I. Bills Passed into Law

A. Overview

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<td>Lathrop</td>
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</table>
B. Analysis

LB 21 excludes qualified early childhood membership pursuant to LB 577 (2005) in determining the cost growth factor for each cost group for purposes of calculating state aid for school districts under the school finance formula (the Tax Equity and Educational Opportunities Support Act).

The intent of LB 577 was to include qualified early childhood membership as formula students in the computation of state aid. The 2005 measure inadvertently included these students in the computation of the cost growth factor. Exclusion of the qualified early childhood membership in the computation of the cost growth factor reduces state aid by an estimated $6.5 million of general funds in 2007-08 and $10.5 million of general funds in 2008-09. Accordingly, the Legislature had to revise the total state aid appropriations for the upcoming biennium.

To accomplish the task, the deadline for the certification of state aid was delayed under LB 21 from February 1 to February 15 for 2007 to accommodate the change for the 2007-08 school fiscal year. The deadline for NDE to report the necessary funding level to the Governor, Appropriations Committee, and Education Committee was similarly delayed.

LB 73 changes the basis for the state reimbursement of the school breakfast program from the current year to the second preceding year. The current reimbursement amount of $.05 per school breakfast served is retained. Current law allowing the appropriation to be pro-rated if sufficient funds are not appropriated is repealed.

The Appropriations Committee recommendation of funding for the school breakfast program was $271,378 of general funds for 2007-08 and $271,378 of general funds for 2008-09. Actual claims for the second preceding year, 2005-06, which are to be paid pursuant to the bill in 2007-08, total $379,071. Accordingly, LB 73A appropriates an additional $107,693 for FY2007-08 and $139,72 for FY2008-09 to fully fund the breakfast program.

LB 74 amends the Nebraska Pure Food Act to incorporate the 2005 recommendations of the United States Public Health Service, Food and Drug Administration (2005 Food Code). The Food Code provides model regulatory standards pertaining to food preparation, storage, presentation and sanitation practices of retail food establishments. The Code is periodically updated to incorporate regulatory experience and advancements
in the knowledge of mitigating risk factors for food-borne illness. Prior to LB 74, the Nebraska Pure Food Act incorporated the 2001 Food Code.

Section 6 of the bill restates existing law concerning food handling. The bill states that, except when washing fruits and vegetables, food employees shall minimize bare hand and arm contact with exposed food. This may be accomplished with the use of suitable utensils such as deli tissues, spatulas, tongs, single-use gloves, or dispensing equipment. Food employees not serving a highly susceptible population may contact exposed, ready-to-eat food with their bare hands if they have washed their hands as specified in the act prior to handling the food.

Section 6 also provides a new requirement that food employees must be trained to wash their hands.

**Bill: LB 150**

*Introduced by: Adams*

*Prioritized by: N/A*

*Passage: February 12, 2007; 49-0*

*Effective date: September 1, 2007*

LB 150 increases fees for teacher and administrator certificates and permits. Fees for certificates and permits valid for all public schools are increased by $10, from $45 to $55. Fees for certificates and permits valid only in nonpublic schools are increased by $10, from $30 to $40. Fees for additional endorsements are also increased by $10, from $30 to $40.

All fees for certificates, permits and endorsements are deposited in the Certification Fund with the exception of $13 of each fee for certificates and permits valid in all schools is deposited in the Professional Practices Cash Fund. The $10 increase in fees in LB 150 is to be deposited in the Certification Cash Fund.

**Bill: LB 208**

*Introduced by: Aguilar*

*Prioritized by: Speaker*

*Passage: May 10, 2007; 47-0*

*Effective date: September 1, 2007*

Current law requires labor and material bonds for political subdivision projects with a total project cost of more than $5,000. LB 208 would increase the total project cost threshold at which such bonds are required to $10,000. If enacted, contractors awarded political subdivision projects with total costs between $5,000 and $10,000 would avoid costs of labor and material bonds.

**Bill: LB 219**

*Introduced by: Dierks*

*Prioritized by: Speaker*

*Passage: May 10, 2007; 46-0 with emergency clause*

*Effective date: May 17, 2007*

LB 219 provides a specific date (on or before June 1 every year, except on or before July 15 in 2007) by which freeholder petitions must be filed to set off land described in the petition from a Class II or III school district and attach it to an accredited district that is contiguous to the land. If approved, transfers are to take place on January 1st, following the filing of the petition.
LB 231 transfers the operations of the Early Childhood Training Center from the jurisdiction of Education Service Unit #3 to the State Department of Education (NDE) on September 1, 2007. The bill provides for the employees of the center to become state employees. Employees are allowed to transfer all accrued sick leave and a maximum of 280 hours of accrued vacation leave.

The budget request submitted by NDE includes a budget adjustment to assume operation of the center. Staff and programs provided by the training center are currently funded by NDE with federal grant funds and a minimal amount of general funds through contracts with the ESU. The total budget for the training center is about $1.5 million. Slightly over 90% of the funding is from federal funds. Twelve staff positions will become state employees.

The bill is revenue neutral to the state. General and federal funds that are currently used to operate the center are appropriated to NDE.

LB 255 amends the Nebraska Wage Payment and Collection Act in response to Roseland v. Strategic Staff Management, Inc.

LB 255 provides that paid leave, other than earned but unused vacation leave, provided as a fringe benefit by the employer shall not be included in the wages due and payable at the time of separation unless the employer and the employee or the employer and the collective bargaining representative have specifically agreed otherwise.

LB 265 provides for a phased in increase in the minimum wage. This increase mirrors the increase adopted by the federal government. Currently, the minimum wage is set at $5.15 per hour. The measure implements the following schedule of increases in the minimum wage:

- On July 24, 2007, the minimum wage would increase $.70 to $5.85 per hour;
- On July 24, 2008, the minimum wage would increase $.70 to $6.55 per hour; and
- On July 24, 2009, the minimum wage would increase $.70 to $7.25 per hour.
Existing law permits a political subdivision to approve a levy override for a period of one year at a meeting of the residents of the political subdivision, called after notice is published in a newspaper of general circulation in the political subdivision at least 20 days prior to the meeting. At least 10% of the registered voters residing in the political subdivision constitute a quorum for purposes of taking action to exceed the levy limit.

