 accrued liability due to changes in benefits, actuarial assumptions,
21 the asset valuation method, or actuarial gains or losses shall be
22 measured and amortized over a thirty-year period beginning on the
23 valuation date of such change. If the unfunded actuarial accrued
24 liability under the entry age actuarial cost method is zero or less
25 than zero on an actuarial valuation date, then all prior unfunded

1 actuarial accrued liabilities shall be considered fully funded and
2 the unfunded actuarial accrued liability shall be reinitialized and
3 amortized over a thirty-year period as of the actuarial valuation
4 date. If the actuarially required contribution rate exceeds the rate
5 of all contributions required pursuant to the Nebraska State Patrol
6 Retirement Act, there shall be a supplemental appropriation
7 sufficient to pay for the differences between the actuarially
8 required contribution rate and the rate of all contributions required
9 pursuant to the Nebraska State Patrol Retirement Act. Such valuation
10 shall be on the basis of actuarial assumptions recommended by the
11 actuary, approved by the board, and kept on file with the board.

12 (4) The state shall pick up the member contributions
13 required by this section for all compensation paid on or after
14 January 1, 1985, and the contributions so picked up shall be treated
15 as employer contributions in determining federal tax treatment under
16 the Internal Revenue Code as defined in section 49-801.01, except
17 that the state shall continue to withhold federal income taxes based
18 upon these contributions until the Internal Revenue Service or the
19 federal courts rule that, pursuant to section 414(h) of the code,
20 these contributions shall not be included as gross income of the
21 member until such time as they are distributed or made available. The
22 state shall pay these member contributions from the same source of
23 funds which is used in paying earnings to the member. The state shall
24 pick up these contributions by a compensation deduction through a
25 reduction in the cash compensation of the member. Member

1 contributions picked up shall be treated for all purposes of the
2 Nebraska State Patrol Retirement Act in the same manner and to the
3 extent as member contributions made prior to the date picked up.

4 Sec. 8. Original section 79-988.01, Reissue Revised
5 Statutes of Nebraska, sections 79-958, 79-966, 79-9,113, and 81-2017,
6 Revised Statutes Cumulative Supplement, 2010, section 79-1028.01,
7 Revised Statutes Cumulative Supplement, 2010, as amended by section
8 21, Legislative Bill 235, One Hundred Second Legislature, First
9 Session, 2011, and section 79-1003, Revised Statutes Cumulative
10 Supplement, 2010, as amended by section 2, Legislative Bill 18, One
11 Hundred Second Legislature, First Session, 2011, and section 5,
12 Legislative Bill 235, One Hundred Second Legislature, First Session,
13 2011, are repealed.

14 Sec. 9. Since an emergency exists, this act takes effect
15 when passed and approved according to law.