



Nebraska Council of School Administrators

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# Final Legislative Report

Second Session, 95th Legislature, 1998

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*Submitted by*  
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## Table of Contents

I. Summaries of Legislation Passed and Signed.....1-24  
 II. Legislative Interim Studies .....25-33

### — Index of Legislative Summaries —

<i>Pg.</i>	<i>Bill (sponsor) Description</i>	<i>Pg.</i>	<i>Bill (sponsor) Description</i>
1.....	<b>LB 59</b> (Wehrbein) Boundary dispute between Nebraska and Missouri.	10.....	<b>LB 1104e</b> (Raikes) Reduces the state sales tax rate from 5% to 4.5% for one year.
1.....	<b>LB 306e</b> (Schellpeper) Modifies LB 1114, 1996.	10.....	<b>LB 1110e</b> (Hartnett) Provides a distribution system and appropriations to help ESUs finance core services for public schools.
2.....	<b>LB 497e</b> (Will) Enhancement legislation for the OPS Retirement System.	11.....	<b>LB 1129e</b> (Robinson) Technical cleanup bill for the Government Committee; includes guidelines for energy finance contracts.
2.....	<b>LB 532</b> (Robak) Provides a COLA for certain retirees/beneficiaries in the School Employees Retirement System.	13.....	<b>LB 1134</b> (Janssen) Changes provisions relating to reorganization incentive payments.
3.....	<b>LB 822e</b> (Robinson) Creates a rule of 85 under the School Employees Retirement System.	14.....	<b>LB 1191</b> (Retirement Committee) Technical cleanup bill for the Retirement Committee; requires the PERB to send statements of creditable service earned by each member of the School Employees Retirement System.
4.....	<b>LB 924e</b> (Hillman) Creates the Nebraska Information Technology Commission.	16.....	<b>LB 1219e</b> (Bohlke) Provides for unification agreements between districts; provides temporary mitigation funds for certain districts.
5.....	<b>LB 989e</b> (Coordsen) Permanent budget lid on expenditures for schools.	18.....	<b>LB 1228</b> (Bohlke) Creates the Quality Education Accountability Act.
6.....	<b>LB 1028</b> (Will) Establishes a permanent income tax cut.	22.....	<b>LB 1229e</b> (Bohlke) Requires districts to identify and report high ability learners.
7.....	<b>LB 1053e</b> (Willhoft) Creates a state agency for the Nebraska Rural Development Commission.	24.....	<b>LB 1354e</b> (Wesely) Creates the Medication Aide Act.
8.....	<b>LB 1063</b> (Beutler) Requires districts to distribute information on children's health insurance and requires the sharing of immunization information.		
9.....	<b>LB 1070e</b> (Wesely) Creates the Excellence in Health Care Fund.		

# I. Summaries of Legislation Passed and Signed

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LB 59	<i>Sponsor:</i> Wehrbein	<i>Effective Date:</i> 7/15/98	<i>Passed:</i> 4/9/98
	<i>Priority:</i> Wehrbein	<i>Committee:</i> Government	<i>Signed:</i> 4/14/98

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**Boundary Dispute.** LB 59 changes the state boundary line between Missouri and Nebraska by amending the Missouri-Nebraska Boundary Compact of 1971. Specifically, the new law re-establishes the boundary between the two states as the center line of the Missouri River. Nebraska would cede an estimated 1,722 acres to Missouri, according to Missouri surveyor data endorsed by the Nebraska Surveyor's Office.

Missouri has officially approved the new boundary, which would put some land historically taxed by Nebraska political subdivisions in Missouri. That boundary was originally opposed by Senator Floyd Vrtiska of Table Rock, who represents the affected areas in Otoe, Nemaha and Richardson counties. Those counties stand to lose about \$40,000 in property tax revenue. However, prior to passage, Senator Vrtiska indicated his support of LB 59 because of the federal government's pending purchase of the land and the availability of state aid to counties and schools that will lose valuation.

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LB 306e	<i>Sponsor:</i> Schellpeper	<i>Effective Date:</i> various	<i>Passed:</i> 2/12/98
	<i>Priority:</i> Schellpeper	<i>Committee:</i> Revenue	<i>Signed:</i> 2/12/98

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**Levy Limitation Cleanup Bill.** At one point in its legislative history LB 306e pertained to a building fund levy limit exemption. With the discovery that necessary changes were required to modify LB 1114 (1996), the legislation was "shelled" and new language was inserted. The following is an outline of LB 306e as passed and signed into law.

- 1. Levy Hearing.** LB 306e changes the date a school local system must have its joint hearing to set the levy from October 20th to October 5th.
- 2. Elections to Exceed the Levy Limit.** LB 306e changes the operative date to exceed the levy limits. Under the new law, a political subdivision may hold an election to exceed the levy limits on or after December 1, 1997, a retroactive operative date. The new law also extends the deadline by which an election must be held to exceed the levy limits from September 30 to October 25 of the fiscal year which is to be the first to exceed the levy limits. LB 306e changes the notice requirement for a resolution or petition calling for a special election to exceed the levy limits. Former law required notice to the county clerk or election commissioner of at least 50 days prior to the date of the election. LB 306e shortens that notice to 30 days. The new law provides that a governing body may pass no more than one resolution calling for an election during any one calendar year. However, it also provides that there is no limit on the number of elections held which are initiated by petition.
- 3. Ballot Language.** The new law provides mandatory ballot language for a vote to exceed the levy limits. The ballot question may include any terms and conditions set forth in the resolution and must include the following: (a) levy request in excess of the levy limits; (b) the date (fiscal year) when the additional levy authority would cease; and (c) specify whether the additional levy authority is for: (i) general operations; (ii) building construction, remodeling, or site acquisition; or (iii) both.
- 4. Rescinding and Modifying.** A political subdivision may rescind (repeal) or modify a previously approved excess levy authority prior to its expiration by another election in a primary, general, or spe-

cial election. A vote to rescind or modify must be approved prior to September 30 of the fiscal year for which it is to be effective. The governing body of the political subdivision may call for the submission of the issue to the voters: (a) by passing a resolution calling for the rescission or modification by a vote of at least 2/3s vote of the governing body and delivering a copy of the resolution to the county clerk or election commissioner; or (b) upon receipt of a petition by the county clerk or election commissioner of every county containing all or part of the political subdivision requesting an election signed by at least 5% of the registered voters residing in the political subdivision. The resolution or petition must include the amount and the duration of the previously approved excess levy authority and whether the excess levy authority will be rescinded or modified. For a modification, the amount and duration of the modification must be stated. The modification may not have a duration greater than five years. The county clerk or election commissioner must then place the issue on the ballot at an election as called for in the resolution or petition at least 30 days after receipt of the resolution or petition.

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LB 497e	<i>Sponsor:</i> Will	<i>Effective Date:</i> 3/4/98	<i>Passed:</i> 2/25/98
	<i>Priority:</i> Kiel	<i>Committee:</i> Retirement	<i>Signed:</i> 3/3/98

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**OPS Retirement System.** LB 497e changes various provisions of the Class V School Employees Retirement Act. The new law includes the following provisions: (1) Increases the formula annuity from 1.80% of final average compensation to 1.85% of final average compensation; (2) Provides a cost of living adjustment (COLA) of up to 3% for annuities first paid after October 1, 1995, and up to 6% for all other annuities; (3) Establishes a COLA for future retirees each year of either the lesser of 1.5% or the adjusted increase in the consumer price index; (4) Allows the board to provide an additional COLA if the actuary determines surpluses exist in the system sufficient to fund such a COLA.

The Omaha School Employees Retirement System advised that there are sufficient resources available in the retirement fund to provide the formula annuity changes and the COLAs.

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LB 532	<i>Sponsor:</i> Robak	<i>Effective Date:</i> 7/15/98	<i>Passed:</i> 4/14/98
	<i>Priority:</i> Retire. Com.	<i>Committee:</i> Retirement	<i>Signed:</i> 4/14/98

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**Minimum Benefit COLA.** LB 532 provides a cost-of-living-adjustment (COLA) for certain retirees/beneficiaries in the School Employees, Judges, and State Patrol Retirement Systems. The new law would provide a COLA only to those retirees who have been receiving a benefit for at least 5 years and have had 25 years of creditable service, or to disabled members or beneficiaries who have been receiving disability/death benefits for at least 5 years.

**A. Eligibility.** To be eligible for the COLA, the retired member must meet the following requirements: (1) have 25 years of service at retirement; (2) have received benefit payments for five years; and (3) have a benefit amount less than or equal to a specified floor, where the floor is indexed every June 30 by the consumer price index. The initial floor is a monthly benefit equal to \$18 multiplied by the years of service at retirement.

**B. Amount of COLA.** The amount of the COLA is the lesser of:

- (i) the cumulative change in the CPI from the last adjustment of the total monthly benefit through June 30 of the year for which the annual benefit adjustment is being calculated; OR
- (ii) three percent (3%) per annum compounded for the period from the last adjustment of the total monthly benefit through June 30 of the year for which the annual benefit adjustment is being calculated.

*FINAL NOTES ON LB 532: The Public Employees Retirement Board (PERB) will determine each June 30th which retirees are eligible. The PERB reports that approximately 1,118 individuals under the School Employees System would qualify for the new COLA in FY1998-99. An actuarial study has been completed on LB 532. The actuary advises that LB 532 would cost \$25 million to the School Employees System. However, even with these changes there remains an actuarial surplus of about \$65 million in the School Employees System.*

*The PERB reports that the current excesses of funding in the School Employees Retirement plan is due to changes in actuarial assumptions and investment returns that are far above expected rates. Additionally, the employee contribution rate in the School plan has been frozen at a rate significantly higher than needed to fund the obligations of the plan. While these excess amounts may be sufficient to fund the initial costs of COLA benefits, that may not be the situation in future years as the COLAs increase automatically and investment returns are lower.)*

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<b>LB 822e</b>	<i>Sponsor:</i> Robinson	<i>Effective Date:</i> 3/4/98	<i>Passed:</i> 2/27/98
	<i>Priority:</i> Robinson	<i>Committee:</i> Retirement	<i>Signed:</i> 3/3/98

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**School Employees Rule of 85.** LB 822e implements a modified rule of 85. Under the rule of 85, a member of the School Employees' Retirement System may retire with unreduced benefits if the member: (1) is at least 55 years of age; (2) has acquired the equivalent of one-half year of service as a public school employee under the retirement system following July 1, 1997; (3) was a school employee on or after the effective date of the new law; and (4) the sum of the member's attained age and creditable service totals 85.