LB 289 provides that a record must be made of the registered voters residing in the political subdivision who are present at the meeting. The measure also provides that the method of voting at the meeting must protect the secrecy of the ballot (vote by secret ballot).

LB 311 changes provisions relating to petition signature verification to conform with the requirements set forth in the Nebraska Supreme Court case, State ex rel. Stenberg v. Moore, 258 Neb. 199 (1999).

With LB 311, the election commissioner or county clerk will compare the petition signer’s signature and other information with the voter registration records to determine whether the signer was a registered voter. This determination may be rebutted by any credible evidence, which the election commissioner or county clerk finds sufficient. Signatures are presumed to be valid.

LB 316 creates a task force to review the manner in which special education services are provided and financed in Nebraska. The measure is intended to make recommendations for legislative and policy changes by the end of 2007.

The chair of the Education Committee will lead the task force, which is to examine:

- existing federal and state laws;
- special education services in other states;
- application of the “least-restrictive-environment” doctrine;
- the availability of services across the state;
- the use of private providers by public school districts;
- the use of private providers by private citizens; and
- the provision of services for wards of the state or wards of the court.
The task force will be authorized to hold one or more public hearings to obtain input. The Legislature’s Education Committee, the fiscal analyst’s office and the state Department of Education will provide staff support. The 15-member task force will include:

- the chairperson and one other member of the Education Committee;
- 1 member of the Legislature who is not a member of the Education Committee;
- 1 parent who has a child receiving special education services in a private setting;
- 2 parents who have children receiving special education services in a school district;
- 2 educational service unit special education teachers;
- 1 public school special education teacher;
- 1 public school or ESU special education director;
- 1 private school principal or director;
- 1 school board member;
- 1 representative of NDE who has expertise in special education;
- 1 representative of the state Department of Health and Human Services who has expertise in the placement of state wards; and
- 1 representative of a private provider of special education services.

Members will be appointed by the Governor, except that the NDE representative would be appointed by the Commissioner. Senators will be appointed by the Legislature’s Executive Board.

**Bill: LB 389**

*Introduced by:* Aguilar  
*Prioritized by:* Speaker  
*Passage:* March 30, 2007; 46-0 with emergency clause  
*Effective date:* April 3, 2007

Under LB 389, job application materials submitted by applicants, other than finalists, who have applied for employment by any public body are not considered public records (consistent with existing law). The legislation defines “job application” materials as employment applications, resumes, reference letters, and school transcripts and defines “finalist” as any applicant: (i) who reaches the final pool of applicants, numbering four or more, from which the successful applicant is to be selected, (ii) who is an original applicant when the final pool of applicants numbers less than four, or (iii) who is an original applicant and there are four or fewer original applicants.

**Bill: LB 415**

*Introduced by:* Harms  
*Prioritized by:* Harms  
*Passage:* April 26, 2007; passed 33-7 over Governor’s objections  
*Effective date:* January 1, 2008

LB 415 amends the Motor Vehicle Operator’s License Act. The measure was passed into law over the Governor’s objections that it included provisions he felt were intrusive on parental rights.

Under current law, a person who is at least 16 years of age but less than 18 years of age may be issued a provisional operator’s permit. The provisional operator’s permit expires on the applicant’s eighteenth birthday. This provision remains unchanged under LB 415.
However, LB 415 states that no provisional operator’s permit will be issued to any person unless such person:

(a) has possessed a valid Nebraska LPD-learner’s permit for at least a six-month period beginning on the date of issuance of such person’s LPD-learner’s permit; and

(b) has not accumulated three or more points during the six-month period immediately preceding the date of the application for the provisional operator’s permit.

The requirements for the provisional operator’s permit may be completed prior to the applicant’s sixteenth birthday. A person may apply for a provisional operator’s permit and take the driving test and the written examination, if required, at any time within 60 days prior to his or her sixteenth birthday upon proof of age. These provisions remain unchanged under LB 415.

In order to obtain a provisional operator’s permit, the applicant must present to the examiner either:

(a) proof of successful completion of a department-approved driver safety course which includes behind-the-wheel driving specifically emphasizing (i) the effects of the consumption of alcohol on a person operating a motor vehicle, (ii) occupant protection systems, (iii) risk assessment, and (iv) railroad crossing safety AND proof of successful completion of a written examination and driving test administered by a driver safety course instructor; OR

(b) a certificate prescribed by the Department of Motor Vehicles signed by a parent, guardian, or licensed driver at least 21 years of age, verifying that the applicant has completed 50 hours of lawful motor vehicle operation under conditions that reflect department-approved driver safety course curriculum, with a parent, guardian, or adult at least 21 years of age, who has a current Nebraska operator’s license or who is licensed in another state.

NOTE: LB 415 amends this alternative to provide that the 50 hours include at least 10 hours of motor vehicle operation between sunset and sunrise.

Current law requires that the holder of a provisional operator’s permit may only operate a motor vehicle on the highways of this state during the period beginning at 6 a.m. and ending at 12 midnight except when he or she is en route to or from his or her residence to his or her place of employment or a school activity. The holder of a provisional operator’s permit may operate a motor vehicle on the highways of this state at any hour of the day or night if accompanied by a parent, guardian, or adult at least 21 years of age, who has a current Nebraska operator’s license or who is licensed in another state. These provisions remain unchanged under LB 415.

However, LB 415 states that the holder of a provisional operator’s permit:

(1) may only operate a motor vehicle on the highways of this state during the first six months of holding the permit with no more than one passenger who is not an immediate family member and who is under 19 years of age; and
(2) may not use any type of interactive wireless communication device while operating a motor vehicle on the highways of this state.

