

LEGISLATURE OF NEBRASKA
ONE HUNDRED FIFTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 630

Introduced by Larson, 40; Linehan, 39.

Read first time January 18, 2017

Committee:

1 A BILL FOR AN ACT relating to schools; to amend sections 13-903,
2 79-1007.12, 79-1065, and 79-1065.02, Reissue Revised Statutes of
3 Nebraska, and sections 48-801, 79-902, 79-978, 79-1001, and 79-1022,
4 Revised Statutes Cumulative Supplement, 2016; to adopt the
5 Independent Public Schools Act; to provide funding; to harmonize
6 provisions; and to repeal the original sections.

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

1 Section 1. Sections 1 to 19 of this act shall be known and may be
2 cited as the Independent Public Schools Act.

3 Sec. 2. The Legislature finds that independent public schools: (1)
4 Improve student learning by creating more high-performing schools with
5 high standards for student performance; (2) encourage the use of
6 different, high-quality models of teaching, governing, scheduling, or
7 other aspects of schooling that meet a variety of student needs; (3)
8 close achievement gaps between high-performing and low-performing groups
9 of public school students; (4) allow schools freedom and flexibility in
10 exchange for exceptional levels of results-driven accountability; (5)
11 increase high-quality educational opportunities within the public
12 education system for all students, especially those at risk of academic
13 failure; and (6) provide students, parents, community members, and local
14 entities with expanded opportunities for involvement in the public
15 education system.

16 Sec. 3. For purposes of the Independent Public Schools Act:

17 (1) Authorizer means the commission or the school district granting
18 the compact for an independent public school;

19 (2) Commission means the Independent Public School Authorizing and
20 Accountability Commission; and

21 (3) Independent public school means a public school operating under
22 a compact granted by an authorizer independently of any school board and
23 managed by a board of trustees.

24 Sec. 4. There is hereby established the Independent Public School
25 Authorizing and Accountability Commission.

26 (1) The commission shall be composed as follows:

27 (a) One member residing in each congressional district, appointed by
28 the Governor from a list for each congressional district of five
29 individuals residing in such congressional district submitted by the
30 Executive Board of the Legislative Council;

31 (b) One member residing in each congressional district, appointed by

1 the Governor from the citizenry of the state; and

2 (c) Two members of the State Board of Education chosen by the board.

3 (2) Members of the commission shall not be on a board of trustees of
4 an independent public school, have any financial interest in an
5 independent public school, serve as a member of a school board, or be
6 employed by an organization representing the interests of teachers,
7 school districts, or independent public schools.

8 (3)(a) Initial appointments by the Governor pursuant to subdivision
9 (1)(a) of this section for odd-numbered congressional districts shall be
10 for two-year terms and subsequent appointments and reappointments by the
11 Governor pursuant to subdivision (1)(a) of this section for such
12 congressional districts shall be for four-year terms.

13 (b) Appointments and reappointments by the Governor pursuant to
14 subdivision (1)(a) of this section for even-numbered congressional
15 districts shall be for four-year terms.

16 (c) Initial appointments by the Governor pursuant to subdivision (1)
17 (b) of this section for even-numbered congressional districts shall be
18 for two-year terms and subsequent appointments and reappointments by the
19 Governor pursuant to subdivision (1)(b) of this section for such
20 congressional districts shall be for four-year terms.

21 (d) Appointments and reappointments by the Governor pursuant to
22 subdivision (1)(b) of this section for odd-numbered congressional
23 districts shall be for five-year terms.

24 (e) Members of the State Board of Education chosen to serve on the
25 commission shall serve two-year terms.

26 (f) Members of the commission may be reappointed.

27 (4) Members of the commission appointed by the Governor, whether for
28 an initial appointment or a subsequent appointment, shall be subject to
29 the approval of a majority of the members of the Legislature, if the
30 Legislature is in session. If the Legislature is not in session, any
31 appointment shall be temporary until the next session of the Legislature,

1 at which time a majority of the members of the Legislature may approve or
2 disapprove such appointment.

3 (5) A vacancy on the commission shall occur upon the resignation or
4 death of a member, the ceasing to be a resident of the congressional
5 district for members appointed on the basis of their residence in a
6 congressional district, the termination of membership on the State Board
7 of Education for commission members chosen by such board, or the case
8 absence by a member from more than two consecutive meetings of the
9 commission, unless excused by a majority of the remaining members of the
10 commission.

11 (6) The commission shall hire an executive director and such other
12 staff as necessary to carry out the Independent Public Schools Act within
13 the funds appropriated by the Legislature.

14 Sec. 5. Persons or entities eligible to submit an application to
15 establish an independent public school include, but are not limited to,
16 teachers, parents, school administrators, community residents, public
17 organizations, or nonprofit organizations or a combination thereof. The
18 application may be filed in conjunction with a college, a university, a
19 museum, or another similar entity. School districts, denominational and
20 parochial schools, and schools which elect pursuant to section 79-1601
21 not to meet accreditation or approval requirements are not eligible to
22 submit an application to establish an independent public school.

23 Sec. 6. The commission shall adopt and promulgate rules and
24 regulations to carry out the Independent Public Schools Act for both
25 independent public schools operating pursuant to a compact granted by the
26 commission and for independent public schools operating pursuant to a
27 compact granted by a school district. Such rules and regulations shall
28 include, but not be limited to, the following:

29 (1) Authorization for the commission to grant and administer
30 compacts consistent with the act for (a) one or more independent public
31 schools to operate within the boundaries of any school district with at

1 least one school at the lowest performance level established by the State
2 Board of Education pursuant to section 79-760.06 and (b) any independent
3 public school for which the school board of the school district within
4 which the independent public school will or does operate has chosen to
5 entrust the commission with the duties of an authorizer for such
6 application or compact;

7 (2) Authorization for each school district to grant and administer
8 compacts consistent with the act for one or more independent public
9 schools to operate within the boundaries of such school district; and

10 (3) Such other rules and regulations as the commission deems
11 necessary.

12 Sec. 7. (1) Each independent public school shall be open to all
13 students on a space-available basis and shall not discriminate on the
14 basis of race, color, national origin, creed, sex, ethnicity, sexual
15 orientation, mental or physical disability, age, ancestry, athletic
16 performance, special needs, proficiency in the English language, or
17 academic achievement.

18 (2) Any independent public school may limit enrollment to specific
19 grade levels or areas of focus of the school, such as mathematics,
20 science, or the arts.

21 (3) No admission fee or tuition shall be charged to apply to or
22 attend an independent public school.

23 Sec. 8. (1)(a) Applications to establish independent public schools
24 shall be submitted no later than November 1 of each year for the
25 following school year.

