

LEGISLATIVE BILL 710

Approved by the Governor June 16, 1997

Introduced by Bohlke, 33

AN ACT relating to school finance; to amend sections 79-1005, 79-1015, 79-1018, 79-1024, 79-1026, 79-1031, 79-1033, 79-1035, 79-1065, 79-1070, 79-1084, 79-1089, and 79-10,110, Reissue Revised Statutes of Nebraska, section 13-2304, Revised Statutes Supplement, 1996, sections 79-458, 79-611, and 79-1003, Reissue Revised Statutes of Nebraska, as amended by sections 22, 28, and 31, respectively, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997, section 79-1022, Reissue Revised Statutes of Nebraska, as amended by section 5, Legislative Bill 713, Ninety-fifth Legislature, First Session, 1997, and section 51, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997, section 79-1155, Reissue Revised Statutes of Nebraska, as amended by section 9, Legislative Bill 865, Ninety-fifth Legislature, First Session, 1997, section 9-812, Revised Statutes Supplement, 1996, as amended by section 1, Legislative Bill 118, Ninety-fifth Legislature, First Session, 1997, and sections 35, 36, 38, 50, and 54, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997; to change and eliminate provisions relating to adjusted valuation, county nonresident high school tuition funds, other actual receipts, withheld funds, growth percentages, repayments, distribution of funds, borrowing, publication, and a date; to provide duties; to change provisions relating to calculation and distribution of state aid; to provide for liability of boards as prescribed; to state intent; to harmonize provisions; and to repeal the original sections.

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

Section 1. Section 9-812, Revised Statutes Supplement, 1996, as amended by section 1, Legislative Bill 118, Ninety-fifth Legislature, First Session, 1997, is amended to read:

9-812. (1) All money received from the operation of lottery games conducted pursuant to the State Lottery Act in Nebraska shall be deposited in the State Lottery Operation Trust Fund, which fund is hereby created. All payments of expenses of the operation of the lottery games shall be made from the State Lottery Operation Cash Fund. In accordance with legislative appropriations, money for payments for expenses of the division shall be transferred from the State Lottery Operation Trust Fund to the State Lottery Operation Cash Fund, which fund is hereby created. All money necessary for the payment of lottery prizes shall be transferred from the State Lottery Operation Trust Fund to the State Lottery Prize Trust Fund, which fund is hereby created. The amount used for the payment of lottery prizes shall not be less than forty percent of the dollar amount of the lottery tickets which have been sold. At least twenty-five percent of the dollar amount of the lottery tickets which have been sold on an annualized basis shall be transferred from the State Lottery Operation Trust Fund to the Education Innovation Fund, the Solid Waste Landfill Closure Assistance Fund, the Nebraska Environmental Trust Fund, and the Compulsive Gamblers Assistance Fund. Forty-nine and one-half percent of the money remaining after the payment of prizes and operating expenses shall be transferred to the Education Innovation Fund. Beginning on July 15, 1993, and continuing through July 1, 1997, twenty-four and one-half percent of the money remaining after the payment of prizes and operating expenses shall be transferred to the Solid Waste Landfill Closure Assistance Fund and twenty-five percent of the money remaining after the payment of prizes and operating expenses shall be transferred to the Nebraska Environmental Trust Fund to be used as provided in the Nebraska Environmental Trust Act. After July 1, 1997, forty-nine and one-half percent of the money remaining after the payment of prizes and operating expenses shall be transferred to the Nebraska Environmental Trust Fund to be used as provided in the Nebraska Environmental Trust Act. One percent of the money remaining after the payment of prizes and operating expenses shall be transferred to the Compulsive Gamblers Assistance Fund to be used as provided in sections 83-162.01 to 83-162.04.

(2) The Education Innovation Fund is hereby created. Each fiscal year beginning with fiscal year 1994-95, at least seventy-five percent of the lottery proceeds allocated to the Education Innovation Fund shall be available

for disbursement. The Education Innovation Fund shall be allocated by the Governor through incentive grants to encourage the development of strategic school improvement plans by school districts for accomplishing high performance learning and to encourage schools to establish innovations in programs or practices that result in restructuring of school organization, school management, and instructional programs which bring about improvement in the quality of education. Such grants are intended to provide selected school districts, teachers or groups of teachers, nonprofit educational organizations, educational service units, or cooperatives funding for the allowable costs of implementing pilot projects and model programs.

Minigrants shall be available to school districts to support the development of strategic school improvement plans which shall include statements of purposes and goals for the districts. The plans shall also include the specific statements of improvement or strategic initiatives designed to improve quality learning for every student.

In addition to the minigrants granted for the development of strategic school improvement plans, school districts with annual budget expenditures of three hundred fifty thousand dollars or less are eligible for minigrants for the purposes allowed in subdivisions (2)(a) through (g) of this section. The amount of this type of minigrant shall not exceed five thousand dollars. The school district shall present a curriculum support plan with its application for the grant. The curriculum support plan must show how the district is working to achieve one or more of the allowed purposes and how the grant will be used to directly advance the plan to achieve one or more of these purposes. The plan must be signed by the school administrator and a school board representative. The application for the grant shall be brief. The Excellence in Education Council shall select the recipients of this type of minigrant and shall administer such minigrants.

Major competitive grants shall be available to support innovative programs which are directly related to the strategic school improvement plans. The development of a strategic school improvement plan by a school district shall be required before a grant is awarded. Annual reports shall be made by program recipients documenting the effectiveness of the program in improving the quality of education as designed in the strategic school improvement plans. Special consideration shall be given to plans which contain public or private matching funds and cooperative agreements, including agreements for in-kind services. Purposes for which incentives would be offered shall include:

(a) Professional staff development programs to provide funds for teacher and administrator training and continuing education to upgrade teaching and administrative skills;

(b) The development of strategic school improvement plans by school districts;

(c) Educational technology assistance to public schools for the purchase and operation of computers, telecommunications equipment and services, and other forms of technological innovation which may enhance classroom teaching, instructional management, and districtwide administration pursuant to the state's goal of ensuring that all kindergarten through grade twelve public school districts or affiliated school systems have a direct connection to a statewide public computer information network by June 30, 2000. The telecomputing equipment and services needed to meet this goal may be funded under this subsection, sections 79-1233 and 79-1310, or any combination of such subsection and sections. Such telecommunications equipment, services, and forms of technical innovation shall be approved by the State Department of Education in consultation with the Department of Administrative Services to insure compatibility of technologies and compliance with statewide priorities;

(d) An educational accountability program to develop an educational indicators system to measure the performance and outcomes of public schools and to ensure efficiency in operations;

(e) Alternative programs for students, including underrepresented groups, at-risk students, and dropouts;

(f) Programs that demonstrate improvement of student performance against valid national and international achievement standards;

(g) Early childhood and parent education which emphasizes child development;

(h) Programs using decisionmaking models that increase involvement of parents, teachers, and students in school management;

(i) Increased involvement of the community in order to achieve increased confidence in and satisfaction with its schools;

(j) Development of magnet or model programs designed to facilitate desegregation;

(k) Programs that address family and social issues impairing the learning productivity of students;

(l) Programs enhancing critical and higher-order thinking capabilities;

(m) Programs which produce the quality of education necessary to guarantee a competitive work force;

(n) Programs designed to increase productivity of staff and students through innovative use of time;

(o) Training programs designed to benefit teachers at all levels of education by increasing their ability to work with educational technology in the classroom; and

(p) Approved programs or services under sections 79-1106 to 79-1109.

The Governor shall establish the Excellence in Education Council. The Governor shall appoint eleven members to the council including representatives of educational organizations, postsecondary educational institutions, the business community, and the general public, members of school boards and parent education associations, school administrators, and at least four teachers who are engaged in classroom teaching. The State Department of Education shall provide staff support for the council. The council shall have the following powers and duties:

(i) In consultation with the State Department of Education, develop and publish criteria for the awarding of grants for programs pursuant to this subsection, including minigrants;

(ii) Provide recommendations to the Governor regarding the selection of projects to be funded and the distribution and duration of project funding;

(iii) Establish standards, formats, procedures, and timelines for the successful implementation of approved programs funded by the Education Innovation Fund;

(iv) Assist school districts in determining the effectiveness of the innovations in programs and practices and measure the subsequent degree of improvement in the quality of education;

(v) Consider the reasonable distribution of funds across the state and all classes of school districts; and

(vi) Provide annual reports to the Governor concerning programs funded by the fund. Each report shall include the number of applicants and approved applicants, an overview of the various programs, objectives, and anticipated outcomes, and detailed reports of the cost of each program.

