

LEGISLATURE OF NEBRASKA  
ONE HUNDRED SEVENTH LEGISLATURE  
FIRST SESSION

**LEGISLATIVE BILL 625**

Introduced by Vargas, 7.

Read first time January 20, 2021

Committee:

- 1 A BILL FOR AN ACT relating to revenue and taxation; to amend section
- 2 79-1103, Reissue Revised Statutes of Nebraska, and sections 77-2701
- 3 and 79-1104.02, Revised Statutes Cumulative Supplement, 2020; to
- 4 impose a surtax on certain taxable income as prescribed; to provide
- 5 for the use of the surtax proceeds; to change provisions relating to
- 6 early childhood education; to harmonize provisions; and to repeal
- 7 the original sections.
- 8 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-2701, Revised Statutes Cumulative Supplement,  
2 2020, is amended to read:

3 77-2701 Sections 77-2701 to 77-27,135.01, 77-27,222, 77-27,235,  
4 77-27,236, 77-27,238, and 77-27,239 and section 2 of this act shall be  
5 known and may be cited as the Nebraska Revenue Act of 1967.

6 Sec. 2. (1) For taxable years beginning or deemed to begin on or  
7 after January 1, 2022, a surtax is hereby imposed on high-income  
8 individuals for the purpose of providing funds for early childhood  
9 education in this state. The surtax shall be as follows:

10 (a) For individuals whose filing status is married filing jointly or  
11 head of household, the surtax shall be four percent of the amount of  
12 taxable income in excess of one million dollars; and

13 (b) For individuals with any other filing status, the surtax shall  
14 be four percent of the amount of taxable income in excess of five hundred  
15 thousand dollars.

16 (2) The surtax shall be collected when individuals file their state  
17 income tax returns. The Tax Commissioner shall adjust income tax forms to  
18 include the calculation of the surtax.

19 (3) All proceeds of the surtax shall be remitted to the State  
20 Treasurer for credit to the Early Childhood Education Endowment Cash Fund  
21 for use pursuant to section 79-1104.02.

22 Sec. 3. Section 79-1103, Reissue Revised Statutes of Nebraska, is  
23 amended to read:

24 79-1103 (1)(a) The State Department of Education shall establish and  
25 administer the Early Childhood Education Grant Program. Upon the  
26 effective date of an endowment agreement, administration of the Early  
27 Childhood Education Grant Program with respect to programs for children  
28 from birth to age three shall transfer to the board of trustees. If there  
29 is no endowment agreement in effect, the department shall request  
30 proposals in accordance with this section for all early childhood  
31 education programs from school districts, individually or in cooperation

1 with other school districts or educational service units, working in  
2 cooperation with existing nonpublic programs which meet the requirements  
3 of subsection (2) of section 79-1104. If there is an endowment agreement  
4 in effect, the board of trustees shall administer the Early Childhood  
5 Education Grant Program with respect to programs for children from birth  
6 to age three pursuant to section 79-1104.02 and the department shall  
7 continue to administer the Early Childhood Education Grant Program with  
8 respect to other prekindergarten programs pursuant to sections 79-1101 to  
9 79-1104.05. All administrative procedures of the board of trustees,  
10 including, but not limited to, rules, grant applications, and funding  
11 mechanisms, shall harmonize with those established by the department for  
12 other prekindergarten programs.

13 (b) The first priority shall be for (i) continuation grants for  
14 programs that received grants in the prior school fiscal year and for  
15 which the state aid calculation pursuant to the Tax Equity and  
16 Educational Opportunities Support Act does not include early childhood  
17 education students, in an amount equal to the amount of such grant,  
18 except that if the grant was a first-year grant the amount shall be  
19 reduced by thirty-three percent, (ii) continuation grants for programs  
20 for which the state aid calculation pursuant to the act includes early  
21 childhood education students, in an amount equal to the amount of the  
22 grant for the school fiscal year prior to the first school fiscal year  
23 for which early childhood education students were included in the state  
24 aid calculation for the school district's local system minus the  
25 calculated state aid amount, and (iii) for school fiscal year 2007-08,  
26 continuation grants for programs for which the state aid calculation  
27 pursuant to the act includes early childhood education students, but such  
28 state aid calculation does not result in the school district receiving  
29 any equalization aid, in an amount equal to the amount of the grant  
30 received in school fiscal year 2006-07. The calculated state aid amount  
31 shall be calculated by multiplying the basic funding per formula student

1 for the school district by the formula students attributed to the early  
2 childhood education programs pursuant to the Tax Equity and Educational  
3 Opportunities Support Act.

4 (c) The second priority shall be for new grants and expansion grants  
5 for programs that will serve at-risk children who will be eligible to  
6 attend kindergarten the following school year. New grants may be given  
7 for up to three years in an amount up to one-half of the total budget of  
8 the program per year. Expansion grants may be given for one year in an  
9 amount up to one-half of the budget for expanding the capacity of the  
10 program to serve additional children.