LB 415 creates a new section of law under the Motor Vehicle Operator’s License Act to define “interactive wireless communication device” to mean any wireless electronic communication device that provides for voice or data communication between two or more parties, including, but not limited to, a mobile or cellular telephone, a text messaging device, a personal digital assistant that sends or receives messages, an audio-video player that sends or receives messages, or a laptop computer.

LB 415 provides that enforcement of these new requirements shall be accomplished only as a secondary action when the holder of the provisional operator’s permit has been cited or charged with a violation of some other law.

NOTES: LB 415 also provides that the holder of an LPD-learner’s permit, a school permit, or a LPE-learner’s permit may not use any type of interactive wireless communication device while operating a motor vehicle on the highways of this state. Enforcement shall be accomplished only as a secondary action when the holder of the permit has been cited or charged with a violation of some other law. LB 415 becomes operative on January 1, 2008.

Bill: LB 508
Introduced by: Pahls
Prioritized by: N/A
Passage: May 10, 2007; 47-0 with emergency clause
Effective date: May 17, 2007

LB 508 changes the periods in which members of the School Employees Retirement Plan may make application for disability benefits and for death benefits.

Under current law, the surviving spouse of a judge or a school employee must make application for certain benefits within 120 days of the member’s death. If an application is not filed with the time period, the surviving spouse will only be entitled to the member contributions and regular interest. LB 508 would extend the application period to 12 months.

For disability applications, current law requires the application to be made within one year of termination of employment, or in the case of school members whose disability is employment-related, five years. LB 508 would allow disability applications at any time prior to the date of normal retirement eligibility. The legislation does not limit how many applications may be filed.

Bill: LB 564
Introduced by: Friend
Prioritized by: Aguilar
Passage: May 10, 2007; 48-0 with emergency clause
Effective date: May 17, 2007

LB 564 was introduced in response to a 2006 Nebraska Supreme Court decision, Bronsen v. Dawes County. In Bronsen, the court overruled more than 25 years of precedent declaring that state law does not provide governmental entities with the same limited immunity afforded to private landowners who make their land available free of charge to the public for recreational purposes.
LB 564 amends the Political Subdivisions Tort Claims Act and states that the Act does not apply to any claim relating to recreational activities for which no fee is charged:

(i) resulting from the inherent risk of the recreational activity,

(ii) arising out of a spot or localized defect of the premises unless the spot or localized defect is not corrected by the political subdivision leasing, owning, or in control of the premises within a reasonable time after actual or constructive notice of the spot or localized defect, or

(iii) arising out of the design of a skatepark or bicycle motocross park constructed for purposes of skateboarding, inline skating, bicycling, or scootering that was constructed or reconstructed, reasonably and in good faith, in accordance with generally recognized engineering or safety standards or design theories in existence at the time of the construction or reconstruction.

The measure states that a political subdivision shall be charged with constructive notice only when the failure to discover the spot or localized defect of the premises is the result of gross negligence.

The new law applies to any claim arising from the inspection or failure to make an inspection or negligent inspection of premises owned or leased by the political subdivision and used for recreational activities.

Recreational activities include, but are not limited to, whether as a participant or spectator: Hunting, fishing, swimming, boating, camping, picnicking, hiking, walking, running, horseback riding, use of trails, nature study, waterskiing, winter sports, use of playground equipment, biking, roller blading, skateboarding, golfing, athletic contests; visiting, viewing, or enjoying entertainment events, festivals, or historical, archaeological, scenic, or scientific sites; and similar leisure activities.

The measure defines “inherent risk of recreational activities” to mean those risks that are characteristic of, intrinsic to, or an integral part of the activity. The measure defines “gross negligence” to mean the absence of even slight care in the performance of a duty involving an unreasonable risk of harm.

LB 564 defines “fee” to mean a fee to participate in or be a spectator at a recreational activity. A fee includes payment by the claimant to any person or organization other than the political subdivision only to the extent the political subdivision retains control over the premises or the activity. A fee does not include payment of a fee or charge for parking or vehicle entry.

Finally, LB 564 requires that a political subdivision to post and maintain a sign at each skatepark and bicycle motocross park sponsored by the political subdivision containing the following warning notice: “Under Nebraska law, a political subdivision is not liable for an injury to or the death of a participant in recreational activities resulting from the inherent risks of the recreational activities pursuant to section 13-910.” However, the absence of a sign shall not give rise to liability on the part of the political subdivision.
The original intent behind LB 596 is to provide a one-time pension benefit adjustment for those elderly school retirees whose original pension benefits are very low. The bill provides that the current pension benefit be brought up to 85% of the purchasing power of the original benefit based on increases in the CPI since the original date of retirement.

LB 596 will change the employee (and employer) contribution rates under the School Employees Retirement Plan in order to fund the benefit enhancement. The current employee rate is 7.83% of compensation and the employer rate is 7.91%. The employee rate is scheduled to drop to 7.25% on September 1, 2007 (the employer rate would drop to 7.32%).

LB 596 establishes an employee rate of 7.28%, and an employer rate of 7.35% effective September 1, 2007.

LB 596 also changed provisions relating to the Class V (OPS) School Employees Retirement Plan. The current employee rate under the OPS Plan is 6.3% of compensation and the employer rate is 6.3% or as needed.

Current state law provides that the OPS employer contribution rate is the greater of (a) 100% of the contributions by the employees for such fiscal year or (b) such amount as may be necessary to maintain the solvency of the system. According to the actuarial report for the year ended August 31, 2006, OPS, as the employer, is contributing 9.32% as the amount necessary to maintain the solvency of the system.

LB 596 changes the OPS rates such that the employee rate would be 7.3% effective September 1, 2007 and the employer rate would be initially set at 7.37% (i.e., 101% of the employee rate). LB 596 requires that OPS employer rate will be the greater of (a) 101% of the contributions by the employees for such fiscal year or (b) such amount as may be necessary to maintain the solvency of the system.

NOTE: Increased spending by school districts pursuant to increases in the employer contribution rates in either the School Employees or Class V Employees Retirement Plans increases state aid (TEEOSA) to schools, two years after the spending occurs.