To assist the council in carrying out its duties, the State Board of Education shall, in consultation with the council, adopt and promulgate rules and regulations establishing criteria, standards, and procedures regarding the selection and administration of programs funded from the Education Innovation Fund.

(3) Recipients of grants from the Education Innovation Fund shall be required to provide, upon request, such data relating to the funded programs and initiatives as the Governor deems necessary.

(4) Any money in the State Lottery Operation Trust Fund, the State Lottery Operation Cash Fund, the State Lottery Prize Trust Fund, or the Education Innovation Fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

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

Sec. 2. Section 13-2304, Revised Statutes Supplement, 1996, is amended to read:

13-2304. The Nebraska Commission on Local Government Innovation and Restructuring shall have the following powers and duties:

(1) To fund outstanding local government projects in government innovation, restructuring, and cooperative services provision. Funds shall be available for planning and evaluating such projects. Funds shall be provided on a matching fund basis;

(2) To conduct research and publish evaluations of efforts to develop public services innovation, restructuring, and cooperation efforts;

(3) To sponsor educational activities which provide information and training for citizens and government officials on the topic of government services innovation;

(4) To identify intergovernmental mandates which affect the ability of federal, state, and local governments to deliver services in an effective manner and to recommend changes to increase effectiveness in accomplishing public purposes and delivering public services;

(5) To identify issues, guidelines, and incentives for collaborative or joint use of facilities and capital equipment by local governments; and

(6) To accept and receive funds or donations from public and private funding sources; and

(7) To identify, collect, document, and distribute examples of kindergarten through grade twelve educational efficiency innovation. The commission shall work closely with the State Department of Education, educational service units, school districts, school systems, local communities, and other appropriate parties in carrying out the requirements of this subdivision.

Sec. 3. Section 79-458, Reissue Revised Statutes of Nebraska, as amended by section 22, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997, is amended to read:

79-458. (1) If an existing Class II or III school district (a) has less than sixty pupils in grades nine through twelve for two consecutive years pursuant to subsection (2) of section 79-499 and (b) has voted to exceed the maximum levy established pursuant to subdivision (2)(a) of section 77-3442 for any fiscal year beginning with fiscal year 1998-99 and if the high school is within fifteen miles on a maintained public highway or maintained public road of another high school, any freeholder or freeholders, person in possession or constructive possession as vendee pursuant to a contract of sale of the fee, holder of a school land lease under section 72-232, or entrant upon government land who has not yet received a patent therefor may file a petition with a board consisting of the county superintendent, county clerk, and county treasurer, asking to have any tract or tracts of land described in the petition set off from a Class II or III school district as described in subsection (2) of section 79-499 in which it is situated and attached to an accredited district which is contiguous to such tract or tracts of land. For purposes of determining whether a tract of land is contiguous, all petitions currently being considered by the board shall be considered together as a whole.

(2) The petition shall state the reasons for the proposed change and shall show with reference to the land of each petitioner: (a) That (i) the land described in the petition is either owned by the petitioner or petitioners or that he, she, or they hold a school land lease under section 72-232, are in possession or constructive possession as vendee under a contract of sale of the fee simple interest, or have made an entry on government land but have not yet received a patent therefor and (ii) such tract of land includes all such contiguous land owned or controlled by each petitioner; (b) that the land described in the petition is located in a Class II or III district as described in subsection (2) of section 79-499 and the district has voted to exceed the maximum levy established pursuant to subdivision (2)(a) of section 77-3442 for any fiscal year beginning with fiscal year 1998-99 and the land is to be attached to an accredited school district which is contiguous to such tract or tracts of land; and (c) that such petition is approved by a majority of the members of the school board or board of education of the district to which such land is sought to be attached.

(3) The petition shall be verified by the oath of each petitioner. Notice of the filing of the petition and of the hearing on such petition before the board shall be given at least ten days prior to the date of such hearing by one publication in a legal newspaper of general circulation in each district and by posting a notice on the outer door of the schoolhouse in each district affected thereby, and such notice shall designate the territory to be transferred. The board shall, after a public hearing on the petition and a determination that all requirements of this section have been complied with, change the boundaries of the school districts so as to set off the land described in the petition and attach it to such district pursuant to the petition.

(4) Petitions requesting transfers of property across county lines shall be addressed jointly to the county superintendents of the counties concerned, and the petitions shall be acted upon by the county superintendents, county clerks, and county treasurers of the counties involved as one board, with the county superintendent of the county from which the land is sought to be transferred acting as chairperson of the board.

(5) Appeals may be taken from the action of such board or, when such board fails to agree, to the district court of the county in which the land is located within twenty days after entry of such action on the records of the board by the county clerk of the county in which the land is located or within twenty days after March 15 if the board fails to act upon such petition, in the same manner as appeals are now taken from the action of the county board in the allowance or disallowance of claims against the county.

(6) This section does not apply to any school district located on an Indian reservation and substantially or totally financed by the federal government.

Sec. 4. Section 79-611, Reissue Revised Statutes of Nebraska, as amended by section 28, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997, is amended to read:

79-611. (1) The school board or board of education shall either provide free transportation or pay an allowance for transportation in lieu of free transportation as follows:

(a) When a student attends an elementary school in his or her own district and lives more than four miles from the public schoolhouse in such district;

(b) When a student is required to attend an elementary school outside of his or her own district and lives more than four miles from such elementary school;

(c) When a student attends a secondary school in his or her own Class II or Class III school district and lives more than four miles from the public schoolhouse. This subdivision does not apply when one or more Class I school districts merge with a Class VI school district to form a new Class II or III school district on or after January 1, 1997; and

(d) When a student, other than a student in grades ten through twelve in a Class V district, attends an elementary or junior high school in his or her own Class V district and lives more than four miles from the public schoolhouse in such district.

(2) The transportation allowance which may be paid to the parent, custodial parent, or guardian of students qualifying for free transportation pursuant to subsection (1) of this section shall equal two hundred eighty-five percent of the mileage rate provided in section 81-1176, multiplied by each mile actually and necessarily traveled, on each day of attendance, beyond which the one-way distance from the residence of the student to the schoolhouse exceeds three miles.

(3) Whenever students from more than one family travel to school in the same vehicle, the transportation allowance prescribed in subsection (2) of this section shall be payable as follows:

(a) To the parent, custodial parent, or guardian providing transportation for students from other families, one hundred percent of the amount prescribed in subsection (2) of this section for the transportation of students of such parent's, custodial parent's, or guardian's own family and an additional five percent for students of each other family not to exceed a maximum of one hundred twenty-five percent of the amount determined pursuant to subsection (2) of this section; and

(b) To the parent, custodial parent, or guardian not providing transportation for students of other families, two hundred eighty-five percent of the mileage rate provided in section 81-1176 multiplied by each mile actually and necessarily traveled, on each day of attendance, from the residence of the student to the pick-up point at which students transfer to the vehicle of a parent, custodial parent, or guardian described in subdivision (a) of this subsection.

(4) The board may authorize school-provided transportation to any student who does not qualify under the mileage requirements of subsection (1) of this section and may charge a fee to the parent or guardian of the student for such service. An affiliated high school district may provide free transportation or pay the allowance described in this section for high school students residing in an affiliated Class I district. No transportation payments shall be made to a family for mileage not actually traveled by such family. The number of days the student has attended school shall be reported monthly by the teacher to the board of such public school district.

(5) No more than one allowance shall be made to a family irrespective of the number of students in a family being transported to school. If a family resides in a Class I district which is part of a Class VI district and has students enrolled in any grade of grades kindergarten through six in the Class I district and in any grade of grades seven and eight in the Class VI district, such family shall receive not more than one allowance for the distance actually traveled when both districts are on the same direct travel route with one district being located a greater distance from the residence than the other. In such cases, the travel allowance shall be prorated among the school districts involved. Unless the parties involved can mutually agree, the county superintendent of the district in which the school attended is located shall determine the pro rata share to be paid by each district. If the schools attended are in different counties, the respective county superintendents shall determine the proper pro rata amount each district shall pay.

(6) No student shall be exempt from school attendance on account of distance from the public schoolhouse.