26 (b) Each application shall include, but not be limited to:

27 (i) The name of the applicant or applicants;

28 (ii) A description of the proposed independent public school's
29 organizational structure and governing body;

30 (iii) A financial plan for the first five years of operation;

31 (iv) A description of the independent public school's physical plant

1 and location;

2 (v) A description of the grade levels to be included in the
3 independent public school;

4 (vi) A description of the proposed curriculum;

5 (vii) A mission statement and a vision statement for the school;

6 (viii) The student achievement goals for the school's educational
7 program and the chosen methods of evaluating whether students have
8 attained the skills and knowledge specified for those goals;

9 (ix) The school's plan for using external, internal, and state-
10 required assessments to measure student progress and how the school will
11 use data to drive instruction and continued school improvement;

12 (x) Plans and timelines for student recruitment, enrollment, and
13 lottery policies and procedures for the school;

14 (xi) A draft handbook that outlines the personnel policies of the
15 school, including the criteria to be used in the hiring of qualified
16 teachers, school administrators, and other school employees, a
17 description of staff responsibilities, and the school's plan to evaluate
18 personnel on an annual basis;

19 (xii) A draft of the policies and procedures by which students,
20 including students with disabilities, may be disciplined which shall be
21 consistent with the requirements of due process and with the Special
22 Education Act, other federal and state laws, rules, and regulations
23 relating to the placement of students with disabilities, and the Student
24 Discipline Act;

25 (xiii) A description of the health and food services to be provided
26 to students attending the school;

27 (xiv) Policies, methods, and strategies for serving students with
28 disabilities in compliance with the Special Education Act and all federal
29 laws and regulations relating thereto;

30 (xv) Procedures to be followed in the case of the closure or
31 dissolution of the independent public school, including provisions for

1 the transfer of students and student records to the school district in
2 which the independent public school is located or to another independent
3 public school located within such school district;

4 (xvi) A code of ethics for the independent public school, setting
5 forth for its board of trustees and employees the standards of conduct
6 expected of them;

7 (xvii) Plans for recruiting and developing staff;

8 (xviii) A staffing chart for the school's first year and a staffing
9 chart for the term of the compact;

10 (xix) Opportunities for parental and community involvement in the
11 school, including the role of parents in the administration and
12 governance of the school;

13 (xx) The school's plan for identifying and successfully serving
14 students with disabilities, students who are English language learners,
15 bilingual students, students who are academically behind grade level, and
16 students who are learners with high ability as defined in section
17 79-1107, including, but not limited to, the school's plan for compliance
18 with all applicable federal and state laws, rules, and regulations; and

19 (xxi) A detailed start-up plan, including tasks, timelines, and
20 individuals responsible for carrying out the plan.

21 (2)(a) In deciding whether to approve an application, an authorizer
22 shall: (i) Approve only applications submitted by applicants that have
23 demonstrated competence in all elements of the application requirements;
24 (ii) base decisions on documented evidence collected through the
25 application review process; and (iii) follow policies and practices that
26 are transparent, based on merit, and avoid conflicts of interest.

27 (b) An authorizer shall review the application and make the final
28 determination on granting or denying a compact no later than sixty days
29 after receiving the application. The application review process shall
30 include a thorough evaluation of each application, an in-person interview
31 with the applicant group, and an opportunity in a public forum for local

1 residents to provide input and learn about the application. An initial
2 compact shall be for a term of five years and may be renewed for
3 successive five-year periods. An authorizer may condition the grant of a
4 compact on the school's taking certain actions or maintaining certain
5 conditions. The authorizer shall make the decision to approve or deny the
6 application in an open meeting.

7 Sec. 9. (1) Application for renewal of a compact shall be submitted
8 to the authorizer by the board of trustees of an independent public
9 school no later than twelve months prior to the expiration of the compact
10 unless a different date is agreed upon by the authorizer and board. A
11 renewal application shall include:

12 (a) A report of the progress of the school in achieving the
13 educational objectives set forth in the application;

14 (b) A report of the progress of the school in meeting the goals of
15 the academic performance framework in the application;

16 (c) A detailed financial statement that discloses the costs of
17 administration, instruction, and other spending categories for the school
18 that will allow a comparison of the costs to other schools. The financial
19 statement shall be in the form prescribed by the authorizer;

20 (d) Copies of each of the annual reports of the school; and

21 (e) Indicators of parent and student satisfaction.

22 (2) In making a renewal decision, the authorizer shall base its
23 decision on evidence of the performance of the school over the term of
24 the compact and shall ensure that data used in making the decision is
25 available to the school and the public.

26 Sec. 10. The authorizer may, after notice and a hearing, place an
27 independent public school on probation based upon performance-based data
28 and evidence. An independent public school placed on probation may submit
29 a remedial action plan to the authorizer describing the actions the
30 school and its board of trustees will implement to correct the problems
31 described in the notice and at the hearing. If, after one calendar year

1 following submission, the remedial action plan has not been implemented
2 or in the opinion of the authorizer has not succeeded in solving such
3 problems, the authorizer may summarily revoke the compact. The commission
4 shall develop procedures and guidelines for revocation and renewal of an
5 independent public school's compact.

6 Sec. 11. Upon receiving a compact from an authorizer, an
7 independent public school shall be deemed a political subdivision and its
8 board of trustees authorized to supervise and control the independent
9 public school. An independent public school shall also be a body politic
10 and corporate with all powers necessary or desirable for carrying out its
11 compact, including, but not limited to, the following:

12 (1) To adopt a name and corporate seal, except that any name
13 selected must include the words independent public school;

14 (2) To sue and be sued as provided in the Political Subdivisions
15 Tort Claims Act;

16 (3) To acquire real property from public or private sources by
17 lease, lease with an option to purchase, or by gift for use as a school
18 facility;

19 (4) To receive and disburse funds for school purposes;

20 (5) To make contracts and leases for the procurement of services,
21 equipment, and supplies, except that if the board of trustees intends to
22 procure substantially all educational services under contract with
23 another person, the terms of such a contract shall be approved by the
24 authorizer, either as part of the original compact or by way of an
25 amendment thereto. The authorizer shall not approve any such contract
26 terms, the purpose or effect of which is to avoid the prohibition of the
27 Independent Public Schools Act against operation of an independent public
28 school by a denominational or parochial school or a school which elects
29 pursuant to section 79-1601 not to meet accreditation or approval
30 requirements;

31 (6) To incur temporary debt in anticipation of receipt of funds;

1 (7) To solicit and accept any grants or gifts for school purposes;
2 and

3 (8) To have such other powers available to a corporation formed
4 under the Nebraska Nonprofit Corporation Act that are not inconsistent
5 with the Independent Public Schools Act.

6 Sec. 12. Pursuant to the Public Elementary and Secondary Student
7 Fee Authorization Act, no tuition and no fees shall be charged for any
8 student attending an independent public school. Preference for enrollment
9 in an independent public school shall be given to students who reside in
10 the school district in which the school is located. If the total number
11 of students who are eligible to apply to and attend an independent public
12 school plus siblings of students already attending the school is greater
13 than the number of spaces available, the independent public school shall
14 conduct an admission lottery to fill all of the spaces in that school
15 from among such students.

16 Sec. 13. A student may withdraw from an independent public school
17 at any time and enroll (a) in the school district in which the student
18 resides, (b) in an option school district pursuant to the enrollment
19 option program established under sections 79-232 to 79-246, or (c) in a
20 private, denominational, or parochial school or a school which elects
21 pursuant to section 79-1601 not to meet accreditation or approval
22 requirements. A student may be expelled from an independent public school
23 in accordance with the Student Discipline Act.