LB 603 includes various bills pertaining to educational service units (ESUs). The following provisions of the bill have a fiscal impact.

*Equalization Formula:* The distribution of state aid to ESUs for core services and technology infrastructure is changed beginning in 2008-09. The current formula used to distribute both categories of aid provides each ESU
with at least 2.5% of the appropriation and the remainder is distributed on a per student basis. LB 603 establishes a new equalization formula to allocate the combined total of core service and technology infrastructure state aid funds. One percent of the annual state aid appropriation for core services and technology infrastructure will initially be allocated to an ESU Coordinating Council ($155,593). The remainder is then distributed through the new formula.

The needs component of the new formula provides a base allocation to each ESU of 2.5% of the funds appropriated for the formula plus a telecommunications allowance equal to 85% of telecommunications costs less other resources. A needs component equal to 1% of the appropriation is included for satellite offices. A student count is used in the formula, which is adjusted for sparsity. The adjusted student count is used to derive a student allocation based upon adjusted valuation times the local effort rate divided by adjusted students. Total needs for each ESU equals the sum of the base and satellite allocations, telecommunications allowance, and student allocation. The final allocation of funds to each ESU is determined by subtracting resources (adjusted valuation times the local effort rate) from needs. A hold-harmless provision is included in the formula for 2008-09 through 2013-14 providing that ESUs will receive at least 95% of the funds received in the preceding year.

The formula does not require an increase in the amount of state aid provided to ESUs. The formula can be implemented with no change in state aid. However, a shift in aid between ESUs will occur if the formula is implemented without an increase in state aid. The A bill for LB 603 provides an additional $4,726,932 of general funds as aid to ESUs in 2008-09. The following table is an excerpt from a model run of the new formula using data from 2005-06, assuming the aid appropriation in 2008-09 is equal to the estimated amount that ESUs would have received per intent language, had reductions in aid not been made to address a state budget crisis. The model does not include the telecommunications allowance because the amount for the allowance is unknown. The actual fiscal impact of the formula in 2008-09 will vary from the estimate shown depending upon the number of students, valuations and the telecommunications allowance.

<table>
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<tr>
<th>ESU</th>
<th>2005-06 Students</th>
<th>Square Miles</th>
<th>Model Total Aid $</th>
<th>2006-07 State Aid $</th>
<th>Change in Aid $</th>
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<td>10,832,338</td>
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Merged ESUs: The bill extends the hold-harmless provisions from two to three years for aid provided to ESUs that merge. The change does not increase the amount of state aid provided to ESUs, but will shift aid between ESUs. The change will shift an estimated $170,000 of aid to ESU #13 from other ESUs in 2007-08 because the ESU will be in the third year of a merger.

ESU Boundaries: The bill includes the provisions of LB 600 requiring the State Board of Education to adjust the boundaries of any ESU that are not aligned with the boundaries of member school districts. The adjustment shall be made on or before July 31st of each year based on boundaries existing on July 1st of such year. The fiscal impact for ESUs depends upon boundary changes of member school districts. Any change in boundaries will impact the amount of property tax revenue received by ESUs that gain or lose taxable property due to boundary changes.

ESU Coordinating Council: The bill includes the provisions of LB 601 establishing an ESU Coordinating Council on July 1, 2008. The bill eliminates the Distance Education Council and transfers the assets and liabilities of the Distance Education Council to the newly established ESU Coordinating Council on such date. The new council is to coordinate distance education in the state, administer statewide initiatives and services and prepare strategic plans to assure cost-efficient and equitable services. The council is composed of one administrator from each ESU.

The council is to be funded by 1% of the state aid appropriated for core services and technology infrastructure, appropriations for distance education and fees established for services. An executive director may be appointed and the current distance education director is to be retained as staff for the council. Other staff may be hired as deemed necessary by the council.

These provisions have no fiscal impact for the state because existing funds appropriated to ESUs as state aid will be used to fund the council. The authorization to use 1% of the state aid appropriation for the council translates to $155,593 in 2008-09, based on the A bill appropriation. The requirement for ESUs to use 1% of core services funds for statewide initiatives and coordination will not have a fiscal impact for individual ESUs since ESUs currently have an interlocal cooperative agreement which is financed by a set-aside of 1% of core service funds for statewide activities. The requirement to use 1% of technology infrastructure funds for the council will shift ESU funds to this purpose.

The authorization to transfer the assets and liabilities of the Distance Education Council to the ESU Coordinating Council will likely result in a transfer of at least an additional $530,300 of general funds which is the amount recommended by the Appropriations Committee to fund the activities of the Distance Education Council in 2008-09 per LB 1208 (2006).

Governance of ESUs: The provisions of LB 602, included in the bill, change the number of board members for all ESUs, except ESUs #18 and #19, beginning in 2009. Currently, the boards for ESUs having more than one member district are composed of one board member from each county and four members at large. The bill provides for the membership to range from five to twelve persons, depending upon the number of election districts established by an ESU. The bill may have a minimal fiscal impact for ESUs in terms of increased or decreased reimbursement expenses for board members depending upon changes in the number of members on boards.
Distance Education Equipment & Transport Costs: The bill includes provisions of LB 656 that provide temporary funding from the School District Reorganization Fund for aggregation routing equipment and network transport costs for Network Nebraska. Total temporary funding from the fund is limited to $200,000 for 2007-08 through 2009-10. The Chief Information Officer (CIO) and the University of Nebraska are to submit applications to the State Department of Education for the use of such funds. Applications are to include a timeline for repayment of the funds to the School District Reorganization Fund by June 30, 2010. Funds collected for the administration of Network Nebraska are to be used to repay the loans. Any money remaining in the School District Reorganization Fund on July 1, 2010 is transferred to the Education Innovation Fund.

The bill also changes the disposition of the proceeds of the School District Reorganization Fund. Current law requires all of the proceeds to be deposited in the General Fund on July 1, 2008. The bill provides for up to $200,000 to be loaned for routing equipment and network transport costs and the remainder to be deposited in the Education Innovation Fund on such date.

