

## LEGISLATIVE BILL 3

Approved by the Governor November 8, 2001

Introduced by Speaker Kristensen, 37; at the request of the Governor;  
Baker, 44; Burling, 33; Cunningham, 18; Dierks, 40; Erdman, 47;  
Hudkins, 21; Jensen, 20; Jones, 43; Quandahl, 31; Redfield, 12;  
Tyson, 19

AN ACT relating to funds; to amend section 29-2259.01, Reissue Revised Statutes of Nebraska, section 79-8,136, Revised Statutes Supplement, 2000, and sections 9-812, 71-7607, 71-7609, 76-903, 79-1010, and 79-1328, Revised Statutes Supplement, 2001; to change allocations of certain funds; to change provisions relating to incentive payments; to eliminate a tax credit and a fund; to provide operative dates; to repeal the original sections; to outright repeal sections 77-5301 to 77-5304, Revised Statutes Supplement, 2000; and to declare an emergency.

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

Section 1. Section 9-812, Revised Statutes Supplement, 2001, is amended to read:

9-812. (1) All money received from the operation of lottery games conducted pursuant to the State Lottery Act in Nebraska shall be credited to the State Lottery Operation Trust Fund, which fund is hereby created. All payments of expenses of the operation of the lottery games shall be made from the State Lottery Operation Cash Fund. In accordance with legislative appropriations, money for payments for expenses of the division shall be transferred from the State Lottery Operation Trust Fund to the State Lottery Operation Cash Fund, which fund is hereby created. All money necessary for the payment of lottery prizes shall be transferred from the State Lottery Operation Trust Fund to the State Lottery Prize Trust Fund, which fund is hereby created. The amount used for the payment of lottery prizes shall not be less than forty percent of the dollar amount of the lottery tickets which have been sold. At least twenty-five percent of the dollar amount of the lottery tickets which have been sold on an annualized basis shall be transferred from the State Lottery Operation Trust Fund to the Education Innovation Fund, the Nebraska Environmental Trust Fund, and the Compulsive Gamblers Assistance Fund. Of the money available to be transferred to the Education Innovation Fund, the Nebraska Environmental Trust Fund, and the Compulsive Gamblers Assistance Fund, the first five hundred thousand dollars shall be transferred to the Compulsive Gamblers Assistance Fund to be used as provided in sections 83-162.01 to 83-162.04. Thereafter, forty-nine and one-half percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be transferred to the Education Innovation Fund. Forty-nine and one-half percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be transferred to the Nebraska Environmental Trust Fund to be used as provided in the Nebraska Environmental Trust Act. One percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be transferred to the Compulsive Gamblers Assistance Fund to be used as provided in sections 83-162.01 to 83-162.04.

(2) The Education Innovation Fund is hereby created. At least seventy-five percent of the lottery proceeds allocated to the Education Innovation Fund shall be available for disbursement. For each fiscal year except fiscal years 2001-02 and 2002-03, the Education Innovation Fund shall be allocated in the following manner: Up to ten percent to fund the mentor teacher program pursuant to the Quality Education Accountability Act; up to ~~seventy~~ sixty percent as quality education incentives pursuant to the act; up to twenty percent to the Attracting Excellence to Teaching Program Cash Fund to fund the Attracting Excellence to Teaching Program Act; and up to ~~twenty~~ ten percent of the fund shall be allocated by the Governor. For fiscal years 2001-02 and 2002-03, the Education Innovation Fund shall be allocated in the following manner by the Excellence in Education Council: Up to ~~ten percent to fund the mentor teacher program pursuant to the Quality Education Accountability Act;~~ up to ~~seventy~~ sixty percent as quality education incentives pursuant to the act; up to ~~twenty percent,~~ but not to exceed one million five hundred thousand dollars per fiscal year, as a distance education network completion grant pursuant to section 79-1328; and, after operating expenses

for the Excellence in Education Council are deducted, the remainder to the General Fund. ~~any amount of the twenty percent that would have been allocated to distance education network completion grants that is in excess of the one million five hundred thousand dollar maximum that is authorized for distance education network completion grants shall be allocated by the Governor.~~

