

ONE HUNDRED NINTH LEGISLATURE - FIRST SESSION - 2025
COMMITTEE STATEMENT
LB303

Hearing Date: Monday February 10, 2025
Committee On: Education
Introducer: Hughes
One Liner: Change provisions relating to foundation aid and certain certification dates and provide for base levy adjustments under the Tax Equity and Educational Opportunities Support Act and create the School Finance Reform Commission

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:
Aye: 7 Senators Murman, Hughes, Hunt, Juarez, Lonowski, Meyer, Sanders
Nay:
Absent: 1 Senator Conrad
Present Not Voting:

Testimony:

Proponents:

Senator Jana Hughes
Governor Jim Pillen
Tim Royers
Andy Rikli
Chad Meisgeier

Josephine Litwinowicz
Liz Standish
Kyle Fairbairn

Colby Coash
Connie Knoche
Dave Welsch

Bruce Rieker

John Hansen

Opponents:

Shane Rhian

Representing:

Opening Presenter

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Nebraska State Education Association
Papillion La Vista Community Schools
Millard Public Schools, Nebraska Council of School Administrators
Higher Power Church
Lincoln Public Schools
Greater Nebraska Schools Assn, Schools Taking Action for Nebraska Children's Education, Educational Service Units Coordinating Council
Nebraska Association of School Boards
Open Sky Policy Institute
Milford Public Schools, Nebraska Rural Community Schools Association
NE Farm Bureau, NE Cattlemen, NE Corn Growers Assn, NE Pork Producers Assn, NE Sorghum Producers Assn, NE Soybean Assn, NE/State Dairy Assn, NE Wheat Growers Assn, Renewable Fuels Nebraska
Nebraska Farmers Union

Representing:

Omaha Public Schools



Neutral:
Bryce Wilson

Representing:
NE Department of Education

* ADA Accommodation Written Testimony

Summary of purpose and/or changes:

LB 303 makes several revisions to Nebraska's school finance and property tax statutes. It amends section 77-3442 to reduce the maximum property tax levy rate from \$1.05 to \$1.02 per \$100 of taxable valuation, beginning with the 2025–26 fiscal year. The Tax Equity and Educational Opportunities Support Act (Act) is created under section 79-1001. Amendments to section 79-1006 of the Act revise the calculation of foundation aid, increasing the per-student amount from \$1,500 to \$1,590 beginning with the 2025–26 school fiscal year. A new aid adjustment mechanism is introduced in a new section added to the Act to account for a base levy under a new provision added to the Act, requiring the State Department of Education to modify state aid amounts using a \$0.30 per \$100 of taxable valuation base levy benchmark and the difference in aid year-over-year relative to district property valuations. Section 79-1022 of the Act is amended to require certification of state aid amounts by June 15, 2025, incorporating the new aid adjustment methodology. Section 79-1022.02 of the Act is amended to nullify all previous certifications of state aid, budget authority, and reserve percentages for the 2025–26 school fiscal year that were made prior to the effective date of this act. Sections 79-1023 and 79-1027 of the Act are amended to set June 15, 2025, and annually by March 1 thereafter, as the deadline for certification of school district budget authority and allowable reserve percentages. Finally, section 79-1031.01 of the Act is amended to align the certification of necessary appropriations with these new timelines, requiring the Appropriations Committee to include the funding amount for state aid in its annual recommendations to meet the obligations under the Act.

LB 303 also adds a new section of law to create the School Finance Reform Commission to provide advisory recommendations on school funding in Nebraska. The commission will consist of a total of 15 members. The 11 voting members shall include two members appointed by the Governor, the chairpersons of the Education Committee, Revenue Committee, and Appropriations Committee, and six superintendents representing school districts from each class of school district. The four non-voting consulting members shall include the Commissioner of Education, the State Department of Education's finance officer, the Legislative Fiscal Analyst, and the budget administrator of the budget division of the Department of Administrative Services or their designees. Members serve two-year terms and must be replaced if they no longer qualify. The commission will elect a chair annually, meet at the chair's discretion or upon request by at least five members, and must convene at least once per year. The commission's responsibilities include evaluating the current funding formula under the Tax Equity and Educational Opportunities Support Act, recommending changes to reduce local property tax reliance, regularly reviewing both resource and need components of the formula, and identifying ways to mitigate the impact of state underfunding. The commission must submit an annual report with its findings and recommendations to the Clerk of the Legislature by December 1 of each year.

The bill has the emergency clause.

Explanation of amendments:

AM 1350 to LB 303 strikes the original sections and replaces it with two new sections of law.

LB 303 as amended by section 1 of AM 1350 creates the School Financing Review Commission, composed of 18 members tasked with studying and advising on school funding in Nebraska. Membership includes: the Commissioner of Education or a designee (serving as chair), the Property Tax Administrator or a designee, and one representative appointed by the Governor; three nonvoting legislative members appointed by the Executive Board of the Legislative



Council, with one from each congressional district, no more than two from the same political party, and at least one member each from the Education Committee and Revenue Committee; one postsecondary education representative with expertise in school finance; four school superintendents or board members from Class I, II, or III districts, ensuring representation from each class and limiting the number of members from the same category; one school administrator and one school board member, either of which representing a Class IV or Class V school district; and five at-large members appointed by the Governor to include at least one individual with business experience, one with farming experience, one certified public school teacher, and two additional individuals, some of whom may be retired. Members are not compensated but may be reimbursed for expenses. The commission elects a vice-chair, must meet quarterly, and is administratively housed within the State Department of Education, which may provide staff support. The commission may also seek data and assistance from the State Department of Education, Department of Revenue, and the Legislative Fiscal Analyst to fulfill its duties. Vacancies are filled in the same manner as the original appointments, and any member who no longer meets eligibility criteria must vacate their position.

LB 303 as amended by section 2 of AM 1350 provides that the purpose of the School Financing Review Commission is to study and provide advisory recommendations on school funding in Nebraska, with a focus on improving the state's education finance system under the Tax Equity and Educational Opportunities Support Act. The commission is tasked with evaluating the current funding formula and recommending changes to help reduce reliance on property taxes. It must regularly review both the resources and needs components of the formula, analyze strategies to mitigate the negative effects on schools during periods of insufficient state funding, and assess the relationship between education funding and student outcomes. Areas of focus include early childhood education, student attendance, literacy, graduation and college-going rates, and postsecondary workforce participation. The commission must also evaluate the impact of funding on high-need student populations, including those living in high-poverty areas, students with individualized education programs, and students with limited English proficiency. Where practical, the commission is to compare Nebraska's policies with those of other states. An annual report summarizing the commission's findings and recommendations must be submitted electronically to the Clerk of the Legislature by December 1, 2025, and by November 1 of each year thereafter.

LB 303 as amended by AM 1350 includes the emergency clause.

Dave Murman, Chairperson