11 (d) The third priority shall be for new grants, expansion grants,  
12 and continuation grants for programs serving children younger than those  
13 who will be eligible to attend kindergarten the following school year.  
14 New grants may be given for up to three years in an amount up to one-half  
15 the total budget of the program per year. Expansion grants may be given  
16 for one year in an amount up to one-half the budget for expanding the  
17 capacity of the program to serve additional children. Continuation grants  
18 under this priority may be given annually in an amount up to one-half the  
19 total budget of the program per year minus any continuation grants  
20 received under the first priority.

21 (e) Programs serving children who will be eligible to attend  
22 kindergarten the following school year shall be accounted for separately  
23 for grant purposes from programs serving younger children, but the two  
24 types of programs may be combined within the same classroom to serve  
25 multi-age children. Programs that receive grants for school fiscal years  
26 prior to school fiscal year 2005-06 to serve both children who will be  
27 eligible to attend kindergarten the following school year and younger  
28 children shall account for the two types of programs separately for grant  
29 purposes beginning with school year 2005-06 and shall be deemed to have  
30 received grants prior to school fiscal year 2005-06 for each year that  
31 grants were received for the types of programs representing the age

1 groups of the children served.

2 (2) Each program proposal which is approved by the department shall  
3 include (a) a planning period, (b) an agreement to participate in  
4 periodic evaluations of the program to be specified by the department,  
5 (c) evidence that the program will be coordinated or contracted with  
6 existing programs, including those listed in subdivision (d) of this  
7 subsection and nonpublic programs which meet the requirements of  
8 subsection (2) of section 79-1104, (d) a plan to coordinate and use a  
9 combination of local, state, and federal funding sources, including, but  
10 not limited to, programs for children with disabilities below five years  
11 of age funded through the Special Education Act, the Early Intervention  
12 Act, funds available through the flexible funding provisions under the  
13 Special Education Act, the federal Head Start program, 42 U.S.C. 9831 et  
14 seq., the federal Even Start Family Literacy Program, 20 U.S.C. 6361 et  
15 seq., Title I of the federal Improving America's Schools Act of 1994, 20  
16 U.S.C. 6301 et seq., and child care assistance through the Department of  
17 Health and Human Services, (e) a plan to use sliding fee scales and the  
18 funding sources included in subdivision (d) of this subsection to  
19 maximize the participation of economically and categorically diverse  
20 groups and to ensure that participating children and families have access  
21 to comprehensive services, (f) the establishment of an advisory body  
22 which includes families and community members, (g) the utilization of  
23 appropriately qualified staff, (h) an appropriate child-to-staff ratio,  
24 (i) appropriate group size, (j) compliance with minimum health and safety  
25 standards, (k) appropriate facility size and equipment, (l) a strong  
26 family development and support component recognizing the central role of  
27 parents in their children's development, (m) developmentally and  
28 culturally appropriate curriculum, practices, and assessment, (n)  
29 sensitivity to the economic and logistical needs and circumstances of  
30 families in the provision of services, (o) integration of children of  
31 diverse social and economic characteristics, (p) a sound evaluation

1 component, including at least one objective measure of child performance  
2 and progress, (q) continuity with programs in kindergarten and elementary  
3 grades, (r) instructional hours that are similar to or less than the  
4 instructional hours for kindergarten except that a summer session may be  
5 offered, (s) well-defined language development and early literacy  
6 emphasis, including the involvement of parents in family literacy  
7 activities, (t) a plan for ongoing professional development of staff, and  
8 (u) inclusion of children with disabilities as defined in the Special  
9 Education Act, all as specified by rules and regulations of the  
10 department in accordance with sound early childhood educational practice.

11 (3) The department shall make an effort to fund programs widely  
12 distributed across the state in both rural and urban areas.

13 (4) The department, in collaboration with the board of trustees if  
14 an endowment agreement is in effect, shall provide a report evaluating  
15 the programs to the State Board of Education and the Legislature by  
16 December 31 ~~January 1~~ of each ~~odd-numbered~~ year. The report submitted to  
17 the Legislature shall be submitted electronically. The Education  
18 Committee of the Legislature shall hold a public hearing regarding the  
19 report. Up to one ~~five~~ percent of the total appropriation for the Early  
20 Childhood Education Grant Program for grants administered by the  
21 department may be reserved by the department for evaluation and technical  
22 assistance for the programs.

