

LEGISLATURE OF NEBRASKA
ONE HUNDRED NINTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 389

Introduced by Murman, 38; Clements, 2.

Read first time January 17, 2025

Committee: Revenue

- 1 A BILL FOR AN ACT relating to revenue and taxation; to amend sections
- 2 79-1201 and 79-1225, Reissue Revised Statutes of Nebraska, and
- 3 section 77-3442, Revised Statutes Cumulative Supplement, 2024; to
- 4 eliminate the levy authority of educational service units; to
- 5 provide state funding to educational service units as prescribed; to
- 6 harmonize provisions; and to repeal the original sections.
- 7 Be it enacted by the people of the State of Nebraska,

1 **Section 1.** Section 77-3442, Revised Statutes Cumulative Supplement,
2 2024, 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 (i) amounts levied to pay for current and future sums
27 agreed to be paid by a school district to certificated employees in
28 exchange for a voluntary termination of employment occurring prior to
29 September 1, 2017, (ii) amounts levied by a school district otherwise at
30 the maximum levy pursuant to subdivision (2)(a) of this section to pay
31 for current and future qualified voluntary termination incentives for

1 certificated teachers pursuant to subsection (3) of section 79-8,142 that
2 are not otherwise included in an exclusion pursuant to subdivision (2)(d)
3 of this section, (iii) amounts levied by a school district otherwise at
4 the maximum levy pursuant to subdivision (2)(a) of this section to pay
5 for seventy-five percent of the current and future sums agreed to be paid
6 to certificated employees in exchange for a voluntary termination of
7 employment occurring between September 1, 2017, and August 31, 2018, as a
8 result of a collective-bargaining agreement in force and effect on
9 September 1, 2017, that are not otherwise included in an exclusion
10 pursuant to subdivision (2)(d) of this section, (iv) amounts levied by a
11 school district otherwise at the maximum levy pursuant to subdivision (2)
12 (a) of this section to pay for fifty percent of the current and future
13 sums agreed to be paid to certificated employees in exchange for a
14 voluntary termination of employment occurring between September 1, 2018,
15 and August 31, 2019, as a result of a collective-bargaining agreement in
16 force and effect on September 1, 2017, that are not otherwise included in
17 an exclusion pursuant to subdivision (2)(d) of this section, (v) amounts
18 levied by a school district otherwise at the maximum levy pursuant to
19 subdivision (2)(a) of this section to pay for twenty-five percent of the
20 current and future sums agreed to be paid to certificated employees in
21 exchange for a voluntary termination of employment occurring between
22 September 1, 2019, and August 31, 2020, as a result of a collective-
23 bargaining agreement in force and effect on September 1, 2017, that are
24 not otherwise included in an exclusion pursuant to subdivision (2)(d) of
25 this section, (vi) amounts levied in compliance with sections 79-10,110
26 and 79-10,110.02, and (vii) amounts levied to pay for special building
27 funds and sinking funds established for projects commenced prior to April
28 1, 1996, for construction, expansion, or alteration of school district
29 buildings. For purposes of this subsection, commenced means any action
30 taken by the school board on the record which commits the board to expend
31 district funds in planning, constructing, or carrying out the project.

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

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

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

24 (3) For each fiscal year through fiscal year 2023-24, community
25 college areas may levy the levies provided in subdivisions (2)(a) through
26 (c) of section 85-1517, in accordance with the provisions of such
27 subdivisions. For fiscal year 2024-25 and each fiscal year thereafter,
28 community college areas may levy the levies provided in subdivisions (2)
29 (a) and (b) of section 85-1517, in accordance with the provisions of such
30 subdivisions. A community college area may exceed the levy provided in
31 subdivision (2)(a) of section 85-1517 by the amount necessary to generate

1 sufficient revenue as described in section 85-1543 or 85-2238. A
2 community college area may exceed the levy provided in subdivision (2)(b)
3 of section 85-1517 by the amount necessary to retire general obligation
4 bonds assumed by the community college area or issued pursuant to section
5 85-1515 according to the terms of such bonds or for any obligation
6 pursuant to section 85-1535 entered into prior to January 1, 1997.