*NOTES ON LB 822e: The PERB advises that they anticipate a significant workload increase due to LB 822e. There are approximately 10,000 school employees (of the 33,318 active members) who are over age 50. There are approximately 1,800 of these 10,000 members who will be eligible to retire in less than 12 months. Currently the agency processes an average of 600 school retirements per year. The passage of this new law would potentially double or triple the normal number of retirements each year for at least the next 5 years or so.*

*An actuarial analysis of the costs of this new law was performed and funded by NCSA and NSEA. The new law results in an increase in system liabilities of \$342 million, and a decrease in future assets of \$75 million. However, the plan has an actuarial balance sheet surplus, without this proposed change, of \$506 million. This surplus is derived from a change in the actuarial assumptions used for long-term planning purposes in the plan, exceptional returns on the investments in the plan, and the maintenance of the statutorily required 7.25% member contribution rate (and 7.32% school district rate). Changes specified in LB 822e will utilize most of the surplus (leaving \$89.3 million in surplus).*

*Nebraska Information Technology Commission*

- 1. Commission Created.** LB 924e creates the Nebraska Information Technology Commission. The commission will consist of nine members, including (a) one member representing elementary and secondary education, (b) one member representing postsecondary education, (c) the Governor or his or her designee, (d) one member representing communities, and (e) five members representing the general public who have experience in developing strategic plans and making high-level business decisions. The Governor or a designee of the Governor will serve as chairperson of the commission. The members of the commission will be appointed by the Governor with the approval of a majority of the Legislature. Members of the commission will serve for terms of four years.

The commission may employ an executive director to provide administrative and operational support for the commission. The Department of Administrative Services and Nebraska Educational Telecommunications Commission will assist with administrative and operational support for the Nebraska Information Technology Commission as necessary to carry out its duties.

**2. Duties of Commission.**

- Beginning July 1, 1999, adopt policies and procedures used to develop, review, and annually update a statewide technology plan;
- Create a technology information clearinghouse to identify and share best practices and new developments, as well as identify existing problems and deficiencies;
- Review and adopt policies to provide incentives for investments in information technology infrastructure services;
- Determine a broad strategy and objectives for developing and sustaining information technology development in Nebraska, including long-range funding strategies, research and development investment, support and maintenance requirements, and system usage and assessment guidelines;
- By September 15, 1998, adopt guidelines regarding project planning and management, information sharing, and administrative and technical review procedures involving state-owned or state-supported technology and infrastructure. Governmental entities, state agencies, and political subdivisions may submit projects which directly utilize state-appropriated funds for information technology purposes. Political subdivisions may submit other projects involving information technology to the commission for comment, review, and recommendations;
- Establish ad hoc technical advisory groups to study and make recommendations on specific topics, including work groups to establish, coordinate, and prioritize needs for education, local communities, and state agencies;
- By November 15 of each even-numbered year, make recommendations to the Legislature, including a prioritized list of projects, reviewed by the technical panel, for which new or additional funding is requested;
- By September 15, 1998, adopt schedules and procedures for reporting needs, priorities, and recommended projects.

3. **Office of Chief Information Officer.** LB 924e creates the office of Chief Information Officer is created. The Chief Information Officer will be appointed by and serve at the pleasure of the Governor with the approval of a majority of the Legislature. For administrative purposes, the office of Chief Information Officer will be located in the Department of Administrative Services. The Chief Information Officer will maintain an inventory of noneducation state government technology assets, including hardware, applications, and data bases.
4. **Community Technology Fund.** LB 924e creates the Community Technology Fund. The fund will be used to provide incentives for collaborative community and regional approaches toward more effective and efficient use of technology to meet the needs of citizens, political subdivisions, as determined by the commission. Expenditures from the fund will be approved by the commission. The fund will be administered by the Department of Administrative Services.
5. **School Network Connection.** There is intent language under existing law to provide all school districts direct connection to a statewide public computer information network by June 30, 2000. Existing law also authorizes the State Board of Education to disburse funds from the School Technology Fund to help provide direct connection to school districts. Under LB 924e, however, The State Board of Education must now consult with the Nebraska Information Technology Commission in carrying out this responsibility.
6. **ESU Core Services.** LB 924e provides intent language relating to LB 1110e (ESU core service funding). LB 924e provides that a any funds appropriated under LB 1110e for technology-related projects or technology initiatives undertaken by an ESU must first follow a review process. The review process includes examination by the Nebraska Information Technology Commission.

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LB 989e	<i>Sponsor:</i> Coordsen	<i>Effective Date:</i> 7/1/98	<i>Passed:</i> 4/2/98
	<i>Priority:</i> Coordsen	<i>Committee:</i> Revenue	<i>Signed:</i> 4/7/98

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**Budget Lid Legislation.** Introduced on behalf of the Governor, LB 989e implements permanent budget lids on expenditures for schools and on restricted funds for all other political subdivisions. Significant improvements were made since LB 989e was first introduced including student growth provisions, unused budget authority, and an automatic review of the base budget lid each year. *(NOTE: The following outline of LB 989e applies to all Class II, III, IV, V, and VI school districts.)*

- A. **2.5% Lid.** For school districts, the new law lowers the basic allowable growth rate for general fund expenditures (other than special education) to 2.5% - 4.5%. The new law requires NDE to determine and certify the applicable allowable growth percentage for each “local system” by December 1st of each year.
- B. **Review of Base Limitation.** LB 989e requires the Revenue Committee to annually review the “base limitation” to determine whether changes in prices of services and products warrant an adjustment to the base limitation. The Revenue Committee must hold a public hearing on or before January 15 of each year to receive and consider testimony, evidence, and reports. If, in any year, the base limitation is changed through legislation, the new basic allowable growth range would equal the new base limitation plus 2% (e.g., 2.8% to 4.8% or 3% to 5%).
- C. **Student Growth.** LB 989e returns the student growth allowance provided under law prior to the implementation of LB 299 (1996).

**D. Exceeding the Lid.** A school board may exceed the basic allowable growth rate by up to an additional one percent (1%) with the affirmative vote of at least seventy-five percent (3/4s) of the board.

Existing law already permits a district to exceed the lid by submitting the issue to the voters within the district. The issue may be placed on a special election ballot upon the “recommendation of the board” or through the submission of a petition to the county clerk/election commissioner with the signatures of at least 5% of the legal voters in the district. (NOTE: LB 989e inserts new language to state that the issue may be approved on the same ballot as a vote to exceed the levy limits.)

**E. Unused Budget Authority.** LB 989e permits unused budget authority to carry forward. (NOTE: Various stipulations and caps on unused budget authority were removed from the original bill.)

**F. Lid Exemptions.** A Class II, III, IV, V, or VI school district may exceed the local system’s allowable growth rate for:

- (a) INTERLOCAL AGREEMENT - expenditures in support of a service which is the subject of an inter-local cooperation agreement or a modification of an existing agreement whether operated by one of the parties to the agreement or an independent joint entity;
- (b) DISASTER EMERGENCY - expenditures to pay for repairs to infrastructure damaged by a natural disaster which is declared a disaster emergency pursuant to the Emergency Management Act;
- (c) JUDGEMENTS - expenditures to pay for judgments, EXCEPT judgments or orders from the Commission of Industrial Relations (CIR), obtained against a school district which require or obligate a school district to pay such judgment, to the extent such judgment is not paid by liability insurance coverage of a school district;
- (d) EARLY RETIREMENT - expenditures to pay for sums agreed to be paid by a school district to certificated employees in exchange for a voluntary termination of employment, or
- (e) CERTAIN LEASE PURCHASES - expenditures to pay for lease-purchase contracts approved on or after July 1, 1997, and before July 1, 1998, to the extent the lease payments are not budgeted expenditures for fiscal year 1997-98.

**G. Effective.** LB 989e is operative for all fiscal years beginning on July 1, 1998.

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<b>LB 1028</b>	<i>Sponsor:</i> Will	<i>Effective Date:</i> 1/1/98	<i>Passed:</i> 4/14/98
	<i>Priority:</i> Suttle	<i>Committee:</i> Revenue	<i>Signed:</i> 4/13/98

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**Income Taxes.** In 1997, the Legislature passed LB 401 which provided for a temporary reduction in the state income tax rates. LB 1028 was intended to make the income tax cut permanent. The new law cuts the state income tax rates by an average of 4.4% and increases the credit for each personal exemption by \$10. The new law also allows self-employed individuals, when calculating state income tax liability, to deduct from their adjusted gross income 100% of what they paid for health insurance.

LB 1028 also changes the credit for child care expenses that can be applied against state income tax liability. Under former law, qualified taxpayers were allowed a state child care credit equal to 25% of the federal child care credit. The federal credit can vary, but the maximum credit per child is \$2,400. The state credit is nonrefundable, which means that if the credit is larger than the taxpayer’s total tax liability, the taxpayer does not receive the difference. LB 1028 retains the 25% nonrefundable state credit only for

those taxpayers with adjusted gross incomes of more than \$29,000. For people with incomes of \$29,000 or less, the state credit would be refundable, and it would be a larger percentage of the federal credit. A 100% state credit would be allowed for taxpayers with incomes of \$22,000 or less.

LB 1028 is expected to reduce state general fund revenue by \$27.6 million in fiscal year 1998-99, \$75.2 million in FY1999-2000 and \$80.8 million in FY2000-01.

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LB 1053e	<i>Sponsor:</i> Willhoft	<i>Effective Date:</i> 7/1/98	<i>Passed:</i> 4/7/98
	<i>Priority:</i> Willhoft	<i>Committee:</i> Government	<i>Signed:</i> 4/13/98

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**Nebraska Rural Development Commission.** Sponsored by Senator Willhoft and co-sponsored by 29 other state senators, LB 1053e served to reinforce the Legislature’s commitment to the function of the Nebraska Rural Development Commission.

**A. New State Agency.** Under LB 1053e, the administration of the commission would no longer remain within the Department of Economic Development. The new law creates a separate state agency for the Rural Development Commission. The responsibility of hiring and supervising staff will now vest in the chair and vice-chair of the commission.

**B. Membership and Officers.** Under current law, which is unchanged by LB 1053e, the Rural Development Commission consists of nineteen (19) members who represent “a wide range of rural Nebraska interests.” The Governor, with the advice of the commission, is authorized to appoint the members of the commission.

However, under former law, the Governor was also authorized to appoint the chair and vice-chair of the commission. This process is changed under LB 1053e to provide that the chair and vice-chair of the commission will be elected by a majority of the voting members of the commission in odd-numbered years and will serve two-year terms. As modified by the new law, members of the commission may not serve more than three consecutive two-year terms. Members who serve as chair or vice-chair may serve no more than four consecutive two-year terms on the commission in total.

**C. Duties of the Commission.** The duties of the commission remain the same except that one new duty is added to the list. A short list of the current duties include: (1) increase awareness of the needs of rural Nebraskans; (2) advocate for rural Nebraska by proposing solutions to rural challenges; (3) serve as an advisory body to the Governor, state agencies, and the Legislature on rural development issues; and (4) establish an information clearinghouse on rural challenges and needs, development services, model initiatives, available resources, and service providers.

The new duty added by LB 1053e is the administration of the Nebraska Development Network Program.

**D. Nebraska Development Network Program.** LB 1053e creates the Nebraska Development Network Program as a part of the Rural Development Commission. The commission is authorized to administer the program and may contract for services to carry out the Program.