Sec. 5. Section 79-1003, Reissue Revised Statutes of Nebraska, as amended by section 31, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997, is amended to read:

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

(1) Adjusted general fund operating expenditures means general fund operating expenditures as calculated pursuant to subdivision (21) of this section minus the transportation allowance and, for purposes of state aid paid in school fiscal year 1998-99 and each school fiscal year thereafter, minus the special education allowance;

(2) Adjusted valuation means the assessed valuation of taxable property of each district in the state, for school fiscal years before school fiscal year 1998-99, and of each local system in the state, for school fiscal year 1998-99 and each school fiscal year thereafter, adjusted pursuant to the adjustment factors described in section 79-1016. For the calculation of state aid to be paid in school year 1995-96, adjusted valuation means the adjusted valuation for the property tax year ending during the school year in which the aid based upon that value is to be paid. For calculation of state aid to be paid in school year 1996-97 and each school year thereafter, adjusted valuation means the adjusted valuation for the property tax year ending during the school year immediately preceding the school year in which the aid based upon that value is to be paid. For purposes of determining the local effort rate yield pursuant to section 79-1015, adjusted valuation does not include the value of any property which a court, by a final judgment from which no appeal is taken, has declared to be nontaxable or exempt from taxation;

(3) Allocated income tax funds means the amount of assistance paid to a district pursuant to section 79-1004 or 79-1005 and, for school fiscal year 1998-99 and each school fiscal year thereafter, as adjusted by the minimum levy adjustment pursuant to section 39 of this act;

(4) Average daily membership means the average daily membership for grades kindergarten through twelve attributable to the district for school fiscal years before school fiscal year 1998-99, and for school fiscal year 1998-99 and each school fiscal year thereafter, attributable to the local system, as provided in each district's annual statistical summary and includes the proportionate share of students enrolled in a public school instructional program on less than a full-time basis;

(5) Average daily membership tiers means groupings of districts by the number of students comprising a district's average daily membership in a specified grade range;

(6) Base fiscal year means (a) for school district reorganizations which occurred prior to the 1995-96 school fiscal year, the first fiscal year in which all data sources reflect the reorganized district as a single district for the calculation of state aid and (b) for school district reorganizations which occur during or after the 1995-96 school fiscal year, the second fiscal year following the year in which the reorganization occurred;

(7) Board means the school board or board of education of each school district;

(8) Categorical federal funds means funds limited to a specific purpose by federal law, including, but not limited to, Chapter 1 funds, Chapter 2 funds, Title VI funds, federal vocational education funds, federal school lunch funds, Indian education funds, and Head Start funds;

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

(10) Current school year means the current school fiscal year;

(11) Department means the State Department of Education;

(12) District means any Class I, II, III, IV, V, or VI district;

(13) Ensuing school year means the school year following the current school year;

(14) Equalization aid means the amount of assistance paid to a district pursuant to sections 79-1008 to 79-1022;

(15) Fall membership means the total membership in kindergarten through grade twelve attributable to the district for school fiscal years before school fiscal year 1998-99, and for school fiscal year 1998-99 and each school fiscal year thereafter, attributable to the local system, as reported on the fall school district membership reports for the local system pursuant to section 79-528;

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

(17) Formula students means (a) for state aid certified pursuant to section 79-1022, the sum of fall membership from the school year immediately preceding the school year in which the aid is to be paid, multiplied by the average ratio of average daily membership to fall membership for the most recently available complete data year and the two school years prior to the most recently available complete data year, and tuitioned students from the school year immediately preceding the school year in which the aid is to be paid and (b) for final calculation of state aid pursuant to section 79-1065, the sum of average daily membership and tuitioned students from the school year immediately preceding the school year in which the aid was paid;

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

(19) General fund budget of expenditures means the total budgeted expenditures for general fund purposes as certified in the budget statement adopted pursuant to the Nebraska Budget Act, except that for purposes of the limitation imposed in section 79-1023, the general fund budget of expenditures does not include any special grant funds, exclusive of local matching funds, received by a district subject to the approval of the department;

(20) General fund expenditures means all expenditures from the general fund;

(21) General fund operating expenditures means the total general fund expenditures minus categorical funds, tuition paid, transportation fees paid to other districts, adult education, summer school, ~~school lunch pass-through~~, community services, redemption of the principal portion of general fund debt service, and transfers from other funds into the general fund;

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

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

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

(25) Local system means a Class VI district and the associated Class I districts or a Class II, III, IV, or V district and any affiliated Class I districts or portions of Class I districts. The membership, expenditures, and resources of Class I districts that are affiliated with multiple high school districts will be attributed to local systems based on the percent of the Class I valuation that is affiliated with each high school district;

(26) Low-income child means a child under ~~eighteen nineteen~~ years of age living in a household having an annual adjusted gross income of fifteen thousand dollars or less for the second calendar year preceding the beginning of the school fiscal year for which aid is being calculated;

(27) Most recently available complete data year means the most recent single school fiscal year for which the annual financial report, fall school district membership report, annual statistical summary, Nebraska income tax liability by school district, and adjusted valuation data are available;

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

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

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

(31) Special education allowance means the amount of special education receipts included in local system formula resources under subdivisions ~~(8) (7)~~ and ~~(18) (16)~~ of section 50 of this act;

(32) State aid means the amount of assistance paid to a district pursuant to sections 79-1005 and 79-1007 to 79-1022 and for school fiscal year 1998-99 and each school fiscal year thereafter, pursuant to sections 79-1005 and 79-1007 to 79-1022 and sections 33, 35, 36, 38, 39, 45, 48, and 50 of this act;

(33) State board means the State Board of Education;

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

(35) Transportation allowance means the lesser of: (a) The general fund expenditures for regular route transportation and in lieu of transportation expenditures pursuant to section 79-611, in the most recently available complete data year, but not including special education

transportation expenditures or other expenditures previously excluded from general fund operating expenditures; or (b) the number of miles traveled in the most recently available complete data year by vehicles owned, leased, or contracted by the district for the purpose of regular route transportation multiplied by four hundred percent of the mileage rate established by the Department of Administrative Services pursuant to section 81-1176 as of January 1 of the most recently available complete data year added to in lieu of transportation expenditures pursuant to section 79-611, from the same data year. For school fiscal year 1996-97, the determination of the transportation allowance shall be based on the best available information previously collected by the State Department of Education and shall not include in lieu of transportation expenditures under section 79-611; and

(36) Tuitioned students means students in kindergarten through grade twelve of the district whose tuition is paid by the district to some other district or education agency.

Sec. 6. Section 79-1005, Reissue Revised Statutes of Nebraska, is amended to read:

79-1005. For state aid calculated for school fiscal year 1996-97 and each school fiscal year thereafter:

(1) Of the funds dedicated to the use and support of public education, an amount equal to the amount appropriated to the School District Income Tax Fund for distribution in school fiscal year 1992-93 shall be disbursed as option payments as determined under section 79-1009 and as allocated income tax funds as determined in this section and sections 79-1008 and 79-1011 to 79-1022;

(2) Not later than November 15 of each year, the Tax Commissioner shall certify to the department for the second preceding tax year (a) the income tax liability of resident individuals for each Class I, II, III, IV, or V district in the state in which ten or more resident individual income tax returns were filed and (b) the income tax liability of resident individuals of all Class I, II, III, IV, and V districts in which less than ten resident individual income tax returns were filed, together with a list of such districts and funds; and

(3) Using the data certified by the Tax Commissioner pursuant to subdivision (2) of this section, the department shall calculate the allocation percentage and each district's allocated income tax funds. The allocation percentage shall be an amount equal to the amount appropriated to the School District Income Tax Fund for distribution in school fiscal year 1992-93 minus the total amount paid for option students pursuant to section 79-1009 with the difference divided by the aggregate statewide income tax liability of all resident individuals certified pursuant to subdivision (2) of this section. Each district's allocated income tax funds shall be calculated as follows: (a) Each district identified in subdivision (2)(b) of this section shall be preliminarily allocated a share of the sum total income tax liability certified pursuant to such subdivision based on its pro rata share of the total adjusted valuation of the school fiscal year in which the second preceding tax year ended of all such districts and multiplied by the allocation percentage; and (b) each district identified in subdivision (2)(a) of this section shall receive the following allocations of certified income tax liability:

(i) For each Class II, III, IV, or V district, the allocated income tax funds shall be the certified income tax liability multiplied by the allocation percentage;

(ii) For each Class I district which is not part of a Class VI district, 61.3793 percent of the certified income tax liability multiplied by the allocation percentage shall be allocated to such Class I district, with the remainder of the certified income tax liability multiplied by the allocation percentage allocated to any high school district or districts with which any portion of the Class I district has affiliated. When the Class I district has partially affiliated with one or more high school districts, such remainder of the certified income tax liability multiplied by the allocation percentage shall be allocated to the affiliated high school district or districts based on each affiliated high school district's pro rata share of the Class I district's total adjusted valuation of the school fiscal year in which the second preceding tax year ended;

(iii) For each Class I district which is part of a Class VI district which offers instruction in grades seven through twelve, 44.8276 percent of the certified income tax liability multiplied by the allocation percentage shall be allocated to such Class I district and the remainder of the certified income tax liability multiplied by the allocation percentage shall be allocated to the Class VI district; and

(iv) For each Class I district which is part of a Class VI district

which offers instruction in grades nine through twelve, 61.3793 percent of the certified income tax liability multiplied by the allocation percentage shall be allocated to such Class I district and the remainder of the certified income tax liability multiplied by the allocation percentage shall be allocated to the Class VI district.