24 Sec. 14. An independent public school may be located in all or part
25 of an existing public school building, in space provided on a private
26 work site, in a public building, or in any other suitable location. An
27 independent public school may own, lease, or rent its space.

28 Sec. 15. (1) An independent public school shall operate in
29 accordance with its compact, the fire and life safety provisions of law
30 applicable to public schools in Nebraska, and the performance, testing,
31 and assessment requirements of the Quality Education Accountability Act.

1 (2) Employees of an independent public school shall be considered
2 employees of a political subdivision for purposes of the Political
3 Subdivisions Tort Claims Act. A board of trustees of an independent
4 public school shall be considered a governing body for purposes of the
5 Political Subdivisions Tort Claims Act.

6 (3) The Class V School Employees Retirement Act shall apply to
7 employees of an independent public school authorized by the school board
8 of a Class V school district. The School Employees Retirement Act shall
9 apply to employees of all other independent public schools.

10 (4) Each school board shall grant a leave of absence to any teacher
11 employed by the school district requesting such leave in order to teach
12 in an independent public school. A teacher may request a leave of absence
13 for such purpose for a maximum of two years. At the end of the two-year
14 period, the teacher may (a) make a request to the school board or board
15 of education of the school district that such leave be extended for an
16 additional two years, which approval shall not be unreasonably withheld,
17 or (b) he or she may return to his or her employment with such school
18 district and be entitled to all retirement and other benefits earned
19 during his or her previous employment with such district. If such request
20 is granted, at the end of the fourth year the teacher may either return
21 to employment with such school district or, if he or she chooses to
22 continue teaching at the independent public school, resign from the
23 school district.

24 Sec. 16. The board of trustees of an independent public school
25 shall oversee implementation of the school's curriculum as described in
26 the application and develop the school's annual budget.

27 Sec. 17. The school district in which an independent public school
28 is located shall provide transportation to the independent public school
29 for students living in such school district who attend the independent
30 public school, on the same terms and conditions as transportation is
31 provided to students attending schools operated by such school district.

1 Students attending the independent public school who do not reside in the
2 school district in which the school is located shall be eligible for
3 transportation as provided for students pursuant to the option enrollment
4 program established under sections 79-232 to 79-246.

5 Sec. 18. (1) Each independent public school shall submit an annual
6 report to the authorizer, State Board of Education, each parent or
7 guardian of its enrolled students, and any other person on request. The
8 annual report shall be issued no later than November 1 of each year for
9 the preceding school year. The annual report shall be in such form as may
10 be prescribed by the authorizer and shall include at least the following
11 components:

12 (a) A discussion of progress made toward the achievement of the
13 goals set forth in the compact; and

14 (b) A financial statement setting forth by appropriate categories
15 the revenue and expenditures for the year just ended.

16 (2) The State Department of Education shall post each independent
17 public school's annual report on the department's web site.

18 Sec. 19. An individual or a group may file a complaint with an
19 independent public school's board of trustees concerning any claimed
20 violation of the Independent Public Schools Act by an independent public
21 school. If, after presenting such complaint to the trustees, the
22 individual or group believes the complaint has not been adequately
23 addressed, the individual or group may submit the complaint to the
24 authorizer who shall investigate such complaint and make a formal
25 response.

26 Sec. 20. An independent public school is part of the state's system
27 of public education, except that it is exempt from all statutes, rules,
28 and regulations applicable to schools as defined in section 79-101 unless
29 specifically provided otherwise in the Independent Public Schools Act.
30 The board of trustees of an independent public school may voluntarily
31 elect to have the school comply with such statutes, rules, and

1 regulations.

2 Sec. 21. Section 13-903, Reissue Revised Statutes of Nebraska, is
3 amended to read:

4 13-903 For purposes of the Political Subdivisions Tort Claims Act
5 and sections 16-727, 16-728, 23-175, 39-809, and 79-610, unless the
6 context otherwise requires:

7 (1) Political subdivision shall include villages, cities of all
8 classes, counties, school districts, learning communities, independent
9 public schools, public power districts, and all other units of local
10 government, including entities created pursuant to the Interlocal
11 Cooperation Act or Joint Public Agency Act. Political subdivision shall
12 not be construed to include any contractor with a political subdivision;

13 (2) Governing body shall mean the village board of a village, the
14 city council of a city, the board of commissioners or board of
15 supervisors of a county, the board of directors of a public power
16 district, the governing board or other governing body of an entity
17 created pursuant to the Interlocal Cooperation Act or Joint Public Agency
18 Act, the board of trustees of an independent public school, and any duly
19 elected or appointed body holding the power and authority to determine
20 the appropriations and expenditures of any other unit of local
21 government;

22 (3) Employee of a political subdivision shall mean any one or more
23 officers or employees of the political subdivision or any agency of the
24 subdivision and shall include members of the governing body, duly
25 appointed members of boards or commissions when they are acting in their
26 official capacity, volunteer firefighters, and volunteer rescue squad
27 personnel. Employee shall not be construed to include any contractor with
28 a political subdivision; and

29 (4) Tort claim shall mean any claim against a political subdivision
30 for money only on account of damage to or loss of property or on account
31 of personal injury or death, caused by the negligent or wrongful act or

1 omission of any employee of the political subdivision, while acting
2 within the scope of his or her office or employment, under circumstances
3 in which the political subdivision, if a private person, would be liable
4 to the claimant for such damage, loss, injury, or death but shall not
5 include any claim accruing before January 1, 1970.

6 Sec. 22. Section 48-801, Revised Statutes Cumulative Supplement,
7 2016, is amended to read:

8 48-801 As used in the Industrial Relations Act, unless the context
9 otherwise requires:

10 (1) Certificated employee has the same meaning as in section 79-824;

11 (2) Commission means the Commission of Industrial Relations;

12 (3) Commissioner means a member of the commission;

13 (4) Governmental service means all services performed under
14 employment by the State of Nebraska or any political or governmental
15 subdivision thereof, including public corporations, municipalities, and
16 public utilities;

17 (5) Industrial dispute includes any controversy between public
18 employers and public employees concerning terms, tenure, or conditions of
19 employment; the association or representation of persons in negotiating,
20 fixing, maintaining, changing, or seeking to arrange terms or conditions
21 of employment; or refusal to discuss terms or conditions of employment;

22 (6) Instructional employee means an employee of a community college
23 who provides direct instruction to students;

24 (7) Labor organization means any organization of any kind or any
25 agency or employee representation committee or plan, in which public
26 employees participate and which exists for the purpose, in whole or in
27 part, of dealing with public employers concerning grievances, labor
28 disputes, wages, rates of pay, hours of employment, or conditions of
29 work;

30 (8) Metropolitan statistical area means a metropolitan statistical
31 area as defined by the United States Office of Management and Budget;

1 (9) Municipality means any city or village in Nebraska;

