

LEGISLATIVE BILL 806

Approved by the Governor June 3, 1997

Introduced by Education Committee: Bohlke, 33, Chairperson; Beutler, 28; McKenzie, 34; Suttle, 10; Warner, 25

AN ACT relating to schools and school districts; to amend sections 77-27, 119, 77-3444, 79-403, 79-413, 79-415, 79-418, 79-419, 79-431, 79-432, 79-437, 79-438, 79-440 to 79-446, 79-458, 79-479, 79-528, 79-611, 79-1001 to 79-1003, 79-1005, 79-1007 to 79-1011, 79-1014 to 79-1018, 79-1026, 79-1031, 79-1202 to 79-1204, 79-1209, and 79-1210, Reissue Revised Statutes of Nebraska, sections 23-3302 and 32-527, Revised Statutes Supplement, 1996, and section 79-1022, Reissue Revised Statutes of Nebraska, as amended by section 5, Legislative Bill 713, Ninety-fifth Legislature, First Session, 1997; to change and eliminate provisions relating to state aid to schools, county superintendents, school district reorganization plans and petitions, freeholder petitions, and educational service units; to harmonize provisions; to eliminate a provision relating to the aggregate school tax; to provide operative dates; to provide severability; to repeal the original sections; and to outright repeal sections 79-1004, 79-1006, 79-1013, and 79-1073, Reissue Revised Statutes of Nebraska.

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

Section 1. Section 23-3302, Revised Statutes Supplement, 1996, is amended to read:

23-3302. The (1) Until June 30, 2000, the county board of any county may elect to discontinue the office of county superintendent upon expiration of the term of an incumbent. Such decision shall be made not later than twelve months prior to the expiration of such term and only after the county board has discussed such discontinuance at a public hearing for which proper notice has been duly given. If the county board elects to discontinue the office, it may contract with the educational service unit of which it is a part, with or a Class II, III, IV, V, or VI school district, or with an individual who meets the qualifications described in section 23-3301 for performance of all of the duties imposed by law upon the county superintendent. Educational service units, and Class II, III, IV, V, and VI school districts, and qualified individuals may enter into such contracts and perform such duties. Any contract entered into under this subsection shall not exceed a period of one year. The annual cost to the county of any such contract shall not exceed the proceeds of a tax of three-tenths of one cent on each one hundred dollars on the taxable valuation of all taxable property in the county or two thousand five hundred dollars, whichever is greater.

(2) On and after June 30, 2000, the county board may contract with the educational service unit of which it is a part, with a Class II, III, IV, V, or VI school district, or with an individual who meets the qualifications described in section 23-3301 for performance of all the duties imposed by law upon the county superintendent. Educational service units, Class II, III, IV, V, and VI school districts, and qualified individuals may enter into such contracts and perform such duties. Any contract entered into under this subsection shall not exceed a period of one year. The annual cost to the county of any such contract shall not exceed the proceeds of a tax of three-tenths of one cent on each one hundred dollars on the taxable valuation of all taxable property in the county or two thousand five hundred dollars, whichever is greater.

Sec. 2. Section 32-527, Revised Statutes Supplement, 1996, is amended to read:

32-527. (1) Except as provided in sections 23-3301 and 23-3302, a county superintendent of schools shall be elected in each county at the statewide general election in 1990 and each four years thereafter 1998. The term of the county superintendent shall be four years or until his or her successor is elected and qualified. The end and the elective office of county superintendent shall be discontinued on June 30, 2000. Until June 30, 2000, the county superintendent shall meet the qualifications found in sections 23-3301 and 23-3302. The county superintendent and shall be elected on the nonpartisan ballot.

(2) The election commissioner or county clerk of each county shall notify the Commissioner of Education of the nominations for the office of county superintendent in his or her county and of the election to such office

at the time the results of the statewide primary and general elections respectively are ascertained. The election commissioner or county clerk shall refuse to place the name of any candidate on the ballot for such office who has not presented a certified statement from the office of the Commissioner of Education that such candidate holds a valid certificate in the county of such candidate as required under the provisions of subsection (2) or (3) of section 23-3301 unless the same is not required under subsection (4) of such section.

Sec. 3. Section 77-27,119, Reissue Revised Statutes of Nebraska, is amended to read:

77-27,119. (1) The Tax Commissioner shall administer and enforce the income tax imposed by sections 77-2714 to 77-27,135, and he or she is authorized to conduct hearings, to adopt and promulgate such rules and regulations, and to require such facts and information to be reported as he or she may deem necessary to enforce the income tax provisions of such sections, except that such rules, regulations, and reports shall not be inconsistent with the laws of this state or the laws of the United States. The Tax Commissioner may for enforcement and administrative purposes divide the state into a reasonable number of districts in which branch offices may be maintained.

(2)(a) The Tax Commissioner may prescribe the form and contents of any return or other document required to be filed under the income tax provisions. Such return or other document shall be compatible as to form and content with the return or document required by the laws of the United States. The form shall have a place where the taxpayer shall designate the high school district in which he or she lives and the county in which the high school district is ~~located~~ headquartered. The Tax Commissioner shall adopt and promulgate such rules and regulations as may be necessary to insure compliance with this requirement.

(b) The State Department of Education, with the assistance and cooperation of the Department of Revenue, shall develop a uniform system for numbering all school districts in the state. Such system shall be consistent with the data processing needs of the Department of Revenue and shall be used for the school district identification required by subdivision (a) of this subsection.

(c) The proper filing of an income tax return shall consist of the submission of such form as prescribed by the Tax Commissioner or an exact facsimile thereof with sufficient information provided by the taxpayer on the face of the form from which to compute the actual tax liability. Each taxpayer shall include such taxpayer's correct social security number or state identification number and the school district identification number of the school district in which the taxpayer resides on the face of the form. A filing is deemed to occur when the required information is provided.

(3) The Tax Commissioner, for the purpose of ascertaining the correctness of any return or other document required to be filed under the income tax provisions, for the purpose of determining corporate income, individual income, and withholding tax due, or for the purpose of making an estimate of taxable income of any person, shall have the power to examine or to cause to have examined, by any agent or representative designated by him or her for that purpose, any books, papers, records, or memoranda bearing upon such matters and may by summons require the attendance of the person responsible for rendering such return or other document or remitting any tax, or any officer or employee of such person, or the attendance of any other person having knowledge in the premises, and may take testimony and require proof material for his or her information, with power to administer oaths or affirmations to such person or persons.

(4) The time and place of examination pursuant to this section shall be such time and place as may be fixed by the Tax Commissioner and as are reasonable under the circumstances. In the case of a summons, the date fixed for appearance before the Tax Commissioner shall not be less than twenty days from the time of service of the summons.

(5) No taxpayer shall be subjected to unreasonable or unnecessary examinations or investigations.

(6) Except in accordance with proper judicial order or as otherwise provided by law, it shall be unlawful for the Tax Commissioner, any officer or employee of the Tax Commissioner, any person engaged or retained by the Tax Commissioner on an independent contract basis, any person who pursuant to this section is permitted to inspect any report or return or to whom a copy, an abstract, or a portion of any report or return is furnished, or any other person to divulge, make known, or use in any manner the amount of income or any particulars set forth or disclosed in any report or return required except for the purpose of enforcing sections 77-2714 to 77-27,135. The officers charged with the custody of such reports and returns shall not be required to

produce any of them or evidence of anything contained in them in any action or proceeding in any court, except on behalf of the Tax Commissioner in an action or proceeding under the provisions of the tax law to which he or she is a party or on behalf of any party to any action or proceeding under such sections when the reports or facts shown thereby are directly involved in such action or proceeding, in either of which events the court may require the production of, and may admit in evidence, so much of such reports or of the facts shown thereby as are pertinent to the action or proceeding and no more. Nothing in this section shall be construed (a) to prohibit the delivery to a taxpayer, his or her duly authorized representative, or his or her successors, receivers, trustees, personal representatives, administrators, assignees, or guarantors, if directly interested, of a certified copy of any return or report in connection with his or her tax, (b) to prohibit the publication of statistics so classified as to prevent the identification of particular reports or returns and the items thereof, (c) to prohibit the inspection by the Attorney General, other legal representatives of the state, or a county attorney of the report or return of any taxpayer who brings an action to review the tax based thereon, against whom an action or proceeding for collection of tax has been instituted, or against whom an action, proceeding, or prosecution for failure to comply with the Nebraska Revenue Act of 1967 is being considered or has been commenced, (d) to prohibit furnishing to the Nebraska Workers' Compensation Court the names, addresses, and identification numbers of employers, and such information shall be furnished on request of the court, (e) to prohibit the disclosure of information and records to a collection agency contracting with the Tax Commissioner pursuant to sections 77-377.01 to 77-377.04, (f) to prohibit the disclosure of information pursuant to section 77-4110, (g) to prohibit the disclosure to the Public Employees Retirement Board of the addresses of individuals who are members of the retirement systems administered by the board, and such information shall be furnished to the board solely for purposes of its administration of the retirement systems upon written request, which request shall include the name and social security number of each individual for whom an address is requested, or (h) to prohibit the disclosure to the Department of Labor of tax return information pertaining to individuals, corporations, and businesses determined by the Department of Labor to be delinquent in the payment of contributions or in the repayment of benefit overpayments, and such disclosure shall be strictly limited to information necessary for the administration of the Employment Security Law. Any person who violates this subsection shall be guilty of a felony and shall upon conviction thereof be fined not less than one hundred dollars nor more than five hundred dollars, or be imprisoned not more than five years, or be both so fined and imprisoned, in the discretion of the court and shall be assessed the costs of prosecution. If the offender is an officer or employee of the state, he or she shall be dismissed from office and be ineligible to hold any public office in this state for a period of two years thereafter.

(7) Reports and returns required to be filed under income tax provisions of sections 77-2714 to 77-27,135 shall be preserved until the Tax Commissioner orders them to be destroyed.

(8) Notwithstanding the provisions of subsection (6) of this section, the Tax Commissioner may permit the Secretary of the Treasury of the United States or his or her delegates or the proper officer of any state imposing an income tax, or the authorized representative of either such officer, to inspect the income tax returns of any taxpayer or may furnish to such officer or his or her authorized representative an abstract of the return of income of any taxpayer or supply him or her with information concerning an item of income contained in any return or disclosed by the report of any investigation of the income or return of income of any taxpayer, but such permission shall be granted only if the statutes of the United States or of such other state, as the case may be, grant substantially similar privileges to the Tax Commissioner of this state as the officer charged with the administration of the income tax imposed by sections 77-2714 to 77-27,135.

(9) Notwithstanding the provisions of subsection (6) of this section, the Tax Commissioner may permit the Postal Inspector of the United States Postal Service or his or her delegates to inspect the reports or returns of any person filed pursuant to the Nebraska Revenue Act of 1967 when information on the reports or returns is relevant to any action or proceeding instituted or being considered by the United States Postal Service against such person for the fraudulent use of the mails to carry and deliver false and fraudulent tax returns to the Tax Commissioner with the intent to defraud the State of Nebraska or to evade the payment of Nebraska state taxes.

(10)(a) Notwithstanding the provisions of subsection (6) of this section, the Tax Commissioner shall, upon written request by the Auditor of

Public Accounts, make tax returns and tax return information open to inspection by or disclosure to officers and employees of the Auditor of Public Accounts for the purpose of and to the extent necessary in making an audit of the Department of Revenue pursuant to section 84-304. The Auditor of Public Accounts shall statistically and randomly select the tax returns and tax return information to be audited based upon a computer tape provided by the Department of Revenue which contains only total population documents without specific identification of taxpayers. The Tax Commissioner shall have the authority to approve the statistical sampling method used by the Auditor of Public Accounts. Confidential tax returns and tax return information shall be audited only upon the premises of the Department of Revenue. All audit workpapers pertaining to the audit of the Department of Revenue shall be stored in a secure place in the Department of Revenue.

(b) No officer or employee of the Auditor of Public Accounts shall disclose to any person, other than another officer or employee of the Auditor of Public Accounts whose official duties require such disclosure, any return or return information described in the Nebraska Revenue Act of 1967 in a form which can be associated with or otherwise identify, directly or indirectly, a particular taxpayer.

(c) Any person who violates the provisions of this subsection shall be guilty of a Class IV felony and, in the discretion of the court, may be assessed the costs of prosecution. The guilty officer or employee shall be dismissed from employment and be ineligible to hold any position of employment with the State of Nebraska for a period of two years thereafter. For purposes of this subsection, officer or employee shall include a former officer or employee of the Auditor of Public Accounts.