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

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

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

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

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

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

(c) Educational technology assistance to public schools for the purchase and operation of computers, telecommunications equipment and services, and other forms of technological innovation which may enhance classroom teaching, instructional management, and districtwide administration. Telecommunications equipment, services, and forms of technical innovation shall be approved only after review by the technical panel created in section 86-1511;

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

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

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

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

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

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

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

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

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

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

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

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

(p) Approved accelerated or differentiated curriculum programs under sections 79-1106 to 79-1108.03; and

(q) Programs for children from birth to age twenty-one years with disabilities receiving special education under the Special Education Act and children from birth to age twenty-one years needing support services as defined in section 79-1125.01, which programs demonstrate improved outcomes for children from birth to age twenty-one years through emphasis on prevention and collaborative planning.

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

(i) In consultation with the department, develop and publish criteria for the awarding of incentive grants allocated by the Governor for programs pursuant to this subsection, including minigrants;

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

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

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

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

(vi) Carry out its duties pursuant to the Quality Education Accountability Act; and

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

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

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

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

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

Sec. 2. Section 29-2259.01, Reissue Revised Statutes of Nebraska, is amended to read:

29-2259.01. There is hereby created the Probation Cash Fund. All funds collected pursuant to subdivisions (2)(n) and (2)(p) of section 29-2262 shall be remitted to the State Treasurer for credit to the fund. ~~The fund shall be used to supplement~~ Expenditures from the fund shall include, but not

be limited to, supplementing any state funds necessary to support the costs of the services for which the funds were collected. Any money in the fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Sec. 3. Section 71-7607, Revised Statutes Supplement, 2001, is amended to read:

71-7607. (1) The Nebraska Medicaid Intergovernmental Trust Fund is created. The fund shall include revenue received from governmental nursing facilities receiving payments for nursing facility services under the medical assistance program established pursuant to section 68-1018. The Department of Health and Human Services Finance and Support shall remit such revenue to the State Treasurer for credit to the fund, except that (a) of such revenue received on or after July 1, 2001, nine million two hundred thousand dollars shall be remitted to the State Treasurer for credit to the Department of Health and Human Services Cash Fund and (b) of such revenue credited to the Nebraska Medicaid Intergovernmental Trust Fund in October 2001, the State Treasurer shall transfer five million eight hundred forty-six thousand five hundred ninety-three dollars to the Department of Health and Human Services Finance and Support Cash Fund within five days after the operative date of this section. The department shall adopt and promulgate rules and regulations to establish procedures for participation by governmental nursing facilities and for the receipt of such revenue under this section. Money from the ~~fund~~ Nebraska Medicaid Intergovernmental Trust Fund shall be transferred to the Nebraska Health Care Cash Fund as provided in section 71-7611.

(2) If there is an unanticipated reduction in federal medicaid funds derived pursuant to this section, the department may use revenue in the Nebraska Medicaid Intergovernmental Trust Fund to offset the amount of such reduction.

(3) Any money in the fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Sec. 4. Section 71-7609, Revised Statutes Supplement, 2001, is amended to read:

71-7609. The Nursing Facility Conversion Cash Fund is created. The fund shall be used for grants or loan guarantees by the Department of Health and Human Services Finance and Support to nursing facilities for capital or one-time expenditures to convert all or a portion of such facilities to licensed assisted-living facilities or other alternatives to nursing facility care after deducting expenses incurred in the administration of such grants or loan guarantees. Grants or loan guarantees awarded from the fund prior to January 1, 2002, may be paid to eligible recipients. This section terminates on January 1, 2003. The State Treasurer shall transfer any unobligated balance in the fund upon termination of this section to the ~~Nebraska Health Care~~ Department of Health and Human Services Finance and Support Cash Fund. Any money in the Nursing Facility Conversion Cash Fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Sec. 5. Section 76-903, Revised Statutes Supplement, 2001, is amended to read:

76-903. The Tax Commissioner shall design such stamps in such denominations as in his or her judgment will be the most advantageous to all persons concerned. When any deed subject to the tax imposed by section 76-901 is offered for recordation, the register of deeds shall ascertain and compute the amount of the tax due thereon and shall collect such amount as a prerequisite to acceptance of the deed for recordation. If a dispute arises concerning the taxability of the transfer, the register of deeds shall not record the deed until the disputed tax is paid. If a disputed tax has been paid, the taxpayer may file for a refund pursuant to section 76-908. The taxpayer may also seek a declaratory ruling pursuant to rules and regulations adopted and promulgated by the Department of Revenue. From each one dollar and seventy-five cents of tax collected pursuant to section 76-901, the register of deeds shall retain fifty cents to be placed in the county general fund and shall remit the balance to the State Treasurer who shall credit one dollar of such amount to the Affordable Housing Trust Fund and twenty-five cents of such amount to the Homeless Shelter Assistance Trust Fund, except that beginning January 1, 2002, and ending December 31, 2003, the State Treasurer shall credit the balance as follows: Fifty cents of such amount to the Affordable Housing Trust Fund; twenty-five cents of such amount to the Homeless Shelter Assistance Trust Fund; and fifty cents of such amount to the General Fund.

Sec. 6. Section 79-8,136, Revised Statutes Supplement, 2000, is

amended to read:

79-8,136. The Attracting Excellence to Teaching Program Cash Fund is created. The fund shall consist of appropriations by the Legislature, transfers pursuant to section 9-812, and loan repayments, penalties, and interest payments received in the course of administering the Attracting Excellence to Teaching Program. The department shall allocate on an annual basis the funds to be distributed for the program to all eligible institutions according to the distribution formula as determined by rule and regulation, except that the State Treasurer shall transfer the cash balance existing on the operative date of this section in the fund to the General Fund within five days after the operative date of this section. The eligible institutions shall act as agents of the department in the distribution of the funds to eligible students. Any money in the fund Attracting Excellence to Teaching Program Cash Fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Sec. 7. Section 79-1010, Revised Statutes Supplement, 2001, is amended to read:

79-1010. (1) To encourage consolidation and unification of school districts, incentives shall be paid to reorganized districts and unified systems in certain size ranges for a three-year period to reward the reorganized districts or unified systems for their efforts to increase efficiency in the delivery of educational services. This section shall only apply to consolidations and unifications with an effective date after May 31, 1996, and before August 2, 2002 2001.

(2) To qualify for incentive payments under this section, the consolidation or unification must be approved for incentive payments by the State Committee for the Reorganization of School Districts. For consolidations, 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. For consolidations, 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. For unifications, the unified system or participating districts shall file an application for incentive payments with the state committee either following approval of the application for unification or in conjunction with the application for unification. The state committee shall, within thirty days, approve or disapprove incentive payments. For consolidations, 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 for either consolidations or unifications by the state committee, a reorganization study, including efficiency, demographic, curriculum, facility, financial, and community components, must be completed. If a study containing such elements is completed and the reorganization plan or unification agreement 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) (a) 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 fiscal year immediately preceding the first school fiscal year the boundary change or unification is in effect and the average daily membership the consolidated district or unified system would have had following the boundary change or unification if it had occurred in the school fiscal year immediately preceding the first school fiscal year the boundary change or unification is in effect. The reorganized school districts or unified systems existing after the qualified boundary change or unification 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 or unification	Incentive payment per student who moves from the average daily

or unification

membership range  
before  
consolidation  
or unification  
to the  
average daily  
membership range  
with boundary  
change or  
unification

.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  
or unification

Average daily  
membership range with  
boundary change  
or unification

Incentive payment  
per student who  
moves from the  
average daily  
membership range  
before  
consolidation  
or unification  
to the  
average daily  
membership range  
with boundary  
change or  
unification

.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  
or unification

Average daily  
membership range with  
boundary change  
or unification

Incentive payment  
per student who  
moves from the  
average daily  
membership range  
before  
consolidation  
or unification  
to the  
average daily  
membership range  
with boundary  
change  
or unification

.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

(b) For local systems that will receive base fiscal year incentive payments for school fiscal year 2001-02 ~~or any school fiscal year thereafter~~ for a consolidation that includes two districts which entered into an agreement under the Interlocal Cooperation Act in which one district did not offer instruction in either grades seven through twelve or nine through twelve and contracted with the other district for the education of seventh through twelfth grade students or ninth through twelfth grade students for the school year prior to the consolidation, those seventh through twelfth grade students or ninth through twelfth grade students who were being educated outside their resident district pursuant to the agreement by a school that is in the local system receiving the incentives shall be included in the average daily membership of the resident district before consolidation for purposes of calculating incentive payments under this section.