2 (10) Noncertificated and noninstructional school employee means a
3 school district, educational service unit, or community college employee
4 who is not a certificated or instructional employee;

5 (11) Public employee includes any person employed by a public
6 employer;

7 (12) Public employer means the State of Nebraska or any political or
8 governmental subdivision of the State of Nebraska except the Nebraska
9 National Guard or state militia or any independent public school;

10 (13) Public utility includes any person or governmental entity,
11 including any public corporation, public power district, or public power
12 and irrigation district, which carries on an intrastate business in this
13 state and over which the government of the United States has not assumed
14 exclusive regulation and control, that furnishes transportation for hire,
15 telephone service, telegraph service, electric light, heat, or power
16 service, gas for heating or illuminating, whether natural or artificial,
17 or water service, or any one or more thereof; and

18 (14) Supervisor means any public employee having authority, in the
19 interest of the public employer, to hire, transfer, suspend, lay off,
20 recall, promote, discharge, assign, reward, or discipline other public
21 employees, or responsibility to direct them, to adjust their grievances,
22 or effectively to recommend such action, if in connection with such
23 action the exercise of such authority is not of a merely routine or
24 clerical nature but requires the use of independent judgment.

25 Sec. 23. Section 79-902, Revised Statutes Cumulative Supplement,
26 2016, is amended to read:

27 79-902 For purposes of the School Employees Retirement Act, unless
28 the context otherwise requires:

29 (1) Accumulated contributions means the sum of all amounts deducted
30 from the compensation of a member and credited to his or her individual
31 account in the School Retirement Fund together with regular interest

1 thereon, compounded monthly, quarterly, semiannually, or annually;

2 (2) Actuarial equivalent means the equality in value of the
3 aggregate amounts expected to be received under different forms of
4 payment. The determinations shall be based on the 1994 Group Annuity
5 Mortality Table reflecting sex-distinct factors blended using twenty-five
6 percent of the male table and seventy-five percent of the female table.
7 An interest rate of eight percent per annum shall be reflected in making
8 these determinations except when a lump-sum settlement is made to an
9 estate. If the lump-sum settlement is made to an estate, the interest
10 rate will be determined by the Moody's Triple A Bond Index as of the
11 prior June 30, rounded to the next lower quarter percent;

12 (3) Beneficiary means any person in receipt of a school retirement
13 allowance or other benefit provided by the act;

14 (4)(a) Compensation means gross wages or salaries payable to the
15 member for personal services performed during the plan year and includes
16 (i) overtime pay, (ii) member retirement contributions, (iii) retroactive
17 salary payments paid pursuant to court order, arbitration, or litigation
18 and grievance settlements, and (iv) amounts contributed by the member to
19 plans under sections 125, 403(b), and 457 of the Internal Revenue Code as
20 defined in section 49-801.01 or any other section of the code which
21 defers or excludes such amounts from income.

22 (b) Compensation does not include (i) fraudulently obtained amounts
23 as determined by the retirement board, (ii) amounts for unused sick leave
24 or unused vacation leave converted to cash payments, (iii) insurance
25 premiums converted into cash payments, (iv) reimbursement for expenses
26 incurred, (v) fringe benefits, (vi) per diems paid as expenses, (vii)
27 bonuses for services not actually rendered, including, but not limited
28 to, early retirement inducements, cash awards, and severance pay, or
29 (viii) beginning on September 4, 2005, employer contributions made for
30 the purposes of separation payments made at retirement and early
31 retirement inducements as provided for in section 79-514.

1 (c) Compensation in excess of the limitations set forth in section
2 401(a)(17) of the Internal Revenue Code as defined in section 49-801.01
3 shall be disregarded. For an employee who was a member of the retirement
4 system before the first plan year beginning after December 31, 1995, the
5 limitation on compensation shall not be less than the amount which was
6 allowed to be taken into account under the retirement system as in effect
7 on July 1, 1993;

8 (5) County school official means (a) until July 1, 2000, the county
9 superintendent or district superintendent and any person serving in his
10 or her office who is required by law to have a teacher's certificate and
11 (b) on or after July 1, 2000, the county superintendent, county school
12 administrator, or district superintendent and any person serving in his
13 or her office who is required by law to have a teacher's certificate;

14 (6) Creditable service means prior service for which credit is
15 granted under sections 79-926 to 79-929, service credit purchased under
16 sections 79-933.03 to 79-933.06 and 79-933.08, and all service rendered
17 while a contributing member of the retirement system. Creditable service
18 includes working days, sick days, vacation days, holidays, and any other
19 leave days for which the employee is paid regular wages as part of the
20 employee's agreement with the employer. Creditable service does not
21 include lump-sum payments to the employee upon termination or retirement
22 in lieu of accrued benefits for such days, eligibility and vesting
23 credit, nor service years for which member contributions are withdrawn
24 and not repaid. Creditable service also does not include service rendered
25 by a member for which the retirement board determines that the member was
26 paid less in compensation than the minimum wage as provided in the Wage
27 and Hour Act or service which the board determines was rendered with the
28 intent to defraud the retirement system;

29 (7) Current benefit means the initial benefit increased by all
30 adjustments made pursuant to the School Employees Retirement Act;

31 (8) Disability means an inability to engage in a substantially

1 gainful activity by reason of any medically determinable physical or
2 mental impairment which can be expected to result in death or be of a
3 long and indefinite duration;

4 (9) Disability retirement allowance means the annuity paid to a
5 person upon retirement for disability under section 79-952;

6 (10) Disability retirement date means the first day of the month
7 following the date upon which a member's request for disability
8 retirement is received on a retirement application provided by the
9 retirement system if the member has terminated employment in the school
10 system and has complied with sections 79-951 to 79-954 as such sections
11 refer to disability retirement;

12 (11) Eligibility and vesting credit means credit for years, or a
13 fraction of a year, of participation in a Nebraska government plan for
14 purposes of determining eligibility for benefits under the School
15 Employees Retirement Act. Such credit shall not be included as years of
16 creditable service in the benefit calculation;

17 (12) Emeritus member means a person (a) who has entered retirement
18 under the provisions of the act, including those persons who have retired
19 since July 1, 1945, under any other regularly established retirement or
20 pension system as contemplated by section 79-916, (b) who has thereafter
21 been reemployed in any capacity by a public school, a Class V school
22 district, or a school under the control and management of the Board of
23 Trustees of the Nebraska State Colleges, the Board of Regents of the
24 University of Nebraska, or a community college board of governors or has
25 become a state school official or county school official subsequent to
26 such retirement, and (c) who has applied to the board for emeritus
27 membership in the retirement system. The school district or agency shall
28 certify to the retirement board on forms prescribed by the retirement
29 board that the annuitant was reemployed, rendered a service, and was paid
30 by the district or agency for such services;

31 (13) Employer means the State of Nebraska or any subdivision thereof

1 or agency of the state or subdivision authorized by law to hire school
2 employees or to pay their compensation;

3 (14)(a) Final average compensation means:

4 (i) Except as provided in subdivision (ii) of this subdivision:

5 (A) The sum of the member's total compensation during the three
6 twelve-month periods of service as a school employee in which such
7 compensation was the greatest divided by thirty-six; or

8 (B) If a member has such compensation for less than thirty-six
9 months, the sum of the member's total compensation in all months divided
10 by the total number of months of his or her creditable service therefor;
11 and

12 (ii) For an employee who became a member on or after July 1, 2013:

13 (A) The sum of the member's total compensation during the five
14 twelve-month periods of service as a school employee in which such
15 compensation was the greatest divided by sixty; or

16 (B) If a member has such compensation for less than sixty months,
17 the sum of the member's total compensation in all months divided by the
18 total number of months of his or her creditable service therefor.