(11) For purposes of subsections (10) through (13) of this section:

(a) Tax returns shall mean any tax or information return or claim for refund required by, provided for, or permitted under sections 77-2714 to 77-27,135 which is filed with the Tax Commissioner by, on behalf of, or with respect to any person and any amendment or supplement thereto, including supporting schedules, attachments, or lists which are supplemental to or part of the filed return;

(b) Return information shall mean:

(i) A taxpayer's identification number and (A) the nature, source, or amount of his or her income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, overassessments, or tax payments, whether the taxpayer's return was, is being, or will be examined or subject to other investigation or processing or (B) any other data received by, recorded by, prepared by, furnished to, or collected by the Tax Commissioner with respect to a return or the determination of the existence or possible existence of liability or the amount of liability of any person for any tax, penalty, interest, fine, forfeiture, or other imposition or offense; and

(ii) Any part of any written determination or any background file document relating to such written determination; and

(c) Disclosures shall mean the making known to any person in any manner a return or return information.

(12) The Auditor of Public Accounts shall (a) notify the Tax Commissioner in writing thirty days prior to the beginning of an audit of his or her intent to conduct an audit, (b) provide an audit plan, and (c) provide a list of the tax returns and tax return information identified for inspection during the audit.

(13) The Auditor of Public Accounts shall, as a condition for receiving tax returns and tax return information: (a) Subject his or her employees to the same confidential information safeguards and disclosure procedures as required of Department of Revenue employees; (b) establish and maintain a permanent system of standardized records with respect to any request for tax returns or tax return information, the reason for such request, and the date of such request and any disclosure of the tax return or tax return information; (c) establish and maintain a secure area or place in the Department of Revenue in which the tax returns, tax return information, or audit workpapers shall be stored; (d) restrict access to the tax returns or tax return information only to persons whose duties or responsibilities require access; (e) provide such other safeguards as the Tax Commissioner determines to be necessary or appropriate to protect the confidentiality of the tax returns or tax return information; (f) provide a report to the Tax Commissioner which describes the procedures established and utilized by the Auditor of Public Accounts for insuring the confidentiality of tax returns, tax return information, and audit workpapers; and (g) upon completion of use of such returns or tax return information, return to the Tax Commissioner such returns or tax return information, along with any copies.

(14) The Tax Commissioner may permit other tax officials of this state to inspect the tax returns and reports filed under sections 77-2714 to 77-27,135, but such inspection shall be permitted only for purposes of enforcing a tax law and only to the extent and under the conditions prescribed by the rules and regulations of the Tax Commissioner.

(15) The Tax Commissioner shall compile the school district information required by subsection (2) of this section. Insofar as it is possible, such compilation shall include, but not be limited to, the total adjusted gross income of each school district in the state. The Tax Commissioner shall adopt and promulgate such rules and regulations as may be necessary to insure that such compilation does not violate the confidentiality of any individual income tax return nor conflict with any other provisions of state or federal law.

Sec. 4. Section 77-3444, Reissue Revised Statutes of Nebraska, is amended to read:

77-3444. (1) A political subdivision, other than a Class I school district, may exceed the limits provided in section 77-3442 by an amount approved by a majority of registered voters voting in a primary, general, or special election at which the issue is placed before the registered voters. A vote to exceed the limits provided in section 77-3442 must be approved prior to September 30 of the fiscal year which is to be the first to exceed the limits. The governing body of the political subdivision may call for the submission of the issue to the voters (a) by passing a resolution calling for exceeding the limits by a vote of at least two-thirds of the members of the governing body and delivering a copy of the resolution to the county clerk or election commissioner of every county which contains all or part of the political subdivision or (b) upon receipt of a petition by the county clerk or election commissioner of every county containing all or part of the political subdivision requesting an election signed by at least five percent of the registered voters residing in the political subdivision. The resolution or petition shall include the amount of levy which would be imposed in excess of the limits provided in section 77-3442 and the duration of the excess levy. The excess levy shall not have a duration greater than five years. The county clerk or election commissioner shall place the issue on the ballot at an election as called for in the resolution or petition which is at least thirty days after receipt of the resolution or petition. The election shall be held pursuant to the Election Act. Any excess levy approved under this section shall terminate pursuant to its terms, on a vote of the governing body of the political subdivision to terminate the authority to levy more than the limits, or at the end of the fourth fiscal year following the first year in which the levy exceeded the limit, whichever is earliest.

(2) In lieu of the election procedures in subsection (1) of this section, any political subdivision subject to section 77-3443, other than a Class I school district, and villages may approve a levy in excess of the limits in section 77-3442 or the allocation provided by the county board in section 77-3443 for a period of one year at a meeting of the residents of the political subdivision or village, called after notice is published in a newspaper of general circulation in the political subdivision or village at least twenty days prior to the meeting. At least ten percent of the registered voters residing in the political subdivision or village shall constitute a quorum for purposes of taking action to exceed the limits. If a majority of those casting votes at the meeting vote in favor of exceeding the limits, a copy of the record of that action shall be forwarded to the county board prior to September 30 and the county board shall authorize a levy as approved by the residents for the year.

(3) For purposes of this section, when the political subdivision is a sanitary and improvement district, registered voter means a person qualified to vote as provided in section 31-735. Any election conducted under this section for a sanitary and improvement district shall be conducted and counted as provided in sections 31-735 to 31-735.06.

(4) For purposes of this section, when the political subdivision is a school district or a multiple-district school system, registered voter includes both (a) persons qualified to vote for the members of the school board of the school district which is voting to exceed the maximum levy limits pursuant to this section and (b) persons in those portions of any Class I district which are affiliated with or a part of the school district which is voting pursuant to this section, if such voter is also qualified to vote for the school board of the affected Class I school district.

Sec. 5. Section 79-403, Reissue Revised Statutes of Nebraska, is amended to read:

79-403. (1) Except as provided in subsection (2) subsections (2) and (3) of this section, no new school district shall be created unless such

district provides instruction in kindergarten through grade twelve.

(2) A new Class VI school district may be created if:

(a) Such Class VI school district will include at least two or more previously existing Class II or Class III school districts, except that if a reorganization petition for formation of a Class VI school district is initiated by a petition signed by sixty-five percent of the legal voters of a Class II or III school district, then such Class VI school district may include only one Class II or III school district; and

(b) The enrollment of the new Class VI school district is (i) at least one hundred twenty-five pupils if the district offers instruction in grades nine through twelve or (ii) at least one hundred seventy-five pupils if the district offers instruction in grades seven through twelve, except that if such district will have population density of less than three persons per square mile, then the enrollment shall be at least seventy-five students if the district offers instruction in grades nine through twelve or at least one hundred students if the district offers instruction in grades seven through twelve.

(3) One or more new Class I districts may be created as a part of a reorganization petition pursuant to subsection (2) of this section.

Sec. 6. Section 79-413, Reissue Revised Statutes of Nebraska, is amended to read:

79-413. (1) The county superintendent shall create a new school district from other districts, change the boundaries of any district, or affiliate a Class I district or portion thereof with one or more existing Class II, III, IV, or V districts upon receipt of petitions signed by sixty percent of the legal voters of each district affected. If (a) the proposed change has been disapproved by both the State Committee for the Reorganization of School Districts created under section 79-435 and the county committee for the reorganization of school districts created under section 79-437 or (b) in the case of affiliation, the petition has been disapproved by the county committee pursuant to sections 79-425 and 79-426, the county superintendent shall make the proposed change upon receipt of petitions containing signatures of at least sixty-five percent of the legal voters of each district affected. When area is added to a Class VI district or when a Class I district which is entirely or partially within a Class VI district is taken from the Class VI district, the Class VI district shall be deemed to be an affected district.

Any petition of the legal voters of a Class I district in which no city or village is situated which is commenced after January 1, 1996, and proposes the dissolution of the Class I district and the attachment of a portion of it to two or more districts shall require signatures of more than fifty percent of the legal voters of such Class I district. If any petition is denied on or after March 15, 1996, due to the fact that it was signed by fewer than sixty percent of the legal voters of such Class I district, the county superintendent of schools of the county in which the Class I district is situated shall reconsider such petition on or before May 15, 1996. If the county superintendent determines that such petition contains valid signatures of more than fifty percent of the legal voters of such Class I district, the county superintendent shall grant the petition.

(2)(a) Petitions proposing to change the boundaries of existing school districts through the transfer of a parcel of land, not to exceed six hundred forty acres, may be acted upon and so transferred by order of the county superintendent when the petitions involve the transfer of land between Class I, II, III, IV, or V school districts or when there would be an exchange of parcels of land between Class I, II, III, IV, or V school districts if the petitions have the approval of at least sixty-five percent of each school board or board of education.

(b) The county superintendent shall not change boundaries pursuant to this section relating to affiliation of school districts if twenty percent or more of any tract of land under common ownership which is proposing to affiliate is not contiguous to the high school district with which affiliation is proposed unless (i) one or more resident students of the tract of land under common ownership has attended the high school program of the high school district within the immediately preceding ten-year period or (ii) approval of the petition or plan would allow siblings of such resident students to attend the same school as the resident students attended.

(3)(a) Petitions proposing to create a new school district, to change the boundary lines of existing school districts, to create an affiliated school system, or to affiliate a Class I district in part and to join such district in part with a Class VI district, any of which involves the transfer of more than six hundred forty acres, shall, when signed by at least sixty percent of the legal voters in each district affected, be submitted to the county committee. In the case of a petition for affiliation or a petition

to affiliate in part and in part to join a Class VI district, the county committee shall review the proposed affiliation subject to sections 79-425 and 79-426. The county committee shall, within forty days after receipt of the petition, hold one or more public hearings and review and approve or disapprove such proposal and submit it to the state committee, except that an affiliation petition or a petition to affiliate in part and in part to join a Class VI district shall not be submitted to the state committee and the county committee's approval or disapproval shall be final. When the districts affected are in two or more counties, only the special committee created under section 79-441 need hold such public hearings and review and approve or disapprove the proposal.

(b) The state committee shall, within forty days after receipt of the petition from the county committee under subdivision (a) of this subsection, review and approve or disapprove the proposal and return it with any recommendations deemed advisable to the county committee certify its approval or disapproval to the county superintendent. The state committee shall also review and issue a preliminary approval or disapproval of incentive payments under section 79-1010 prior to returning the proposal to the county committee. The county committee shall, within fifteen days after receipt of the returned proposal, consider the action of the state committee and determine whether to give final approval or disapproval to the proposal superintendent.

(c) The county committee superintendent shall hold the petitions for ten days following the receipt of the returned proposal from the state committee or, if there is a bond election to be held in conjunction with the petition, until the bond election has been held, during which time names may be added to or withdrawn from the petitions. The results of the bond election shall be certified to the county superintendent. If the bond election held in conjunction with the petition is unsuccessful, no further action on the petition is required. Within fifteen days after receipt of the returned proposal or within fifteen days after the county committee's final approval or disapproval of an affiliation petition or a petition to affiliate in part and in part to join a Class VI district, advertise and hold a public hearing at which the recommendations and action of the state committee and county committee are presented to the legal voters in attendance. The county committee shall hold the petitions for ten days following the hearing, at the end of which time the committee shall file the petitions with the county superintendent.

(d) The county superintendent shall, within fifteen days after the filing of the petitions and of the holding period under subdivision (c) of this subsection or, if the bond election is successful, within fifteen days after receipt of the certification of the bond election results, whichever occurs last, advertise and hold a hearing to determine the validity and sufficiency of the petitions. Upon determination, as a result of the hearing, that sufficient valid signatures are contained in the respective petitions, the county superintendent shall effect the changes in district boundary lines as set forth in the petitions on or before the end of such fifteen-day period unless otherwise specified in the petition.

(4) Any person adversely affected by the changes made by the county superintendent may appeal to the district court of any county in which the real estate or any part thereof involved in the dispute is located. If the real estate is located in more than one county, the court in which an appeal is first perfected shall obtain jurisdiction to the exclusion of any subsequent appeal.

(5) A signing petitioner may withdraw his or her name from a petition and a legal voter may add his or her name to a petition at any time prior to the end of the ten-day period when the county committee files such petitions with petition is held by the county superintendent. Additions and withdrawals of signatures shall be by notarized affidavit filed with the county superintendent.

Sec. 7. Section 79-415, Reissue Revised Statutes of Nebraska, is amended to read:

79-415. (1) In addition to the petitions of legal voters pursuant to section 79-413, changes in boundaries and the creation of a new school district from other districts may be initiated and accepted by-

(a) ~~The~~ the school board or board of education of any district, Class III, IV, V, or VI district, and

(b) The school board of any Class I or II district in which is located a city or incorporated village-

(2) In addition to the petitions of legal voters pursuant to section 79-413, the affiliation of a Class I district or portion thereof with one or more Class II, III, IV, or V districts may be initiated and accepted by:

(a) The board of education of any Class II, III, IV, or V district; and

(b) The school board of any Class I district in which is located a city or incorporated village.