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

10 (b) Natural resources districts shall also have the power and
11 authority to levy a tax equal to the dollar amount by which their
12 restricted funds budgeted to administer and implement ground water
13 management activities and integrated management activities under the
14 Nebraska Ground Water Management and Protection Act exceed their
15 restricted funds budgeted to administer and implement ground water
16 management activities and integrated management activities for FY2003-04,
17 not to exceed one cent on each one hundred dollars of taxable valuation
18 annually on all of the taxable property within the district.

19 (c) In addition, natural resources districts located in a river
20 basin, subbasin, or reach that has been determined to be fully
21 appropriated pursuant to section 46-714 or designated as overappropriated
22 pursuant to section 46-713 by the Department of Natural Resources shall
23 also have the power and authority to levy a tax equal to the dollar
24 amount by which their restricted funds budgeted to administer and
25 implement ground water management activities and integrated management
26 activities under the Nebraska Ground Water Management and Protection Act
27 exceed their restricted funds budgeted to administer and implement ground
28 water management activities and integrated management activities for
29 FY2005-06, not to exceed three cents on each one hundred dollars of
30 taxable valuation on all of the taxable property within the district for
31 fiscal year 2006-07 and each fiscal year thereafter through fiscal year

1 2017-18.

2 (5) For each fiscal year through fiscal year 2027-28, any Any
3 educational service unit authorized to levy a property tax pursuant to
4 section 79-1225 may levy a maximum levy of one and one-half cents per one
5 hundred dollars of taxable valuation of property subject to the levy. For
6 fiscal year 2028-29 and each fiscal year thereafter, no educational
7 service unit shall have the power to levy property taxes.

8 (6)(a) Incorporated cities and villages which are not within the
9 boundaries of a municipal county may levy a maximum levy of forty-five
10 cents per one hundred dollars of taxable valuation of property subject to
11 the levy plus an additional five cents per one hundred dollars of taxable
12 valuation to provide financing for the municipality's share of revenue
13 required under an agreement or agreements executed pursuant to the
14 Interlocal Cooperation Act or the Joint Public Agency Act. The maximum
15 levy shall include amounts levied to pay for sums to support a library
16 pursuant to section 51-201, museum pursuant to section 51-501, visiting
17 community nurse, home health nurse, or home health agency pursuant to
18 section 71-1637, or statue, memorial, or monument pursuant to section
19 80-202.

20 (b) Incorporated cities and villages which are within the boundaries
21 of a municipal county may levy a maximum levy of ninety cents per one
22 hundred dollars of taxable valuation of property subject to the levy. The
23 maximum levy shall include amounts paid to a municipal county for county
24 services, amounts levied to pay for sums to support a library pursuant to
25 section 51-201, a museum pursuant to section 51-501, a visiting community
26 nurse, home health nurse, or home health agency pursuant to section
27 71-1637, or a statue, memorial, or monument pursuant to section 80-202.

28 (7) Sanitary and improvement districts which have been in existence
29 for more than five years may levy a maximum levy of forty cents per one
30 hundred dollars of taxable valuation of property subject to the levy, and
31 sanitary and improvement districts which have been in existence for five

1 years or less shall not have a maximum levy. Unconsolidated sanitary and
2 improvement districts which have been in existence for more than five
3 years and are located in a municipal county may levy a maximum of eighty-
4 five cents per hundred dollars of taxable valuation of property subject
5 to the levy.

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

30 (9) Municipal counties may levy or authorize a maximum levy of one
31 dollar per one hundred dollars of taxable valuation of property subject

1 to the levy. The municipal county may allocate levy authority to any
2 political subdivision or entity subject to allocation under section
3 77-3443.

4 (10) Beginning July 1, 2016, rural and suburban fire protection
5 districts may levy a maximum levy of ten and one-half cents per one
6 hundred dollars of taxable valuation of property subject to the levy if
7 (a) such district is located in a county that had a levy pursuant to
8 subsection (8) of this section in the previous year of at least forty
9 cents per one hundred dollars of taxable valuation of property subject to
10 the levy or (b) such district had a levy request pursuant to section
11 77-3443 in any of the three previous years and the county board of the
12 county in which the greatest portion of the valuation of such district is
13 located did not authorize any levy authority to such district in such
14 year.