The Program must create and support community and regional “development capacity enhancement programs and strategies” throughout Nebraska that: (1) recognize shared responsibility for shaping the community’s and region’s economic future by generating and focusing public and private resources on actions that will help communities and businesses grow; (2) encourage public-private partnerships; and (3) increase the resources directed toward economic development by assisting communities in planning their economic futures through a variety of methods.

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**LB 1063***Sponsor:* Beutler*Effective Dates:* 9/1/98*Passed:* 4/9/98*Priority:* Beutler*Committee:* Health*Signed:* 4/13/98

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***Children's Health Insurance.*** Sponsored by Senator Beutler and 33 co-sponsors, LB 1063 will impact public schools by requiring the distribution of certain information and by requiring districts to share immunization information.

**I. CHILDREN'S HEALTH INSURANCE PROGRAM.** LB 1063 directs the implementation of the new federal children's health insurance program authorized in the Balanced Budget Act of 1997. Coverage will be provided through the expansion of the Medicaid Program. Coverage will be expanded to all children under age 19 without health insurance coverage whose family income is at or below a specified percent of the federal poverty guidelines. Children would be continuously eligible for a 12-month period of time. Coverage is also expanded for pregnant women. Caretaker relatives eligibility is capped at the current income level. The Department of Health and Human Services is authorized to establish a schedule of premiums. Expanded coverage will begin in September, 1998. In the first year, 12,600 children will be served. The numbers are anticipated to increase in the following two years, when full implementation is expected to be reached.

***New Requirement for School Districts.*** Section 10 of LB 1063 requires each public school district to annually provide written information supplied by the Department of Health and Human Services. At the beginning of each school year, school officials must distribute to every student the written information which describes the availability of children's health services. School districts are only required to distribute the information provided by the Department of Health and Human Services.

**II. IMMUNIZATION INFORMATION.** Sections 11 to 16 of LB 1063 concern the exchange of immunization information between professionals, facilities, and departments. The purpose is to protect the public health by facilitating age-appropriate immunizations which will minimize the risk of outbreak of childhood diseases. (*NOTE: The following sections concerning immunization information were a part of LB 948 which was amended into LB 1063 on Select File.*)

**A. Nondisclosure Form.** A patient or, if the patient is a minor, the patient's parent or legal guardian may deny access under sections 11 to 16 of this act to the patient's immunization information by signing a nondisclosure form with the professional or entity which provided the immunization. The nondisclosure form must be kept with the immunization information of the patient and such information is considered restricted immunization information.

**B. Who May Share Information.** LB 1063 permits the following entities and persons to share immunization information which is not restricted by the filing of a nondisclosure form. The list of entities and persons authorized to share immunization information include: (1) physicians, (2) nurse practitioners, (3) physician assistants, (4) pharmacists, (5) licensed health care facilities, (6) public immunization clinics, (7) local or district health departments, (8) the Department of Health and Human Services, (9) the Department of Health and Human Services Regulation and Licensure, and (10) the Department of Health and Human Services Finance and Support.

**C. Schools, Child Care Programs, Postsecondary Institutions.** Immunization information concerning children enrolled in a licensed child care program, a school, or a postsecondary educational institution may also be accessed by any of the persons or entities described above,

subject to security provisions to be set by rule and regulation by the Department of Health and Human Services. Such immunization information is limited to the child's name, date of birth, immunization provider, and all dates of immunization by vaccine type documented in the immunization information. The access to immunization information does not change a parent's or legal guardian's right to access medical information about his or her child or ward.

**D. Confidentiality.** Shared immunization information is confidential, except that a child's immunization information may be disclosed to the child's parents or legal guardian. Unauthorized public disclosure of confidential information by an individual or an officer or employee of a child care program, a school, or a postsecondary institution is a Class III misdemeanor.

**E. Fees.** Any authorized person or entity which provides immunization information to a licensed child care program, a school, or a postsecondary educational institution may charge a reasonable fee to recover the cost of providing the information.

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<b>LB 1070e</b>	<i>Sponsor:</i> Wesely	<i>Effective Date:</i> 1/15/99	<i>Passed:</i> 4/9/98
	<i>Priority:</i> Wesely	<i>Committee:</i> Health	<i>Signed:</i> 4/13/98

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***Potential Funding for School Nurses***

1. **Health Care Fund.** LB 1070e creates the Nebraska Health Care Trust Fund Act. It also establishes a number of new funds one of which is the Excellence in Health Care Trust Fund. The new fund will include revenue transferred from the Nebraska Health Care Trust Fund and the Nebraska Tobacco Settlement Trust Fund (also newly created under LB 1070e).
2. **Purpose of Fund includes School Nurses.** Beginning January 15, 1999, the Excellence in Health Care Trust Fund will be used for grants or loan guarantees for a variety of projects and causes, including the hiring of school nurses. The new law provides that eligible activities and entities will include the hiring of school nurses by ESUs, school districts, public health entities, or partnerships between schools and public health entities in order to identify children for medicaid eligibility and to provide immunizations and other public health services.
3. **Excellence in Health Care Council.** The Governor is authorized to establish the Excellence in Health Care Council within the Department of Health and Human Services Finance and Support. The Governor will appoint a chairperson and five additional members to the council. The chairperson and members will be appointed for three-year terms.

The council may award grants or make loan guarantees to the extent funds are available. The Department of Health and Human Services is authorized to develop criteria for the awarding of grants from the Excellence in Health Care Trust Fund. The department also has the power to approve or disapprove decisions by the council regarding the selection of projects to be funded and the distribution and duration of project funding.

*(NOTE: Excellence in Health Care Council. Approximately \$961,135 will be available in FY 1999 and \$4.1 million in FY 2000. Interest earnings will increase annually from \$7.6 million in FY 2001 to \$21.4 million in FY 2008, assuming the principal is not expended.)*

<b>LB 1104e</b>	<i>Sponsor:</i> Raikes	<i>Effective Date:</i> 4/15/98	<i>Passed:</i> 4/14/98
	<i>Priority:</i> Speaker	<i>Committee:</i> Revenue	<i>Signed:</i> 4/14/98

***Sales Tax Cut, ESUs, and TERC***

**I. STATE SALES TAX RATE.** LB 1104e was amended on Select File to include what is perhaps the most significant provision of the new law. LB 1104e reduces the state sales tax rate from 5% to 4.5% for July 1, 1998 to June 30, 1999. The estimated reduction in state revenue from the sales tax reduction is estimated at \$91 million.

LB 1104e also transfers \$80 million to the General Fund from the Cash Reserve Fund to help compensate for the reduction in revenue in FY1998-99.

**II. STATE AID TO ESUs.** LB 1104e changes the definition of state aid to include the funds distributed to ESUs for core services. This provision is needed in light of the passage of legislation which appropriates approximately \$9.7 million per year to assist ESUs in providing core services to school districts.

**III. TAX EQUALIZATION AND REVIEW COMMISSION (TERC).**

**A. Staff Attorney.** LB 1104e will permit the TERC to hire legal staff. The TERC has estimated implementation costs of \$80,736 in FY1998-99 and \$81,181 in FY1999-00 for a staff attorney and a paralegal.

**B. Appeal Process.** LB 1104e allows the district court to appoint an attorney for a county assessor that appeals to the TERC in his/her official capacity. Counties will not have to pay the \$25 filing fee for such appeals.

<b>LB 1110e</b>	<i>Sponsor:</i> Hartnett	<i>Effective Date:</i> 4/10/98	<i>Passed:</i> 3/25/98
	<i>Priority:</i> none	<i>Committee:</i> Appropriations	<i>Veto Override:</i> 4/9/98

**ESU Core Services.** LB 1110e amends the Educational Service Units Act to provide a distribution system and relevant appropriations to help ESUs finance core services for public schools. The new law provides that no ESU may receive less than 2.5% of the funds appropriated for core services. LB 1110e also provides intent language to appropriate \$9.7 million from the General Fund for FY1998-99. LB 1110e also provides that the Legislature is to appropriate for FY1999-00 and each fiscal year thereafter the amount appropriated in the prior year increased by the percentage growth in the fall membership of member districts plus the basic allowable growth rate.

LB 1110e was vetoed by the Governor on the basis that it contained a repeal provision for the Property Tax Reduction Incentive Fund (LB 180, 1997). The Fund was created to appropriate \$20 million for each of the next three fiscal years beginning in FY1998-99. The Legislature believed the Fund should be eliminated and the Governor disagreed, hence the veto of LB 1110e.

*(NOTES: On April 9, 1998 the Legislature took action to override the veto and succeeded in doing so. Therefore, the distribution language for ESU funds survived under LB 1110e and so did the repeal of LB 180, 1997. For safe measure, the distribution language was also inserted into LB 1175, the Education Committee's technical cleanup bill.)*

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**LB 1129e***Sponsor:* Robinson*Effective Date:* 4/19/98*Passed:* 4/14/98*Priority:* Gov. Com.*Committee:* Government*Signed:* 4/18/98

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***Energy Finance Contracts.*** In addition to creating the Governor's Residence Advisory Commission, among many other items, LB 1129e served as the technical cleanup bill for the Government Committee. The bill was amended on Select File with provisions that impact public education by creating guidelines for energy finance contracts. The provisions were incorporated from LB 776, introduced in 1997 by Senator Jensen. The energy finance contract provisions of LB 1129e are found in sections 9 through 13 of the new law and are outlined below.

**A. Definitions.**

1. "ENERGY CONSERVATION MEASURE" means a training, service, or operations program or facility alteration designed to reduce energy consumption. Energy conservation measure includes: (a) repair or renovation of heating, ventilation, and air conditioning systems; (b) installation or repair of automated or computerized energy control systems; (c) replacement or modification of lighting fixtures; (d) insulation of a building structure or systems within that structure; (e) installation of energy recovery systems; (f) installation of cogeneration systems that produce steam or forms of energy such as heat, as well as electricity, for use primarily within a building or complex of buildings; (g) replacement, weather-stripping, caulking, or other insulation of windows or doors; or (h) any other measure designed to reduce energy consumption.
2. "ENERGY FINANCING CONTRACT" means an agreement between an energy service company and a governmental unit for the implementation of one or more energy conservation measures in an existing facility in exchange for a portion of the energy cost savings produced. The term energy financing contract may include (but not limited to) performance contracts, shared-savings contracts, guaranteed contracts, and lease-purchase contracts.
3. "ENERGY SERVICE COMPANY" means a person or business experienced in the implementation and installation of energy conservation measures.
4. "GOVERNMENTAL UNIT" means a school district, village, city, county, or department or agency of the State of Nebraska.

**B. Bidding Process.** LB 1129e provides an exception for the normal public bidding process (under section 73-101 et seq.) when the contract at issue is an energy financing contract with an energy service company.