Sec. 8. Section 79-418, Reissue Revised Statutes of Nebraska, is amended to read:

79-418. Petitions presented pursuant to sections 79-415 to 79-417 shall be subject to the same requirements for content, hearings, notice, review, and appeal as petitions submitted pursuant to section 79-413, except that a petition presented pursuant to section 79-415 shall not become effective unless it is approved by a vote of a majority of the members of the State Committee for the Reorganization of School Districts. If such petition is not approved, the final hearing by the county committee for the reorganization of school districts and the county superintendent shall not be held. Any person adversely affected by the disapproval shall have the right of appeal under section 79-413.

Sec. 9. Section 79-419, Reissue Revised Statutes of Nebraska, is amended to read:

79-419. (1) When a new district is to be created from other districts as provided in section 79-413, the petition shall contain:

(a) A description of the proposed boundaries of the reorganized districts;

(b) A summary of the terms on which reorganization is to be made between the reorganized districts, which terms may include a provision for initial school board districts or wards within the proposed district for the appointment of the first school board or board of education and also for the first election as provided in section 79-451, which proposed initial school board districts or wards shall be determined by the county committee for the reorganization of school districts taking into consideration population and valuation, and a determination of the terms of the board members first appointed to membership of the board of the newly reorganized district;

(c) A map showing the boundaries of established school districts and the boundaries proposed under any plan or plans of reorganization;

(d) A separate statement as to whether the reorganization is contingent upon the success of a bond election held in conjunction with the reorganization; and

~~(d)~~ (e) Such other matters as the petitioners shall determine proper to be included. Any petition for the creation of a new Class VI district shall designate whether such district shall include high school grades only or grades seven through twelve.

(2) A petition under subsection (1) of this section may contain provisions for the holding of school within existing buildings in the newly reorganized district and that a school constituted under this section shall be maintained from the date of reorganization unless the legal voters served by the school vote by a majority vote for discontinuance of the school.

Sec. 10. Section 79-431, Reissue Revised Statutes of Nebraska, is amended to read:

79-431. (1) Any Class I school district which is part of a Class VI district or districts or any Class I district or portion thereof which is affiliated or affiliated in part and also part of a Class VI district or districts and which (a) becomes subject to dissolution pursuant to section 79-470, 79-498, or 79-598 or (b) otherwise dissolves, unless otherwise prescribed in the affiliation petition, shall be merged with another affiliated Class I district, be merged with a Class II, III, IV, or V district, or be merged with a Class I district which is part of a Class VI district or districts. Any such district or portion thereof which fails to comply with this subsection shall be subject to the provisions of sections 79-428 to 79-430 and shall be dissolved and attached to an existing Class II, III, IV, or V district. Any such district or portion thereof which was affiliated shall retain its original affiliation, and any portion of such district which was part of a Class VI district shall remain part of such Class VI district. After July 1, 1993, any school district which fails to comply with the provisions of subsection (1) of section 79-402 shall be dissolved by the county superintendent and attached to an existing Class II, III, IV, or V district.

(2) A Class II, III, IV, or V district which becomes a Class I district pursuant to section 79-472 or any other state law shall merge with a Class II, III, IV, or V district, affiliate with one or more Class II, III, IV, or V districts, become part of one or more Class VI districts, or affiliate in part with one or more Class II, III, IV, or V districts and in part become part of one or more Class VI districts.

(3) After July 1, 1993, if an affiliated Class II, III, IV, or V

district dissolves, unless otherwise stated in the affiliation petition, any portions of a Class I district that are affiliated with such district may affiliate with another Class II, III, IV, or V district, merge with any Class I, II, III, IV, or V district, or become part of a Class VI district.

(4) After July 1, 1993, if a Class VI district dissolves, any Class I district or portions thereof which are part of such district may affiliate with a Class II, III, IV, or V district, merge with any Class I, II, III, IV, or V district, or become part of another Class VI district.

Sec. 11. Section 79-432, Reissue Revised Statutes of Nebraska, is amended to read:

79-432. Sections 79-432 to 79-451 and section 14 of this act shall be known and may be cited as the Reorganization of School Districts Act.

Sec. 12. Section 79-437, Reissue Revised Statutes of Nebraska, is amended to read:

79-437. A county committee for the reorganization of school districts is established in each county in the state. Each county committee shall be composed of not less than seven nor more than twelve members. The county committee of the county in which the schoolhouse or the administrative office of a joint school district lying in two or more counties is located shall be designated to have within its jurisdiction the territory of such joint school district for the purpose of organizing school districts.

Each county committee shall annually appoint three of its members to be the representatives of that county committee on any special committee created under section 79-441. The chairperson or any three county committee members shall call a special meeting of the county committee to appoint such special committee members on or before September 15 of each year.

All of the members of the school boards and boards of education within the county and joint school districts under the jurisdiction of a county committee shall, at a meeting called for such purpose by the county superintendent of schools within one hundred twenty days from July 9, 1988, and each four years thereafter, determine by a majority vote of those present the number of members of the county committee within the limits prescribed in this section, except that no more than six members of the board of education of a Class III school district shall be entitled to vote at the meeting. The county superintendent of schools shall serve as a nonvoting member of the county committee, and each class of school district within the county shall have one member on the county committee. The remaining members shall be elected from any Class I school district not associated with a Class VI school district and any Class II, III, IV, V, or VI school district within the county so that the total county committee membership is as nearly as possible in the proportion that the total school census for children from birth through twenty years of age in each class of school district within the county bears to the total school census for children from birth through twenty years of age in all school districts within the county. The school boards or boards of education representing each class of school district within the county and joint school districts under the jurisdiction of such county shall vote as separate units to select their representatives for the county committee. The members so elected shall serve four-year terms.

No member of a county committee shall continue to serve on the county committee if he or she ceases to be a resident of the county, the joint school district under the jurisdiction of that county committee, or the school district from which he or she was elected. At the expiration of their terms, successors to members of the county committee shall be elected for terms of four years in the same manner as the initial election. A vacancy in the membership of the county committee shall be filled for the unexpired term by a representative of the same class of school district as the previous member and shall be chosen by the remaining members of the county committee. Members of the county committee shall serve without compensation but shall be reimbursed for expenses necessarily incurred in the performance of their duties, with mileage reimbursements to be computed at the rate provided in section 81-1176. The reimbursement shall be allowed and paid from funds appropriated by the county board.

The county committee may employ professional and clerical help, and the cost of these services shall be paid from funds appropriated by the county board. The county superintendent of schools of each county shall submit to the county board a recommended sum to be appropriated for school district reorganization purposes.

Sec. 13. Section 79-438, Reissue Revised Statutes of Nebraska, is amended to read:

79-438. The county committee shall organize by annually electing a chairperson and vice-chairperson from its elected members. The county superintendent of schools shall be secretary of the committee. Meetings of

the county committee shall be held upon the call of the chairperson or any three of the members thereof. A majority of the county committee The members present at a meeting shall constitute a quorum for conducting business, and the actions of a quorum shall be valid and binding.

Sec. 14. Plans for the reorganization of school districts may originate in the county committee or may be prepared by the school board of any school district affected by the plan and submitted to the county committee for review and approval.

Sec. 15. Section 79-440, Reissue Revised Statutes of Nebraska, is amended to read:

79-440. (1) Each county committee shall receive and consider all plans and procedures submitted to it by the state committee. The plans may include plans for the affiliation of school districts. The county committee shall prepare and submit to the state committee, for its approval or disapproval, a plan of reorganization of school districts for the county. Such plan of reorganization shall be submitted to the state committee prior to January 1, 1990.

(2) When a proposed plan of reorganization of school districts for the county or part thereof has been tentatively agreed upon by a county committee, a map of the proposed district or districts shall be prepared showing the boundaries thereof and a statement of the description of the boundaries of such proposed district or districts and details of the plan. Such map and statement shall be placed on file with the county superintendent together with a statement prepared by the committee setting forth the provisions of section 79-443 and other facts considered pertinent by the county committee for the information of the public as to the reasons for and benefits of such proposal.

(3) The county superintendent county committee or the school board proposing the plan of reorganization shall give notice of the filing of such map and statement by publication of such fact in a newspaper of general circulation in the area.

Sec. 16. Section 79-441, Reissue Revised Statutes of Nebraska, is amended to read:

79-441. (1) In the preparation or review of a plan for the reorganization of school districts, the county committee or the school board proposing the plan of reorganization shall give due consideration to (a) the educational needs of local communities, (b) economies in transportation and administration costs, (c) the future use of existing satisfactory school buildings, sites, and play fields, (d) the convenience and welfare of pupils, (e) a reduction in the disparities in per pupil valuation among school districts, (f) the equalization of the educational opportunity of pupils, and (g) any other matters which, in its judgment, are of importance. The county committee or the school board proposing the plan of reorganization, in preparation or review of a plan for reorganization, shall take into consideration any advice or suggestions offered by the state committee.

(2) A plan for the reorganization of school districts involving a district under the jurisdiction of another county committee shall be prepared and approved by the joint action of a special committee composed of the three members appointed pursuant to section 79-437 by the chairperson with the approval of the county committee of each county involved. The plan shall, for purposes of submission to the state committee and at the special election provided for in subsection (1) of section 79-447, be the responsibility of the county which has the largest number of pupils residing in the proposed joint district. Only the approval of the special committee, and not the county committees, is required when the plan for reorganization of school districts involves a district under the jurisdiction of another county committee. Meetings of the special committee shall be held on call of the members from the county having the largest number of pupils residing in the proposed joint district who shall notify the secretaries of the committees in the other interested counties by either certified or registered mail at least ten days in advance of each meeting, with such secretary being responsible for notifying the special committee members in such county. Notices for subsequent meetings need not be given when a majority of the special committee has agreed to such meetings. Business shall be conducted by those present and shall be binding regardless of attendance.

Sec. 17. Section 79-442, Reissue Revised Statutes of Nebraska, is amended to read:

79-442. Before any plan of reorganization is completed or approved by the county committee, or by a special committee established under section 79-441, the county committee or special committee shall hold one or more public hearings. At such hearings, it shall hear any and all persons interested with respect to (1) the merits of proposed reorganization plans,

(2) the value and amount of all school property of whatever nature involved in the proposed action, (3) the amount of outstanding indebtedness of each district and proposed disposition thereof, and (4) the equitable adjustment of all property, debts, and liabilities among the districts involved. The county committee or special committee shall keep a record of all hearings in the formulation or approval of plans for the reorganization of school districts. Notice of such public hearings of the county committee or special committee shall be given by publication in a legal newspaper of general circulation in the county at least ten days prior to such hearing.

Sec. 18. Section 79-443, Reissue Revised Statutes of Nebraska, is amended to read:

79-443. After one or more public hearings have been held, the county committee or the special committee created under section 79-441 may prepare and or approve a plan or plans of reorganization of any or all school districts within the county and under its jurisdiction. Such plan shall contain:

(1) A description of the proposed boundaries of the reorganized districts;

(2) A summary of the reasons for each proposed change, realignment, or adjustment of the boundaries. If such plan provides for the creation of a new Class VI district, it shall designate whether such district shall include high school grades only or be known as a Class VI junior-senior high school district as described in section 79-411;

(3) A summary of the terms on which reorganization is to be made between the reorganized districts. Such terms shall include a provision for initial school board districts or wards within the proposed district, which proposed initial school board districts or wards shall be determined by the county committee taking into consideration population and valuation, and a determination of the terms of the board members first appointed to membership on the board of the newly reorganized district;

(4) A separate statement as to whether the reorganization is contingent upon the success of a bond election held in conjunction with the reorganization;

(5) A statement of the findings with respect to the location of schools, the utilization of existing buildings, the construction of new buildings, and the transportation requirements under the proposed plan of reorganization. The plan may contain provisions for the holding of school within existing buildings in the newly reorganized district and that a school constituted under this section shall be maintained from the date of reorganization unless the legal voters served by the school vote by a majority vote for discontinuance of the school;

~~(5)~~ (6) A map showing the boundaries of established school districts and the boundaries proposed under any plan or plans of reorganization; and

~~(6)~~ (7) Such other matters as the county committee or the school board determines proper to be included.