Current law provided for $1 million to be transferred in 2005-06 and 2006-07 from the Education Innovation Fund to the School District Reorganization Fund for the payment of base year incentives to Class II and Class III school districts that reorganize. Payments to school districts that reorganized in the initial year totaled $646,505.

The School District Reorganization Fund had a balance of $1,405,240 on 3/31/07. It is projected the fund will have a balance of $1,421,000 on 6/30/07, if no other schools qualify for base year fiscal incentives from the fund in 2006-07. Eligible Class II and III school districts have until June 1, 2007 to reorganize to qualify to receive base year incentives from the fund. NDE indicates there are two reorganizations in progress. The estimated amount of base year incentives to be paid for these reorganizations is $854,000. If these are the only reorganizations that occur, there will be a sufficient balance in the fund to loan $200,000 to the CIO and University for routing equipment and network transport costs.

The change in disposition of the proceeds of the School District Reorganization Fund from the General Fund to the Education Innovation Fund will have a total estimated fiscal impact of $567,000 of decreased revenue for the General Fund and increased revenue for the Education Innovation Fund, assuming only the two reorganizations in progress occur in 2006-07. The loss of revenue for the General Fund will occur in 2008-09. The initial increase in revenue for the Education Innovation Fund will occur in 2008-09 ($367,000) and the remainder ($200,000) will be deposited in the fund on or before July 1, 2010 based upon the loan repayment schedule or the transfer provision in the bill.

Distance Education Reimbursements: The provisions of LB 657 included in the bill pertain to the qualifications of school districts and ESUs for lottery funds allocated for distance education equipment reimbursement and incentives. The bill allows ESUs to count each office within the ESU that has a distance education classroom serving 4,000 square miles to qualify for equipment reimbursement for such classroom. School districts may also count high school buildings for purposes of reimbursement that are no longer being used as such due to a school district merger, if the buildings had distance education classrooms at the time of application. Elementary distance education courses offered by school districts and ESUs may qualify for incentives if funds
remain after equipment reimbursements and incentives for other courses are paid. These provisions have no fiscal impact for the state in terms of the total amount of lottery funds dispersed for distance education equipment and incentives. There will be an increase in revenue for individual ESUs and school districts that claim reimbursement for equipment or incentives pursuant to the bill.

_Early Childhood Education Grants:_ The bill provides for a one-year continuation of early childhood grant funds to programs in nonequalized school districts that would have lost the grant funds in 2007-08 due to the inclusion of the early childhood education students in the calculation of state aid. The provision will not change the total amount of state aid provided for early childhood programs. The change will enable a few programs to retain the early childhood education aid in 2007-08 that will reduce the amount available to be allocated to other early childhood education programs.

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**Bill:** LB 641

*Introduced by:* Raikes

*Prioritized by:* Education Committee

*Passage:* May 24, 2007; 33-14

*Effective date:* September 1, 2007

The following provisions of the bill will have a fiscal impact for the state and/or school districts.

**Division of Class V School District:** LB 641 repeals provisions of LB 1024 (2006) requiring the learning community coordinating council to submit a plan to divide the Class V district in the learning community into new Class V districts with two or three high school buildings in each new Class V district. The repeal means the resources and expenditures of the Class V district will not be impacted due to a breakup of the school district in 2008-09.

**Levies:** Current law authorizes a common levy for learning communities of up to $1.02, or 110% of formula needs minus state aid and accountable receipts, for the general fund budgets of member school districts beginning in 2008-09. Member school districts may also levy up to $1.02, minus the learning community common levy, for the district’s general fund budget and special building fund purposes. Learning communities may also levy up to $.02 for special building funds for member districts and up to $.01 for the learning community budget and projects approved by the learning community coordinating council. The total levy authority is $1.05 for the learning community and member school districts.

LB 641 changes levy provisions for learning communities to provide a $.95 common levy for the general fund budgets of member school districts beginning in 2009-10. Proceeds from the common levy are allocated among member districts proportionately based on 100% of a district’s formula need less state aid and other actual receipts. The bill retains authority for a learning community to levy $.02 for special building funds. School districts within a learning community
may levy an additional amount, in excess of the amount levied by the learning community for the common levy and special building fund levy, up to a maximum levy amount of $1.05. The overall total levy authority for the learning community and member districts is unchanged but tax proceeds for member school districts and the learning community will be allocated differently. It is unknown how the levy changes will impact the resources of individual school districts.

LB 641 requires a new learning community, on or before July 1 after it is created, to establish at least one elementary learning center for each 25 elementary schools in which at least 35% of the children attending the schools qualify for free or reduced price lunches. The bill allows learning communities to levy an additional $.05 to purchase, construct or remodel elementary learning center facilities and up to 50% of the cost of certain capital projects. Capital projects may include focus schools or programs that will attract a more economically and culturally diverse student body. It is estimated the additional $.05 of levy authority, if utilized, will generate approximately $21.2 million for facilities, based upon estimated 2007 property valuations.

**State Aid (TEEOSA) Summer School Factor:** The bill changes the computation of adjusted formula students in the state aid formula beginning in 2008-09. An additional factor for summer school is included. The factor equals .025 times the number of summer school units, as defined in the bill. The inclusion of a summer school factor will increase state aid by an unknown amount, dependent upon the number of summer school units. The amount cannot be determined because data is not available to estimate the number of summer school units.

**State Aid (TEEOSA) Elementary Class Size Allowance:** LB 1024 (2006) established an elementary class size allowance in the state aid formula beginning in 2008-09. LB 641 expands the allowance to pertain to students in grades K-8, rather than grades K-5. Allowances do not change the overall amount of state aid allocated, but will alter the distribution of aid among school districts.

**State Aid (TEEOSA) Stabilization Provision:** LB 1024 (2006) changed the calculation of needs in the formula for school districts having general fund levies of at least $.99 beginning in 2008-09. If a district levies at least this amount, then the district’s prior year formula needs are multiplied by 100%. The provision stabilizes aid for school districts with declining enrollments. LB 641 changes the required levy to be 95% of the school district’s maximum levy. The change means a school district must levy at least $.9975 to qualify for the stabilization provision. The change is projected to have a minimal fiscal impact in terms of state aid distributed in the future.