**C. Process to Enter an Energy Financing Contract.**

1. **WRITTEN REVIEW.** Prior to entering into an energy financing contract, a governmental unit must obtain a written opinion from a licensed Nebraska professional engineer whose interests are independent from the financial savings outcome of the contract. The opinion must contain a review of recommendations proposed by an energy service company pertaining to energy conservation measures designed to reduce energy consumption to the governmental unit.
2. **PUBLIC NOTICE.** At least fourteen days prior to entering into an energy financing contract, a governmental unit must furnish public notice of its intention to enter into such contract, the general nature of the proposed work being considered under the contract, and the name and telephone

number of a person to be contacted by any energy service company interested in submitting a proposal to contract for such work.

3. RFQs. The governmental unit must also directly solicit requests for qualifications (RFQs) from at least three energy service companies relating to the proposed contract.
4. SELECTION OF COMPANY. Upon receiving responses to its RFQs, the governmental unit may select the most qualified energy service company based on the company's (a) experience, (b) technical expertise, (c) financial arrangements, (d) overall benefits to the governmental unit, and (e) other factors determined by the governmental unit to be relevant and appropriate. The governmental unit may then negotiate and enter into an energy financing contract with the company selected based on the criteria established by the governmental unit.
5. TERMS OF CONTRACT. Any energy financing contract entered into by a governmental unit must conform to the following standards:
  - (i) Detail the responsibilities of a Nebraska-licensed professional engineer in the design, installation, and commissioning of the energy conservation measures selected by the governmental unit. (Any design must conform to all state statutes pertaining to engineering design and public health, safety, and welfare.)
  - (ii) Set forth the calculated energy cost savings during the contract period attributable to the energy conservation measures to be installed by the energy service company. (Operational savings may be included in the total savings amount, not guaranteed, but approved by the governmental unit.)
  - (iii) Estimate the useful life of each of the selected energy conservation measures.
  - (iv) Provide that, except for obligations on termination of the contract prior to its expiration, payments on the contract are to be made over time, within a period not to exceed fifteen (15) years after the date of the installation of the energy conservation measures provided for under the contract.
  - (v) Provide that the calculated savings for each year of the contract period will meet or exceed all payments to be made during each year of the contract.
  - (vi) Disclose the effective interest rate being charged by the energy service company.
  - (vii) In the case of a guaranteed savings contract, set forth the method by which savings will be calculated and a method of resolving any dispute in the amount of the savings. (The energy service company must have total responsibility for the savings guarantee for each guaranteed savings contract.)
6. OTHER TERMS AND CONDITIONS. An energy financing contract may extend beyond the fiscal year in which it becomes effective and must allow the governmental unit to cancel the contract for the nonappropriation of funds. An obligation created by an energy financing contract entered into or indebtedness incurred must not constitute or give rise to an indebtedness within the meaning of any constitutional, statutory, or board debt limitation.
7. REQUIRED BONDS. An energy service company entering into an energy financing contract must provide a performance bond to the governmental unit in an amount equal to 100% of the total

cost of the contract to assure the company's faithful performance. The company must also supply a guarantee bond equal to 100% of the guaranteed energy savings for the entire term of the contract. (For purposes of LB 1129, "total cost" means all costs associated with the design, installation, modification, commissioning, maintenance, and financing of all energy conservation measures contemplated under the contract.)

- D. Lease Purchase Contracts.** Under former law, a lease purchase contract could not have a duration of more than seven (7) years for school districts. The normal duration of a lease purchase contract remains seven years under LB 1129 except where it applies to energy financing contracts. Under the new law, lease-purchase agreements entered into as part of an energy financing contract may not exceed a period of fifteen (15) years.

LB 1134	<i>Sponsor:</i> Janssen	<i>Effective Date:</i> 7/15/98	<i>Passed:</i> 4/2/98
	<i>Priority:</i> Janssen	<i>Committee:</i> Education	<i>Signed:</i> 4/8/98

***Reorganization Incentive Payments***

- A. Payments.** LB 1134 changes provisions of the state aid to schools formula relating to reorganization incentives. Under former law, up to 1% of the appropriation to the Tax Equity and Education Opportunities Fund (TEOSA) can be used for incentive payments for schools. The new law allows reorganization incentives to be paid beginning in the year following the year in which the reorganization occurs rather than in the second year after the reorganization. It allows these first year incentives to be paid in 1998-99, 1999-00, 2000-01 and 2001-02. The new law provides for incentive payments to be made for a total of three (3) years. It changes current law to allow incentive payments through July 1, 2004 rather than up to July 1, 2006.

- B. New Fund.** Since state aid for 1998-99 has already been certified, the new law establishes a Reorganized School Assistance Fund from which first year reorganization incentives are to be paid in 1998-99. A transfer of \$2 million from the Cash Reserve Fund to the Reorganized School Assistance Fund is authorized in the new law to make payments in 1998-99.

In 1999-00, the new law also requires that a \$2 million transfer be made from the General Fund to the Reorganized School Assistance Fund. This amount is to be immediately transferred to the Cash Reserve Fund to pay back the \$2 million used to pay reorganization incentives in 1998-99.

The Reorganized School Assistance Fund terminates on September 2, 1999 and any money remaining in the fund reverts to the General Fund. LB 1134 includes intent language to reduce the appropriation of state aid for TEOSA by \$2 million in 1999-00. This reduction of expenditures for TEOSAaid will offset the \$2 million transfer made from the General Fund to the Cash Reserve Fund.

- C. Funds to be Set Aside.** In 1999-00, 2000-01 and 2001-02 the new law requires that \$2 million be set aside for first year incentive payments from the amount appropriated for TEOSA aid. Any funds remaining from the annual set-aside will be reappropriated for TEOSA aid in the following year. If the set-aside is not sufficient to fund first year incentive payments, then the payments are to be prorated. (*NOTE: Incentive funds are not included as resources for school districts in the state aid formula.*)

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**LB 1191***Sponsor:* Retire. Com.*Effective Date:* 7/15/98*Passed:* 4/8/98*Priority:* Retire. Com.*Committee:* Retirement*Signed:* 4/14/98

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***Retirement Committee's Technical Cleanup Measure.*** LB 1191 was the clean-up bill introduced by the Retirement Committee affecting all five of the state administered plans.

**1. IRS Compliance Language**

- In order to maintain qualified plans, the state-administered plans must comply with specific Internal Revenue Code requirements including section 415. This section establishes limitations on contributions and distributions which can be made to and from the plans.
- LB 1191 eliminates the language in state statute which includes Internal Revenue Code section 415 language. The Public Employees Retirement Board is given the duty of adopting rules and regulations to maintain the qualified status of the plans.

**2. Eligibility and Vesting Credit**

- LB 1191 clarifies that eligibility and vesting credit is only available when an employee moves between two different Nebraska governmental retirement plans rather than within the same plan. Eligibility and vesting credit is credit for service which an employee can use in determining their vesting date, or eligibility to join the plan.
- Movement, or rehiring, within the same plan is covered in a different portion of the statutes. These changes are made in the state, county and state patrol plans, but the language is already updated in the school plan.

**3. School Employee Buy Backs**

- The Internal Revenue Code contains changes, effective last year, requiring that a participant in a purchase of creditable service can not receive a retirement benefit for the same service under more than one plan. Therefore, they can not purchase credit if they are already receiving credit for their service under another plan.
- LB 1191 makes changes to the sections dealing with purchasing of permissive service credit for out-of-state service or service within a Class V district to comply with federal changes.
- The new law requires that in order to purchase out-of-state service, or service within the OPS plan, the years of service in the other state's, or the OPS plan, must be forfeited.

**4. Purchases of Service Years**

- LB 724 (1997) allowed school employees to purchase up to five years of creditable service within one year of retirement in certain situations.
- It is necessary that these new contributions be included in the list of contributions which can be "picked up", or essentially treated as employer contributions for tax purposes Public Employees Retirement Board Liability. It clarifies that the PERB board is personally liable for "administrative" rather than "investment" decisions. This change is necessary following the changes made last year giving the technical investment decisions for the plans to the Nebraska Investment Council rather than the PERB.

**5. Trust Language**

- LB 1191 adds trust language to each of the 5 state plans required to be expressly stated by section 401(a)(2) of the Internal Revenue Code.
- The language clarifies that the contributions to the system, all property and rights purchased with the contributions, and all investment income attributable to the contributions, property, or rights

shall be held in trust by the State of Nebraska for the exclusive benefit of members and their beneficiaries and shall only be used to pay benefits to such persons and to pay administrative expenses of the plan.

#### **6. Fraud upon the Retirement Systems**

- Clarifies and adds language in all the retirement systems dealing with defrauding a system. It improves the language in the county, state, and school employees systems, and adds language to the judges and patrol plans which do not currently have fraud provisions. It leaves the penalty the same for defrauding a system, however, the language is clarified to include fraudulent as well as false actions and to clarify which documents are specifically covered by the fraud provisions.
- The changes give the PERB the duty to deny any benefits that it determines are based on false or fraudulent information and gives the board a legal cause of action against the member to recover any benefits that were paid based on fraudulent information.

#### **7. Transfer of Employees between Political Subdivisions**

- Political subdivisions affected include school districts and all other units of local government, including entities created through the Interlocal Cooperation Act.
- Currently, section 13-2401 allows a distribution of assets if an employee is transferred to another entity but does not change jobs. Language is stricken to remove the option of the employee receiving a distribution at the time of transfer from one employer to another in order to comply with IRS interpretations.
- This change is necessary to maintain the plans qualified status for federal purposes.

#### **8. School Employees: Verification of Creditable Service**

- Currently, a member's years of service are not verified until they retire. Therefore, there may be questions or disputes by the member with the time reported by the school, however, they are never raised or known until the employee goes to retire. This may cause a delay in the determination of benefits at retirement.
- The new law puts in place a procedure in the School Employees Plan requiring the PERB to verify all past creditable service with the member and to verify current creditable service with the member on a biannual basis beginning during the next two years.
- LB 1191 requires that the board send to each active member of the retirement system a biannual statement of their creditable service earned in the prior two years. The first statements must be sent out between October 1, 1998 and October 1, 2000. The statement will be sent by certified mail, return receipt requested. The member then has 90 days after they receive the statement to dispute the amount of creditable service and request the PERB to modify or correct the statement.
- If the member does not dispute the statement within 90 days, they are bound by the statement and are barred from challenging it.
- The same procedure will be utilized in determining creditable service earned by members for all fiscal years prior to the biannual statement. This clean up of historical service will be accomplished between July 1, 1998, and July 1, 2000.

#### **9. Reporting Standards**

- Clarifies that the PERB has the ability to establish and implement reporting standards for the five state-administered systems.
- The reporting standards are to be designed to ensure the accuracy, timeliness and verifiability of information received from the agencies, counties, school districts, and other public entities with employees participating in the state administered systems.

**10. Qualified Domestic Relations Orders (QDROs)**

- LB 1191 clarifies that the PERB is not responsible for any payments made in violation of a qualified domestic relations order prior to the time that the order is filed with the board.