Sec. 19. Section 79-444, Reissue Revised Statutes of Nebraska, is amended to read:

79-444. The plan or plans of reorganization prepared and approved by any special committee created under section 79-441 or any county committee shall be forwarded to the county committee of the county which has the largest number of pupils residing in the proposed joint district for review and approval or disapproval. The plan shall be forwarded to the state committee for review when authorized by a majority vote of the members of the county committee or special committee and so recorded in the official minutes of the county committee or special committee. Such plan or plans shall be certified as authorized by a majority vote of the county committee or special committee and signed by the chairperson and the secretary of the county committee or special committee. Territory included in such plan adopted by the committee shall remain a part of the plan until an election is held as provided in section 79-447, except as changes may be recommended by the state committee as provided in this section. The state committee shall, within thirty days after the receipt of such plan or plans, consider the plan or plans and shall notify the county committee or special committee whether or not it has any changes to recommend in approves or disapproves such plan or plans. Such recommendations shall be advisory only. If the state committee desires to suggest any changes or amendments in such proposed plan, the state committee's changes or amendments together with the proposed plan shall be returned to the committee and conferences had between such committee and the state committee or its representative to the end that a mutually satisfactory plan may be perfected, if reasonably possible. Maps and a statement showing the revised plan arrived at after conference with the state committee or its representative shall be filed with the county superintendent, and hearings

shall be held and notice given as provided in section 79-442.

Sec. 20. Section 79-445, Reissue Revised Statutes of Nebraska, is amended to read:

79-445. If recommendations for changes are made by the state committee as provided in section 79-444, the county committee shall consider such recommendations and shall then determine whether or not to accept the recommendations of the state committee. The county committee may hold one or more additional public hearings in connection with the determination of the acceptance of the recommendations of the state committee. The county committee shall announce its decision within thirty days after it receives such recommendations from the state committee. The proposed plan, as finally adopted by the county committee, shall be submitted at a special election called and held as provided in section 79-447. If the state committee disapproves the plan, it shall be considered a disapproved plan, shall be returned to the county committee as a disapproved plan, and shall not be submitted to a special election.

Sec. 21. Section 79-446, Reissue Revised Statutes of Nebraska, is amended to read:

79-446. When a plan of reorganization or any part thereof has been approved by the county committee or special committee and by the state committee, it shall be designated as the final approved plan and shall be returned to the county superintendent of schools to be submitted to a vote as provided in section 79-447.

Sec. 22. Section 79-458, Reissue Revised Statutes of Nebraska, is amended to read:

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

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

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

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

(5) ~~When the tract of land attached is not contiguous to the district receiving such land, the transportation allowance provisions of section 79-611 shall not extend beyond the boundary line of the receiving district that existed prior to the attachment of such tract of land.~~

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

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

Sec. 23. Section 79-479, Reissue Revised Statutes of Nebraska, is amended to read:

79-479. (1)(a) Beginning January 1, 1992, any school district boundaries changed by the means provided by Nebraska law, including the methods provided by the Reorganization of School Districts Act and sections 79-226 to 79-228, 79-402 to 79-404, 79-406, 79-412 to 79-421, 79-428, 79-430, 79-431, 79-452 to 79-457, 79-459 to 79-468, 79-470, 79-472, 79-478, 79-480, 79-495, 79-498, and 79-598 but excluding the method provided by sections 79-407, 79-473 to 79-475, and 79-549, shall be made only upon an order issued by the county superintendent. If the boundaries so changed are in more than one county, such order shall be issued jointly by the county superintendents of all counties involved. The county superintendent or county superintendents shall not issue an order changing boundaries relating to affiliation of school districts if twenty percent or more of any tract of land under common ownership which is proposing to affiliate is not contiguous to the high school district with which affiliation is proposed unless (i) one or more resident students of the tract of land under common ownership has attended the high school program of the high school district within the immediately preceding ten-year period or (ii) approval of the petition or plan would allow siblings of such resident students to attend the same school as the resident students attended.

(b) The order issued by the county superintendent or county superintendents shall be certified to the county clerk of each county in which boundaries are changed and shall also be certified to the State Department of Education. Such order shall be issued no later than June 1 and shall have an effective date no later than August 1 of the same year. For purposes of the school district boundary map provided by the county superintendent pursuant to section 23-3306, determining school district counts pursuant to sections 79-524 and 79-578, and calculating state aid allocations pursuant to the Tax Equity and Educational Opportunities Support Act, any change in school district boundaries with an effective date between June 1 and August 1 of any year shall be considered effective June 1 of such year.

(2) Unless otherwise provided by state law or by the terms of an affiliation or reorganization plan or petition which is consistent with state law, all assets, including budget authority as provided in sections 79-1023 to 79-1030, and liabilities, except bonded obligations, of school districts merged, dissolved, or annexed shall be transferred to the receiving district or districts on the basis of the proportionate share of assessed valuation received at the time of reorganization. When a Class II, III, IV, or V school district becomes a Class I school district:

(a) Which becomes part of a Class VI district which offers instruction in grades seven through twelve, 44.8276 percent of the Class II, III, IV, or V district's assets and liabilities shall be transferred to the new Class I district and the remainder shall be transferred to the Class VI district or districts of which the Class I district becomes a part on the basis of the proportionate share of assessed valuation each high school district received at the time of such change in class of district; or

(b) Which is affiliated or becomes part of a Class VI district which offers instruction in grades nine through twelve, 61.3793 percent of the Class II, III, IV, or V school district's assets and liabilities shall be transferred to the new Class I district and the remainder shall be transferred to the Class VI district or districts of which the Class I district becomes a

part and to the high school district or districts with which the Class I district is affiliated on the basis of the proportionate share of assessed valuation each high school district received at the time of such change in class of district.

Sec. 24. Beginning with the 1998-99 school year, on or before December 1 of each year the State Department of Education shall designate a primary high school district for each Class I school district for the following school year. The primary high school district shall be the one Class II, III, IV, V, or VI school district with which the greatest share of the Class I district's assessed valuation is affiliated or of which such share is a part. The department shall certify to all school districts and all county clerks the primary high school district for each Class I district.

Sec. 25. Beginning with the 1998-99 school year:

(1) If the primary high school district is a Class VI district, the Class I district's total allowable general fund budget of expenditures minus the special education budget of expenditures shall be determined by the school board of such Class VI district and shall be certified to the Class I district on or before January 1 of each year for the following school year;

(2) If the primary high school district is not a Class VI district, the Class I district's total allowable general fund budget of expenditures minus the special education budget of expenditures shall be determined by the department as follows:

(a) The total allowable general fund budget of expenditures minus the special education budget of expenditures for the Class I district in the year immediately preceding the year for which the budget is prepared shall be divided by the formula students in the Class I district as defined in section 79-1003, and the result shall be increased by the applicable allowable growth rate for the primary high school district local system for the ensuing school year calculated pursuant to section 79-1026;

(b) The total allowable general fund budget of expenditures minus the special education budget of expenditures for the primary high school district in the year immediately preceding the year for which the budget is prepared shall be divided by the formula students in the primary high school district as defined in section 79-1003 weighted by the grade weighting factors contained in subdivision (1) of section 35 of this act, and the result shall be multiplied by the kindergarten through grade eight formula students as defined in section 79-1003 weighted by the grade weighting factors contained in subdivision (1) of section 35 of this act to calculate the total allowable general fund budget of expenditures minus the special education budget of expenditures for kindergarten through grade eight in the primary high school district. The total allowable general fund budget of expenditures minus the special education budget of expenditures for kindergarten through grade eight shall be divided by the kindergarten through grade eight formula students without weighting. The result shall be increased by the applicable allowable growth rate for the primary high school district local system for the ensuing school year calculated pursuant to section 79-1026;

(c) The amounts calculated in subdivisions (2)(a) and (2)(b) of this section shall be summed and the result divided by two to arrive at the total allowable general fund budget of expenditures minus the special education budget of expenditures per pupil for the Class I district; and

(d) The total allowable general fund budget of expenditures minus the special education budget of expenditures per pupil for the Class I district shall be multiplied by the formula students for the Class I district as defined in section 79-1003, as used by the department for certification of the ensuing school year's state aid, and the result shall be the total allowable general fund budget of expenditures minus the special education budget of expenditures for the Class I district for the ensuing school year except as provided in subdivision (3) of this section; and

(3) The school board of the Class I district may, prior to February 1 of each year beginning in 1998, submit a request to exceed the total allowable general fund budget of expenditures minus the special education budget of expenditures to all the school boards of the high school district or districts with which the Class I district is affiliated or of which it is a part. For Class I districts to exceed the total allowable general fund budget of expenditures minus the special education budget of expenditures, the request shall be approved by high school districts, including the primary high school district, such that the portions of the Class I district that are affiliated with or part of the approving high school districts comprise at least two-thirds of the assessed valuation of the Class I district. Such request shall specify the total general fund budget of expenditures for which the Class I district seeks authority. The high school district shall act on the request by March 1 following the receipt of such request.

Sec. 26. Any landowner or group of landowners whose property is a part of a school district and is encapsulated by another school district may, upon filing a notarized affidavit with the county assessor, have such property become a part of the school district by which it is encapsulated. The transfer shall take place on January 1 next following the filing of the affidavit. Any student resident of such property shall be counted as a resident of the district from which the property was transferred until the close of the school year in which the transfer becomes effective.

For purposes of this section, encapsulated by means entirely within.

Sec. 27. Section 79-528, Reissue Revised Statutes of Nebraska, is amended to read:

79-528. (1) On or before July 20 in all school districts, the secretary of the school board or board of education shall deliver to the county superintendent, to be filed in the county superintendent's office, a report under oath showing the number of children from birth through twenty years of age belonging to the school district according to the census taken as provided in sections 79-524 and 79-578. The report shall identify the number of boys and the number of girls in each of the respective age categories. Each Class I school district which is part of a Class VI school district offering instruction (a) in grades kindergarten through six shall report children from birth through eleven years of age and (b) in grades kindergarten through eight shall report children from birth through thirteen years of age. Each Class VI school district offering instruction (1) in grades seven through twelve shall report children who are twelve through twenty years of age and (ii) in grades nine through twelve children who are fourteen through twenty years of age. Each Class I district which has affiliated in whole or in part shall report children from birth through thirteen years of age. Each Class I district which is not in whole or in part a part of a Class VI district and which has not affiliated in whole or in part shall report children from birth through twenty years of age. Each Class II, III, IV, or V district shall report children who are fourteen through twenty years of age residing in Class I districts or portions thereof which have affiliated with such district. The board of any district neglecting to take and report the enumeration shall be liable to the school district for all school money which such district may lose by such neglect.

(2) On or before July 15 in all school districts, the secretary of the school board or board of education shall deliver to the county superintendent, to be filed in the county superintendent's office, a report under oath described as an end-of-the-school-year annual statistical summary showing (a) the number of children attending school during the year under five years of age and also the number twenty-one years of age and older, (b) the length of time the school has been taught during the year by a qualified teacher, (c) the length of time taught by each substitute teacher, and (d) such other information as the Commissioner of Education directs.

(3) On or before October 15 in Class I school districts, the secretary of the school board shall submit to the county superintendent, to be filed in the county superintendent's office, and on or before November 1 in Class II, III, IV, V, and VI school districts, the secretary of the school board or board of education shall submit to the county superintendent and to the Commissioner of Education, to be filed in their offices, a report under oath described as the annual financial report showing (a) the amount of money received from all sources during the year and the amount of money expended by the school district during the year, (b) the rate of tax levied for all school purposes, (c) the amount of bonded indebtedness, (d) such other information as shall be necessary to fulfill the requirements of sections 79-1003, 79-1004, 79-1006, 79-1008, 79-1011 to 79-1013, 79-1015 to 79-1020, the Tax Equity and Educational Opportunities Support Act and section 79-1114, and (e) such other information as the Commissioner of Education directs.

(4) On or before October 15 of each year, the secretary of each school board or board of education shall deliver to the county superintendent and to the State Department of Education the fall school district membership report, which report shall include the number of children from birth through twenty years of age enrolled in the district on the last Friday in September of a given school year. The report shall enumerate (a) resident students by grade level and nonresident students by grade level and classification, including, but not limited to, option students as defined in section 79-233, wards of the court, or contract students, (b) school district levies for the current fiscal year, and (c) total assessed valuation for the current fiscal year. When any school district fails to submit its fall school district membership report by November 1, the commissioner shall, after notice to the district and an opportunity to be heard, direct that any state aid granted pursuant to the Tax Equity and Educational Opportunities Support Act be

withheld until such time as the report is received by the department. In addition, the commissioner shall notify the county superintendent to direct the county treasurer to withhold all school money belonging to the school district until such time as the commissioner notifies the county superintendent of receipt of such report. The county treasurer shall withhold such money.

Sec. 28. Section 79-611, Reissue Revised Statutes of Nebraska, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

county superintendents shall determine the proper pro rata amount each district shall pay.

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

Sec. 29. Section 79-1001, Reissue Revised Statutes of Nebraska, is amended to read:

79-1001. Sections 79-1001 to 79-1033 and sections 33, 35, 36, 38, 39, 45, 48, 50, and 54 of this act shall be known and may be cited as the Tax Equity and Educational Opportunities Support Act.