15 (11) A regional metropolitan transit authority may levy a maximum
16 levy of ten cents per one hundred dollars of taxable valuation of
17 property subject to the levy for each fiscal year that commences on the
18 January 1 that follows the effective date of the conversion of the
19 transit authority established under the Transit Authority Law into the
20 regional metropolitan transit authority.

21 (12) Property tax levies (a) for judgments, except judgments or
22 orders from the Commission of Industrial Relations, obtained against a
23 political subdivision which require or obligate a political subdivision
24 to pay such judgment, to the extent such judgment is not paid by
25 liability insurance coverage of a political subdivision, (b) for
26 preexisting lease-purchase contracts approved prior to July 1, 1998, (c)
27 for bonds as defined in section 10-134 approved according to law and
28 secured by a levy on property except as provided in section 44-4317 for
29 bonded indebtedness issued by educational service units and school
30 districts, (d) for payments by a public airport to retire interest-free
31 loans from the Division of Aeronautics of the Department of

1 Transportation in lieu of bonded indebtedness at a lower cost to the
2 public airport, and (e) to pay for cancer benefits provided on or after
3 January 1, 2022, pursuant to the Firefighter Cancer Benefits Act are not
4 included in the levy limits established by this section.

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

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

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

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

29 **Sec. 2.** Section 79-1201, Reissue Revised Statutes of Nebraska, is
30 amended to read:

31 79-1201 Sections 79-1201 to 79-1249 and section 4 of this act shall

1 be known and may be cited as the Educational Service Units Act.

2 **Sec. 3.** Section 79-1225, Reissue Revised Statutes of Nebraska, is
3 amended to read:

4 79-1225 (1) After the adoption of its budget statement, the board
5 for each educational service unit, except as provided in subsections
6 subsection (2) and (3) of this section, may levy a tax in the amount
7 which it requires under its adopted budget statement to be received from
8 taxation. The levy shall be subject to the limits established by section
9 77-3442. The amount of such levy shall be certified by the secretary of
10 the educational service unit board to the county board of equalization of
11 each county in which any part of the geographical area of the educational
12 service unit is located on or before September 30 of each year. Such tax
13 shall be levied and assessed in the same manner as other property taxes
14 and entered on the books of the county treasurer. The proceeds of such
15 tax, as collected, shall be remitted to the treasurer of the board on or
16 before the fifteenth day of each month or more frequently as provided in
17 section 77-1759.

18 (2) For fiscal years year 2013-14 through 2027-28 and each fiscal
19 year thereafter, only an educational service unit which has four or more
20 member school districts or an educational service unit composed of a
21 single Class IV or Class V school district may levy a tax on the taxable
22 value of the taxable property within the geographic boundaries of the
23 educational service unit.

24 (3) For fiscal year 2028-29 and each fiscal year thereafter, no
25 educational service unit shall have the power to levy property taxes.

26 **Sec. 4.** (1) Beginning in 2029, funds shall be distributed by the
27 state to educational service units as provided in this section in order
28 to offset the funds lost by educational service units due to the
29 elimination of their levy authority under sections 77-3442 and 79-1225.

30 (2)(a) For 2029, the amount to be distributed to each educational
31 service unit under this section shall be equal to the amount of property

1 taxes levied by such educational service unit for tax year 2027,
2 increased by three and one-half percent; and

3 (b) For 2030 and each year thereafter, the amount to be distributed
4 to each educational service unit under this section shall be equal to the
5 amount distributed to such educational service unit in the prior year,
6 increased by three and one-half percent.

7 (3) The Department of Revenue shall annually determine the amount to
8 be distributed to each educational service unit under subsection (2) of
9 this section and shall certify such amounts to the State Treasurer and to
10 the educational service unit. The distributions to the educational
11 service units shall occur in two equal payments, the first on or before
12 March 31 and the second on or before August 31.

13 **Sec. 5.** Original sections 79-1201 and 79-1225, Reissue Revised
14 Statutes of Nebraska, and section 77-3442, Revised Statutes Cumulative
15 Supplement, 2024, are repealed.