Sec. 7. Section 79-1015, Reissue Revised Statutes of Nebraska, is amended to read:

79-1015. (1) District formula resources shall include local effort rate yield which shall be computed as prescribed in this section.

(2) The local effort rate shall be determined by the department. The local effort rate shall be the rate which, when multiplied by the total adjusted valuation of all taxable property in districts receiving equalization aid pursuant to the Tax Equity and Educational Opportunities Support Act, will produce the amount needed to support the total formula need of such districts when added to state aid appropriated by the Legislature for the ensuing school year and other actual receipts of districts described in section 79-1018. The local effort rate for Class I districts, and Class VI districts, and county nonresident high school tuition funds shall be based on the following schedule.

District	Grades for which legally responsible	Percentage of local effort rate
Class I	Kindergarten through six	44.8276
Class I	Kindergarten through eight	61.3793
Class VI	Seven through twelve	55.1724
Class VI	Nine through twelve	38.6207
County non-resident high school tuition funds	Nine through twelve	38.6207

(3) For Class I, II, III, IV, V, and VI districts, and, except as provided in subsection (5) of this section, for the nonresident high school tuition fund of each county, the local effort rate yield shall be determined by multiplying each district's total adjusted valuation by the local effort rate.

(4)(a) For the calculation of state aid to be paid in school years 1992-93 and 1993-94, in addition to the local effort rate yield calculated pursuant to subsection (3) of this section, district formula resources for each Class II, III, IV, V, and VI district shall include 38.6207 percent of the local effort rate multiplied by the sum of: (i) The assessed valuation from the current school year of Class I districts or portions thereof that in the current school year are not part of a Class VI district and are not affiliated but will be affiliated or merged with the Class II, III, IV, V, or VI district for the school year in which the calculated state aid is to be paid; and (ii) the assessed valuation from the most recently available complete data year of Class I districts or portions thereof that in the most recently available complete data year were not part of a Class VI district and were not affiliated but were affiliated or merged with the Class II, III, IV, V, or VI district for the current school year.

(b) For the calculation of state aid to be paid in school year 1994-95 and each school year thereafter, in addition to the local effort rate yield calculated pursuant to subsection (3) of this section, district formula resources for each Class II, III, IV, and V district shall include 38.6207 percent of the local effort rate multiplied by the adjusted valuation of Class I districts or portions thereof that are affiliated with such district, for such year:

(5) For the calculation of state aid to be paid in school year 1993-94 and each school year thereafter, local effort rate yield for the nonresident high school tuition fund of each county shall be determined by multiplying 38.6207 percent of the local effort rate by the assessed valuation from Class I districts or portions thereof in such county which have not affiliated with any high school district and which are not part of a Class VI district for the school year in which the aid is to be paid.

Sec. 8. Section 79-1018, Reissue Revised Statutes of Nebraska, is amended to read:

79-1018. District formula resources include other actual receipts available for the funding of general fund operating expenditures as determined by the department for the most recently available complete data year, except that receipts from the Community Improvements Cash Fund and receipts acquired pursuant to the Low-Level Radioactive Waste Disposal Act shall not be included. Other actual receipts include:

(1) Public power district sales tax revenue;

(2) Fines and license fees;

(3) Nonresident high school tuition receipts, except that for the calculation of state aid to be paid in school years 1992-93, 1993-94, and 1994-95, other actual receipts shall include the district's total nonresident high school tuition charge for each such school year as certified by the department pursuant to section 79-4,102 as such section existed immediately prior to July 1, 1993;

(4) Tuition receipts from individuals, other districts, or any other source except those derived from adult education;

(5) Transportation receipts;

(6) Interest on investments;

(7) Other miscellaneous local receipts, not including receipts from private foundations, individuals, associations, or charitable organizations;

(8) Special education receipts;

(9) Receipts from the state for wards of the court and wards of the state;

(10) All receipts from the temporary school fund;

(11) Receipts from the Insurance Tax Fund, except that for the calculation of state aid to be paid in school year 1996-97 and each school year thereafter, other actual receipts do not include Insurance Tax Fund receipts;

(12) Pro rata motor vehicle license fee receipts;

(13) Amounts provided by the state on behalf of the district as reimbursement for repayment of personal property taxes by centrally assessed pipeline companies pursuant to section 77-3617;

(14) Other miscellaneous noncategorical state receipts, excluding revenue from the textbook loan program authorized by section 79-734;

(15) Impact aid entitlements for the school fiscal year which have actually been received by the district to the extent allowed by federal law;

(16) All other noncategorical federal receipts;

(17) All receipts pursuant to the enrollment option program under sections 79-232 to 79-247; and

(18) Receipts under the federal Medicare Catastrophic Coverage Act of 1988 as authorized pursuant to sections 43-2510 and 43-2511 but only to the extent of the amount the district would have otherwise received pursuant to the Special Education Act.

Sec. 9. Section 35, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997, is amended to read:

Sec. 35. For school fiscal year 1998-99 and each school fiscal year thereafter, the adjusted formula membership for each local system shall be calculated by:

(1) Multiplying the formula students in each grade range by the corresponding weighting factors to calculate the weighted formula students for each grade range as follows:

(a) The weighting factor for kindergarten is five-tenths;

(b) The weighting factor for grades one through six, including full-day kindergarten, is one;

(c) The weighting factor for grades seven and eight is one and two-tenths; and

(d) The weighting factor for grades nine through twelve is one and four-tenths;

(2) Adding the weighted formula students for each grade range to calculate the weighted formula students for the local system; and

(3) Adjusting the weighted formula students by adding the following demographic factors:

(a) The Indian-land factor shall equal 0.25 times the average daily attendance of students who reside on Indian land as reported by the United States Department of Education in calculating the system's payment pursuant to 20 U.S.C. 7701 et seq.;

(b) The limited English proficiency factor shall equal 0.25 times the formula students in the local system with limited English proficiency as defined under rules and regulations of the United States Department of Education promulgated pursuant to Title VI of the Civil Rights Act of 1964; **and**

(c) The department shall calculate the number of formula students to whom the poverty factor shall apply. The department shall calculate a ratio of the low-income children formula students to the total children under nineteen years of age residing in the county in which the local system is located and shall attribute an equal apply the ratio of to the low-income students to total weighted formula students children within the local system, in order to determine the number of low-income students within such local school system. The number of children under nineteen years of age used in

this calculation shall be derived from income tax information. The poverty factor shall equal the number of low-income students determined by such ratio or the formula students qualified for free lunches or free milk under United States Department of Agriculture child nutrition programs, whichever is greater, multiplied by the following factors:

(i) 0 for the qualified formula students qualified for free lunches or free milk comprising the first five percent of the formula students in the local system;

(ii) 0.05 for the qualified formula students qualified for free lunches or free milk comprising more than five percent and not more than ten percent of the formula students in the local system;

(iii) 0.10 for the qualified formula students qualified for free lunches or free milk comprising more than ten percent and not more than fifteen percent of the formula students in the local system;

(iv) 0.15 for the qualified formula students qualified for free lunches or free milk comprising more than fifteen percent and not more than twenty percent of the formula students in the local system;

(v) 0.20 for the qualified formula students qualified for free lunches or free milk comprising more than twenty percent and not more than twenty-five percent of the formula students in the local system;

(vi) 0.25 for the qualified formula students qualified for free lunches or free milk comprising more than twenty-five percent and not more than thirty percent of the formula students in the local system; and

(vii) 0.30 for the qualified formula students qualified for free lunches or free milk comprising more than thirty percent of the formula students in the local system; and

(d) The extreme remoteness factor shall equal 0.125 times the formula students in the local system for each local system that has fewer than two hundred formula students, more than six hundred square miles in the local system, less than three-tenths formula student per square mile in the local system, and more than twenty-five miles between the high school attendance center and the next closest high school attendance center on paved roads.

The total adjusted formula membership for each local system shall equal the weighted membership formula students plus the demographic factors.