Sec. 30. Section 79-1002, Reissue Revised Statutes of Nebraska, is amended to read:

79-1002. (1) The Legislature finds and declares that:

(a) Nebraska currently finances over seventy percent of the costs of operating its public school system from the property tax and other local sources while nationally only forty-three percent of the costs are supported by property taxes and other local sources;

(b) State support for the public school system has not kept pace with the increased costs of operating such system;

(c) Nebraska has a higher per capita property tax burden than most other states while the overall state and local per capita tax burden in the state is below the national average;

(d) The cost of operating the public school system is near the national average in per pupil cost as well as per capita spending;

(e) The overreliance on the property tax for the support of the public school system has resulted in great disparities in local property tax rates; and

(f) The overreliance on the property tax for the support of the public school system has created inequitable educational fiscal resources for students.

(2) It is the intent, purpose, and goal of the Legislature to create a system of financing the public school system which will:

(a) Provide state support from all sources of state funding for ~~forty-five percent of sufficient to support~~ the statewide aggregate general fund operating expenditures for Nebraska elementary and secondary public education that cannot be met by local resources;

(b) Reduce the reliance on the property tax for the support of the public school system;

(c) Broaden financial support for the public school system by dedicating a portion of the revenue received from the state income tax for support of the system;

(d) Keep pace with the increasing cost of operating the public school system;

(e) Assure each district a foundation support level for the operation of schools within each district taking into consideration the taxable wealth and other accessible resources of the district;

(f) Assure a greater level of equity of educational opportunities for students in all districts;

(g) Assure a greater level of equity in property tax rates for the support of the public school system; and

(h) Assure that there is a shift to sustainable revenue sources, other than the property tax, for the support of the public school system through the establishment of limits on the growth of general fund budgets of districts.

(3) The Legislature further finds and declares that all funds to be distributed pursuant to section 79-1022 shall be used specifically for the purpose of reducing property taxes in the district to which they are distributed.

Sec. 31. Section 79-1003, Reissue Revised Statutes of Nebraska, is amended to read:

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

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

(2) Adjusted valuation means the assessed valuation of taxable property of each district in the state, for school fiscal years before school fiscal year 1998-99, and of each local system in the state, for school fiscal year 1998-99 and each school fiscal year thereafter, in the state adjusted pursuant to the adjustment factors described in section 79-1016. For the calculation of state aid to be paid in school years 1994-95 and year 1995-96,

adjusted valuation means the adjusted valuation for the property tax year ending during the school year in which the aid based upon that value is to be paid. For calculation of state aid to be paid in school year 1996-97 and each school year thereafter, adjusted valuation means the adjusted valuation for the property tax year ending during the school year immediately preceding the school year in which the aid based upon that value is to be paid. For purposes of determining the local effort rate yield pursuant to section 79-1015, adjusted valuation does not include the value of any property which a court, by a final judgment from which no appeal is taken, has declared to be nontaxable or exempt from taxation;

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

(4) Average daily membership means the average daily membership for grades kindergarten through twelve attributable to the district for school fiscal years before school fiscal year 1998-99, and for school fiscal year 1998-99 and each school fiscal year thereafter, attributable to the local system, as provided in each district's annual financial report and annual statistical summary and, for the calculation of state aid to be paid in school year 1993-94 and each school year thereafter, includes the proportionate share of students enrolled in a public school instructional program on less than a full-time basis;

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

(6) Base fiscal year means the first fiscal year in which all data sources reflect the reorganized district as a single district for the calculation of state aid;

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

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

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

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

(11) Department means the State Department of Education;

(12) District means any Class I, II, III, IV, V, or VI district, and, for purposes of sections 79-1001 to 79-1022, the nonresident high school tuition fund of each county;

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

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

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

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

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

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

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

received by a district subject to the approval of the department;

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

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

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

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

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

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

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

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

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

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

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

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

(32) State aid means the amount of assistance paid to a district pursuant to sections 79-1004, 79-1005, and 79-1007 to 79-1022 and for school fiscal year 1998-99 and each school fiscal year thereafter, pursuant to sections 79-1005 and 79-1007 to 79-1022 and sections 33, 35, 36, 38, 39, 45, 48, and 50 of this act;

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

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

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

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

Sec. 32. Section 79-1005, Reissue Revised Statutes of Nebraska, is amended to read:

79-1005. For state aid calculated for school fiscal year years 1996-97 and each school fiscal year thereafter 1997-98:

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

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

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

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

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

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

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

Sec. 33. For state aid calculated for school fiscal year 1998-99 and each school fiscal year thereafter:

(1) Of the funds dedicated to the use and support of public education, an amount equal to the amount appropriated to the School District Income Tax Fund for distribution in school fiscal year 1992-93 shall be disbursed as option payments as determined under section 79-1009 and as allocated income tax funds as determined in this section and sections 38, 45, 48, and 50 of this act, except as provided in section 39 of this act. Funds not distributed as allocated income tax funds due to minimum levy adjustments shall be distributed as equalization aid;

(2) Not later than November 15 of each year, the Tax Commissioner shall certify to the department for the second preceding tax year the income tax liability of resident individuals for each local system. The 1996 income tax liability of resident individuals of Class I districts that are affiliated

with multiple high school districts shall be divided between local systems based on the percentage of the Class I district's valuation affiliated with each high school district; and

(3) Using the data certified by the Tax Commissioner pursuant to subdivision (2) of this section, the department shall calculate the allocation percentage and each local system's allocated income tax funds. The allocation percentage shall be an amount equal to the amount appropriated to the School District Income Tax Fund for distribution in school fiscal year 1992-93 minus the total amount paid for option students pursuant to section 79-1009 with the difference divided by the aggregate statewide income tax liability of all resident individuals certified pursuant to subdivision (2) of this section. Each local system's allocated income tax funds shall be calculated by multiplying the allocation percentage times the system's income tax liability certified pursuant to subdivision (2) of this section.

Sec. 34. Section 79-1007, Reissue Revised Statutes of Nebraska, is amended to read:

79-1007. For state aid calculated for school fiscal year years 1996-97 and each school fiscal year thereafter 1997-98:

(1) Using data from the annual financial reports and the annual statistical summary reports for the most recently available complete data year, the department shall calculate the adjusted tiered cost per student for grades kindergarten, one through six, including full-day kindergarten, seven and eight, and nine through twelve for each district as described in subdivisions (2) through (8) of this section;

(2) Each district's adjusted general fund operating expenditures for grades kindergarten, one through six, including full-day kindergarten, seven and eight, and nine through twelve shall be computed as follows:

(a) The weighted average daily membership for kindergarten shall equal the average daily membership for kindergarten multiplied by five-tenths;

(b) The weighted average daily membership for grades one through six, including full-day kindergarten, shall equal the average daily membership for such grades multiplied by one;

(c) The weighted average daily membership for grades seven and eight shall equal the average daily membership for such grades multiplied by one and two-tenths;

(d) The weighted average daily membership for grades nine through twelve shall equal the average daily membership for such grades multiplied by one and four-tenths; and

(e) The total weighted average daily membership shall equal the sum of grades kindergarten, one through six, including full-day kindergarten, seven and eight, and nine through twelve weighted average daily membership values.

Each district's adjusted general fund operating expenditures for each grade group shall be calculated by dividing that grade group's weighted average daily membership by the total weighted average daily membership in the district and multiplying the result by the district's total adjusted general fund operating expenditures;

(3) Each district with adjusted general fund operating expenditures in grades one through six, including full-day kindergarten, shall be placed into a tier based on the following schedule:

Tier	Tier Midpoint	Average Daily Membership Range
1	50.50	.01 - 101.00
2	143.00	101.01 - 185.00
3	280.00	185.01 - 375.00
4	687.50	375.01 - 1,000.00
5	1,450.00	1,000.01 - 1,900.00
6	8,450.00	1,900.01 - 15,000.00
7	Median average daily membership of tier	15,000.01 and over

The average adjusted general fund operating expenditures per student for grades one through six, including full-day kindergarten, shall be calculated for each tier by adding the total adjusted general fund operating expenditures for such grades for all districts in the tier and dividing by the total daily membership for such grades for all districts in the tier;

(4) Each district with adjusted general fund operating expenditures in grades nine through twelve shall be placed into a tier based on the following schedule:

Tier	Tier Midpoint	Average Daily Membership Range
1	25.00	.01 - 50.00
2	62.50	50.01 - 75.00

3	87.50	75.01 -	100.00
4	125.00	100.01 -	150.00
5	200.00	150.01 -	250.00
6	375.00	250.01 -	500.00
7	750.00	500.01 -	1,000.00
8	5,500.00	1,000.01 -	10,000.00
9	Median average daily membership of tier	10,000.01 and over	

The average adjusted general fund operating expenditures per student for grades nine through twelve shall be calculated for each tier by adding the total adjusted general fund operating expenditures for such grades for all districts in the tier and dividing such sum by the total average daily membership for such grades for all districts in the tier;

(5) Adjusted tiered cost per student values shall be computed for grades one through six, including full-day kindergarten, for each district as follows:

(a) For districts with average daily memberships for grades one through six, including full-day kindergarten, which are less than the tier midpoint of tier 1 for such grades, the adjusted tiered cost per student shall equal the average adjusted general fund operating expenditures per student for tier 1;

(b) For districts with average daily memberships for grades one through six, including full-day kindergarten, which are greater than the tier midpoint of tier 7 for such grades, the adjusted tiered cost per student for such grades shall equal the average adjusted general fund operating expenditures per student for tier 7; and

(c) For districts with average daily memberships for grades one through six, including full-day kindergarten, which fall on or between the tier midpoints of any two tiers, the adjusted tiered cost per student for such grades shall be calculated by means of a linear transition between the average adjusted general fund operating expenditures per student of the two tiers between whose tier midpoints the districts' average daily memberships for such grades fall;

(6) Adjusted tiered cost per student values shall be computed for grades nine through twelve for each district as follows:

(a) For districts with average daily memberships for grades nine through twelve which are less than the tier midpoint of tier 1 for such grades, the adjusted tiered cost per student shall equal the average adjusted general fund operating expenditures per student for tier 1;

(b) For districts with average daily memberships for grades nine through twelve which are greater than the tier midpoint of tier 9 for such grades, the adjusted tiered cost per student for such grades shall equal the average adjusted general fund operating expenditures per student for tier 9; and

(c) For districts with average daily memberships for grades nine through twelve which fall on or between the tier midpoints of any two tiers, the adjusted tiered cost per student for such grades shall be calculated by means of a linear transition between the average adjusted general fund operating expenditures per student of the two tiers between whose tier midpoints the districts' average daily memberships for such grades fall;

(7) The adjusted tiered cost per student for kindergarten shall be calculated by multiplying each district's adjusted tiered cost per student for grades one through six, including full-day kindergarten, by five-tenths;

(8) The adjusted tiered cost per student for grades seven and eight shall be calculated as follows:

(a) For Class II, III, IV, and V districts, the adjusted tiered cost per student shall be the calculated mean of the district's adjusted tiered cost per student for grades one through six, including full-day kindergarten, and for grades nine through twelve;

(b) For Class I districts, the adjusted tiered cost per student shall be the district's adjusted tiered cost per student for grades one through six, including full-day kindergarten, multiplied by one and two-tenths; and

(c) For Class VI districts providing instruction in grades seven and eight as authorized by section 79-411, the adjusted tiered cost per student shall be the district's adjusted tiered cost per student for grades nine through twelve multiplied by one and two-tenths and the result divided by one and four-tenths; and

(9) In districts which receive payments pursuant to 20 U.S.C. 7701 et seq. and in which there are students enrolled who reside on Indian land, as defined under regulations of the United States Department of Education promulgated pursuant to 20 U.S.C. 7713, the adjusted tiered cost per student, for each grade level, calculated pursuant to subdivisions (5) through (8) of

this section, shall be increased by a factor equal to the result of multiplying the ratio of average daily attendance of students who reside on Indian land to the total average daily attendance of the district, as reported by the United States Department of Education in calculating the district's payment pursuant to 20 U.S.C. 7701 et seq. times twenty-five percent.

