

ONE HUNDRED EIGHTH LEGISLATURE - SECOND SESSION - 2024
COMMITTEE STATEMENT
LB1331

Hearing Date: Tuesday January 30, 2024
Committee On: Education
Introducer: Murman
One Liner: Change provisions related to truancy and attendance and various programs administered by the State Department of Education

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

Vote Results:

Aye: 8 Senators Albrecht, Conrad, Linehan, Meyer, Murman, Sanders, Walz, Wayne
Nay:
Absent:
Present Not Voting:

Testimony:

Proponents:

Senator Dave Murman
Brian Halstead

Representing:

Opening Presenter
Nebraska Department of Education

Opponents:

Representing:

Neutral:

Representing:

* ADA Accommodation Written Testimony

Summary of purpose and/or changes:

LB 1331 Changes provisions related to truancy and attendance and various programs administered by the State Department of Education.

Bill Summary:

This bill represents proposals by the NDE to address a variety of issues it believes can be administered more effectively. Such issues include truancy, option enrollment, graduation requirements, alternative teacher certification, student loan repayment assistance, innovation and improvement grant programs, Summer Food Service program, special education expenditures, programs for learners with high ability, behavioral health, state lottery funds, behavioral awareness training, and the College Pathway Program.

Explanation of amendments:

The Education Committee Amendment substitutes for, and replaces, the bill as introduced.
LB 1331 contains LB 1231 as amended by AM 3304.



LB 1231 Adopts the Nebraska Education Formula and terminates the Tax Equity and Educational Opportunities Support Act

GENERAL SUMMARY OF AM 3304

For taxable years between January 1, 2020, and January 1, 2024, taxpayers in Nebraska can claim a refundable credit against income or franchise tax for school district taxes paid. The credit percentage varies each year and is set by the department, with total credits capped annually. It can be claimed by various entities, and the amount is based on the preceding year's school district tax payments. Taxpayers who didn't claim the credit in prior years may be eligible for an additional credit.

Regarding school funding, the property tax request is the total amount of property taxes a district seeks to raise, excluding funds for bond payments. Allocated property tax funds will be distributed to districts starting in the 2024-25 fiscal year, with the distribution determined by each district's property tax request compared to the statewide total. The total allocated funds for the first year are \$750 million and increase annually by \$30 million, entirely sourced from the Education Future Fund.

Foundation aid for school districts is determined starting from the 2023-24 fiscal year, with each district receiving \$3,000 multiplied by the number of formula students. The aid is partly funded from the Education Future Fund, and from the 2024-25 fiscal year onwards, 60% of the aid will be included as a formula resource.

The Education Future Fund is established to fund various educational purposes, including equalization aid, special education reimbursements, property tax relief, teacher recruitment, and career and technical education. Transfers from the General Fund to this fund are specified annually.

The Department will certify state aid amounts to local systems and report necessary funding levels to relevant authorities. Certified state aid amounts will be deducted from the property tax request in the local system's budget statement, and payments will be distributed in ten installments from September to June.

Certifications of state aid, budget authority, and allowable reserve percentages completed before the effective date of this act for the 2024-25 fiscal year are null and void.

Each school district's budget authority for general fund expenditures will be determined based on specific criteria, ensuring adequate funding while considering factors like enrollment changes and special education costs.

The Legislature's Appropriations Committee must include the funding required to support certified state aid in its recommendations annually.

The Nebraska Transformational Project Fund is established to receive funds from various sources for transformative projects. Transfers to this fund are contingent upon program participant selection and securing commitments totaling \$1.3 billion in total investment. Redistributions from the fund are limited to the amount of private funding received by the project applicant, with any remaining funds transferred to the General Fund.



SECTION-BY-SECTION SUMMARY

SECTION 1

The Nebraska Property Tax Incentive Act defines several key terms. "Community college taxes" refer to property taxes imposed by a community college area, excluding taxes for bonded indebtedness, voter-approved tax levy overrides, and delinquent taxes older than five years. "Department" denotes the Department of Revenue. An "eligible taxpayer" includes individuals, corporations, partnerships, LLCs, trusts, estates, or other entities paying school district or community college taxes during a taxable year. "School district taxes" encompass property taxes levied by a school district or multiple-district school system, excluding taxes for bonded indebtedness, voter-approved levy overrides, and delinquent taxes aged five years or more.

SECTION 2

For taxable years starting from January 1, 2020, to January 1, 2024, eligible taxpayers in Nebraska can claim a refundable credit against their income tax or franchise tax based on the amount of school district taxes paid during the taxable year. The credit percentage is determined annually by the Department of Revenue, with specific amounts allocated for each calendar year. The total credits for each year are set at \$125 million for 2020, \$125 million plus additional amounts calculated for 2021, \$548 million for 2022, and \$560.7 million for 2023.

If school district taxes are paid by a corporation under subchapter S of the Internal Revenue Code, a partnership, LLC, trust, or estate, the taxes paid can be allocated to shareholders, partners, members, or beneficiaries in proportion to income distribution. Forms and schedules are provided for verifying eligibility and allocating taxes paid.

For taxable years starting after January 1, 2021, and before January 1, 2024, the refundable credit must be claimed by the corporation under subchapter S of the Internal Revenue Code, partnership, LLC, trust, or estate that paid the school district taxes.

For the first taxable year after January 1, 2021, if taxes were paid in 2020 but not claimed directly or allocated, an additional refundable credit of six percent of the school district taxes paid in 2020 is allowed.