Sec. 10. Section 36, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997, is amended to read:

Sec. 36. For state aid calculated for school fiscal year 1998-99 and each school fiscal year thereafter:

(1) Using data from the annual financial reports, the annual statistical summary reports, fall membership reports, and the school district census as reported under sections 79-524 and 79-578 for the most recently available complete data year, the department shall divide the local systems into three cost groupings based upon the following criteria:

(a) Local systems that have (i) less than one-half student per square mile in the county in which the high school attendance center is located, based on the school district census, (ii) less than one formula student per square mile in the local system, and (iii) more than fifteen miles between the high school attendance center and the next closest high school attendance center on paved roads will be in the very sparse cost grouping;

(b) Local systems that do not qualify for the very sparse cost grouping but which meet the following criteria will be in the sparse cost grouping:

(i)(A) Less than two students per square mile in the county in which the high school is located, based on the school district census;

(B) Less than one formula student per square mile in the local system; and

(C) More than ten miles between the high school attendance center and the next closest high school attendance center on paved roads;

(ii)(A) Less than one and one-half formula students per square mile in the local system; and

(B) More than fifteen miles between the high school attendance center and the next closest high school attendance center on paved roads; or

(iii)(A) less than one formula student per square mile in the local system; and

(B) More than twenty miles between the high school attendance center and the next closest high school attendance center on paved roads; or

(iv) The local system includes ninety-five percent or more of a county; and

(c) Local systems that do not qualify for the very sparse or the sparse cost groupings will be in the standard cost grouping.

(2) The department shall calculate the average formula cost per student in each cost grouping by dividing the total estimated general fund

operating expenditures for the cost grouping by the total adjusted formula students for all local systems in the cost grouping. The total estimated general fund operating expenditures for the cost grouping is equal to the total adjusted general fund operating expenditures for all local systems in the cost grouping multiplied by a cost growth factor. The cost growth factor for each cost grouping is equal to the sum of: (a) One; plus (b) the product of two times the ratio of the difference between the formula students attributable to the cost grouping without weighting or adjustment pursuant to section 35 of this act and the average daily membership attributable to the cost grouping for the most recently available complete data year divided by the average daily membership attributable to the cost grouping for the most recently available complete data year, except that the ratio shall not be less than zero; plus (c) the basic allowable growth rate pursuant to section 79-1025 for the school fiscal year when the aid is to be distributed; plus (d) the basic allowable growth rate pursuant to section 79-1025 for the school fiscal year immediately preceding the school fiscal year when the aid is to be distributed; plus (e) one-half of any additional growth rate allowed by special action of school boards for the school fiscal year when the aid is to be distributed; plus (f) one-half of any additional growth rate allowed by special action of the school boards for the school fiscal year immediately preceding the school fiscal year when the aid is to be distributed.

(3) Each local system's formula need will be equal to the local system's transportation allowance plus the local system's special education allowance plus the product of the local system's adjusted formula membership multiplied by the average formula cost per student in the local system's cost grouping.

Sec. 11. Section 38, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997, is amended to read:

Sec. 38. For school fiscal year 1998-99 and each school fiscal year thereafter:

(1) Except as provided in section 79-1011 for reorganized districts which become reorganized districts on or before June 30, 2005, and except as provided in subdivision (2) of this section, sections 79-1009 and 79-1010, and section 39 of this act, each local system shall receive equalization aid in the amount that the total formula need of each local system, as determined pursuant to section 79-1014 and sections 35 and 36 of this act, exceeds its total formula resources as determined pursuant to sections 79-1016 and 79-1017 and sections 45, 48, and 50 of this act.

(2) Except as provided in section 39 of this act, a local system shall not receive state aid for school fiscal year 1998-99 and each school fiscal year thereafter which is less than an amount equal to the difference of eighty-five percent of the amount of aid certified in the preceding school fiscal year minus an amount equal to any increase in the adjusted valuation between the adjusted valuation used for the certification of aid in the preceding school fiscal year and the adjusted valuation used for the aid being calculated multiplied by the maximum levy pursuant to subdivision (2)(a) of section 77-3442 without a vote pursuant to section 77-3444.

(3) Except as provided in subsection (2) of this section, no local system may receive equalization aid such that, when total aid is added to a levy of one dollar for state aid to be distributed in school fiscal years 1998-99 and 1999-2000 or of ninety cents for state aid to be distributed in school fiscal year 2000-01 and each school fiscal year thereafter, multiplied by the local system's adjusted valuation divided by one hundred, would result in total local system revenue from state aid plus property tax receipts which exceeds the total of:

(a) State aid plus property tax receipts received by the local system during the preceding school fiscal year multiplied by the total of (i) 1.01 plus (ii) the applicable allowable growth rate for the system calculated pursuant to section 79-1026 plus (iii) the percentage growth in formula students from the certification of state aid for the immediately preceding school fiscal year to the formula students for the certification of state aid for the current year, except that the percentage growth shall not be less than zero;

(b) Unused budget authority authorized pursuant to section 79-1030; and

(c) The difference between the other actual receipts included in district formula resources for the certification of state aid in the preceding school fiscal year and other actual receipts included in district formula resources for the certification of state aid for the current school fiscal year, except that such difference shall not be less than zero.

For districts that have reorganized, state aid, property tax receipts, and number of formula students shall be attributed based on

valuation. The revenue from property tax receipts shall be calculated by multiplying the reported general fund common levy by the assessed valuation subject to the levy divided by one hundred.

(4) The aid that is not distributed through equalization based on subdivision (3) of this section shall be distributed through this subdivision. Local systems that qualify for distribution shall have nine hundred or less formula students and shall have adjusted general fund operating expenditures per formula student less than the average for all local systems with nine hundred or less formula students. The aid shall be distributed proportionally to qualifying districts based on the dollar amount each local system's calculated state aid plus the product of a levy of one dollar and ten cents for school fiscal years 1998-99 and 1999-00 and of one dollar for school fiscal year 2000-01 and each school fiscal year thereafter multiplied by the adjusted assessed valuation divided by one hundred is below ninety percent of state aid plus property tax receipts received by the local system during the preceding school fiscal year. No system shall receive aid pursuant to this subdivision such that the calculated state aid plus the product of a levy of one dollar and ten cents for school fiscal years 1998-99 and 1999-00 and of one dollar for school fiscal year 2000-01 and each school fiscal year thereafter multiplied by the adjusted assessed valuation divided by one hundred is ninety percent or more of state aid plus property tax receipts received by the local system during the preceding school fiscal year. Any aid available for distribution pursuant to this subsection that is not distributed pursuant to this subsection shall be distributed as equalization aid.

Sec. 12. Section 50, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997, is amended to read:

Sec. 50. For school fiscal year 1998-99 and each school fiscal year thereafter, local system resources include other actual receipts available for the funding of general fund operating expenditures as determined by the department for the most recently available complete data year, except that receipts from the Community Improvements Cash Fund and receipts acquired pursuant to the Low-Level Radioactive Waste Disposal Act shall not be included. Other actual receipts include:

- (1) Public power district sales tax revenue;
- (2) Fines and license fees;
- (3) ~~Nonresident high school tuition receipts;~~
- (4) (3) Tuition receipts from individuals, other districts, or any other source except those derived from adult education;
- (5) (4) Transportation receipts;
- (6) (5) Interest on investments;
- (7) (6) Other miscellaneous noncategorical local receipts, not including receipts from private foundations, individuals, associations, or charitable organizations;
- (8) (7) Special education receipts, excluding grant funds received pursuant to section 9-812;
- (9) (8) Receipts from the state for wards of the court and wards of the state;
- (10) (9) All receipts from the temporary school fund;
- (11) (10) Receipts from the Insurance Tax Fund, except that for the calculation of state aid to be paid in school year 1996-97 and each school year thereafter, other actual receipts do not include Insurance Tax Fund receipts;
- (12) (11) Pro rata motor vehicle license fee receipts;
- (13) Amounts provided by the state on behalf of the district as reimbursement for repayment of personal property taxes by centrally assessed pipeline companies pursuant to section 77-3617;
- (14) (12) Other miscellaneous state receipts excluding revenue from the textbook loan program authorized by section 79-734;
- (15) (13) Impact aid entitlements for the school fiscal year which have actually been received by the district to the extent allowed by federal law;
- (16) (14) All other noncategorical federal receipts;
- (17) (15) All receipts pursuant to the enrollment option program under sections 79-232 to 79-246; and
- (18) (16) Receipts under the federal Medicare Catastrophic Coverage Act of 1988 as authorized pursuant to sections 43-2510 and 43-2511 but only to the extent of the amount the district would have otherwise received pursuant to the Special Education Act. For state aid to be paid for school years through 1997-98, other actual receipts shall be as reported in the annual financial reports from the most recently available complete data year. For state aid certified pursuant to section 79-1022 for school year 1998-99 and each year thereafter, other actual receipts shall equal each district's other

actual receipts from the most recently available complete data year, adjusted by the average annual change in each district's other actual receipts for the most recently available complete data year and the two school years immediately preceding the most recently available complete data year. For final calculation of state aid pursuant to section 79-1065, other actual receipts shall be as reported in the annual financial reports from the most recently available complete data year.