(5) Except as otherwise provided in subsection (6) of this section, two million dollars shall be set aside for school fiscal years 1999-00 and 2000-01 and ~~five million~~ one million six hundred sixteen thousand three hundred fifty-four dollars shall be set aside for school fiscal year 2001-02 for base fiscal year incentive payments pursuant to subsection (6) of this section. ~~For school fiscal year 2002-03, two million dollars plus any unused funds that were made available for base fiscal year incentive payments in school fiscal year 2001-02 shall be set aside for base fiscal year incentive payments pursuant to such subsection.~~ All other payments pursuant to this section shall be paid directly to the consolidated district or unified system from the Tax Equity and Educational Opportunities Fund.

(6) ~~Base fiscal year payments approved by the State Committee for the Reorganization of School Districts on or before October 1 of the school fiscal year in which the reorganization or unification will occur shall be calculated and paid from the Tax Equity and Educational Opportunities Fund pursuant to subsection (5) of this section with the state aid certified for the base fiscal year.~~ Unless previously included in the certification of state aid, incentive payments for the base fiscal year shall be calculated as of August 2 immediately preceding the base fiscal year and shall be paid directly to the consolidated district or unified system from the amount set aside for such school fiscal year from the Tax Equity and Educational Opportunities Fund pursuant to subsection (5) of this section. The payments shall be made in ten as nearly as possible equal payments on the last business day of each month, beginning in September and ending the following June, for the base fiscal year. If the total amount of base fiscal year incentive payments ~~to school districts~~ for that school fiscal year exceeds the amount set aside for such school fiscal year, the base fiscal year incentive payments ~~under this subsection~~ shall be reduced proportionately so that the total amount of base fiscal year incentive payments ~~to school districts~~ equals the amount set aside for such school fiscal year pursuant to subsection (5) of this section. The base fiscal year incentive payments shall not be included in local system formula resources as calculated under section 79-1018.01. No base fiscal year incentive payments shall be made pursuant to this subsection after July 1, ~~2003~~ 2002.

(7) (a) For consolidations, one hundred percent of the amount calculated pursuant to subsection (4) of this section shall be included in the distribution of state aid for each of the first three consecutive school fiscal years beginning with the base fiscal year or two consecutive school fiscal years following the base fiscal year if payments were made in the base fiscal year pursuant to subsection (6) of this section. For unifications, one hundred percent of the amount calculated pursuant to subsection (4) of this section shall be included in the distribution of state aid for the first school fiscal year beginning with the base fiscal year, seventy-five percent for the second school fiscal year beginning with the base fiscal year, and fifty percent for the third school fiscal year beginning with the base fiscal year. If a unified system consolidates and the boundary change takes effect before August 2, ~~2002~~ 2001, the consolidated district will be eligible to receive seventy-five percent of the amount originally calculated pursuant to subsection (4) of this section in the base fiscal year. If a consolidated district is still receiving incentive payments for a unification in the base

fiscal year, the payments for the remainder of the first three years will be at one hundred percent of the amount calculated pursuant to subsection (4) of this section and in the fourth year, the district will receive the difference between the incentive payments received and three hundred percent of the amount calculated pursuant to subsection (4) of this section. If before August 2, 2001, additional districts are added to the unified system or are added in a consolidation, the additional incentives shall be calculated by the department and added to the incentive payments.

(b) For local systems that received base fiscal year incentive payments prior to school fiscal year 2001-02 for a consolidation that included two districts which entered into an agreement under the Interlocal Cooperation Act in which one district did not offer instruction for either grades seven through twelve or nine through twelve and contracted with the other district for the education of seventh through twelfth grade students or ninth through twelfth grade students for the school year prior to the consolidation, a calculation shall be made for additional incentives. The additional incentives shall be calculated pursuant to subsection (4) of this section, except that the average daily membership before consolidation shall equal the seventh through twelfth grade students or ninth through twelfth grade students who were being educated outside their resident district pursuant to the agreement by a school that is in the local system receiving the incentives. The June 30, 2001, and June 30, 2002, state aid payments for such local system shall include an amount equal to the additional incentives calculated pursuant to this subsection. An amount equal to the additional incentives shall also be included in the reorganization incentives for state aid to be paid in the 2002-03 school fiscal year, subject to any reduction that may be required pursuant to subsection (9) of this section.