19 (b) Payments under the Retirement Incentive Plan pursuant to section
20 79-855 and Staff Development Assistance pursuant to section 79-856 shall
21 not be included in the determination of final average compensation;

22 (15) Fiscal year means any year beginning July 1 and ending June 30
23 next following;

24 (16) Initial benefit means the retirement benefit calculated at the
25 time of retirement;

26 (17) Member means any person who has an account in the School
27 Retirement Fund;

28 (18) Participation means qualifying for and making required deposits
29 to the retirement system during the course of a plan year;

30 (19) Plan year means the twelve-month period beginning on July 1 and
31 ending on June 30 of the following year;

1 (20) Prior service means service rendered as a school employee in
2 the public schools of the State of Nebraska prior to July 1, 1945;

3 (21) Public school means any and all schools offering instruction in
4 elementary or high school grades, as defined in section 79-101, which
5 schools are supported by public funds and are wholly under the control
6 and management of the State of Nebraska or any subdivision thereof,
7 including (a) schools or other entities established, maintained, and
8 controlled by the school boards of local school districts, except Class V
9 school districts, (b) any independent public school, (c) any educational
10 service unit, and (d) ~~(e)~~ any other educational institution wholly
11 supported by public funds, except schools under the control and
12 management of the Board of Trustees of the Nebraska State Colleges, the
13 Board of Regents of the University of Nebraska, or the community college
14 boards of governors for any community college areas;

15 (22) Regular employee means an employee hired by a public school or
16 under contract in a regular full-time or part-time position who works a
17 full-time or part-time schedule on an ongoing basis for twenty or more
18 hours per week. An employee hired as described in this subdivision to
19 provide service for less than twenty hours per week but who provides
20 service for an average of twenty hours or more per week in each calendar
21 month of any three calendar months of a plan year shall, beginning with
22 the next full payroll period, commence contributions and shall be deemed
23 a regular employee for all future employment with the same employer;

24 (23) Regular interest means interest fixed at a rate equal to the
25 daily treasury yield curve for one-year treasury securities, as published
26 by the Secretary of the Treasury of the United States, that applies on
27 July 1 of each year, which may be credited monthly, quarterly,
28 semiannually, or annually as the board may direct;

29 (24) Relinquished creditable service means, with respect to a member
30 who has withdrawn his or her accumulated contributions under section
31 79-955, the total amount of creditable service which such member has

1 given up as a result of his or her election not to remain a member of the
2 retirement system;

3 (25) Required deposit means the deduction from a member's
4 compensation as provided for in section 79-958 which shall be deposited
5 in the School Retirement Fund;

6 (26) Retirement means qualifying for and accepting a school or
7 disability retirement allowance granted under the School Employees
8 Retirement Act;

9 (27) Retirement application means the form approved and provided by
10 the retirement system for acceptance of a member's request for either
11 regular or disability retirement;

12 (28) Retirement board or board means the Public Employees Retirement
13 Board;

14 (29) Retirement date means (a) if the member has terminated
15 employment, the first day of the month following the date upon which a
16 member's request for retirement is received on a retirement application
17 provided by the retirement system or (b) if the member has filed a
18 retirement application but has not yet terminated employment, the first
19 day of the month following the date on which the member terminates
20 employment. An application may be filed no more than one hundred twenty
21 days prior to the effective date of the member's initial benefit;

22 (30) Retirement system means the School Employees Retirement System
23 of the State of Nebraska;

24 (31) Savings annuity means payments for life, made in equal monthly
25 payments, derived from the accumulated contributions of a member;

26 (32) School employee means a contributing member who earns service
27 credit pursuant to section 79-927. For purposes of this section,
28 contributing member means the following persons who receive compensation
29 from a public school: (a) Regular employees; (b) regular employees having
30 retired pursuant to the School Employees Retirement Act who subsequently
31 provide compensated service on a regular basis in any capacity; and (c)

1 regular employees hired by a public school on an ongoing basis to assume
2 the duties of other regular employees who are temporarily absent.
3 Substitute employees, temporary employees, and employees who have not
4 attained the age of eighteen years shall not be considered school
5 employees;

6 (33) School year means one fiscal year which includes not less than
7 one thousand instructional hours or, in the case of service in the State
8 of Nebraska prior to July 1, 1945, not less than seventy-five percent of
9 the then legal school year;

10 (34) School retirement allowance means the total of the savings
11 annuity and the service annuity or formula annuity paid a person who has
12 retired under sections 79-931 to 79-935. The monthly payments shall be
13 payable at the end of each calendar month during the life of a retired
14 member. The first payment shall include all amounts accrued since the
15 effective date of the award of annuity. The last payment shall be at the
16 end of the calendar month in which such member dies or in accordance with
17 the payment option chosen by the member;

18 (35) Service means employment as a school employee and shall not be
19 deemed interrupted by (a) termination at the end of the school year of
20 the contract of employment of an employee in a public school if the
21 employee enters into a contract of employment in any public school,
22 except a school in a Class V school district, for the following school
23 year, (b) temporary or seasonal suspension of service that does not
24 terminate the employee's employment, (c) leave of absence authorized by
25 the employer for a period not exceeding twelve months, (d) leave of
26 absence because of disability, or (e) military service when properly
27 authorized by the retirement board. Service does not include any period
28 of disability for which disability retirement benefits are received under
29 sections 79-951 to 79-953;

30 (36) Service annuity means payments for life, made in equal monthly
31 installments, derived from appropriations made by the State of Nebraska

1 to the retirement system;

2 (37) State deposit means the deposit by the state in the retirement
3 system on behalf of any member;

4 (38) State school official means the Commissioner of Education and
5 his or her professional staff who are required by law or by the State
6 Department of Education to hold a certificate as such term is defined in
7 section 79-807;

8 (39) Substitute employee means a person hired by a public school as
9 a temporary employee to assume the duties of regular employees due to a
10 temporary absence of any regular employees. Substitute employee does not
11 mean a person hired as a regular employee on an ongoing basis to assume
12 the duties of other regular employees who are temporarily absent;

13 (40) Surviving spouse means (a) the spouse married to the member on
14 the date of the member's death or (b) the spouse or former spouse of the
15 member if survivorship rights are provided under a qualified domestic
16 relations order filed with the board pursuant to the Spousal Pension
17 Rights Act. The spouse or former spouse shall supersede the spouse
18 married to the member on the date of the member's death as provided under
19 a qualified domestic relations order. If the benefits payable to the
20 spouse or former spouse under a qualified domestic relations order are
21 less than the value of benefits entitled to the surviving spouse, the
22 spouse married to the member on the date of the member's death shall be
23 the surviving spouse for the balance of the benefits;