**11. Definitions in the School Employees Plan**

- It clarifies the definition of school employee in regard to part time employment in order to provide more flexibility to school districts by basing part time employment on a schedule of 60 hours per month rather than 15 hours per week.
- Deletes a limits on amount of time a retiree can work as a substitute school employee

**12. OPS Plan: File Annual Reports**

- This portion of the new law requires certain political subdivisions that have established retirement plans to file annual summary reports and quadrennial financial or actuarial reports with the PERB and the Retirement Committee. The new law requires that an annual report containing basic information regarding each of the entity’s retirement plans be filed with the PERB and the Retirement Committee by December 31 each year, beginning with December 31, 1998.
- In addition to the annual report, every 4 years, the entity has to file with the PERB and the Retirement Committee either: 1) a full actuarial analysis; or 2) a financial audit and investment analysis, depending upon whether the type of retirement plan. If the plan is a defined benefit plan, a full actuarial analysis of each of the entity’s defined benefit plans is required.
- The governmental entities that are required to file reports include OPS.

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<b>LB 1219e</b>	<i>Sponsor:</i> Bohlke	<i>Effective Date:</i> 4/19/98	<i>Passed:</i> 4/14/98
	<i>Priority:</i> Dierks	<i>Committee:</i> Education	<i>Signed:</i> 4/18/98

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**I. UNIFICATION AGREEMENTS.**

**A. Definition.** A unified system is defined as two or more Class II or III school districts participating in an interlocal agreement with approval from the State Committee for the Reorganization of School Districts. The interlocal agreement may include Class I districts.

**B. Interlocal Agreement.** The agreement for unification would have a duration of at least three (3) years. The agreement must provide that all state aid and property tax resources are shared by the unified system. The agreement must also provide that a “super” board be created and comprised of school board members from among the participating districts. The super board must include at least one (1) school board member from each district but may include more if the agreement so provides.

The agreement must provide that certificated personnel will be employees of the unified system rather than the individual districts. If a district withdraws from the unification or if the agreement expires and is not renewed, certificated staff must be reemployed by the original district.

The super board will act as the collective-bargaining agent for the unified system and will have the authority to hire and terminate teachers, administrators and other staff.

**C. Application.** Application must be made to the State Committee for the Reorganization of School Districts. The application must contain a copy of the interlocal agreement signed by

the president of each participating school board. The state committee must approve or disapprove applications for unification within 30 days after receipt of the application. Unification agreements will become effective on June 1st following approval from the state committee or on June 1st of the year specified in the agreement. The board established in the agreement may begin meeting any time after the application has been approved by the state committee.

**D. Recognition.** Upon granting the application, NDE must recognize the unified system as a single Class II or III district for state aid, budgeting, accreditation, enrollment of students, state programs, and reporting. The class of district will be the same as the majority of participating districts, excluding Class I districts. If there is an equal number of Class II and Class III districts in the unified system, the unified system will be recognized as a Class III district.

The school districts participating in a unified system will retain their separate identities for most purposes. For instance, districts within a unified system may retain their individual athletic and other extracurricular programs.

**E. Incentive Payments.** To encourage unification, incentives will be paid to unified districts in certain size ranges for a three-year period. Incentive payments will be calculated based on average daily membership in each affected district in the school year immediately preceding the first year of the unification. The unified system may file an application with the state committee for incentive payments either following approval or in conjunction with the application for unification. For unification, 100% of the amount calculated will be included in the distribution of state aid in the base fiscal year, 75% for the second year, and 50% for the third year.

**F. Withdrawing.** If, prior to the beginning of the eighth year of operation, the unified system discontinues its status as a unified system and does not consolidate, the districts in the unified system must pay back the incentives plus interest. The total incentives paid to the unified system would 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 would be paid back through reductions in state aid in equal amounts for five years.

**II. BUDGET PROCESS.** LB 1219e provides procedures for a high school district to follow to reduce property tax requests when the total levy for a local system budget exceeds the amount which can be generated by the maximum levy. It also reduces the amount which may be levied by a Class I school district for school buildings, sites or repairs from 17.5¢ to five cents on each \$100 valuation. This cap also includes any amounts levied for environmental hazards or accessibility barriers.

**III. TEMPORARY MITIGATION FUNDS.** The new law provides for a transfer of \$4.5 million from the Cash Reserve Fund to the General Fund on or before September 1, 1998. The funds transferred to the General Fund are appropriated to NDE in 1998-99 to distribute as one-time temporary mitigation funds to schools which have property tax and state aid resources in 1998-99 which are less than 90% of their 1997-98 property tax and state aid resources.

Systems must meet certain criteria in the new law in order to receive aid. First, the local system's 1997-98 general fund budget, minus expenditures made for special education, could not have exceeded its 1995-96 general fund budget, minus special education, by more than 2 percent plus the percentage growth in students. Second, the local system must fit into one of three categories: (a) it must be classified as sparse or very sparse for state aid purposes, (b) it must be subject to loss of state aid because of a clerical error in determining adjusted valuation, or (c) it must have shown an intent to merge, consolidate or unify with at least one specified high school district by June 1, 1999. This intent would be shown through a public vote of the board of the high school district, and a majority of board members would have to sign an affidavit acknowledging such intent.

NDE is to calculate the systems eligible for aid and distribute the funds by September 15, 1998. Payments are to be prorated if the appropriation is not sufficient to fund all claims. The temporary mitigation funds must be returned if the receiving district does not merge, consolidate or unify prior to June 30, 2000. The funds need not be returned if the state reorganization committee determines a merger, consolidation, or unification is not possible.

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<b>LB 1228</b>	<i>Sponsor:</i> Bohlke	<i>Effective Date:</i> 7/15/98	<i>Passed:</i> 4/2/98
	<i>Priority:</i> Bohlke	<i>Committee:</i> Education	<i>Signed:</i> 4/8/98

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**Quality Education Accountability Act.** Introduced and prioritized by Senator Bohlke, and co-sponsored by 20 other senators, LB 1228 creates the Quality Education Accountability Act. The new law may be divided into four components for purposes of analysis (quality education incentive payments, financial reporting system, statewide assessment, and teacher mentoring).

**I. QUALITY EDUCATION INCENTIVE PAYMENTS. (Part One)**

**A. Defining Criteria.** Quality education incentive payments will be provided to local systems each year the local system meets the qualifications described below.

<i>Qualification Years</i>	<i>Qualifying Factors</i>
1st - 2nd	all primary quality factors
3rd - 4th	all primary quality factors -and- at least 2 premier quality factors
5th - 6th	all primary quality factors -and- at least 3 premier quality factors
7th & beyond	all primary quality factors -and- at least 4 premier quality factors

Primary Quality Factors:

- **ACADEMIC STANDARDS.** Each district in the local system has adopted academic standards adopted and promulgated by the State Board of Education OR academic standards approved by the state board as generally more rigorous than the academic standards adopted and promulgated by the state board.
- **ALTERNATIVE EDUCATION FOR EXPELLED STUDENTS.** Each district in the local system has an alternative school, class, or educational program available or in operation for all expelled students or, for districts that do not have any expelled students, an adopted school board policy to have an alternative school, class, or educational program available or in operation for all expelled students if any expulsions occur.
- **COLLEGE ADMISSIONS TEST.** At least 60% of the graduating seniors in the local system have taken a standard college admissions test and those students have an aggregate average score, using the most recent test score on each test taken for each student who has taken at least one (1) of the tests, above the statewide average score on any of the standard college admissions tests which at least 25% of the graduating seniors have taken. †

† School systems in which at least 40% of the students qualify for the poverty factor will receive \$100 per formula student multiplied by the percentage of seniors scoring above the statewide average on a college admissions test divided by the total seniors who take a college admissions test.

Premier Quality Factors:

- NATIONAL CERTIFICATION. The local system has at least one teacher who has received credentials from a national nonprofit organization the purpose of which is to establish high and rigorous standards in a broad range of educational areas for what accomplished teachers should know and be able to do and which issues credentials to teachers who demonstrate that they meet those standards;
- GRADUATE DEGREES/COURSES. At least 36% of the certificated teachers in the local system have advanced degrees OR at least 30 graduate-level hours.
- TEACHER MENTORING. Each first-year teacher in a local system is provided with a mentor participating in the mentor teacher program established under LB 1228 OR a mentor teacher program established by a district in the local system and approved by the state board.
- DROPOUT RATE. The high school district improves the annual percentage dropout rate from the prior year OR maintains a dropout rate not to exceed 4%.
- GIFTED EDUCATION. An approved program for learners with high ability is available to every student identified as a learner with high ability in the local system AND there is at least one learner with high ability identified in the local system.

**B. Application Process.** Local systems meeting the criteria may apply to the Excellence in Education Council for quality education incentive payments on or before October 1, 1998, for the 1998-99 school fiscal year and on or before July 1st of each fiscal year thereafter, using the most recent information and data available. If the information and data in the application indicate that the local system meets the criteria, the local system will qualify for quality education incentive payments.

**C. Payment Amounts.** Incentive payments will be made from the Education Innovation Fund (State Lottery) on or before December 1, 1998, for the 1998-99 school fiscal year and on or before September 1st of each school fiscal year beginning with 1999-00 school fiscal year. The payments will equal \$50 per adjusted formula student or \$100 per adjusted formula student for local systems in the very sparse cost grouping based on the most recent certification of state aid. *Pro Rata:* If the unobligated balance in the fund is less than the amount calculated for quality education incentive payments due to qualified local systems, each qualified local system will receive a pro rata amount such that the amount of payments equals the unobligated balance in the fund.

**D. Permitted Uses for Incentive Payments.** Incentive payments may only be used for pilot projects or model programs for the purposes set forth in section 9-812 for major competitive grants. Incentive payments may not be used to supplant federal, state, or local funds. The payments must be made to the high school district, and the high school district prior to the application must determine how the payments will be used after consultation with all Class I school districts in the local system. Incentive payments, or portions of such payments, may be transferred to the Class I school districts. (*NOTE: Quality education incentive payments will not be included as local system formula resources. The Excellence in Education Council may audit the use of quality education incentive payments at the discretion of the council.*)

**II. FINANCIAL REPORTING SYSTEM. (Part Two)**

**A. Feasibility Study.** With NDE's assistance, the School Finance Review Committee is directed to complete a feasibility study and make recommendations for a financial reporting system for all K-12 local systems and report to the Legislature's Education Committee by December 1, 1998.

**B. System Specifications.** The financial reporting system must:

- Provide for standardization and uniformity in the classification of all receipts and expenditures as a basis for preparing financial reports;
- Report all receipts and disbursements to the public and NDE in a consistent format that easily explains to taxpayers how education funds are spent and where the funds are generated for the state, each local system, and each attendance center;
- Be adaptable to changing requests for information;
- Be provided in an electronic format;
- Provide for the inclusion of Class I data with the data of its primary high school district in a manner which allows for analysis of the data for the Class I and the primary high school district separately and as an aggregate;
- Provide for electronic filing of reports with NDE and the State Auditor;
- Provide for electronic access to reports as filed; and
- Maintain compatibility with existing accounting systems.

**III. STATEWIDE ASSESSMENT. (Part Three)**

**A. Creation of Program.** The State Board of Education is directed to implement a statewide assessment program for students in a selected grade in each of the grade ranges 4-6, 7-9, and 10-12 each fall semester beginning with the fall semester of 2000.