**State Aid (TEEOSA) Learning Community Distribution:** The bill changes the distribution of state aid to schools in a learning community. State aid is calculated separately for school districts and also for the learning community as a whole. Initially, in 2009-10, state aid is calculated based upon districts being separate. By the fifth year of the learning community, state aid is calculated based upon the learning community as a whole. There may be some change in overall state aid due to the use of combined valuations in calculating the yield from local effort rate, but the changes in aid are unknown and are not projected to be significant.

**Transportation:** School districts in a learning community may exceed the allowable growth rate for anticipated increases in transportation in the first year the district is a member of a learning
Community. LB 1024 (2006) required schools that are members of learning communities to provide free transportation to students who attend a school in the district other than their attendance center.

LB 641 amends the transportation provisions to require that free transportation only be provided to students transferring to another school if: the student qualifies for free or reduced-price lunches and lives more than one mile from the school; the transfer contributes to the socio-economic diversity of the school that will be attended; or, the student is attending a focus school or magnet school more than one mile away. LB 641 reduces the amount of free transportation provided by school districts in learning communities. The amount of decreased transportation costs for school districts is unknown. Any decrease in transportation spending decreases the amount of state aid paid two years later.

Aid to Learning Communities: The bill contains intent language to provide aid to learning communities. Learning communities are to receive $500,000 of aid in the year of establishment, which means the metropolitan learning community will receive $500,000 in 2008-09. Up to $1 million of aid is to be provided in the second year of a learning community. In ensuing fiscal years, the amount of aid provided in the previous year is increased by the basic allowable growth rate (2.5%). The aid is to be used for the administration, operation and programs of the learning community.

<table>
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<td>Passage: May 31, 2007; 30-13</td>
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LB 653 amends the Quality Education Accountability Act, which was originally implemented in 1998. The measure specifically addresses that portion of the Act relating to assessment and reporting.

The measure sets forth four definitions for purposes of the Act. It defines “assessment” to mean the process of measuring student achievement and progress on state and locally adopted standards. “Assessment instrument” means a test aligned with state and local standards that is designed to measure student progress and achievement. “Assessment portfolio” means the compilation of assessment practices and procedures, assessment instruments, and national assessment instruments used by a school district in meeting assessment and reporting requirements. And “national assessment instrument” means a nationally norm-referenced test developed and scored by a national testing service.

Existing Assessment System: LB 653 appears to leave the existing assessment system in place for school years prior to 2009-10. Existing law is amended to provide for the comparison among Nebraska public schools and the comparison of Nebraska public schools to public schools in the nation and the world.

New Assessment System: For school year 2009-10 and thereafter, the State Board of Education must implement a statewide system for the assessment of student learning and for reporting the performance of school districts and learning communities. The assessment and reporting system
will measure student knowledge of subject matter materials covered by measurable academic content standards selected by the state board.

The state board must adopt a plan for an assessment and reporting system and implement and maintain the system. The state board must select three grade levels for assessment and reporting. The purposes of the system are to:

(a) Determine how well public schools are performing in terms of achievement of public school students related to the state academic content standards;

(b) Report the performance of public schools based upon the results of state assessment instruments and national assessment instruments;

(c) Provide information for the public and policymakers on the performance of public schools; and

(d) Provide for the comparison among Nebraska public schools and the comparison of Nebraska public schools to public schools elsewhere.

**Writing:** The state board will prescribe a statewide assessment of writing that relies on writing samples in each of three grades selected by the state board. Each year at least one of the three selected grades shall participate in the statewide writing assessment with each selected grade level participating at least once every three years.

**Reading:** For school year 2009-10 and each year thereafter, the state board will prescribe a statewide assessment of reading that is based on model assessments. The reading assessment instruments will be developed in collaboration with ESUs and be approved by a majority of the ESU administrators. The statewide assessment of reading must include assessment instruments for each of the grade levels and standards selected by the state board.

**Math:** For school year 2010-11 and each year thereafter, the state board will prescribe a statewide assessment of mathematics that is based on model assessments. The math assessment instruments will be developed in collaboration with ESUs and be approved by a majority of the ESU administrators. The statewide assessment of math will include assessment instruments for each of the grade levels and standards selected by the state board.

**Portfolios:** School districts will develop assessment portfolios. Assessment portfolios may be developed through school district collaboration with ESUs and learning communities or through interlocal agreements. ESUs will conduct a peer review of local district assessments annually. ESUs will submit documentation of the district portfolios for review by NDE not more than once every three years. Assessment portfolios will include all assessment instruments required by the state board and by the Quality Education Accountability Act.

**Rating:** The department must identify criteria for rating assessment instruments and assessment portfolios. The department will establish statewide minimum proficiency levels for local assessments and will include proficiency levels in the rating of assessment instruments and assessment portfolios. The department must contract with independent, recognized assessment experts to review and rate locally developed assessment instruments and portfolios according to such criteria and proficiency levels.
Studies: The department must conduct studies to verify the technical quality of assessment instruments and demonstrate the comparability of assessment instrument results required by the Quality Education Accountability Act. The department must annually report such findings to the Governor, the Legislature, and the State Board of Education.

National Assessment: The State Board of Education must recommend national assessment instruments for the purpose of national comparison. Each school district must include national assessment instruments in its assessment portfolio.

Comparability: The aggregate results of assessment instruments and national assessment instruments must be reported by the district on a building basis to the public in that district, to the learning community coordinating council if such district is a member of a learning community, and to the department. Each learning community must also report the aggregate results of any assessment instruments and national assessment instruments to the public in that learning community and to the department. The department must report the aggregate results of any assessment instruments and national assessment instruments on a learning community, district, and building basis as part of the statewide assessment and reporting system.