24 (41) Temporary employee means an employee hired by a public school
25 who is not a regular employee and who is hired to provide service for a
26 limited period of time to accomplish a specific purpose or task. When
27 such specific purpose or task is complete, the employment of such
28 temporary employee shall terminate and in no case shall the temporary
29 employment period exceed one year in duration; and

30 (42) Termination of employment occurs on the date on which the
31 member experiences a bona fide separation from service of employment with

1 the member's employer, the date of which separation is determined by the
2 end of the member's contractual agreement or, if there is no contract or
3 only partial fulfillment of a contract, by the employer. A member shall
4 not be deemed to have terminated employment if the member subsequently
5 provides service to any employer participating in the retirement system
6 provided for in the School Employees Retirement Act within one hundred
7 eighty days after ceasing employment unless such service:

8 (a) Is bona fide unpaid voluntary service or substitute service,
9 provided on an intermittent basis; or

10 (b) Is as provided in subsection (2) of section 79-920.

11 Nothing in this subdivision precludes an employer from adopting a
12 policy which limits or denies employees who have terminated employment
13 from providing voluntary or substitute service within one hundred eighty
14 days after termination.

15 A member shall not be deemed to have terminated employment if the
16 board determines that a claimed termination was not a bona fide
17 separation from service with the employer or that a member was
18 compensated for a full contractual period when the member terminated
19 prior to the end date of the contract.

20 Sec. 24. Section 79-978, Revised Statutes Cumulative Supplement,
21 2016, is amended to read:

22 79-978 For purposes of the Class V School Employees Retirement Act,
23 unless the context otherwise requires:

24 (1) Accumulated contributions means the sum of amounts contributed
25 by a member of the system together with regular interest credited
26 thereon;

27 (2) Actuarial equivalent means the equality in value of the
28 retirement allowance for early retirement or the retirement allowance for
29 an optional form of annuity, or both, with the normal form of the annuity
30 to be paid, as determined by the application of the appropriate actuarial
31 table, except that use of such actuarial tables shall not effect a

1 reduction in benefits accrued prior to September 1, 1985, as determined
2 by the actuarial tables in use prior to such date;

3 (3) Actuarial tables means:

4 (a) For determining the actuarial equivalent of any annuities other
5 than joint and survivorship annuities, a unisex mortality table using
6 twenty-five percent of the male mortality and seventy-five percent of the
7 female mortality from the 1994 Group Annuity Mortality Table with a One
8 Year Setback and using an interest rate of eight percent compounded
9 annually; and

10 (b) For joint and survivorship annuities, a unisex retiree mortality
11 table using sixty-five percent of the male mortality and thirty-five
12 percent of the female mortality from the 1994 Group Annuity Mortality
13 Table with a One Year Setback and using an interest rate of eight percent
14 compounded annually and a unisex joint annuitant mortality table using
15 thirty-five percent of the male mortality and sixty-five percent of the
16 female mortality from the 1994 Group Annuity Mortality Table with a One
17 Year Setback and using an interest rate of eight percent compounded
18 annually;

19 (4) Annuitant means any member receiving an allowance;

20 (5) Annuity means annual payments, for both prior service and
21 membership service, for life as provided in the Class V School Employees
22 Retirement Act;

23 (6) Audit year means the period beginning January 1 in any year and
24 ending on December 31 of that same year except for the initial audit year
25 which will begin September 1, 2016, and end on December 31, 2016.
26 Beginning September 1, 2016, the audit year will be the period of time
27 used in the preparation of the annual actuarial analysis and valuation
28 and a financial audit of the investments of the retirement system;

29 (7) Beneficiary means any person entitled to receive or receiving a
30 benefit by reason of the death of a member;

31 (8) Board of education means the board of education of the school

1 district;

2 (9)(a) Compensation means gross wages or salaries payable to the
3 member during a fiscal year and includes (i) overtime pay, (ii) member
4 contributions to the retirement system that are picked up under section
5 414(h) of the Internal Revenue Code, as defined in section 49-801.01,
6 (iii) retroactive salary payments paid pursuant to court order,
7 arbitration, or litigation and grievance settlements, and (iv) amounts
8 contributed by the member to plans under sections 125, 403(b), and 457 of
9 the Internal Revenue Code, as defined in section 49-801.01, or any other
10 section of the code which defers or excludes such amounts from income.

11 (b) Compensation does not include (i) fraudulently obtained amounts
12 as determined by the board, (ii) amounts for unused sick leave or unused
13 vacation leave converted to cash payments, (iii) insurance premiums
14 converted into cash payments, (iv) reimbursement for expenses incurred,
15 (v) fringe benefits, (vi) per diems paid as expenses, (vii) bonuses for
16 services not actually rendered, including, but not limited to, early
17 retirement inducements, cash awards, and severance pay, or (viii)
18 employer contributions made for the purposes of separation payments made
19 at retirement and early retirement inducements as provided for in section
20 79-514.

21 (c) Compensation in excess of the limitations set forth in section
22 401(a)(17) of the Internal Revenue Code, as defined in section 49-801.01,
23 shall be disregarded;

24 (10) Council means the Nebraska Investment Council created and
25 acting pursuant to section 72-1237;

26 (11) Creditable service means the sum of the membership service and
27 the prior service, measured in one-tenth-year increments;

28 (12) Early retirement date means, for members hired prior to July 1,
29 2016, who have attained age fifty-five, that month and year selected by a
30 member having at least ten years of creditable service which includes a
31 minimum of five years of membership service. Early retirement date means,

1 for members hired on or after July 1, 2016, that month and year selected
2 by a member having at least five years of creditable service and who has
3 attained age sixty;

4 (13) Employee means the following enumerated persons receiving
5 compensation from the school district: (a) Regular teachers and
6 administrators employed on a written contract basis; ~~and~~ (b) regular
7 employees, not included in subdivision (13)(a) of this section, hired
8 upon a full-time basis, which basis shall contemplate a workweek of not
9 less than thirty hours; and (c) employees of an independent public
10 school;

11 (14) Fiscal year means the period beginning September 1 in any year
12 and ending on August 31 of the next succeeding year;

13 (15) Interest means, for the purchase of service credit, the
14 purchase of prior service credit, restored refunds, and delayed payments,
15 the investment return assumption used in the most recent actuarial
16 valuation;

17 (16) Member means any employee included in the membership of the
18 retirement system or any former employee who has made contributions to
19 the system and has not received a refund;

20 (17) Membership service means service on or after September 1, 1951,
21 as an employee of the school district and a member of the system for
22 which compensation is paid by the school district. Credit for more than
23 one year of membership service shall not be allowed for service rendered
24 in any fiscal year. Beginning September 1, 2005, a member shall be
25 credited with a year of membership service for each fiscal year in which
26 the member performs one thousand or more hours of compensated service as
27 an employee of the school district. An hour of compensated service shall
28 include any hour for which the member is compensated by the school
29 district during periods where no service is performed due to vacation or
30 approved leave. If a member performs less than one thousand hours of
31 compensated service during a fiscal year, one-tenth of a year of