**B. Purchase/Development of Assessment Instrument.** The assessment program will consist of one assessment purchased from an assessment service for each selected grade which tests students in the areas of mathematics, reading, science, and social studies, plus one writing assessment, either developed within the state by educators with expertise in writing assessment or purchased as a part of the assessment for the other specified subjects.

**C. Purposes of Assessment Program.**

- Evaluate whether or not students in a school system have acquired skills and knowledge which allow them to meet or exceed academic standards established by the state board;
- Measure progress of students in a school system toward meeting academic standards established by the state board;
- Provide information for analysis of adopted standards and consideration of new standards;
- Allow comparisons to be made between the academic achievement of students in a local system and students in another Nebraska local system; and
- Allow comparisons to be made between the academic achievement of Nebraska students with the academic achievement of students in other states.

- D. Participation.** All public school districts are required to participate in the assessment program, and all students enrolled in the designated grade levels in such districts must be assessed except as follows: (i) the state board must establish criteria that schools may use to exempt special education students from assessment in any or all subject areas; and (ii) the state board may also adopt alternative assessments or means of scoring for special education students and students with limited English proficiency.
- E. Reporting.** The individual assessment scores will be confidential, will be reported to the school district for educational purposes, and will not be reported to NDE. Aggregate results for each school district will be reported to the department by the assessment service and writing assessment scorers. School districts may also make aggregate data available based on attendance centers.
- F. Cost of Assessment Program.** NDE is responsible for the cost of the assessment materials and scoring.

*NOTES: The Governor line-item vetoed a portion of the appropriation bill, LB 1228A, concerning the funding for the statewide assessment program. LB 1228A would have appropriated \$1,728,000 for FY1999-00 to fund the program. The Governor argued that the funds were not needed at this time since the program would not be implemented until the fall of 2000.*

*The Legislature's Fiscal Office estimates a General Fund cost of approximately \$1,945,000 (\$28.20 per test) for a multiple choice test and a writing assessment which is purchased from a major test publisher. If only a multiple choice test is purchased from a testing company and the writing assessment is developed and administered by educators in the state, then annual testing costs may be closer to \$1,511,000 (\$21.90 per test).*

#### IV. TEACHER MENTORING. (Part Four)

- A. Guidelines.** The State Board of Education is directed to develop guidelines for mentor teacher programs in local systems in order to provide ongoing support for individuals entering the teaching profession.
- B. Funding.** Funding for mentor teacher programs will be provided to local systems which provide each first-year teacher in the local system with a mentor. The mentor teacher programs will be funded by the Education Innovation Fund and must identify criteria for selecting excellent, experienced, and qualified teachers to be participants.
- C. Report.** The state board must report to the Legislature on or before December 1, 1998, on its progress.

*FINAL NOTES ON LB 1228: The quality education incentive payments and teacher mentoring programs are to be funded through the Education Innovation Fund. In 1998-99 the estimated receipts to the Education Innovation Fund is \$9.4 million. LB 1228 amends existing law to create the following order of priority to draw funds from the Education Innovation Fund: First Priority - up to 10% to fund mentor teacher programs; Second Priority - up to 70% for quality education incentive payments; and Third Priority - up to 20% for competitive grants (the original purpose of the Fund).*

*Using estimated annual receipts of \$9.4 million to the Education Innovation Fund, approximately \$6.58 million will be available in 1998-99 and 1999-00 for quality educa -*

tion incentives. If half of the adjusted formula students in the state qualified for incentive payments, then approximately \$8.3 million (332,000 adjusted formula students x \$50) would be needed for incentive aid, which would necessitate the prorating of available funds.

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<b>LB 1229e</b>	<i>Sponsor:</i> Bohlke	<i>Effective Date:</i> 7/15/98	<i>Passed:</i> 4/2/98
	<i>Priority:</i> D. Pederson	<i>Committee:</i> Education	<i>Signed:</i> 4/8/98

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**Gifted Education.** LB 1229e relates to gifted education for high ability learners. The new law does not require districts to implement a gifted education program but does provide financial incentive to do so. LB 1229e also contains a provision concerning kindergarten enrollment.

**I. CRITERIA FOR IDENTIFICATION.** (*mandatory*)

- A. Reports.** School districts must annually provide NDE with a copy of their:
- (i) criteria for identifying learners with high ability,
  - (ii) the number of students identified according to the criteria, and
  - (iii) the number of students participating in an approved accelerated or differentiated curriculum program.
- B. Inspection.** School districts must also have a list of the students identified and how the students compare to the criteria available for inspection by department personnel.

**II. GIFTED PROGRAMS.** (*nonmandatory*)

- A. Permissive Programs.** LB 1229e does not require school districts to offer gifted education programs, but it does provide an financial incentive to do so. In order to be eligible for funds to offset the cost of a gifted program, a district must adhere to the following items:
- (a) Provide an approved accelerated or differentiated curriculum program for students identified as learners with high ability;
  - (b) Provide funds from other sources for the approved accelerated or differentiated curriculum program greater than or equal to 50% of the matching funds received;  
*(NOTE: If a local system will not be providing the necessary matching funds, the local system must request a reduction in the amount received such that the local system will be in compliance with the matching fund requirement.)*
  - (c) Provide an accounting of the funds received and the total cost of the program on or before August 1st of the year following the receipt of funds in a manner prescribed by NDE, not to exceed one report per year;
  - (d) Provide data regarding the academic progress of students participating in the accelerated or differentiated curriculum program in a manner prescribed by NDE, not to exceed one report per year; and
  - (e) Include identified students from Class I districts that are part of the local system in the accelerated or differentiated curriculum program.  
*(NOTE: Local systems not complying with the foregoing requirements will not be considered eligible local systems in the following year.)*

- B. Appropriation.** Beginning with school fiscal year 1998-99, the Legislature must appropriate funds to be distributed by NDE pursuant to local systems annually on or before October 15th.

*NOTES: The original intent of LB 1229e was to appropriate, for FY1998-99, \$6 million and, for FY1999-00 and each fiscal year thereafter, the amount of the previous year's appropriation increased by the percentage growth in identified participating students plus the basic allowable growth rate.*

*However, in a letter to the Legislature, Governor Nelson indicated his support for gifted education but his opposition to the amount of the annual appropriation. The Governor recommended through his line-item veto that \$3,025,500 be appropriated for FY1998-99 and \$3,092,850 for FY1999-00. The Governor rationalized that additional resources to help operate local gifted education programs may potentially be offered through the ESU core services. The Governor also noted that another measure, LB 1228, was designed to offer incentive payments to those districts that meet certain criteria. The incentive payments could be used by a district to help offset the expenses of operating a gifted education program. The line-item veto was sustained by the Legislature.*

- C. Distribution of Funds.** The new law provides that up to 5% of the appropriation for aid in 1998-99, 1999-00 and 2000-01 will be used for start-up costs for schools and will be distributed on a pro rata basis based upon eligible costs submitted by schools. School systems may also receive .1% of the appropriation as base funds. The remaining funds are to be distributed as a pro rata share based on the students participating in high ability learner programs. Up to 10% of the prior year's membership of students participating in accelerated or differentiated curriculum programs may be counted for aid purposes.

*NOTES: Based on an appropriation of \$6 million in 1998-99, up to \$300,000 of the funds appropriated can be used for start-up costs. If all 286 school systems qualify for base funds, then \$1,716,000 of the appropriation will be distributed on this basis. The remaining \$3,984,000 will be allocated based on students participating in high ability learner programs. Once again, a 50% match must be provided by a local school system to receive any of these funds.*

- D. Special Education Allowance.** The inclusion of aid funds received for high ability learner programs as part of the special education allowance for state aid purposes and as an accountable receipt for purposes of determining local resources insures that school systems which receive aid for high ability learner programs will not be penalized by a loss in equalization aid.
- E. Rules and Regulations.** The State Board of Education is authorized to adopt and promulgate rules and regulations to implement LB 1229e, including criteria for the approval of accelerated or differentiated curriculum programs and data requirements for measuring academic progress of students participating in the programs.

- III. KINDERGARTEN ENROLLMENT.** Prior to LB 1229e, a school board could admit a child who will reach the age of five between October 16 and February 1 of the current school year if the parent or guardian requests such entrance and provides an affidavit stating that EITHER the child attended kindergarten in another jurisdiction in the current school year, OR the family anticipates a relocation to another jurisdiction that would allow admission within the current year. LB 1229e adds a third option to current law. Under the new law, a school board MAY approve "recognized assessment procedures" to determine whether a child is capable of carrying the work of kindergarten or the beginner grade. There is no requirement upon districts to adopt such a procedure.

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**LB 1354e***Sponsor:* Wesely*Effective Date:* 4/19/98*Passed:* 4/14/98*Priority:* Health Com.*Committee:* Health*Signed:* 4/18/98

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***Medication Aide Act.*** LB 1354e repeals the current Care Staff Member and Medication Assistant Programs Act and adopts in its place the Medication Aide Act. The new act defines the conditions under which unlicensed persons may participate in the administration of medications to persons who do not have the ability to take medications independently. The new law sets forth mechanisms for determining competency and establishes a registry for individuals who have been determined to be competent in providing medications.

LB 1354e provides that as of July 1, 1999, no person, facility, or school may use or employ any individual to provide medications unless the individual is a registered medication aide or is authorized to administer medication. There is no requirement in LB 1354e that schools employ or use a school nurse or medication aide in order to be in compliance with the act. Under the new law, schools have the choice of employing a registered medication aide or have an existing staff member of a school perform that function. However, the staff member must be determined to be competent to perform the task of dispensing medication as provided in the act.

## II. Legislative Interim Studies

	<i>Page</i>
<b>1. Budgets and Spending</b>	
Local Government Financial Reports.....LR 372.....	26
State Budgeting Process .....	LR 406.....26
Class I Budgets.....	LR 449.....26
Limitation On State Spending .....	LR 464.....27
<b>2. Commission of Industrial Relations</b>	
CIR.....	LR 426.....27
CIR.....	LR 463.....27
<b>3. Miscellaneous Education Issues</b>	
Coaching/Teaching Assignments.....	LR 347.....27
Charter Schools.....	LR 387.....28
Educational Lands And Funds.....	LR 469.....28
School-To-Work Program.....	LR 475.....28
<b>4. Other Miscellaneous Studies</b>	
Greenbelt Law.....	LR 369.....29
State Lottery.....	LR 401.....29
Health Insurance.....	LR 434.....29
Homestead Exemptions .....	LR 458.....29
<b>5. Retirement</b>	
Investment Of Assets.....	LR 430.....30
Benefits.....	LR 431.....30
<b>6. School Finance</b>	
Lop-Off Provision.....	LR 349.....30
Creating Another Cost Grouping.....	LR 366.....31
State Aid And Rural Schools.....	LR 457.....31
<b>7. Student Behavior</b>	
Student Discipline.....	LR 376.....31
Behavioral Disordered Students.....	LR 440.....32
<b>8. Taxes</b>	
State Sales Tax.....	LR 351.....32
State Income Tax .....	LR 352.....32
Overall Tax System.....	LR 433.....32
Major Tax Change Plan.....	LR 435.....33
State Tax Comparison Study .....	LR 452.....33

# 1. Budgets and Spending

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LR 372	<i>Sponsor:</i> Wickersham	<i>Subject:</i> government financial reports	<i>Committee:</i> Revenue/Appropriations
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*Purpose:* Local governments and state government have concerns about the complexity, uniformity, and need for multiple financial reports submitted to agencies of state government. Proposed levy limits and expenditure restrictions have some provisions which require specific reporting by spending types in order to be successfully implemented. The Legislature and the public have expressed renewed interest in an examination of total public spending in its overall level and in sufficient detail to have informed discussions on allocation of public resources. Some of those issues have previously been addressed by staff from the Revenue Committee and the Appropriations Committee. Several other issues are being addressed by a working group of state and local officials regarding significant financial reporting information requirements imposed on local governments.