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

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

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

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

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

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

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

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

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

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

(c) The department shall calculate the number of formula students to whom the poverty factor shall apply. The department shall calculate a ratio of the low-income children to the total children residing in the county in which the local system is located and shall attribute an equal ratio of low-income students to total weighted formula students within the local system, in order to determine the number of low-income students within such local school system. The poverty factor shall equal the number of low-income students determined by such ratio or the formula students qualified for free lunches or free milk under United States Department of Agriculture child nutrition programs, whichever is greater, multiplied by the following factors:

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

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

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

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

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

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

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

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

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

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

(a) Local systems that have (i) less than one-half student per square mile in the county in which the high school attendance center is located,

based on the school district census, (ii) less than one formula student per square mile in the local system, and (iii) more than fifteen miles between the high school attendance center and the next closest high school attendance center on paved roads will be in the very sparse cost grouping;

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

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

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

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

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

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

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

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

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

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

(2) The department shall calculate the average formula cost per student in each cost grouping by dividing the total estimated general fund operating expenditures for the cost grouping by the total adjusted formula students for all local systems in the cost grouping. The total estimated general fund operating expenditures for the cost grouping is equal to the total adjusted general fund operating expenditures for all local systems in the cost grouping multiplied by a cost growth factor. The cost growth factor for each cost grouping is equal to the sum of: (a) One; plus (b) the product of two times the ratio of the difference between the formula students attributable to the cost grouping without weighting or adjustment pursuant to section 35 of this act and the average daily membership attributable to the cost grouping for the most recently available complete data year divided by the average daily membership attributable to the cost grouping for the most recently available complete data year; plus (c) the basic allowable growth rate pursuant to section 79-1025 for the school fiscal year when the aid is to be distributed; plus (d) the basic allowable growth rate pursuant to section 79-1025 for the school fiscal year immediately preceding the school fiscal year when the aid is to be distributed; plus (e) one-half of any additional growth rate allowed by special action of school boards for the school fiscal year when the aid is to be distributed; plus (f) one-half of any additional growth rate allowed by special action of the school boards for the school fiscal year immediately preceding the school fiscal year when the aid is to be distributed.

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

Sec. 37. Section 79-1008, Reissue Revised Statutes of Nebraska, is amended to read:

79-1008. For school fiscal years before school fiscal year 1998-99:

(1) Except as provided in section 79-1011 for reorganized districts which become reorganized districts on or before June 30, 2005, and except as provided in subsections subdivisions (2) through (6) of this section and sections 79-1009 and 79-1010, each district shall receive equalization aid in the amount that the total formula need of each district, as determined pursuant to subsections subdivisions (5) and (6) of this section and sections 79-1006, 79-1007, 79-1013, and 79-1014, exceeds its total formula resources as determined pursuant to subsections subdivisions (5) and (6) of this section and sections 79-1015 to 79-1018.

(2) A district shall not receive state aid for each of the school years 1992-93, 1993-94, and 1994-95 which is less than one hundred percent of the amount of aid received pursuant to the School Foundation and Equalization Act for school year 1989-90.

(3) No district shall receive equalization aid in an amount such that total state aid received would result in such district having a general fund tax levy of less than sixty percent of the local effort rate as computed

pursuant to section 79-1015. The calculation shall be based on valuation, state aid, and levy data from the current school year, and:

(a) For the calculation of state aid in school fiscal year 1996-97 and each school fiscal year thereafter, for districts which have an adjusted valuation per formula student of less than forty percent of the statewide adjusted valuation divided by the number of formula students in the state, the calculation shall also take into consideration an amount equal to sixty percent of the local effort rate multiplied by the difference between the district's adjusted valuation per formula student and forty percent of the statewide adjusted valuation per formula student. Each district which meets the qualifications of this subdivision shall certify to the department, by the date provided in section 13-508, the general fund tax request for the year in which the aid is to be paid. If such general fund tax request is not equal to at least ninety percent of the local effort rate multiplied by the adjusted valuation, the district shall not qualify for the provisions of this subdivision in the following year; and

(b) If a district identified in subdivision (3)(a) of this subsection section had actual general fund operating expenditures of more than fifteen percent above the target budget level established pursuant to section 79-1026, in the most recently available complete data year, subdivision (3)(a) of this subsection section shall not apply.

(4) For the calculation of state aid to be paid in school year 1993-94 and each school year thereafter in Class I districts which have more than one general fund levy in the current year, the department shall base the calculation on a derived general fund levy for the district computed by adding the general fund property tax yield for all portions of the district and dividing the result by the total assessed valuation of the district in hundreds.

(5) For school districts or portions thereof in Class VI school systems as defined in section 79-4,100, equalization aid to be paid in school year 1995-96 and each school year thereafter shall be computed as follows:

(a) For Class I districts, the total formula need and total formula resources shall be allocated to each Class VI school system based upon the proportion of such Class I district's adjusted valuation contained in each Class VI school system;

(b) For the Class VI district and each Class I district or portion thereof allocated pursuant to subdivision (5)(a) of this subsection section, the total formula resources shall be subtracted from the total formula need, except that the difference shall never be less than zero;

(c) Each district's total formula need, total formula resources, and difference calculated pursuant to subdivision (5)(b) of this subsection section shall be added to arrive at system formula need, system formula resources, and system total difference;

(d) System equalization aid shall equal the amount by which the system formula need exceeds system formula resources; and

(e) Each district's share of the system equalization aid shall be calculated by dividing the district's difference calculated pursuant to subdivision (5)(b) of this subsection section by the system total difference and multiplying the result by the system equalization aid.

(6) For school districts in affiliated school systems as defined in section 79-4,100, equalization aid to be paid in school year 1992-93 and each school year thereafter shall be computed as follows:

(a) For affiliated Class I districts, the total formula need and total formula resources shall be allocated to each affiliated school system based upon the proportion of such Class I district's adjusted valuation contained in each system with which it is affiliated;

(b) For the high school district and each Class I district or portion thereof allocated pursuant to subdivision (6)(a) of this subsection section, the total formula resources shall be subtracted from the total formula need, except that the difference shall never be less than zero;

(c) Each district's total formula need, total formula resources, and difference calculated pursuant to subdivision (6)(b) of this subsection section shall be added to arrive at system formula need, system formula resources, and system total difference;

(d) System equalization aid shall equal the amount by which the system formula need exceeds system formula resources; and

(e) Each district's share of the system equalization aid shall be calculated by dividing the district's difference calculated pursuant to subdivision (6)(b) of this subsection section by the system total difference and multiplying the result by the system equalization aid.

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

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

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

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

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

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

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

For districts that have reorganized, state aid, property tax receipts, and number of formula students shall be attributed based on valuation. The revenue from property tax receipts shall be calculated by multiplying the reported general fund common levy by the assessed valuation subject to the levy divided by one hundred.

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

Sec. 39. A minimum levy adjustment shall be calculated and applied to any system that has a levy in the calendar year when aid is certified that is less than ninety percent of the maximum levy allowed pursuant to subdivision (2)(a) of section 77-3442 without a vote pursuant to section 77-3444. To calculate the minimum levy adjustment, the department shall subtract the system levy in the calendar year when aid is certified from ninety percent of the maximum levy allowed pursuant to subdivision (2)(a) of section 77-3442 without a vote pursuant to section 77-3444 and multiply the result by the system's adjusted valuation divided by one hundred. The minimum levy adjustment shall be added to the formula resources for the determination of equalization aid pursuant to section 38 of this act. If the minimum levy adjustment is greater than or equal to the allocated income tax funds

calculated pursuant to section 33 of this act, the system shall not receive allocated income tax funds. If the minimum levy adjustment is less than the allocated income tax funds calculated pursuant to section 33 of this act, the local system shall receive allocated income tax funds in the amount of the difference between the allocated income tax funds calculated pursuant to section 33 of this act and the minimum levy adjustment.

Sec. 40. Section 79-1009, Reissue Revised Statutes of Nebraska, is amended to read:

79-1009. (1) For school years 1994-95 and 1995-96, a district which does not generate equalization aid pursuant to subsection (1) of section 79-1008, and in which option students as defined in section 79-233, were actually enrolled in the current data year shall receive additional state aid for each such student in an amount equal to the statewide average tiered cost per student or the option school district's tiered cost per student, whichever is less.

(2) For school year 1996-97 and each school year thereafter, a district in which option students as defined in section 79-233, were actually enrolled in the school year immediately preceding the school year in which the aid is to be paid shall receive net option funding. For purposes of this section: (a)(i) For school fiscal years before school fiscal year 1998-99, net option funding is the sum of the products of the net number of option students in each grade range multiplied by the lesser of the statewide average adjusted tiered cost per student or the option school district's adjusted tier cost per student for the corresponding grade range- Net and (ii) for school year 1998-99 and each school fiscal year thereafter, net option funding is the sum of the products of the net number of option students in each grade range multiplied by the lesser of the average cost grouping cost per student or the option school district's cost grouping cost per student multiplied by the weighting factor for the corresponding grade range pursuant to section 35 of this act; and (b) net number of option students is the number of option students actually enrolled in a grade range in the current data year minus the number of students residing in the district but enrolled in another district in the same grade range in the current data year as option students as defined in section 79-233. A district's net option funding shall be zero if the calculation produces a negative result.

For school fiscal year 1996-97, the determination of the net number of option students shall be based on the best available information previously collected by the State Department of Education. For school fiscal years 1997-98 and beyond, the determination will be based on the number of option students enrolled in the district or enrolled in another district as of the day of the fall membership count pursuant to section 79-528, for the school year immediately preceding the school year in which the aid is to be paid. Payments made under this section shall be made from the funds to be disbursed under section 79-1005.

District formula resources shall include payments for option students calculated under this section.

(2) Payments made pursuant to this section shall go directly to the option school district but shall count as a formula resource for the local system.

Sec. 41. Section 79-1010, Reissue Revised Statutes of Nebraska, is amended to read:

79-1010. (1) To encourage consolidation of school districts, incentives shall be paid to reorganized districts in certain size ranges for a three-year period to reward the reorganized districts for their efforts to increase efficiency in the delivery of educational services. This section shall only apply to consolidations when the order to change boundaries issued pursuant to subsection (1) of section 79-479, takes effect after May 31, 1996, and before August 2, 2001.

(2) To qualify for incentive payments under this section, the consolidation must be approved for incentive payments by the State Committee for the Reorganization of School Districts. When reviewing a petition for the boundary change pursuant to section 79-413, the state committee shall issue a preliminary approval or disapproval for incentive payments along with a notice specifying application procedures. Affected school districts shall file an application for incentive payments with the state committee within thirty days following the issuance of the boundary change order pursuant to subsection (1) of section 79-479. The state committee shall, within thirty days, approve or disapprove incentive payments. If there are no material changes in the reorganization plan between a preliminary approval and application for incentive payments following the boundary change order, the state committee shall approve the incentive payments. If a preliminary disapproval was issued or if there was a material change in the reorganization plan prior to the

issuance of the boundary change order, the state committee shall reconsider the approval or disapproval of incentive payments. The state committee shall make the determination regarding whether or not any changes in a reorganization plan are material for the purpose of approving or disapproving incentive payments.

(3) For incentive payments to be approved by the state committee, a reorganization study, including efficiency, demographic, curriculum, facility, financial and community components, must have been completed. If a study containing such elements was completed and the reorganization plan will most likely result in more efficiency in the delivery of educational services or greater educational opportunities, the state committee may approve incentive payments for the affected districts.

(4) Incentive payments shall be based on the number of students moving from one size range to a lower cost size range based on the average daily membership in each affected district in the school year immediately preceding the first year the boundary change is in effect and the average daily membership each affected district would have had following the boundary change if it had occurred in the school year immediately preceding the first year the boundary change is in effect. The reorganized school districts existing after the qualified boundary change shall receive incentive payments based on the following criteria for each student meeting the criteria:

For grades one through six, including full-day kindergarten:

Average daily membership range before consolidation	Average daily membership range with boundary change	Incentive payment per student who moves from the average daily membership range before consolidation to the average daily membership range with boundary change
.01 - 101.00	101.01 - 185.00	\$ 590
.01 - 101.00	185.01 - 375.00	890
.01 - 101.00	375.01 - 1,000.00	1,190
.01 - 101.00	1,000.01 - 1,900.00	1,320
101.01 - 185.00	185.01 - 375.00	300
101.01 - 185.00	375.01 - 1,000.00	590
101.01 - 185.00	1,000.01 - 1,900.00	730
185.01 - 375.00	375.01 - 1,000.00	300
185.01 - 375.00	1,000.01 - 1,900.00	430
375.01 - 1,000.00	1,000.01 - 1,900.00	130

For grades seven and eight:

Average daily membership range before consolidation	Average daily membership range with boundary change	Incentive payment per student who moves from the average daily membership range before consolidation to the average daily membership range with boundary change
.01 - 31.00	31.01 - 57.00	\$ 710
.01 - 31.00	57.01 - 115.00	1,070
.01 - 31.00	115.01 - 308.00	1,430
.01 - 31.00	308.01 - 585.00	1,590
31.01 - 57.00	57.01 - 115.00	360
31.01 - 57.00	115.01 - 308.00	710
31.01 - 57.00	308.01 - 585.00	870
57.01 - 115.00	115.01 - 308.00	350
57.01 - 115.00	308.01 - 585.00	510
115.01 - 308.00	308.01 - 585.00	160

For grades nine through twelve:

Average daily membership range before consolidation	Average daily membership range with boundary change	Incentive payment per student who moves from the average daily
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			membership range before consolidation to the average daily membership range with boundary change
.01 - 50.00	50.01 - 75.00		\$1,640
.01 - 50.00	75.01 - 100.00		2,550
.01 - 50.00	100.01 - 150.00		2,924
.01 - 50.00	150.01 - 250.00		3,180
.01 - 50.00	250.01 - 500.00		3,450
.01 - 50.00	500.01 - 1,000.00		3,750
50.01 - 75.00	75.01 - 100.00		910
50.01 - 75.00	100.01 - 150.00		1,280
50.01 - 75.00	150.01 - 250.00		1,540
50.01 - 75.00	250.01 - 500.00		1,810
50.01 - 75.00	500.01 - 1,000.00		2,110
75.01 - 100.00	100.01 - 150.00		380
75.01 - 100.00	150.01 - 250.00		630
75.01 - 100.00	250.01 - 500.00		900
75.01 - 100.00	500.01 - 1,000.00		1,200
100.01 - 150.00	150.01 - 250.00		260
100.01 - 150.00	250.01 - 500.00		530
100.01 - 150.00	500.01 - 1,000.00		830
150.01 - 250.00	250.01 - 500.00		270
150.01 - 250.00	500.01 - 1,000.00		570
250.01 - 500.00	500.01 - 1,000.00		300

(5) Incentive payments shall be paid directly to the consolidated district from the Tax Equity and Educational Opportunities Fund. The payments shall be subtracted from the appropriation prior to any calculations affecting the distribution of equalization aid pursuant to the Tax Equity and Educational Opportunities Support Act.