1 membership service shall be credited for each one hundred hours of
2 compensated service by the member in such fiscal year. In determining a
3 member's total membership service, all periods of membership service,
4 including fractional years of membership service in one-tenth-year
5 increments, shall be aggregated;

6 (18) Military service means service in the uniformed services as
7 defined in 38 U.S.C. 4301 et seq., as such provision existed on March 27,
8 1997;

9 (19) Normal retirement date means the end of the month during which
10 the member attains age sixty-five and has completed at least five years
11 of membership service;

12 (20) Primary beneficiary means the person or persons entitled to
13 receive or receiving a benefit by reason of the death of a member;

14 (21) Prior service means service rendered prior to September 1,
15 1951, for which credit is allowed under section 79-999, service rendered
16 by retired employees receiving benefits under preexisting systems, and
17 service for which credit is allowed under sections 79-990, 79-991,
18 79-994, 79-995, and 79-997;

19 (22) Regular interest means interest (a) on the total contributions
20 of the member prior to the close of the last preceding fiscal year, (b)
21 compounded annually, and (c)(i) beginning September 1, 2016, at a rate
22 equal to the daily treasury yield curve for one-year treasury securities,
23 as published by the Secretary of the Treasury of the United States, that
24 applies on September 1 of each year and (ii) prior to September 1, 2016,
25 at rates to be determined annually by the board, which shall have the
26 sole, absolute, and final discretionary authority to make such
27 determination, except that the rate for any given year in no event shall
28 exceed the actual percentage of net earnings of the system during the
29 last preceding fiscal year;

30 (23) Retirement allowance means the total annual retirement benefit
31 payable to a member for service or disability;

1 (24) Retirement date means the date of retirement of a member for
2 service or disability as fixed by the board of trustees;

3 (25) Retirement system or system means the School Employees'
4 Retirement System of (corporate name of the school district as described
5 in section 79-405) as provided for by the act;

6 (26) Secondary beneficiary means the person or persons entitled to
7 receive or receiving a benefit by reason of the death of all primary
8 beneficiaries prior to the death of the member. If no primary beneficiary
9 survives the member, secondary beneficiaries shall be treated in the same
10 manner as primary beneficiaries;

11 (27) State investment officer means the state investment officer
12 appointed pursuant to section 72-1240 and acting pursuant to the Nebraska
13 State Funds Investment Act; and

14 (28) Trustee means a trustee provided for in section 79-980.

15 Sec. 25. Section 79-1001, Revised Statutes Cumulative Supplement,
16 2016, is amended to read:

17 79-1001 Sections 79-1001 to 79-1033 and section 27 of this act shall
18 be known and may be cited as the Tax Equity and Educational Opportunities
19 Support Act.

20 Sec. 26. Section 79-1007.12, Reissue Revised Statutes of Nebraska,
21 is amended to read:

22 79-1007.12 (1) The department shall calculate a transportation
23 allowance for each district equal to the lesser of:

24 (a) ~~(1)~~ Each local system's general fund expenditures for regular
25 route transportation and in lieu of transportation expenditures pursuant
26 to section 79-611 in the second school fiscal year immediately preceding
27 the school fiscal year in which aid is to be paid, but not including
28 special education transportation expenditures or other expenditures
29 previously excluded from general fund operating expenditures; or

30 (b) ~~(2)~~ The number of miles traveled in the second school fiscal
31 year immediately preceding the school fiscal year in which aid is to be

1 paid by vehicles owned, leased, or contracted by the district or the
2 districts in the local system for the purpose of regular route
3 transportation multiplied by four hundred percent of the mileage rate
4 established by the Department of Administrative Services pursuant to
5 section 81-1176 as of January 1 of the most recently available complete
6 data year added to in lieu of transportation expenditures pursuant to
7 section 79-611 from the same data year.

8 (2) Regular route transportation includes transportation provided to
9 students enrolled in independent public schools located within the
10 boundaries of the school district.

11 Sec. 27. (1) Independent public school funding shall be paid to
12 each independent public school pursuant to this section.

13 (2) The independent public school aid for each independent public
14 school shall equal the enrolled students for such independent public
15 school multiplied by the statewide average basic funding per formula
16 student.

17 (3) For purposes of this section:

18 (a) For independent public school aid certified pursuant to section
19 79-1022 for the first two school years a school is operating as an
20 independent public school, enrolled students means the estimated full-
21 time-equivalent count of students to be enrolled in the independent
22 public school on the last Friday in September of the school year for
23 which independent public school aid is being calculated as submitted by
24 the authorizer in the manner and at such time as required by the
25 department.

26 (b) For independent public school aid certified pursuant to section
27 79-1022 for school years after the first two school years a school is
28 operating as an independent public school, enrolled students means the
29 full-time-equivalent count of students enrolled in the independent public
30 school on the last Friday in September of the school year prior to the
31 school year for which independent public school aid is being calculated;

1 and

2 (c) For the final calculation of independent public school aid
3 pursuant to section 79-1065, enrolled students means the full-time-
4 equivalent average daily membership of students enrolled in the
5 independent public school for the school year immediately preceding the
6 school year for which independent public school aid was paid.

7 (4) Each independent public school shall submit audited enrollment
8 numbers to the department in the manner and at such time as required by
9 the department.

10 Sec. 28. Section 79-1022, Revised Statutes Cumulative Supplement,
11 2016, is amended to read:

12 79-1022 (1) On or before March 1 of each year for each ensuing
13 fiscal year, the department shall determine the amounts to be distributed
14 to each local system and each district for the ensuing school fiscal year
15 pursuant to the Tax Equity and Educational Opportunities Support Act and
16 shall certify the amounts to the Director of Administrative Services, the
17 Auditor of Public Accounts, each learning community for school fiscal
18 years prior to school fiscal year 2017-18, and each district. Except as
19 otherwise provided in this section, the amount to be distributed to each
20 district from the amount certified for a local system shall be
21 proportional based on the formula students attributed to each district in
22 the local system. For school fiscal years prior to school fiscal year
23 2017-18, the amount to be distributed to each district that is a member
24 of a learning community from the amount certified for the local system
25 shall be proportional based on the formula needs calculated for each
26 district in the local system. ~~On or before March 1 of each year for each~~
27 ~~ensuing fiscal year, the department shall report the necessary funding~~
28 ~~level for the ensuing school fiscal year to the Governor, the~~
29 ~~Appropriations Committee of the Legislature, and the Education Committee~~
30 ~~of the Legislature. The report submitted to the committees of the~~
31 ~~Legislature shall be submitted electronically. Except as otherwise~~

1 provided in this subsection, certified state aid amounts, including
2 adjustments pursuant to section 79-1065.02, shall be shown as budgeted
3 non-property-tax receipts and deducted prior to calculating the property
4 tax request in the district's general fund budget statement as provided
5 to the Auditor of Public Accounts pursuant to section 79-1024.