SECTION 3

Sections 79-1001 to 79-1033, along with section 5 of this legislation, will be officially named and referenced as the Tax Equity and Educational Opportunities Support Act.

SECTION 4

The Tax Equity and Educational Opportunities Support Act adds one new term used in the legislation. All other terms remain the same.

Allocated property tax funds: Assistance paid to a school district from property tax collections.

SECTION 5

The property tax request is the total amount of property taxes a school district seeks to raise, excluding funds for bond payments. Beginning in the 2024-25 fiscal year, allocated



property tax funds will be distributed to districts. For the first year, each district's share will be determined by its property tax request compared to the total requests statewide. From the second year onwards, the distribution will consider both the previous year's property tax request and the allocated funds received. The total allocated funds for the first year are set at \$750 million and will increase by \$30 million annually thereafter. These funds will be entirely sourced from the Education Future Fund and will not count as a formula resource for funding calculations.

SECTION 6

Starting from the 2023-24 school fiscal year and onward, the Department will calculate foundation aid for each school district. This aid will amount to \$3,000 multiplied by the number of formula students in the district. 57.3% of the total foundation aid will be funded from the Education Future Fund. For the 2023-24 fiscal year, 100% of the foundation aid will be considered a formula resource. From the 2024-25 fiscal year and onwards, 60% of the foundation aid will be included as a formula resource.

SECTION 7

The Education Future Fund is established to be administered by the department, funded by transfers from the Legislature. The fund will be invested by the state investment officer. Its usage priorities include fully funding equalization aid, reimbursing special education expenses, supporting foundation aid and allocated property tax funds, providing property tax relief, addressing teacher turnover, enhancing career and technical education, facilitating mentoring programs, assisting with special education expenditures, and aiding teacher recruitment through apprenticeships and alternative certification. Transfers from the General Fund to the Education Future Fund are specified: \$1 billion in fiscal year 2023-24, \$1.217 billion in fiscal year 2024-25, and an intended \$1.5 billion in fiscal year 2025-26 and each subsequent year.

SECTION 8

On or before June 15, 2024, and March 1 of each subsequent year, the department will determine and certify the amounts to be distributed to each local system for the upcoming school fiscal year as per the Tax Equity and Educational Opportunities Support Act. These certified amounts will be reported to relevant authorities, including the Director of Administrative Services, the Auditor of Public Accounts, and each local system. Additionally, the department will report the necessary funding level for the upcoming school fiscal year to the Governor, the Appropriations Committee, and the Education Committee of the Legislature. Certified state aid amounts, including adjustments, will be deducted from the property tax request in the local system's general fund budget statement. Payments will be distributed in ten nearly equal installments from September to June, except for payments less than one thousand dollars, which will be given as a lump sum in December.

SECTION 9

Any certifications of state aid, budget authority, and applicable allowable reserve percentages completed before the effective date of this act for the school fiscal year 2024-25 are rendered null and void, regardless of other provisions of the law.

SECTION 10

On or before June 15, 2024, and March 1 of subsequent years, the department will determine and certify each school district's budget authority for the general fund



expenditures for the upcoming school fiscal year. Each district's budget authority will be determined based on specific criteria. This includes adjustments for the preceding fiscal year's expenditures, basic allowable growth rates, student growth adjustments, and formula needs. The budget authority calculation ensures that districts have adequate funding for their operational expenses while accounting for factors like enrollment changes and special education costs. Adjustments will be made for any corrections related to student growth adjustments in future years.

SECTION 11

No school district is permitted to adopt a budget that surpasses specific allowable reserve percentages based on its total general fund budget of expenditures. These percentages vary depending on the district's average daily membership. The Department of Education will determine and certify each district's applicable allowable reserve percentage annually. Districts falling below these percentages can increase their necessary general fund cash reserves to align with the allowable reserve percentage, ensuring financial compliance.

SECTION 12

The Legislature's Appropriations Committee must annually include in its recommendations the funding required to support the state aid certified to school districts. This funding is essential for each upcoming school fiscal year and should be included in the committee's recommendations to ensure compliance with the Tax Equity and Educational Opportunities Support Act.

SECTION 13

The Nebraska Transformational Project Fund is established to receive funds from various sources, including application fees, legislative appropriations, grants, private contributions, and repayments. The fund's resources may also be invested as per relevant state investment laws. The Legislature intends to transfer up to \$300 million to this fund, contingent upon the selection of program participants and securing commitments totaling \$1.3 billion in total investment from federal dollars and private donations. Transfers are not permitted before the fiscal year 2025-26, and distributions from the fund are limited to the amount of private funding received by the project applicant. Any remaining funds in the account after fulfilling obligations will be transferred to the General Fund.

SECTION 15

Emergency Provision.

Motion to amend LB 1231 with AM 3304

Vote Results: 8-0

Voting Aye: Senators Albrecht, Conrad, Linehan, Meyer, Murman, Sanders, Walz, Wayne

Voting Nay: None

Testifiers on LB 1231

Proponents:

None

Opponents:

Kyle Fairbairn, Greater Nebraska Schools Association

Neutral:



None

Motion to Amend LB 1331 with LB 1231 AM 3304

Vote Results: 8-0

Voting Aye: Senators Albrecht, Conrad, Linehan, Meyer, Murman, Sanders, Walz, Wayne

Voting Nay: None

Dave Murman, Chairperson