(6) The payments shall be included in the distribution of state aid for each of the first three consecutive school years beginning with the base fiscal year. If the total amount of incentive payments to school districts for that school year exceeds one percent of the appropriation to the Tax Equity and Educational Opportunities Fund, the incentive payments shall be reduced proportionately so that the total amount of incentive payments to school districts equals one percent of the appropriation to the Tax Equity and Educational Opportunities Fund. The payments shall not be included in district formula resources as calculated under section 79-1018. No incentive payments shall be made pursuant to this section after July 1, 2006.

Sec. 42. Section 79-1011, Reissue Revised Statutes of Nebraska, is amended to read:

79-1011. ~~In~~ For school fiscal years prior to school fiscal year 1998-99, in addition to any funding calculated under section 79-1010, when two or more districts consolidate into one or more reorganized districts:

(1) In the base fiscal year, the reorganized district shall receive as state aid one hundred percent of the state aid or portion thereof calculated for the individual districts involved in the reorganization in the fiscal year prior to the base fiscal year, or the total amount the reorganized district would receive under sections 79-1005, 79-1008, and 79-1009, whichever is greater;

(2) In the first fiscal year after the base fiscal year, the reorganized district shall receive as state aid sixty-six percent of the state aid or portion thereof calculated for the individual districts in the fiscal year prior to the base fiscal year, or the total amount the reorganized district would receive under sections 79-1005, 79-1008, and 79-1009, whichever is greater;

(3) In the second fiscal year after the base fiscal year, the reorganized district shall receive as state aid thirty-three percent of the state aid or portion thereof calculated for the individual districts in the fiscal year prior to the base fiscal year, or the total amount the reorganized district would receive under sections 79-1005, 79-1008, and 79-1009, whichever is greater; and

(4) In the third fiscal year after the base fiscal year and in each fiscal year thereafter, the reorganized district shall receive the amount of state aid to which it is entitled under sections 79-1005, 79-1008, and 79-1009.

If the total amount of payments under this section to school

districts for a school year exceeds the total amount appropriated under subsection subdivision (2) of section 79-1008 for fiscal year 1994-95, the incentive payment shall be reduced proportionately so that the total amount of aid under this section does not exceed the amount appropriated under subsection subdivision (2) of section 79-1008 for fiscal year 1994-95.

The provisions of this section shall not affect any calculations for equalization aid distributed prior to fiscal year 1995-96.

Sec. 43. Section 79-1014, Reissue Revised Statutes of Nebraska, is amended to read:

79-1014. For the calculation of state aid to be paid for school fiscal year years 1996-97 and each school fiscal year thereafter 1997-98, using each district's adjusted tiered cost per student as calculated pursuant to section 79-1007, adjusted need for each district shall be computed by first multiplying the number of formula students in each grade grouping of kindergarten, one through six, including full-day kindergarten, seven and eight, and nine through twelve by each such district's corresponding adjusted tiered cost per student in each grade grouping. The sum of such products and the district's transportation allowance shall be the district's total formula need.

Sec. 44. Section 79-1015, Reissue Revised Statutes of Nebraska, is amended to read:

79-1015. For school fiscal years before school fiscal year 1998-99:

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

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

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

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

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

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

(5) For the calculation of state aid to be paid in school year

1993-94 and each school year thereafter, local effort rate yield for the nonresident high school tuition fund of each county shall be determined by multiplying 38.6209 percent of the local effort rate by the assessed valuation from Class I districts or portions thereof in such county which have not affiliated with any high school district and which are not part of a Class VI district for the school year in which the aid is to be paid.

Sec. 45. For school fiscal year 1998-99 and each school fiscal year thereafter:

(1) District formula resources shall include local effort rate yield which shall be computed as prescribed in this section; and

(2) The local effort rate shall be determined by the department. The local effort rate shall be the greater of (a) the maximum levy authorized pursuant to section 77-3442 less ten cents or (b) the rate which, when multiplied by the total adjusted valuation of all taxable property in local systems receiving equalization aid pursuant to the Tax Equity and Educational Opportunities Support Act, will produce the amount needed to support the total formula need of such districts when added to state aid appropriated by the Legislature for the ensuing school year and other actual receipts of districts described in section 50 of this act. The local effort rate yield shall be determined by multiplying each local system's total adjusted valuation by the local effort rate.

Sec. 46. Section 79-1016, Reissue Revised Statutes of Nebraska, is amended to read:

79-1016. (1) On or before July 1 of each year, the Property Tax Administrator shall compute and certify to the State Department of Education the adjusted valuation for the current calendar year of each district local system for each class of property in each such district so that the valuation of property for each district, for purposes of determining state aid pursuant to the Tax Equity and Educational Opportunities Support Act, shall reflect as nearly as possible state aid value as defined in subsection (2) of this section. The Property Tax Administrator shall also notify each school district local system of its adjusted valuation for the current calendar year by class on or before July 1 of each year. Establishment of the adjusted valuation shall be based on assessment practices established by rule and regulation adopted and promulgated by the Property Tax Administrator. The assessment practices may include, but not be limited to, the appraisal techniques listed in section 77-112.

(2) For purposes of this section, state aid value means:

(a) For real property other than agricultural land, one hundred percent of market value;

(b) For agricultural land, eighty percent of market value as provided in sections 77-1359 to 77-1365;

(c) For personal property other than motor vehicles, the net book value as defined in section 77-120; and

(d) For motor vehicles, the value established pursuant to section 77-1239.

(3) Prior to August 1 any school district local system may file with the Property Tax Administrator written objections to the adjusted valuations prepared by the Property Tax Administrator, stating the reasons why such adjusted valuations are not the valuations required by subsection (2) of this section. The Property Tax Administrator shall fix a time for a hearing. Either party shall be permitted to introduce any evidence in reference thereto. Prior to December 1, the Property Tax Administrator shall enter an order modifying or declining to modify, in whole or in part, the adjusted valuations and shall certify the order to the State Department of Education. Modification by the Property Tax Administrator shall be based upon the evidence introduced at hearing and shall not be limited to the modification requested in the written objections or at hearing. The final determination of the Property Tax Administrator may be appealed to the Tax Equalization and Review Commission.

(4) The Property Tax Administrator shall, on the date the adjusted valuations are certified to the State Department of Education under subsection (1) of this section, cause to be published notice of such adjusted valuations in a newspaper published or of general circulation in each county in Nebraska.

(5) No injunction shall be granted restraining the distribution of state aid based upon the adjusted valuations pursuant to this section.

Sec. 47. Section 79-1017, Reissue Revised Statutes of Nebraska, is amended to read:

79-1017. District For school fiscal years before school fiscal year 1998-99, district formula resources shall include allocated income tax funds determined for each such district pursuant to the provisions of section 79-1004 or 79-1005.

Sec. 48. For school year 1998-99 and each school year thereafter, local system formula resources shall include allocated income tax funds determined for each such district pursuant to the provisions of section 33 of this act and adjustments pursuant to section 39 of this act.

Sec. 49. Section 79-1018, Reissue Revised Statutes of Nebraska, is amended to read:

79-1018. District For school fiscal years before school fiscal year 1998-99, district formula resources include other actual receipts as determined by the department for the most recently available complete data year, except that receipts from the Community Improvements Cash Fund and receipts acquired pursuant to the Low-Level Radioactive Waste Disposal Act shall not be included. Other actual receipts include:

- (1) Public power district sales tax revenue;
- (2) Fines and license fees;
- (3) Nonresident high school tuition receipts, except that for the calculation of state aid to be paid in school years 1992-93, 1993-94, and 1994-95, other actual receipts shall include the district's total nonresident high school tuition charge for each such school year as certified by the department pursuant to section 79-4,102 as such section existed immediately prior to July 1, 1993;
- (4) Tuition receipts from individuals, other districts, or any other source except those derived from adult education;
- (5) Transportation receipts;
- (6) Interest on investments;
- (7) Other miscellaneous local receipts, not including receipts from private foundations, individuals, associations, or charitable organizations;
- (8) Special education receipts;
- (9) Receipts from the state for wards of the court and wards of the state;
- (10) All receipts from the temporary school fund;
- (11) Receipts from the Insurance Tax Fund, except that for the calculation of state aid to be paid in school year 1996-97 and each school year thereafter, other actual receipts do not include Insurance Tax Fund receipts;
- (12) Pro rata motor vehicle license fee receipts;
- (13) Amounts provided by the state on behalf of the district as reimbursement for repayment of personal property taxes by centrally assessed pipeline companies pursuant to section 77-3617;
- (14) Other miscellaneous state receipts excluding revenue from the textbook loan program authorized by section 79-734;
- (15) Impact aid entitlements for the school fiscal year which have actually been received by the district to the extent allowed by federal law;
- (16) All other noncategorical federal receipts;
- (17) All receipts pursuant to the enrollment option program under sections 79-232 to 79-247; and
- (18) Receipts under the federal Medicare Catastrophic Coverage Act of 1988 as authorized pursuant to sections 43-2510 and 43-2511 but only to the extent of the amount the district would have otherwise received pursuant to the Special Education Act.

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

- (1) Public power district sales tax revenue;
- (2) Fines and license fees;
- (3) Nonresident high school tuition receipts;
- (4) Tuition receipts from individuals, other districts, or any other source except those derived from adult education;
- (5) Transportation receipts;
- (6) Interest on investments;
- (7) Other miscellaneous local receipts, not including receipts from private foundations, individuals, associations, or charitable organizations;
- (8) Special education receipts;
- (9) Receipts from the state for wards of the court and wards of the state;
- (10) All receipts from the temporary school fund;
- (11) Receipts from the Insurance Tax Fund, except that for the calculation of state aid to be paid in school year 1996-97 and each school year thereafter, other actual receipts do not include Insurance Tax Fund receipts;

(12) Pro rata motor vehicle license fee receipts;

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

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

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

(16) All other noncategorical federal receipts;

(17) All receipts pursuant to the enrollment option program under sections 79-232 to 79-246; and

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

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

79-1022. (1) On or before April 1 of each year through 1997, the department shall determine the amounts to be distributed to each district for the following school fiscal year pursuant to sections 77-913, 79-1004, 79-1005, and 79-1007 to 79-1018 based on estimated funding levels and shall issue a projection of the amounts to each district.