23 (5) Early childhood education programs, whether established pursuant  
24 to this section or section 79-1104, may be approved for purposes of the  
25 Tax Equity and Educational Opportunities Support Act, expansion grants,  
26 and continuation grants on the submission of a continuation plan  
27 demonstrating that the program will meet the requirements of subsection  
28 (2) of this section and a proposed operating budget demonstrating that  
29 the program will receive resources from other sources equal to or greater  
30 than the sum of any grant received pursuant to this section for the prior  
31 school year plus any calculated state aid as calculated pursuant to

1 subsection (1) of this section for the prior school year.

2 (6) The State Board of Education may adopt and promulgate rules and  
3 regulations to implement the Early Childhood Education Grant Program,  
4 except that if there is an endowment agreement in effect, the board of  
5 trustees shall recommend any rules and regulations relating specifically  
6 to the Early Childhood Education Grant Program with respect to programs  
7 for children from birth to age three. It is the intent of the Legislature  
8 that the rules and regulations for programs for children from birth to  
9 age three be consistent to the greatest extent possible with those  
10 established for other prekindergarten programs.

11 Sec. 4. Section 79-1104.02, Revised Statutes Cumulative Supplement,  
12 2020, is amended to read:

13 79-1104.02 (1) The Early Childhood Education Endowment Cash Fund,  
14 consisting of the interest, earnings, and proceeds from the Early  
15 Childhood Education Endowment Fund and the earnings from the private  
16 endowment created by the endowment provider, funds transferred from the  
17 Education Innovation Fund pursuant to section 9-812, ~~and~~ any additional  
18 private donations made directly thereto, and the proceeds of the surtax  
19 imposed pursuant to section 2 of this act, shall be used exclusively to  
20 provide funds for the Early Childhood Education Grant Program for at-risk  
21 children from birth to age three as set forth in this section.

22 (2) Grants provided by this section shall be to school districts and  
23 cooperatives of school districts for early childhood education programs  
24 for at-risk children from birth to age three, as determined by the board  
25 of trustees pursuant to criteria set forth by the board of trustees.  
26 School districts and cooperatives of school districts may establish  
27 agreements with other public and private entities to provide services or  
28 operate programs.

29 (3) Each program selected for a grant pursuant to this section may  
30 be provided a grant for up to one-half of the total budget of such  
31 program per year. Programs selected for grant awards may receive

1 continuation grants subject to the availability of funding and the  
2 submission of a continuation plan which meets the requirements of the  
3 board of trustees.

4 (4) Programs shall be funded across the state and in urban and rural  
5 areas to the fullest extent possible.

6 (5) Each program selected for a grant pursuant to this section shall  
7 meet the requirements described in subsection (2) of section 79-1103,  
8 except that the periodic evaluations of the program are to be specified  
9 by the board of trustees and the programs need not include continuity  
10 with programs in kindergarten and elementary grades and need not include  
11 instructional hours that are similar to or less than the instructional  
12 hours for kindergarten. The programs may continue to serve at-risk  
13 children who turn three years of age during the program year until the  
14 end of the program year, as specified by the board of trustees.

15 (6) The board of trustees may issue grants to early childhood  
16 education programs entering into agreements pursuant to subsection (2) of  
17 this section with child care providers if the child care provider enrolls  
18 in the quality rating and improvement system described in the Step Up to  
19 Quality Child Care Act prior to the beginning of the initial grant  
20 period. Child care providers shall participate in training approved by  
21 the Early Childhood Training Center which is needed for participation or  
22 advancement in the quality rating and improvement system.

23 (7) The board of trustees shall require child care providers in  
24 programs receiving grants under this section to obtain a step three  
25 rating or higher on the quality scale described in section 71-1956 within  
26 three years of the starting date of the initial grant period to continue  
27 funding the program. The board of trustees shall require the child care  
28 provider to maintain a step three rating or higher on such quality scale  
29 after three years from the starting date of the initial grant period to  
30 continue funding the program.

31 (8) If a child care provider fails to achieve or maintain a step



1 three rating or higher on the quality scale described in such section  
2 after three years from the starting date of the initial grant period, the  
3 child care provider shall obtain and maintain the step three rating on  
4 such quality scale before any new or continuing grants may be issued for  
5 programs in which such child care provider participates.

6 (9) Any school district entering into agreements pursuant to  
7 subsection (2) of this section with child care providers must employ or  
8 contract with, either directly or indirectly, a program coordinator  
9 holding a certificate as defined in section 79-807.

10 (10) Up to one ~~ten~~ percent of the total amount deposited in the  
11 Early Childhood Education Endowment Cash Fund each fiscal year may be  
12 reserved by the board of trustees for evaluation and technical assistance  
13 for the Early Childhood Education Grant Program with respect to programs  
14 for at-risk children from birth to age three.

15 Sec. 5. Original section 79-1103, Reissue Revised Statutes of  
16 Nebraska, and sections 77-2701 and 79-1104.02, Revised Statutes  
17 Cumulative Supplement, 2020, are repealed.