6 ~~(2)~~ Except as provided in this subsection, subsection (8) of section
7 79-1016, and sections 79-1005, 79-1033, and 79-1065.02, the amounts
8 certified pursuant to this subsection (1) ~~of this section~~ shall be
9 distributed in ten as nearly as possible equal payments on the last
10 business day of each month beginning in September of each ensuing school
11 fiscal year and ending in June of the following year, except that when a
12 school district is to receive a monthly payment of less than one thousand
13 dollars, such payment shall be one lump-sum payment on the last business
14 day of December during the ensuing school fiscal year.

15 (2) On or before March 1 of each year for each ensuing fiscal year,
16 the department shall determine the amount of independent public school
17 aid to be distributed to each independent public school for the ensuing
18 fiscal year pursuant to section 26 of this act and shall certify the
19 amount to the Director of Administrative Services, the Auditor of Public
20 Accounts, and each independent public school. The amounts certified
21 pursuant to this subsection shall be distributed in ten as nearly as
22 possible equal payments on the last business day of each month beginning
23 in July for each ensuing school year and ending in April of the following
24 year.

25 (3) On or before March 1 of each year for each ensuing fiscal year,
26 the department shall report the necessary funding levels certified
27 pursuant to subsections (1) and (2) of this section for the ensuing
28 school fiscal year to the Governor, the Appropriations Committee of the
29 Legislature, and the Education Committee of the Legislature. The report
30 submitted to the committees of the Legislature shall be submitted
31 electronically.

1 Sec. 29. Section 79-1065, Reissue Revised Statutes of Nebraska, is
2 amended to read:

3 79-1065 The State Department of Education shall adjust payments
4 provided under Chapter 79 to school districts and independent public
5 schools which, after final determination, received funds not equal to the
6 appropriate allocation for the previous school fiscal year such that the
7 district or independent public school will receive the funds to which it
8 was finally determined to be entitled. If the total adjustment cannot be
9 made from the funds to be provided in the current ~~school~~ fiscal year, the
10 adjustment shall be prorated, with additional adjustments made to
11 payments for future ~~school~~ fiscal years. The department shall maintain an
12 accurate account and a record of the reasons the adjustments were made
13 and the amount of such adjustments.

14 Sec. 30. Section 79-1065.02, Reissue Revised Statutes of Nebraska,
15 is amended to read:

16 79-1065.02 (1) State aid payments shall be adjusted to reflect
17 transfers of property due to annexation, to any dissolution of a Class I
18 school district, and to any reorganization involving one or more Class I
19 school districts.

20 (2) This section applies whenever:

21 (a) A Class I school district dissolves or reorganizes in such a
22 manner that the parcels of property making up the Class I district prior
23 to the dissolution or reorganization which were affiliated with a Class
24 II, III, IV, or V school district do not become part of the Class II,
25 III, IV, or V school district with which such parcels of property were
26 affiliated; or

27 (b) Property within the boundaries of a Class II, III, IV, V, or VI
28 school district is transferred to another school district due to a change
29 in the school district boundaries in response to annexation of the
30 transferred property by a city or village.

31 (3) To qualify for additional state aid pursuant to this section,

1 the school district from which property is being transferred shall apply
2 on a form prescribed by the State Department of Education on or before
3 August 20 preceding the first school fiscal year for which the property
4 will not be available for taxation for the school district's general fund
5 levy. On or before such deadline, the applicant school district shall
6 send copies of the application to the high school districts of the local
7 systems receiving valuation in the transfer. For purposes of this
8 section, property is deemed transferred from the school district whether
9 the property was within the boundaries of the school district or the
10 property was affiliated with the school district.

11 (4) Upon receipt of the application, the department, with the
12 assistance of the Property Tax Administrator, shall calculate the amount
13 of additional state aid, if any, that the local system, as defined in
14 section 79-1003, for the applicant school district would have received
15 for such school fiscal year if the adjusted valuation for the transferred
16 property had not been included in the adjusted valuation of such local
17 system for the calculation of state aid for such school fiscal year. On
18 or before September 20 of such school fiscal year, the department shall
19 certify to the applicant school district the amount of additional state
20 aid, if any, the district will receive. Except as otherwise provided in
21 this subsection, if such applicant school district receives a lump-sum
22 payment pursuant to ~~subsection (2)~~ of section 79-1022, such lump-sum
23 payment shall be increased by the amount of additional state aid. Except
24 as otherwise provided in this subsection, if such applicant school
25 district does not receive a lump-sum payment pursuant to such subsection,
26 state aid payments shall be increased by one-tenth of the amount of
27 additional state aid for each of the ten state aid payments for such
28 school fiscal year. If a portion of the total reduction calculated
29 pursuant to subsection (5) of this section for local systems receiving
30 valuation in the transfer of property that is the subject of the
31 application is delayed until future years, the additional state aid to be

1 paid in the school fiscal year described in subsection (3) of this
2 section shall be reduced by the amount of the total reduction that is
3 delayed until future years. The amount of the reduction shall be paid as
4 additional aid in the next school fiscal year.

5 (5) The state aid payments shall be reduced for the high school
6 district of each receiving local system. An amount equal to the
7 additional state aid calculated pursuant to subsection (4) of this
8 section for the local system of an applicant school district shall be
9 attributed to the local systems receiving valuation in such transfer
10 based upon the ratio of the adjusted valuation received by each local
11 system divided by the total adjusted valuation transferred from the
12 applicant school district. If such high school district receives a lump-
13 sum payment pursuant to ~~subsection (2) of~~ section 79-1022, such lump-sum
14 payment shall be reduced by the amount attributed to the receiving local
15 system. If the high school district of a receiving local system does not
16 receive a lump-sum payment pursuant to such subsection, state aid
17 payments shall be reduced by one-tenth of the amount attributed to such
18 receiving local system for each of the ten state aid payments for such
19 school fiscal year. If the total reduction is greater than the total
20 state aid payments for such school fiscal year, the remainder shall be
21 subtracted from state aid payments in future school fiscal years until
22 the total reduction has been subtracted from state aid payments. On or
23 before September 20 of such school fiscal year, the department shall
24 certify to the high school district of the receiving local system the
25 amount of the reduction in state aid.

26 (6) For purposes of the final calculation of state aid pursuant to
27 section 79-1065, the adjusted valuation of the property that was
28 transferred shall also be transferred for purposes of adjusted valuation
29 for the final calculation of state aid. For determining adjustments in
30 state aid pursuant to section 79-1065, the final calculation of state aid
31 shall be compared to the state aid certified for such school fiscal year

1 combined with any adjustments in state aid payments and transfers from
2 other districts pursuant to this section.

3 Sec. 31. Original sections 13-903, 79-1007.12, 79-1065, and
4 79-1065.02, Reissue Revised Statutes of Nebraska, and sections 48-801,
5 79-902, 79-978, 79-1001, and 79-1022, Revised Statutes Cumulative
6 Supplement, 2016, are repealed.