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

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

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

Sec. 52. Section 79-1026, Reissue Revised Statutes of Nebraska, is amended to read:

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

(1) For school fiscal years before school fiscal year 1996-97, the department shall determine a target budget level for each district by multiplying the average daily membership for the most recently available complete data year of each district in grades kindergarten, one through six, including full-day kindergarten, seven and eight, and nine through twelve by the unadjusted tiered cost per student as determined in section 79-1006 for each grade grouping. The sum of such products shall be each district's target budget level. For school year 1998-99 and each school year thereafter, the department shall determine a target budget level for each district local system by multiplying the average daily membership for the most recently available complete data year of each district local system in grades kindergarten, one through six, including full-day kindergarten, seven and eight, and nine through twelve by the adjusted tiered cost grouping cost per student as calculated under section 79-1007 36 of this act for each grade grouping. The sum of such products and the district's local system's special education allowance and transportation allowance shall be each district's

local system's target budget level;

(2) The department shall establish a target budget level range of general fund operating expenditure levels for each district or, for school fiscal year 1998-99 and each school fiscal year thereafter, each local system which shall begin at twenty percent less than the target budget level and end at the target budget level. The beginning point of the range shall be assigned a number equal to the maximum allowable growth rate established in section 79-1025, and the end point of the range shall be assigned a number equal to the basic allowable growth rate as prescribed in such section such that the lower end of the range shall be assigned the maximum allowable growth rate and the higher end of the range shall be assigned the basic allowable growth rate; and

(3) Each district's or, for school fiscal year 1998-99 and each school fiscal year thereafter, each local system's actual general fund operating expenditures shall be compared to its target budget level along the range described in subdivision (2) of this section to arrive at an applicable allowable growth rate as follows: If the district's or, for school fiscal year 1998-99 and each school fiscal year thereafter, each local system's actual general fund operating expenditures fall below the lower end of the range, such applicable allowable growth rate shall be the maximum growth rate identified in section 79-1025. If the district's or, for school fiscal year 1998-99 and each school fiscal year thereafter, each local system's actual general fund operating expenditures are greater than the higher end of the range, the district's or, for school fiscal year 1998-99 and each school fiscal year thereafter, each local system's allowable growth rate shall be the basic growth rate identified in such section. If the district's or, for school fiscal year 1998-99 and each school fiscal year thereafter, each local system's actual general fund operating expenditures fall between the lower end and the higher end of the range, the department shall use a linear transition calculation between the end points of the range to arrive at the applicable allowable growth rate for the district or, for school fiscal year 1998-99 and each school fiscal year thereafter, each local system.

Sec. 53. Section 79-1031, Reissue Revised Statutes of Nebraska, is amended to read:

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

(1) Appropriate an amount which will provide financial support from all state sources, including the amounts transferred pursuant to sections 79-947.01 and 79-988.01, to districts equal to forty-five percent sufficient to support of the estimated statewide aggregate general fund operating expenditures for Nebraska elementary and secondary public education that cannot be met by local resources for the ensuing school year;

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

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

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

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

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

Sec. 55. Section 79-1202, Reissue Revised Statutes of Nebraska, is amended to read:

79-1202. Seventeen Nineteen educational service units are established. The official name of such units shall be Educational Service Unit No. ... of the State of Nebraska, and the individual number of each unit shall be determined by the State Board of Education as provided in this section and section 79-1203. For educational service units existing on July 1, 1998, the number of the unit shall remain the same. For educational service units created by merger after July 1, 1998, the number of the unit

shall be the number of one of the educational service units dissolving into the new educational service unit. For all other educational service units created after July 1, 1998, the number shall be any number not otherwise assigned to an existing educational service unit.

Sec. 56. Section 79-1203, Reissue Revised Statutes of Nebraska, is amended to read:

79-1203. The Until July 1, 1998, the number of the educational service units established by pursuant to section 79-1202 shall be as follows:

(1) The counties of Cedar, Dixon, Dakota, Wayne, Knox, and Thurston;
 (2) The counties of Cuming, Burt, Dodge, and Saunders;
 (3) The counties of Washington, Douglas except school district 28-001, Sarpy, and Cass;

(4) The counties of Otoe, Johnson, Nemaha, Pawnee, and Richardson;
 (5) The counties of Thayer, Jefferson, and Gage;
 (6) The counties of York, Seward, Lancaster except school district 55-001, Fillmore, and Saline;

(7) The counties of Boone, Platte, Colfax, Nance, Merrick, Polk, and Butler;

(8) The counties of Boyd, Holt, Wheeler, Antelope, Pierce, Madison, and Stanton;

(9) The counties of Adams, Clay, Webster, Nuckolls, and Hamilton and that portion of Hall County lying south of the Platte River;

(10) The counties of Howard, Greeley, Garfield, Loup, Blaine, Custer, Sherman, Dawson, Buffalo, and Valley and that portion of Hall County lying north of the Platte River;

(11) The counties of Gosper, Phelps, Kearney, Furnas, Harlan, and Franklin;

(12) The counties of Sheridan, Dawes, Sioux, Box Butte, and Morrill;

(13) The counties of Scotts Bluff and Banner;

(14) The counties of Kimball, Garden, Cheyenne, and Deuel;

(15) The counties of Chase, Hayes, Frontier, Dundy, Hitchcock, and Red Willow;

(16) The counties of Grant, Hooker, Thomas, Arthur, McPherson, Logan, Keith, Perkins, and Lincoln; and

(17) The counties of Keya Paha, Brown, Rock, and Cherry;

(18) School district 55-001 of Lancaster County; and

(19) School district 28-001 of Douglas County.

On and after July 1, 1998, the identification numbers of the educational service units shall be as provided in this section unless the boundaries of educational service units are changed pursuant to a reorganization under sections 79-1206 to 79-1211. The number of a reorganized educational service unit shall be determined under section 79-1202.

Sec. 57. Section 79-1204, Reissue Revised Statutes of Nebraska, is amended to read:

79-1204. (1) The legislature declares its intent and purpose to provide a statement of The role and mission for of the educational service units is to serve as educational service providers in the state's system of elementary and secondary education.

(2) The role of the educational Educational service units shall:

(a) To act Act primarily as a service agency agencies in providing service to schools as core services and services identified and requested by member school districts;

(b) As providers of educational services, to Provide for economy, efficiency, and cost-effectiveness in the cooperative delivery of educational services;

(c) Provide educational services through leadership, research, and development in elementary and secondary education;

(d) Act in a cooperative and supportive role with the State Department of Education and school districts in development and implementation of long-range plans, strategies, and goals for the enhancement of educational opportunities in elementary and secondary education; and

(e) Serve, when appropriate and as funds become available, as a repository, clearinghouse, and administrator of federal, state, and private funds on behalf of school districts which choose to participate in special programs, projects, or grants in order to enhance the quality of education in Nebraska schools.

(3) Except as provided in section 61 of this act, core services shall be provided by educational service units to all member school districts. Core services shall be defined by each educational service unit as follows:

(a) Core services shall be within the following service areas in order of priority: (i) Staff development; (ii) technology; and (iii)

instructional materials services;

(b) Core services shall improve teaching and student learning by focusing on enhancing school improvement efforts, meeting statewide requirements, and achieving statewide goals in the state's system of elementary and secondary education;

(c) Core services shall provide schools with access to services that:

(i) The educational service unit and its member school districts have identified as necessary services;

(ii) Are difficult, if not impossible, for most individual school districts to effectively and efficiently provide with their own personnel and financial resources;

(iii) Can be efficiently provided by each educational service unit to its member school districts;

(iv) Can be adequately funded to ensure that the service is provided equitably to the state's public school districts;

(d) Core services shall be designed so that the effectiveness and efficiency of the service can be evaluated on a statewide basis; and

(e) Core services shall be provided by the educational service unit in a manner that minimizes the costs of administration or service delivery to member school districts.

(4) Educational service units shall meet minimum accreditation standards set by the State Board of Education that will:

(a) (i) Provide for accountability to taxpayers;

(b) (ii) Assure that educational service units are assisting and cooperating with local school districts to provide for equitable and adequate educational opportunities statewide; and

(c) (iii) Assure a level of quality in educational programs and services provided to the local school districts by the educational service units.

(c) To act, in cooperation with the State Department of Education and local school districts, in a supporting role in the implementation of plans, strategies, and goals for the enhancement of educational opportunities of elementary and secondary education; and

(d) When appropriate and as funds become available, to serve as a repository, clearinghouse, and administrator of federal, state, and private funds on behalf of school districts which choose to participate in special programs, projects, or grants, in order to enhance the quality of education in Nebraska schools.

(3) The mission of the educational service units is:

(a) To provide educational services as identified and requested by member school districts;

(b) To provide for economy, efficiency, and cost-effectiveness in the cooperative delivery of educational services;

(c) To provide educational service through leadership, research, and development in elementary and secondary education; and

(d) To develop, in cooperation with the State Department of Education and local school districts, long-range plans, strategies, and goals for the enhancement of educational opportunities in elementary and secondary education.

(4) (5) Educational service units may contract to provide services to:

(a) Nonmember public school districts;

(b) Nonpublic school systems;

(c) Other educational service units; and

(d) Other political subdivisions, under the Interlocal Cooperation

Act.

(6) Educational service units shall not regulate local school districts unless specifically provided pursuant to another section of law.

Sec. 58. Section 79-1209, Reissue Revised Statutes of Nebraska, is amended to read:

79-1209. A petition to reorganize educational service units may include the following:

(1) A transfer of a school district or districts from one established educational service unit to another established educational service unit;

(2) A withdrawal from an established educational service unit by two or more school districts to form a new educational service unit;

(3) An addition of a school district or districts which are not part of an educational service unit to an established or new educational service unit; and

(4) A withdrawal from a new or established educational service unit

by a school district or districts. The dissolution of one or more entire educational service units for attachment to existing educational service units or the merger of two or more educational service units into a new educational service unit.

Sec. 59. Section 79-1210, Reissue Revised Statutes of Nebraska, is amended to read:

79-1210. The State Board of Education shall grant or deny any petition to change educational service unit boundaries based upon the following criteria:

(1) The educational needs of students in the affected school districts and the affected educational service units;

(2) The economic viability of the proposal as it relates to affected established educational service units or affected proposed educational service units;

(3) Any community of interest among affected school districts and affected educational service units; and

(4) Geographic proximity as such would affect the ability of affected educational service units to deliver service in a cost-effective manner; and

(5) In the dissolution of one or more entire educational service units, evidence of consent from each educational service unit board and two-thirds of the school boards or boards of education of member school districts representing a majority of students in each affected educational service unit.

Sec. 60. The State Department of Education shall make available to the Legislature by October 15, 1997, a cost estimate for educational service units to provide core services after July 1, 1998, in the following order of funding priority: (1) Staff development; (2) technology; and (3) instructional materials services. After review of the cost estimate provided by the department, the Appropriations Committee of the Legislature shall determine an appropriation level to support core services provided by educational service units. Beginning in FY1998-99, it is the intent of the Legislature that funds shall be appropriated to the department to fund core services provided by educational service units.

Sec. 61. Funds appropriated for core services shall be distributed proportionally to each educational service unit by the State Department of Education on or before August 1 of each school fiscal year based on the fall membership in member districts in the preceding school fiscal year. Funds distributed pursuant to this section shall be used for core services with the approval of representatives of two-thirds of the member school districts, representing a majority of the students in the member school districts. If a member school district provides evidence satisfactory to the educational service unit that the district will provide core services for itself in a cost-efficient manner, the educational service unit may distribute funds directly to the district to be used for providing core services, or if all member school districts within the boundaries of an educational service unit together provide evidence satisfactory to the State Department of Education that the districts will provide core services for themselves in a more cost-efficient manner than the educational service unit, the department shall distribute funds directly to the districts to be used for providing core services.

Sec. 62. Funds generated from the property tax levy shall only be used for purposes approved by representatives of two-thirds of the members school districts in an educational service unit, representing a majority of the students in the member school districts.

Sec. 63. The elected office of county superintendent of schools shall be eliminated by June 30, 2000. The State Department of Education shall make recommendations on which of the duties assigned to county superintendents should be eliminated, which of such duties should be retained, and to whom the retained duties should be assigned. The department shall report its recommendations to the Clerk of the Legislature not later than December 1, 1997.

Sec. 64. The Education Committee of the Legislature shall prepare legislation for introduction in the Ninety-sixth Legislature, First Session, to carry out the intent of section 32-527 and section 63 of this act.

Sec. 65. Sections 4 and 67 of this act become operative July 1, 1998. The other sections of this act become operative on their effective date.

Sec. 66. If any section in this act or any part of any section is declared invalid or unconstitutional, the declaration shall not affect the validity or constitutionality of the remaining portions.

Sec. 67. Original section 77-3444, Reissue Revised Statutes of

Nebraska, is repealed.

Sec. 68. Original sections 77-27,119, 79-403, 79-413, 79-415, 79-418, 79-419, 79-431, 79-432, 79-437, 79-438, 79-440 to 79-446, 79-458, 79-479, 79-528, 79-611, 79-1001 to 79-1003, 79-1005, 79-1007 to 79-1011, 79-1014 to 79-1018, 79-1026, 79-1031, 79-1202 to 79-1204, 79-1209, and 79-1210, Reissue Revised Statutes of Nebraska, sections 23-3302 and 32-527, Revised Statutes Supplement, 1996, and section 79-1022, Reissue Revised Statutes of Nebraska, as amended by section 5, Legislative Bill 713, Ninety-fifth Legislature, First Session, 1997, are repealed.

Sec. 69. The following sections are outright repealed: Sections 79-428 to 79-430, 79-1004, 79-1006, 79-1013, 79-1073, and 79-1216, Reissue Revised Statutes of Nebraska.