LR 372 requires the Revenue and Appropriations Committees to do continued analysis of local government financial reports, budgets, levy limits requirements, and financial reporting statutes in order to determine the usefulness and impact of these provisions on local governments. This analysis should include examining what potential may exist for devising practical and useful financial information reporting procedures and electronic filing of budgets. The committees and their staff shall monitor and participate in the efforts of interested local and state government agencies currently involved in examining this issue.

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LR 406	<i>Sponsor:</i> Jensen	<i>Subject:</i> state budget process	<i>Committee:</i> Executive Board
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*Purpose:* The budget and appropriations process of state government is of the utmost importance to the state's taxpayers in that the level of state spending directly effects how much the citizens and families of Nebraska pay in taxes. How much money we spend as a state is determined by a multitude of factors. It is often difficult for the Legislature to exercise responsible oversight in the budget/appropriations process, for legislative committees to oversee the budgets of the agencies within their subject matter jurisdiction, and for the Legislature to be adequately apprised of the nature and extent of federal funding to the state of Nebraska and the effect of such funding on state general fund expenditures and the state's overall public policy.

The purpose of this resolution is to conduct a comprehensive study of the legislative appropriations and budgeting process in the State of Nebraska, including, but not limited to, a survey of the budget/appropriations process in other states, and a general review and assessment of the budget/appropriations process in the State of Nebraska to identify needed changes, if any. The study shall concern itself with maximizing oversight and participation by all members of the Legislature in the budget/appropriations process, encouraging committee review of budgets for agencies within their subject matter jurisdiction, and conducting a comprehensive review and assessment of federal funding allocations to the State of Nebraska.

LR 406 requires that a six-member committee of the Legislature be designated by the Chairperson of the Executive Board to conduct an interim study to carry out the purposes of this resolution.

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LR 449	<i>Sponsor:</i> Dierks	<i>Subject:</i> class I budgets	<i>Committee:</i> Education
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*Purpose:* LB 806, Ninety-fifth Legislature, First Session, 1997, removed the independent budget authority for Class I school districts in the State of Nebraska. The purpose of this interim study resolution is to review that legislation and devise a workable independent budget formula for Class I school districts which will be compatible with their affiliated high school districts.

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<b>LR 464</b>	<i>Sponsor:</i> Brashear	<i>Subject:</i> state spending limit	<i>Committee:</i> Appropriations/Revenue
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*Purpose:* The purpose of this resolution is to consider a limitation on spending by the state. Recent trends that give rise to the possible need for such a limitation include: (a) increases in the overall level of state spending over the last decade, (b) concern that increased spending has prevented genuine tax relief to our citizens, and (c) apprehension that an uncompetitive tax burden has contributed to increasing labor shortages that have (i) deterred prospective economic initiatives from coming to Nebraska and (ii) inhibited the natural growth of existing economic activity.

This interim study includes, but is not limited to, the following: (a) Consideration of a limitation on overall spending by the state; (b) Consideration of limiting the annual growth of state spending to a percentage based upon population growth and inflation; (c) Consideration of the use of “automatic” spending reductions or other adverse consequences if limitations on overall spending are not satisfied; and (d) Consideration of the appropriate form of such a limitation.

## 2. Commission of Industrial Relations

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<b>LR 426</b>	<i>Sponsor:</i> Bus. & Labor Com.	<i>Subject:</i> CIR	<i>Committee:</i> Business and Labor
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*Purpose:* To conduct a general review of the Nebraska Workers’ Compensation Act, the Commission of Industrial Relations, the unemployment insurance, and other matters within the subject matter jurisdiction of the Business and Labor Committee.

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<b>LR 463</b>	<i>Sponsor:</i> Wesely	<i>Subject:</i> CIR	<i>Committee:</i> Business and Labor
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*Purpose:* The Commission of Industrial Relations was established to preserve a balance and serve as an arbiter in labor disputes between public employees and their employers. This study will review the Commission of Industrial Relations to evaluate the extent to which these objectives are being met and its effectiveness in its role in settling labor disputes. The study’s review will include: (1) An examination of the degree to which autonomy and deference for the commission is required for equitable decisions; (2) A review of the principles that guide the commission, including the legal context for determining comparable municipalities and employee arrays; and (3) The degree to which the rules and determinations of the commission helps or hinders the labor dispute process.

## 3. Miscellaneous Education Issues

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<b>LR 347</b>	<i>Sponsor:</i> Beutler	<i>Subject:</i> coaching/teaching assignments	<i>Committee:</i> Education
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*Purpose:* The legal relationship between coaching and teaching assignments in Nebraska’s public schools remains confused at best. Teachers with Masters degrees and demonstrated professional excellence in academic areas are being reduced in force, while teachers with considerably less experience and academic training are being retained solely because they can coach. First-year teachers, who should be concentrating on perfecting their teaching skills, are frequently involuntarily assigned coaching duties which inter-

Miscellaneous Education Issues - continued

fere with time needed to perfect teaching skills. Individuals who entered the teaching profession primarily to coach are arbitrarily removed from their coaching positions without any semblance of due process. Parental interference in the act of coaching, including physical assault, is on the increase. In the absence of any due process, unfounded and unsubstantiated student allegations frequently result in loss of coaching assignments. Due to the confusion surrounding this subject, the Legislature shall conduct an interim study of the employment relations and the legal and contractual requirements governing the relationship between coaching and teaching in the public school of Nebraska, including the legal requirements governing reductions-in-force.

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<b>LR 387</b>	<i>Sponsor:</i> Bohlke	<i>Subject:</i> charter schools	<i>Committee:</i> Education
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*Purpose:* The purpose of this resolution is to study the issue of charter schools and recommend legislation, if appropriate.

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<b>LR 469</b>	<i>Sponsor:</i> Bromm	<i>Subject:</i> educational lands and funds	<i>Committee:</i> Transportation
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*Purpose:* LB 986 was introduced in the 1998 session of the Legislature and related to isolated land, amending section 39-1716. The Board of Educational Lands and Funds is offering real estate for sale in response to requirements contained in LB 1205, Ninety-fourth Legislature, Second Session, 1996. Without access to such land, the land is much less valuable to any potential bidder other than the surrounding land owner. This lack of competitive bidding impacts the amount for which the land will be sold. LB 986 would change provisions relating to obtaining access to isolated land. However, the bill did not examine the provisions of Chapter 39, articles 14 to 16 and articles 18 to 21, to determine the fiscal costs to counties with respect to the changes made in Chapter 39, article 17, by LB 986. This study shall: (1) Study the difficulties regarding the sale of isolated land by the State of Nebraska, specifically the Board of Educational lands and Funds, in the context of isolated lands and the solutions to such problems with respect to legislation; and (2) Specifically examine the provisions of LB 986 in the general context of Chapter 39, Reissue Revised Statutes of Nebraska, and address the need for possible legislation in order for the board to more effectively be able to offer isolated land at public auction without undue fiscal costs for the counties.

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<b>LR 475</b>	<i>Sponsor:</i> Thompson	<i>Subject:</i> school-to-work	<i>Committee:</i> Bus. & Labor/Education
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*Purpose:* The purpose of this resolution is, with the assistance of the Nebraska Industrial Competitive Alliance (the present governing entity of the School-to-Work Program), to examine future support of the School-to-Work Program in the State of Nebraska. In 1994, Congress passed the School-to-Work Opportunities Act which created the current program. However, federal funding for this program will end in 2001. Nebraska's School-to-Work program currently consists of twenty School-to-Work cooperatives, working with three hundred twenty school districts and more than 8,500 businesses and industries. The interim study would review the twenty school-to-career partnerships covering all ninety-three Nebraska counties. The study will include: (1) The roles of business/industry, schools, post-secondary institutions, and others; (2) Integrated academic and vocational curriculum; (3) Work-site learning experiences available to students, teachers, and others; (4) Provisions of public information on career preparation opportunities in Nebraska to parents, students, and others; (5) Recommendations to the Governor and the Legislature pertaining to the roles of community colleges, four-year colleges and universities, and the Departments of Education, Labor, and Economic Development in the career preparation system; and (6) A two-year statewide plan for continued support of this system with decreasing federal funding.

## 4. Other Miscellaneous Studies

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LR 369	<i>Sponsor:</i> Coordsen	<i>Subject:</i> greenbelt law	<i>Committee:</i> Revenue
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*Purpose:* In today's society, it is becoming more common for agricultural land to be purchased for residential or recreational purposes. This results in actual or market values in excess of what such properties would have for agricultural purposes. The usual way of dealing with such issues is through greenbelt special assessment. However, because greenbelt requires positive action on the part of the county to implement it, including zoning in those areas, greenbelt cannot address these situations in all instances in which it might be appropriate. Usually, greenbelt does not become available until the problem is critical. This study is to examine the possibility of expanding or simplifying greenbelt or devising an alternative approach.

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LR 401	<i>Sponsor:</i> Gen. Affairs Com.	<i>Subject:</i> State Lottery Act	<i>Committee:</i> General Affairs
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*Purpose:* The 1998 Legislature has made a number of policy choices to change the method of allocating State Lottery Act revenue. In addition, there are questions about methods of increasing lottery sales, including increasing the amount of payout, providing bonuses to retailers for sales, and permitting the Lottery Division of the Department of Revenue to conduct limited retail sales with using a retail sales agent. This study shall include an examination of the following: (1) Whether State Lottery Act revenue should be allocated in a different manner from that currently required by statute; (2) Whether an increased percentage of payout to players would increase sales; (3) Whether bonuses or other methods of compensation would provide incentives for retailers to increase sales; (4) Whether there are sales opportunities that are not currently being met under the current system; and (5) Any other matters appropriate for a complete examination of this issue.