Other: The assessment and reporting plan must: (i) provide for the confidentiality of the results of individual students; and (ii) include all public schools and all public school students. The state board must adopt criteria for the inclusion of students with disabilities, students entering the school for the first time, and students with limited English proficiency.

Standards: The State Board of Education must adopt measurable model academic content standards for at least three grade levels. The standards must cover the subject areas of reading, writing, mathematics, science, and social studies. The standards adopted must be sufficiently clear and measurable to be used for testing student performance with respect to mastery of the content described in the state standards. The State Board of Education must develop a plan to review and update standards for each subject area every five years. The state board must review and update the standards in reading by July 1, 2009, the standards in mathematics by July 1, 2010, and the standards in all other subject areas by July 1, 2013. The state board plan must include a review of commonly accepted standards adopted by school districts.

Academic Content Standards: In accordance with timelines that are adopted by the State Board of Education, but in no event later than one year following the adoption or modification of state standards, each school district must adopt measurable quality academic content standards in the subject areas of reading, writing, mathematics, science, and social studies. The standards may be the same as, or may be equal to or exceed in rigor, the measurable model academic content standards adopted by the state board and shall cover at least the same grade levels. School districts may work collaboratively with educational service units, with learning communities, or through interlocal agreements to develop such standards. ESUs and learning communities must develop a composite set of standards shared by member school districts. NDE must adopt and promulgate appropriate rules and regulations to insure the rigor of the measurable quality academic content standards.
Learning Communities: For each learning community, any ESUs that have member school districts that are part of the learning community must develop and implement a joint plan to establish grade level standards and provide for developmentally appropriate assessment of students in grades kindergarten through three. The joint plan must include, but not be limited to, the subject areas of reading and mathematics and must be developed to measure student progress toward such standards.

The high-needs education coordinator appointed under LB 1024 (2006) and NDE must provide assistance in the development of the standards and assessment. School districts must report data collected under the plan to such ESUs. The data must conform with the data collection procedures established under the student identifier system, as provided below.

Student Identifier System: The State Board of Education must implement a statewide system for tracking individual student achievement, using the student identifier system of NDE, that can be aggregated to track student progress by demographic characteristics, including, but not limited to, race, poverty, high mobility, attendance, and limited English proficiency, on available measures of student achievement which include, but need not be limited to, national assessment instruments, state assessment instruments, local assessment instruments, and other similar measures.

The system must be designed so as to aggregate student data by available educational input characteristics, which may include class size, teacher education, teacher experience, special education, early childhood programs, federal programs, and other targeted education programs. School districts must provide the department with individual student achievement data as requested in order to implement the statewide system.

Student Achievement: The department and the high-needs education coordinator must annually analyze and report on student achievement for the state, each school district, and each learning community aggregated by the demographic characteristics described above. NDE must report the findings to the Governor, the Legislature, school districts, ESUs, and each learning community. The analysis must include aggregated data that would indicate differences in achievement due to available educational input characteristics described above. The analysis must include indicators of progress toward state achievement goals for students in poverty, limited English proficient students, and highly mobile students according to the plan developed by the coordinator.

Bill: LB 674

Introduced by: Lathrop
Prioritized by: Lathrop
Passage: May 18, 2007; 44-0
Effective date: See note below

LB 674 creates the Credit Report Protection Act. The bill also allows a consumer, including a minor at the request of a parent, to place a security freeze on his or her file at a consumer reporting agency. The freeze will prevent the reporting agency from releasing a consumer’s credit report to a third party without prior authorization from the consumer. LB 674 also restricts employers’ use of employees’ Social Security numbers.
The measure prohibits employers from:

✓ posting more than the last four digits of a Social Security number;

✓ requiring an employee to transmit more than the last four digits of his or her Social Security number over the Internet unless encrypted or over a secure connection;

✓ requiring the use of more than the last four digits of a Social Security number to access an Internet site; and

✓ using more than the last four digits of a Social Security number as an employee number.

Violations will be Class V misdemeanors, punishable by a maximum penalty of a $100 fine.

NOTE: The provisions of LB 674 relating to the Credit Report Protection Act become operative on September 1, 2007. Section 16 of LB 674, relating to use of Social Security numbers by employers, becomes operative September 1, 2008.
II. Interim Studies, 2007

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**Resolution: LR 74**

**Introduced by:** Hudkins  
**Date introduced:** April 12, 2007  
**Referral:** Appropriations Committee

**Purpose Statement:** Funding for the public K-12 educational system is an ongoing issue for the Legislature. For more than a decade, the Legislature has consistently started the process of funding our educational school system by first looking at the ability of a local school system to fund its needs from property tax revenue. The state has then provided funding through a state aid to education formula that attempts to fund each school district in proportion to the district’s needs that are unmet by property tax revenue. In 2007, LB 241 would have deemed teachers employed by K-12 school districts to be state employees for purposes of compensation. The amount of funding necessary to implement this policy decision is uncertain and how such action would impact the budget of the State of Nebraska and the amount of further equalization funding that would be necessary are issues that need to be understood in order for the Legislature to seriously consider implementation of such a policy. In Article VII, section 1, the Nebraska Constitution of Nebraska states “The Legislature shall provide for the free instruction in the common schools of this state of all persons between the ages of five and twenty-one years.” How the Legislature will fund this requirement of the state constitution is of utmost importance to the property taxpayers of this state. Financial support of education makes the heaviest demand on the amount of revenue raised through the property tax system. Finding a new method of appropriating the necessary funds for the support of the K-12 educational system is the most paramount issue to be resolved in order to provide meaningful property tax relief.

The Appropriations Committee shall conduct an interim study to analyze the fiscal impact of making K-12 public school teachers employees of the State of Nebraska. The study should cover the following issues:

1. What would be the fiscal impact on the state budget to finance the compensation packages of K-12 public school teachers?
2. What could be the impact on the current state aid to education formula?
3. Are there any constitutional hurdles that would impede the enactment of the necessary statutes to make the K-12 public school teachers state employees?
Resolution: LR 78
Introduced by: Preister
Date introduced: April 16, 2007
Referral: Government Committee

Purpose Statement: The purpose of this study is to examine issues related to the Open Meetings Act.