Sec. 13. Section 79-1022, Reissue Revised Statutes of Nebraska, as amended by section 5, Legislative Bill 713, Ninety-fifth Legislature, First Session, 1997, and by section 51, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997, is amended to read:

79-1022. (1) On or before July 1 of each year through 1997 the department shall determine the amounts to be distributed to each district for the following school fiscal year pursuant to such sections based on the appropriation to the Tax Equity and Educational Opportunities Fund and the allocation from the Insurance Tax Fund and shall certify the amounts to the Director of Administrative Services, the Auditor of Public Accounts, and each district.

(2) On or before December 1, 1997, and on or before December 1 of each year thereafter the department shall determine the amounts to be distributed to each local system and each district pursuant to the Tax Equity and Educational Opportunities Support Act based on estimated funding levels provided by the Legislative Fiscal Analyst and shall certify the amounts to the Director of Administrative Services, the Auditor of Public Accounts, and each district. The Legislative Fiscal Analyst shall provide such estimated funding level not later than November 1, 1997, and not later than November 1 of each year thereafter. The amount to be distributed to each district from the amount certified for a local system shall be proportional based on the weighted formula membership attributed to each district in the local system.

~~(2) On or before December 1, 1997, and on or before December 1 of each year thereafter, the department shall determine the amounts to be distributed to each local system and district for the following school fiscal year pursuant to section 77-913 and the Tax Equity and Educational Opportunities Support Act based on estimated funding levels provided by the Legislative Fiscal Analyst and shall certify the amounts to the Director of Administrative Services, the Auditor of Public Accounts, and each district. The Legislative Fiscal Analyst shall provide such estimated funding level not later than November 1, 1997, and not later than November 1 of each year thereafter.~~

(3) The amounts certified pursuant to subsections (1) and (2) of this section shall be distributed in ten as nearly as possible equal payments on the last business day of each month beginning in September of each ensuing school fiscal year and ending in June of the following year. Such certified state aid amounts shall be shown as budgeted non-property-tax receipts and deducted prior to calculating the property tax request in the district's general fund budget statement as provided to the Auditor of Public Accounts pursuant to section 79-1024.

Sec. 14. Section 79-1024, Reissue Revised Statutes of Nebraska, is amended to read:

79-1024. (1) The department may require each district to submit to the department a duplicate copy of such portions of the district's budget statement as the Commissioner of Education directs. The department may verify any data used to meet the requirements of the Tax Equity and Educational Opportunities Support Act. The Auditor of Public Accounts, after consultation with the department, shall review each district's budget statement for statutory compliance, make necessary changes in the budget documents for districts to effectuate the budget limitations imposed pursuant to sections 79-1023 to 79-1030, and notify the Commissioner of Education of any district failing to submit to the department or the auditor the budget documents required pursuant to this subsection by the date established in subsection (1) of section 13-508 or failing to make any corrections of errors in the documents pursuant to section 13-504.

(2) If a school district fails to submit to the department or the auditor the budget documents required pursuant to subsection (1) of this section by the date established in section 13-508 or fails to make any corrections of errors in the documents pursuant to section 13-504, the commissioner, upon notification from the auditor or upon his or her own knowledge that the required budget documents and any required corrections of errors from any school district have not been properly filed in accordance with the Nebraska Budget Act and after notice to the district and an opportunity to be heard, shall direct that any state aid granted pursuant to the Tax Equity and Educational Opportunities Support Act be withheld until

such time as the required budget documents or corrections of errors are received by the auditor and the department. In addition, the commissioner shall notify the county superintendent to direct the county treasurer to withhold all school money belonging to the school district until such time as the commissioner notifies the county superintendent of receipt of the required budget documents or corrections of errors. The county treasurer shall withhold such money. If the school district does not comply with this section prior to the end of the state's biennium following the biennium which included the fiscal year for which state aid was calculated, the state aid funds shall revert to the General Fund. The amount of any reverted funds shall be included in data provided to the Governor in accordance with section 79-1031. The board of any district failing to submit to the department or the auditor the budget documents required pursuant to this section by the date established in subsection (1) of section 13-508 or failing to make any corrections of errors in the documents pursuant to section 13-504 shall be liable to the school district for all school money which such district may lose by such failing.

Sec. 15. Section 79-1026, Reissue Revised Statutes of Nebraska, is amended to read:

79-1026. For fiscal years 1996-97 and 1997-98, the allowable growth percentage shall be equal to the allowable growth rate set forth in section 79-1025. On or before July 1 of each year other than 1996 and 1997, the department shall determine and certify to each district an applicable allowable growth percentage carried out at least eight four decimal places for each district as follows:

(1) For school fiscal years before school fiscal year 1996-97, the department shall determine a target budget level for each district by multiplying the average daily membership for the most recently available complete data year of each district in grades kindergarten, one through six, including full-day kindergarten, seven and eight, and nine through twelve by the unadjusted tiered cost per student as determined in section 79-1006 for each grade grouping. The sum of such products shall be each district's target budget level. For school year 1998-99 and each school year thereafter, the department shall determine a target budget level for each district by multiplying the average daily membership for the most recently available complete data year of each district in grades kindergarten, one through six, including full-day kindergarten, seven and eight, and nine through twelve by the adjusted tiered cost per student as calculated under section 79-1007 for each grade grouping. The sum of such products and the district's transportation allowance shall be each district's target budget level;

(2) The department shall establish a target budget level range of general fund operating expenditure levels for each district which shall begin at twenty percent less than the target budget level and end at the target budget level. The beginning point of the range shall be assigned a number equal to the maximum allowable growth rate established in section 79-1025, and the end point of the range shall be assigned a number equal to the basic allowable growth rate as prescribed in such section such that the lower end of the range shall be assigned the maximum allowable growth rate and the higher end of the range shall be assigned the basic allowable growth rate; and

(3) Each district's actual general fund operating expenditures shall be compared to its target budget level along the range described in subdivision (2) of this section to arrive at an applicable allowable growth rate as follows: If the district's actual general fund operating expenditures fall below the lower end of the range, such applicable allowable growth rate shall be the maximum growth rate identified in section 79-1025. If the district's actual general fund operating expenditures are greater than the higher end of the range, the district's allowable growth rate shall be the basic growth rate identified in such section. If the district's actual general fund operating expenditures fall between the lower end and the higher end of the range, the department shall use a linear transition calculation between the end points of the range to arrive at the applicable allowable growth rate for the district.

Sec. 16. Section 79-1031, Reissue Revised Statutes of Nebraska, is amended to read:

79-1031. The department shall annually, on or before December 1, provide data to the Governor to enable the Governor to prepare the necessary legislation to:

(1) Appropriate an amount which will provide financial support from all state sources, including the amounts transferred pursuant to sections 79-947.01 and 79-988.01, to districts equal to forty-five percent of the estimated statewide aggregate general fund operating expenditures for Nebraska elementary and secondary public education for the ensuing school year;

(2) Appropriate an amount of income tax revenue received to insure that twenty percent of all income tax receipts are dedicated to the support of districts throughout the state;

(3) Appropriate an amount equal to any state aid funds which have been returned to the General Fund from an earlier appropriation; and due to the repayment of funds by districts; and

(4) Establish and implement a basic allowable growth rate and an allowable growth range for district budgets for the ensuing school year.

The Governor shall submit such legislation, along with any modifications made by the Governor as part of his or her annual budget request, to the Legislature.

Sec. 17. Section 54, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997, is amended to read:

Sec. 54. It is the intent of the Legislature to ensure sufficient appropriations to the School District Income Tax Fund and to the Tax Equity and Educational Opportunities Fund to result in a statewide tax levy for each year's state aid calculation that would be less than the maximum tax levy specified in section 77-3442. To carry out the intent of this provision, the Legislative Fiscal Analyst shall calculate an amount which most accurately accounts for the growth in school district budgets. It is the intent of the Legislature to ensure sufficient appropriations to the School District Income Tax Fund and to the Tax Equity and Educational Opportunities Fund to result in a local effort rate for each year's state aid calculation that would be less than the maximum tax levy specified in section 77-3442 after the statewide total formula need has been adjusted by the Consumer Price Index for All Urban Consumers for each of the most recent two years. The Appropriations Committee of the Legislature shall annually include such amounts in its recommendations to the Legislature to carry out the requirements of this section.