(8) If, prior to the beginning of the eighth school year of operating as a unified system, the unified system (a) discontinues its status as a unified system and (b) does not consolidate, the districts in the unified system shall pay back the incentives. The total incentives paid to the unified system shall be divided between the districts based on the adjusted valuation of each district in the year prior to the discontinuation of the unified system, and each district's share shall be paid back through reductions in state aid in equal amounts for five years. If a district withdraws from a unified system prior to the beginning of the eighth school year of participating in the unified system, the district shall pay back the incentives attributable to the district's participation in the unified system through reductions in state aid in equal amounts for five years. The total incentives paid shall include interest calculated from the date of payment until the estimated repayment at the rate specified in section 45-104.02 as of the expiration of the agreement or the effective date of withdrawal. If the state aid is less than the repayment amount in any school fiscal year, the remaining repayment will reduce state aid in future school fiscal years.

(9) If the total amount of incentive payments to school districts for a school year exceeds one percent of the appropriation to the Tax Equity and Educational Opportunities Fund minus two million dollars, 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 minus two million dollars. The payments shall not be included in local system formula resources as calculated under section 79-1018.01. No incentive payments shall be made pursuant to this section after July 1, ~~2005~~ 2004.

Sec. 8. Section 79-1328, Revised Statutes Supplement, 2001, is amended to read:

79-1328. (1) For fiscal years 2001-02 and 2002-03, the Excellence in Education Council shall grant up to ~~twenty percent of the Education Innovation Fund~~, ~~not to exceed~~ one million five hundred thousand dollars per fiscal year, to a grantee for a distance education network completion grant. The distance education network completion grant shall fund engineering, equipment, and installation charges for two-way interactive distance education capacity for public high school buildings that do not currently have such capacity. The grant application shall:

(a) Designate the State Department of Education as the fiscal agent for the grant;

(b) Specify criteria for determining the public high school buildings for which the grant will fund engineering, equipment, and installation charges;

(c) Specify criteria for determining the engineering, equipment, and installation charges which the grant will fund;

(d) Specify the technique for prorating funding and collecting funds from districts if the charges for engineering, equipment, and installation for



the public high school buildings for which grant funds are used exceed the grant funds available;

(e) Specify the procedure for assuring that all projects meet the standards of the technical panel created in section 86-1511, including periodic reviews of projects by the technical panel;

(f) Specify the timeline for completing a statewide two-way interactive distance education network that includes all participating public high schools; and

(g) Specify that any equipment obtained through a grant is the property of the school district and not the department.

(2) For a public high school to participate in the grant, the school district must apply to the department as the fiscal agent on a form prescribed by the department on or before a date established by the department. The application shall require evidence that the school district has made a commitment to be part of a distance education consortium and that the distance education consortium has accepted the district's commitment. The application shall also require the applicant district to list the classes that the district anticipates accessing from the consortium or a community college and any classes that the district anticipates that it will offer to other districts in the consortium through distance education.

(3) The department as the fiscal agent may use up to twenty-five thousand dollars per fiscal year of the grant funds to fund a project manager.

Sec. 9. The State Treasurer shall transfer any money in the Relief to Property Taxpayers Cash Fund on the operative date of this section to the General Fund on such date.

Sec. 10. Sections 5 and 11 of this act become operative on January 1, 2002. The other sections of this act become operative on their effective date.

Sec. 11. Original section 76-903, Revised Statutes Supplement, 2001, is repealed.

Sec. 12. Original section 29-2259.01, Reissue Revised Statutes of Nebraska, section 79-8,136, Revised Statutes Supplement, 2000, and sections 9-812, 71-7607, 71-7609, 79-1010, and 79-1328, Revised Statutes Supplement, 2001, are repealed.

Sec. 13. The following sections are outright repealed: Sections 77-5301 to 77-5304, Revised Statutes Supplement, 2000.

Sec. 14. Since an emergency exists, this act takes effect when passed and approved according to law.