Resolution: LR 101
Introduced by: Retirement Com.
Date introduced: May 3, 2007
Referral: Retirement Committee

Purpose Statement: The purpose of this study is to review the actuarial assumptions used to perform the annual actuarial valuation for the retirement systems administered by the Public Employees Retirement Board. The actuarial assumptions reviewed by this study shall include, but not be limited to, investment return, inflation, salary increase, interest on employee contributions, increases on compensation and benefit limits, mortality, retirement, and disability.

Resolution: LR 102
Introduced by: Retirement Com.
Date introduced: May 3, 2007
Referral: Retirement Committee

Purpose Statement: The purpose of this study is to examine the public employee retirement systems administered by the Public Employees Retirement Board, including the State Employees Retirement System, the County Employees Retirement System, the School Employees’ Retirement System, the Nebraska State Patrol Retirement System, and the judges retirement system. The study may also examine the Class V School Employees Retirement System administered under the Class V School Employees Retirement Act. The study will examine issues as they relate to the funding needs, benefits, contributions, and the administration of each retirement system.

Resolution: LR 120
Introduced by: Wightman
Date introduced: May 7, 2007
Referral: Government Committee

WHEREAS, inflation in the cost of employer-provided health care in Nebraska has been growing at a double digit annual rate, a much higher rate than the Consumer Price Index and other recognized barometers of our economy; and

WHEREAS, the funding of the state’s health insurance plan for the past three years has resulted in a budget deficit of at least $12 million and consumes an ever-larger share of the budget; and

WHEREAS, growth in the state’s health insurance cost is driven by both plans for state employees and employees of schools and political subdivisions; and

WHEREAS, any consideration of health care management initiatives must necessarily consider benefit plan design, short and long-term planning, wellness standards and incentives, disease
management, retirement preplanning, current statutory funding, access and choice for small public employers, comparability and competition both instate and out-of-state, flexibility in plans and options, and quantifying health care spending at all levels of government.

THEREFORE, it is determined that the Appropriations Committee and the Government, Military and Veterans Affairs Committee of the Legislature shall jointly authorize an interim study committee for the following purposes:

To study the cost of public employee health plans at all levels of government within the State of Nebraska, giving particular attention to containment of the cost of health care plans, improvement of health care for public employees, and consideration of possible legislation to accomplish these goals.

**Resolution: LR 126**

*Introduced by:* Adams  
*Date introduced:* May 8, 2007  
*Referral:* Education Committee

**Purpose Statement:** To examine high ability learner programs and the effectiveness of the current program format and funding level. Three years ago, funding was reduced drastically and many students and teachers suffered. Programs and services were cut as well as professional training opportunities for teachers. Nebraska is currently funding high ability learner programs at a level much below its surrounding states. Students in all parts of Nebraska should have equal access to enrichment and acceleration but many do not. Many of the districts in remote areas have students that need acceleration and could benefit from opportunities presented by distance learning or online learning. Because of funding cuts, these opportunities may not be available. Consequently, these high ability learners are not progressing adequately and are left behind. When these students leave the K-12 environment for further learning opportunities, they are in the position of catching up, which costs them tuition and time.

The study shall include, but not be limited to:

1. Examination of the criteria used by the State Department of Education to determine an approved accelerated or differentiated curriculum program;
2. Examination of best practices recommended by the National Association for Gifted Children;
3. Examination of the current funding format, including recommendations for an appropriate funding level;
4. Examination of professional training opportunities for teachers, including graduate level courses and workshops available in the state; and
5. Examination of school districts in the state that are providing an excellent level of services or programs for high ability learners.
Resolution: LR 169
Introduced by: Kopplin, Adams, Dierks, Hansen, Harms, Howard, Nantkes, Pahls, Pedersen, Schimek, Stuthman
Date introduced: May 15, 2007
Referral: Education and Revenue Committees

Purpose Statement: To study public school funding in Nebraska to determine if there exists a need to either revise the current method of school financing or design and implement a new method of school financing. Since the current method of public school financing, the Tax Equity and Educational Opportunities Support Act (TEEOSA), was passed by the Legislature in 1990, the act has undergone many changes and modifications. In addition, since TEEOSA was first implemented, the landscape of education in Nebraska has dramatically changed. The state has become increasingly diverse and a greater strain has been placed on the resources necessary to finance education. While the overall student population in the state has dropped by approximately 3,000 students, the number eligible for free or reduced price lunch has increased by over 90,000 students. On the national level, the emphasis in education has changed from providing universal access to universal achievement.

The issues to be addressed by this study shall include the following:

(1) What level of funding is sufficient to meet state accreditation standards and fund essential educational opportunities in each school district in the state;

(2) What are the appropriate mechanisms to address special needs, sparsity, poverty, and the growing immigrant population;

(3) The role of property tax in funding public school education;

(4) The use of incentives to employ more highly qualified teaching and instructional support staff, as measured by level of certification, postsecondary education, experience, and skill standards;

(5) What resources would be necessary to focus on increasing educational opportunity and universal achievement;

(6) Funding stability;

(7) School district accountability in the use of state funds for education;

(8) The efficacy and cost of implementing increased student support mechanisms such as an extended school day and teaching time, tutoring support, or family support; and

(9) Other issues as deemed pertinent by the committees.
**Resolution: LR 182**

*Introduced by:* Kruse  
*Date introduced:* May 15, 2007  
*Referral:* Retirement Committee

**Purpose Statement:** To study retirement benefits provided to public employees in Nebraska. The study shall include a comparison of the benefits provided and cost of defined benefit and defined contribution plans and retirement ages.

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**Resolution: LR 193**

*Introduced by:* Raikes  
*Date introduced:* May 15, 2007  
*Referral:* Education Committee

**Purpose Statement:** To investigate and review matters and issues arising during the interim which are within the jurisdiction of the Education Committee of the Legislature.