Sec. 18. Section 79-1033, Reissue Revised Statutes of Nebraska, is amended to read:

79-1033. (1) Except as otherwise provided in the Tax Equity and Educational Opportunities Support Act, state aid payable pursuant to the act for each school year shall be based upon data found in applicable reports for the most recently available complete data year. The annual financial reports and the annual statistical summary of all school districts shall be submitted to the Commissioner of Education pursuant to the date dates prescribed in subsection (3) of section 79-528. If a school district fails to timely submit its report reports, the commissioner, after notice to the district and an opportunity to be heard, shall direct that any state aid granted pursuant to the act be withheld until such time as the report is reports are received by the department. In addition, the commissioner shall notify the county superintendent to direct the county treasurer to withhold all school money belonging to the school district until such time as the commissioner notifies the county superintendent of receipt of such report reports. The county treasurer shall withhold such money. If the school district does not comply with this section prior to the end of the state's biennium following the biennium which included the fiscal year for which state aid was calculated, the state aid funds shall revert to the General Fund. The amount of any reverted funds shall be included in data provided to the Governor in accordance with section 79-1031.

(2) A district which receives, or has received in the most recently available complete data year or in either of the two fiscal years preceding the most recently available complete data year, federal funds in excess of twenty-five percent of its general fund budget of expenditures may apply for early payment of state aid paid pursuant to the act when such federal funds are not received in a timely manner. Such application may be made at any time by a district suffering such financial hardship and may be for any amount up to fifty percent of the remaining amount to which the district is entitled during the current fiscal year. The state board may grant the entire amount applied for or any portion of such amount if the state board finds that a financial hardship exists in the district. The state board shall notify the Director of Administrative Services of the amount of funds to be paid in lump sum and the reduced amount of the monthly payments. The Director of Administrative Services shall, at the time of the next state aid payment made pursuant to section 79-1022, draw a warrant for the lump-sum amount from appropriated funds and forward such warrant to the district. For purposes of this subsection, financial hardship means a situation in which income to a district is exceeded by liabilities to such a degree that if early payment is not received it will be necessary for the district to discontinue vital services or functions.

Sec. 19. Section 79-1035, Reissue Revised Statutes of Nebraska, is amended to read:

79-1035. (1) The State Treasurer shall, each year on or before the third Monday in January, make a complete exhibit of all money belonging to the school fund of the state as returned to him or her from the several counties, together with the amount derived from other sources, and deliver such exhibit duly certified to the Commissioner of Education. Within twenty days after such delivery on or before February 25, the Commissioner of Education shall make the apportionment of the funds to each school district as follows: From the whole amount there shall be paid to those districts in which there are school or saline lands an amount in lieu of tax money that would be raised if such lands were taxable, to be fixed in the manner prescribed in section 79-1036; and the remainder shall be apportioned to the districts according to the pro rata enumeration of children who are five through eighteen years of age in each district last returned from the county superintendent.

(2) The Commissioner of Education shall certify the amount of the apportionment of the school fund of the state as provided in subsection (1) of this section to the superintendent of the proper county and to the Director of Administrative Services. The Director of Administrative Services shall draw a warrant on the State Treasurer in favor of the various districts for the respective amounts so certified by the Commissioner of Education.

Sec. 20. Section 79-1065, Reissue Revised Statutes of Nebraska, is amended to read:

79-1065. The State Department of Education shall adjust payments provided under Chapter 79 to school districts which, after final determination, received funds not equal to the appropriate allocation for a the previous year such that the district will receive all the funds to which it was finally determined to be entitled. If the total adjustment cannot be made from the funds to be provided in the current year, the adjustment shall be prorated, with additional adjustments made to payments for future years. The department shall maintain an accurate account and a record of the reasons the adjustments were made and the amount of such adjustments.

Sec. 21. Section 79-1070, Reissue Revised Statutes of Nebraska, is amended to read:

79-1070. (1) Any class of school district may borrow money to the amount of seventy percent of the unexpended balance of total anticipated receipts of the general fund, special building fund, bond fund, personal property tax reimbursement fund, or environmental hazard abatement and accessibility barrier elimination project fund for the current year and the following year. Total anticipated receipts of the general fund, special building fund, bond fund, personal property tax reimbursement fund, or environmental hazard abatement and accessibility barrier elimination project fund for the current year and the following year shall mean a sum equal to the total of (a) the anticipated receipts from the current existing levy multiplied by two, (b) the anticipated receipts from the United States for the current year and the following year, and (c) the anticipated receipts from other sources for the current year and the following year.

Any class of school district may execute and deliver in evidence thereof their promissory notes which they are hereby authorized and empowered to make and negotiate, bearing a rate of interest set by the school board or board of education and maturing not more than two years from the date thereof. Such notes, before they are negotiated, shall be presented to the treasurer of the school district and registered by him or her and shall be payable out of the funds collected by such school district in the order of their registry after the payment of prior registered warrants but prior to the payment of any warrant subsequently registered, except that if both warrants and notes are registered, the total of such registered notes and warrants shall not exceed one hundred percent of the unexpended balance of the total anticipated receipts of the general fund, special building fund, bond fund, personal property tax reimbursement fund, or environmental hazard abatement and accessibility barrier elimination project fund of such district for the current year and the following year. For the purpose of making such calculation, such total anticipated receipts shall not include any anticipated receipts against which the school district has borrowed and issued notes pursuant to this section in either the current or the immediately preceding year.

(2) In addition to the authority granted by subsection (1) of this section, such school districts may accept interest-free or low-interest loans from the state or federal government and may execute and deliver in evidence thereof their promissory notes maturing not more than twenty years from the date of execution.

(3) In addition to the authority granted by subsections (1) and (2) of this section, any class of school district may enter into loan agreements for the purpose of borrowing money from financial institutions, including

banks, in amounts not in excess of seventy percent of the unexpended balance of their current existing levy. As evidence of such borrowing, a school district may execute and deliver one or more written loan agreements but shall not be required to execute and deliver separate promissory notes for each borrowing under such agreements. Money borrowed pursuant to such agreements shall bear interest at such rate or rates and shall become due and be repaid as provided in such agreements. Any such agreement shall provide for repayment in full at least once each fiscal year and shall be for a term not exceeding one year. Any such agreement shall be registered upon books kept by the treasurer of the school district, and money borrowed pursuant to such agreement shall be paid out of funds collected upon the current existing levy prior to the payment of any warrant or note registered subsequent to any such loan agreement. If a school district has any such loan agreement or agreements outstanding and has warrants or notes registered, as described in subsection (1) of this section, the total amount (a) of borrowings pursuant to such loan agreement or agreements and (b) of registered notes and warrants shall not exceed one hundred percent of the unexpended balance of the current existing levy.

(4) Nothing in this section shall be construed to exempt a school district from the terms and conditions contained in sections 10-701 to 10-716.

Sec. 22. Section 79-1084, Reissue Revised Statutes of Nebraska, is amended to read:

79-1084. The board of education of a Class III school district shall annually, on or before September 20, report in writing to the county board the entire revenue raised by taxation and all other sources and received by such board of education for the previous fiscal year and a budget for the ensuing fiscal year in form of a resolution broken down generally as follows: (1) The amount of funds required for the support of the schools during the ensuing fiscal year; (2) the amount of funds required for the purpose of school sites; (3) the amount of funds required for the erection of school buildings; (4) the amount of funds required for the payment of interest upon all bonds issued for school purposes; and (5) the amount of funds required for the creation of a sinking fund for the payment of such indebtedness. The secretary shall publish, within ten days after the filing of such budget, a copy of such the fund summary pages of the budget one time at the legal rate prescribed for the publication of legal notices in a legal newspaper published in and of general circulation in such city or village or, if none is published in such city or village, in a legal newspaper of general circulation in the city or village. The secretary of such board of education failing or neglecting to comply with this section shall be deemed guilty of a misdemeanor and, upon conviction, shall be fined in any sum not exceeding twenty-five dollars for each offense and, in the discretion of the court, the judgment of conviction may provide for the removal from office of such secretary for such failure or neglect. The county board shall levy and collect such taxes as are necessary to provide the amount of revenue from property taxes as indicated by all the data contained in the budget and the certificate prescribed by this section, at the time and in the manner provided in section 77-1601.

Sec. 23. Section 79-1089, Reissue Revised Statutes of Nebraska, is amended to read:

79-1089. In each school district the school board or board of education shall cause to be examined annually by a public accountant or by a certified public accountant all financial records which are maintained directly or indirectly in the administration and management of public school funds. Rules and regulations governing the scope, extent, pattern, and report of the examination shall be adopted and promulgated by the State Board of Education with the advice and counsel of the Auditor of Public Accounts. A copy of the report shall be filed with the Commissioner of Education and the Auditor of Public Accounts on or before November 15. A copy of the report regarding the examination of a Class I school district shall be filed with the Commissioner of Education and the county superintendent on or before November 15. When any school district fails to comply with this section, the commissioner shall, after notice to the district and an opportunity to be heard, direct that any state aid granted pursuant to the Tax Equity and Educational Opportunities Support Act be withheld until such time as the district has complied with this section. In addition, the commissioner shall notify the county superintendent to direct the county treasurer to withhold all school money belonging to the school district until such time as the commissioner notifies the county superintendent of compliance by the district with this section. The county treasurer shall withhold such money. If the school district does not comply with this section prior to the end of the state's biennium following the biennium which included the fiscal year for which state aid was calculated, the state aid funds shall revert to the

General Fund. The amount of any reverted funds shall be included in data provided to the Governor in accordance with section 79-1031.

Sec. 24. Section 79-10,110, Reissue Revised Statutes of Nebraska, is amended to read:

79-10,110. (1) A school board or board of education, after making a determination that an actual or potential environmental hazard or accessibility barrier exists within the school buildings or grounds under its control, may make and deliver to the county clerk of such county in which any part of the school district is situated, not later than September 10 the date provided in section 13-508, an itemized estimate of the amounts necessary to be expended for the abatement of such environmental hazard or accessibility barrier elimination in its school buildings or grounds. The board shall conduct a public hearing on the itemized estimate prior to presenting such estimate to the county clerk. Notice of the place and time of such hearing shall, at least five days prior to the date set for hearing, be published in a newspaper of general circulation within the school district or be sent by direct mailing to each resident within the district.

(2) The board shall designate the particular environmental hazard abatement project or accessibility barrier elimination project for which the tax levy provided for by this section will be expended, the period of years, which shall not exceed ten years, for which the tax will be levied for such project, and the amount of the levy for each year of the period. The board may designate more than one project and levy a tax pursuant to this section for each such project, concurrently or consecutively, as the case may be, if the aggregate levy in each year and the duration of each levy will not exceed the limitations specified in this section. Each levy for a project which is authorized by this section may be imposed for such duration as shall be specified by the board notwithstanding the contemporaneous existence or subsequent imposition of any other levy for another project imposed pursuant to this section and notwithstanding the subsequent issuance by the district of bonded indebtedness payable from its general fund levy.

(3) The county clerk shall levy such taxes, not to exceed five and one-fifth cents per one hundred dollars of taxable valuation, on the taxable property of the district necessary to cover the project costs itemized by the board. Such taxes shall be collected by the county treasurer at the same time and in the same manner as county taxes are collected and when collected shall be paid to the treasurer of the district and used to cover the project costs.

(4) If such board operates grades nine through twelve as part of an affiliated school system, it shall designate the fraction of the project to be conducted for the benefit of grades nine through twelve. Such fraction shall be raised by a levy placed upon all of the taxable value of all taxable property in the affiliated school system pursuant to subsection (2) of section 79-1075. The balance of the project to be conducted for the benefit of grades kindergarten through eight shall be raised by a levy placed upon all of the taxable value of all taxable property in the district which is governed by such board. The combined rate for both levies in the high school district, to be determined by such board, shall not exceed five and one-fifth cents on each one hundred dollars of taxable value.

(5) Each board which submits an itemized estimate shall establish an environmental hazard abatement and accessibility barrier elimination project fund. Taxes collected pursuant to this section shall be credited to such fund to cover the project costs. Such estimates may be presented to the county clerk and taxes levied accordingly. The Director of Regulation and Licensure shall, by January 1 of the years 1993, 1995, 1997, and 1999, deliver a report to the Legislature estimating the amount of hazardous materials which remain in the public schools of the state.

(6) The itemized estimate submitted by a board may include the actual cost of abatement of an environmental hazard when such abatement occurred prior to the delivery of such estimate to the county clerk and was completed after June 28, 1982.

(7) For purposes of this section:

(a) Abatement includes, but is not limited to, any inspection and testing regarding environmental hazards, any maintenance to reduce, lessen, put an end to, diminish, moderate, decrease, control, dispose of, or eliminate environmental hazards, any removal or encapsulation of environmentally hazardous material or property, any restoration or replacement of material or property, any related architectural and engineering services, and any other action to reduce or eliminate environmental hazards in the school buildings or on the school grounds under the board's control, except that abatement does not include the encapsulation of any material containing more than one percent friable asbestos;

(b) Accessibility barrier means anything which impedes entry into,

exit from, or use of any building or facility by all people;

(c) Accessibility barrier elimination includes, but is not limited to, inspection for and removal of accessibility barriers, maintenance to reduce, lessen, put an end to, diminish, control, dispose of, or eliminate accessibility barriers, related restoration or replacement of facilities or property, any related architectural and engineering services, and any other action to eliminate accessibility barriers in the school buildings or grounds under the board's control; and

(d) Environmental hazard means any contamination of the air, water, or land surface or subsurface caused by any substance adversely affecting human health or safety if such substance has been declared hazardous by a federal or state statute, rule, or regulation.

(8) Accessibility barrier elimination project costs includes, but is not limited to, inspection, maintenance, accounting, emergency services, consultation, or any other action to reduce or eliminate accessibility barriers.

(9) For the purpose of paying amounts necessary for the abatement of environmental hazards and accessibility barrier elimination, the board may borrow money and issue bonds and other evidences of indebtedness of the district, which bonds and other evidences of indebtedness shall be secured by and payable from an irrevocable pledge by the district of amounts received in respect of the tax levy provided for by this section and any other funds of the district available therefor. Bonds and other evidences of indebtedness issued by a district pursuant to this subsection shall not constitute a general obligation of the district or be payable from any portion of its general fund levy.

Sec. 25. Section 79-1155, Reissue Revised Statutes of Nebraska, as amended by section 9, Legislative Bill 865, Ninety-fifth Legislature, First Session, 1997, is amended to read:

79-1155. All school boards and boards of education shall report annually on a date prescribed by the State Department of Education to the department on forms provided by the department (1) plans for special education program expansions, revisions, or reductions and (2) budget information for special education programs and support services. Cooperatives of school districts or educational service units applying for grants or reimbursement for programs pursuant to section 79-1132, 79-1142, or 79-1144 shall also report unified plans and budget information pursuant to this section. The plans and budget forms shall conform to guidelines provided in section 79-1156. The State Department of Education shall review and take action to approve, approve with modifications, or disapprove the plans for expansions in special education programs of the school district, cooperative of school districts, or educational service unit. Supplementary amendments to any program plans and budgets previously approved by the State Board of Education may be submitted on dates specified by the department during the same school year and shall be subject to the same review and approval as the initial plans and budgets. The State Board of Education shall approve, approve with modifications, or disapprove all supplementary amendments to program plans and budget requests. All final financial reports on special education and support services costs, the actual number of children served, and the ~~disabling conditions~~ ~~disabilities~~ of such children who are verified as having a disability shall be reported to the State Department of Education by October 31 of each year for the preceding school year on forms prescribed by the State Department of Education. Any program that provides residential care shall show the costs of such care separately from the costs of the education program.

If a servicing agency chooses to exceed the budget approved by the State Department of Education, costs in excess of the approved budget shall not be eligible for reimbursement by the State Department of Education.

Sec. 26. Original sections 79-1005, 79-1015, 79-1018, 79-1024, 79-1026, 79-1031, 79-1033, 79-1035, 79-1065, 79-1070, 79-1084, 79-1089, and 79-10,110, Reissue Revised Statutes of Nebraska, section 13-2304, Revised Statutes Supplement, 1996, sections 79-458, 79-611, and 79-1003, Reissue Revised Statutes of Nebraska, as amended by sections 22, 28, and 31, respectively, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997, section 79-1022, Reissue Revised Statutes of Nebraska, as amended by section 5, Legislative Bill 713, Ninety-fifth Legislature, First Session, 1997, and section 51, Legislative Bill 806, Ninety-fifth Legislature, First Session, 1997, section 79-1155, Reissue Revised Statutes of Nebraska, as amended by section 9, Legislative Bill 865, Ninety-fifth Legislature, First Session, 1997, section 9-812, Revised Statutes Supplement, 1996, as amended by section 1, Legislative Bill 118, Ninety-fifth Legislature, First Session, 1997, and sections 35, 36, 38, 50, and 54, Legislative Bill 806, Ninety-fifth