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LR 434	<i>Sponsor:</i> Bromm	<i>Subject:</i> group health insurance	<i>Committee:</i> Banking
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*Purpose:* To study the provisions of group health insurance covering public employees, all or a portion of the premiums for which is paid by the public entity employer of the insureds. The study shall include the following: (1) Examining the need for and implications of a statutory requirement that insurance carriers who have issued a group health insurance policy covering public employees annually file with the Department of Insurance a financial summary report of the policy which shall include a description of coverages, premium rates, number of employees covered, and total claims paid; and (2) Examining the need for and implications of a statutory requirement that insurance carriers who have issued a group health insurance policy covering public employees report quarterly to the respective board a financial summary, by coverage, of expenses incurred since the last report.

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LR 458	<i>Sponsor:</i> C. Peterson	<i>Subject:</i> homestead exemptions	<i>Committee:</i> Revenue
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*Purpose:* Homestead exemptions provide property tax relief for qualified claimants who meet certain income and disability criteria. Exemption application forms are currently made available by April 1, and completed applications are accepted through June 30 unless the filing deadline is extended by the county board. Several legislative bills addressing homestead exemption issues were introduced but not adopted during the 1998 legislative session which would have changed the application deadline and expanded the

definition of disability for purposes of the exemption. The interim study includes the following: (1) The need to expand or clarify the definition of disability for veterans and others for purposes of homestead exemption eligibility as proposed by LB 1025 and related amendments; (2) The timing of exemption applications as related to taxpayer convenience, local and state official workloads, and potential legislative changes; (3) Recommendations for simplification of the homestead exemption application process; (4) An examination of homestead exemption procedures in other states; and (5) Any other matters necessary or proper for the complete examination of this issue.

## 5. Retirement

LR 430	<i>Sponsor:</i> Retirement Com.	<i>Subject:</i> investment of assets	<i>Committee:</i> Retirement
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*Purpose:* The purpose of this resolution is to conduct a study of the statutory provisions governing the Nebraska Investment Council as they relate to the investment of the assets of the public employees retirement systems administered by the Public Employees Retirement Board. This study shall include a review of the statutory duties placed upon the Nebraska Investment Council and its members and statutory compliance with federal statutes and regulations relating to the investment of retirement funds.

LR 431	<i>Sponsor:</i> Retirement Com.	<i>Subject:</i> retirement benefits	<i>Committee:</i> Retirement
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*Purpose:* The purpose of this resolution is to authorize a comprehensive study of the benefits provided by the public employees retirement systems administered by the Public Employees Retirement Board. This review shall include: (1) an examination of the cost, level, and adequacy of the retirement benefits of the retirement systems, (2) an examination of the benefits provided within the defined contribution plans as compared to the defined benefit plans and the possibility of changing such plans or incorporating such plans into a combination plan, (3) an examination of the past and present cost-of-living adjustments in the retirement systems and possible modifications or additions to those adjustments, and (4) a comparison of Nebraska's public employees retirement plans with those of other states.

## 6. School Finance

LR 349	<i>Sponsor:</i> C. Peterson	<i>Subject:</i> lop-off provision	<i>Committee:</i> Education
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*Purpose:* The purpose of this resolution is to conduct an interim study of the lop-off provision enacted in Legislative Bill 806, during the 1997 Legislative Session. LB 806 contained several major changes affecting school district reorganization and school finance.

As a result of the lop-off provision, a total of \$14 million was lopped from nineteen school systems. \$1.7 million was awarded to a total of thirty-nine school systems, and the remaining \$12.3 million was distributed through equalization, representing two and one-half percent of the total equalization aid.

The interim study will include, but is not limited to: (1) An overview of the lop-off provision; (2) The effect of the lop-off provision on school district spending patterns; (3) Analysis of how the lop-off provision penalizes district which are low-spending, low-taxing, and efficient; (4) Determination of whether the existing minimum levy penalty already addresses equity in local support of school districts; (5) Determination of whether the lop-off provision reduced the equalization aid generated to meet the needs of special populations; and (6) Any other matters necessary or proper for complete examination of this issue.

The interim study will solicit comments, suggestions, and recommendations from educational and school officials, including board members and superintendents. A public hearing will be held to receive input from all interested parties.

The interim study will review current statutes, identify barriers, whether by reason of current statutory restrictions or practical concerns, and recommend changes in the statutes to provide, facilitate, and equalize educational opportunities and funding for schools across the State of Nebraska. If upon careful analysis the committee determines statutory changes should be made, appropriate legislation will be drafted.

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<b>LR 366</b>	<i>Sponsor:</i> Coordsen	<i>Subject:</i> new cost grouping	<i>Committee:</i> Revenue/Education
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*Purpose:* The purpose of this study is to examine whether there are adequate revenue streams from all sources to allow all school districts within the standard cost grouping pursuant to section 79-1007.02 to provide necessary educational services. This study shall focus on the creation of another cost grouping in addition to the standard, sparse, and very sparse cost groupings used in calculating the needs component of the equalization formula. The study shall also focus on organization, distance, and quality of education provided.

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<b>LR 457</b>	<i>Sponsor:</i> Stuhr	<i>Subject:</i> state aid and rural schools	<i>Committee:</i> Education
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*Purpose:* The goals of the Tax Equity and Educational Opportunities Support Act are to equalize educational opportunities of students, equalize the tax burden in support of schools, effectuate property tax relief, and broaden the tax base of the support of schools. With the passage of LB 806, Ninety-fifth Legislature, First Session, 1997, it is uncertain whether the goals of the act are being realized for rural schools, rural taxpayers, and communities. The purpose of this interim study resolution is to study the impact of the act on small rural schools, rural taxpayers, and communities to see whether the goals of the act are being met and to study changes to the act to be sure the purposes are realized. The study shall examine: (1) Whether there are justifiable differences in cost and size comparisons among school systems in the state aid formula; (2) Whether there are additional factors that need to be included in the state aid formula to truly represent the actual costs of very sparse, sparse, and standard groupings and if the groupings could be combined or further broken down by size; (3) Whether "capacity to pay" could be included as a factor within the present formula which predominantly measures a system's resources by property wealth, and how this factor could be incorporated into the formula; (4) How do you define "efficiency" as it applies to the state aid formula? Whether small schools in the standard grouping face disincentives in achieving efficiency due to the structure of the state aid formula; and (5) Any other issues necessary or appropriate for a full and complete examination of this matter.

## 7. Student Behavior

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<b>LR 376</b>	<i>Sponsor:</i> Kiel	<i>Subject:</i> student discipline	<i>Committee:</i> Education
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*Purpose:* The purpose of this study is to examine the ways in which the State of Nebraska can make our schools a safe environment for both the students and the employees. Components of the study may include, but not be limited to: (1) Examining ways to maximize the opportunities of students and school staff to work and learn in a violence-free environment; (2) Exploring ways to more promptly and efficiently transfer students records, including discipline records, from one school district to another; and (3) Defining appropriate corporal punishment while also allowing the use of physical restraint by school employees in appropriate circumstances, for example, for self-defense, for the protection of others, or to quell a disturbance.

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<b>LR 440</b>	<i>Sponsor:</i> Robak	<i>Subject:</i> behavioral disordered students	<i>Committee:</i> Education
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*Purpose:* The purpose of this study is to determine the number of behavioral disordered students who do not complete high school in Nebraska and explore alternative educational settings more appropriate to their needs and abilities. The cost of this type of education would be offset by reduced societal costs of incarceration and welfare as these youth often leave school and end up in these programs.

## 8. Taxes

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<b>LR 351</b>	<i>Sponsor:</i> Revenue Committee	<i>Subject:</i> state sales tax base rate	<i>Committee:</i> Revenue
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*Purpose:* The Nebraska state sales tax has been a subject of increasing discussion in recent years. Proposals to exempt transactions involving certain goods or services, transactions of certain organizations, certain transactions involving third parties, and other transactions involving unique circumstances have proliferated. As commercial activity in the state becomes more and more complicated, involving more and more transactions with regard to a single act of consumption, traditional rules have become harder to apply. This study is to examine the state sales tax base rate and administration with particular emphasis on its horizontal and vertical equity, economic neutrality, stability and elasticity, simplicity and ease of administration, and accountability.

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<b>LR 352</b>	<i>Sponsor:</i> Revenue Committee	<i>Subject:</i> state income tax	<i>Committee:</i> Revenue
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*Purpose:* The Nebraska income tax, both individual and corporate, has been a subject of increasing debate in recent years. There has not been a comprehensive review of the structure of the income tax since the individual income tax was decoupled from federal tax liability and coupled to federal adjusted gross income in 1987. Corporate income tax has seen many proposals for change in recent years with regard to apportionment rules. The purpose of this study is to examine the corporate and individual income tax in Nebraska particularly with regard to horizontal and vertical equity, economic neutrality, elasticity and stability, simplicity and ease of administration, and accountability.

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<b>LR 433</b>	<i>Sponsor:</i> Revenue Committee	<i>Subject:</i> examine tax system	<i>Committee:</i> Revenue
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*Purpose:* The purpose of this study is to examine Nebraska's overall tax system. Recently, the Legislature has been criticized for the overall level of taxation borne by Nebraskans. Various sources rank Nebraska, or Omaha, as compared to other states or cities in those states from as high as tenth to as low as twentieth in overall tax burden. Rankings of the burdens of individual taxes like sales, income, or property show an even broader variety of rankings. This study is to examine Nebraska's sales, income, property, excise, and other taxes as to the burden imposed on taxpayers relative to each other and overall compared to those in other states. The study will seek to determine what level of overall taxation is appropriate and how that burden should be divided among the various tax sources.

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<b>LR 435</b>	<i>Sponsor:</i> Brashear	<i>Subject:</i> change tax system	<i>Committee:</i> Revenue
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*Purpose:* The purpose of this resolution is to consider a major tax change plan. Nebraskans have long sought tax relief, particularly from property taxes. Such relief, together with reduction of income and sales tax rates and tax relief that reflects the unique, capital-intensive nature of agricultural production, must be considered to respond to the people's rightful demand for relief. The state's projected revenue surplus for the near term, a possible willingness on the part of some interest groups to consider broadening the tax base, and a perceived need for major capital improvement projects in the state's two largest urban centers presents a rare opportunity to revisit our entire tax structure with the goal of producing a system that is fairer, more progressive, and more balanced and which has lower rates. This interim study will include the following: (1) Enacting a general homestead exemption on the first \$12,500 of value of every home; (2) Adopting a refundable income tax credit for agricultural land of \$2,500; (3) Reducing the state sales tax rate from 5% to 4.5%; (4) Adopting changes to the income tax bracket factors as contained in LB 1361, Ninety-fifth Legislature, Second Session, 1998; (5) Expanding the sales tax base to include sales of all services except health care and certain computer and data processing services; and (6) Deletion of certain exemptions that narrow the sales tax base except the exemptions on food and prescription drugs.

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<b>LR 452</b>	<i>Sponsor:</i> Schellpeper	<i>Subject:</i> tax comparison study	<i>Committee:</i> Revenue
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*Purpose:* The purpose of this study is to examine how taxes in Nebraska compare to those in neighboring states. This study should include: (1) Review of sales tax rates and the sales tax base (with special attention to tax on services); (2) property taxes and designated uses (including land valuation); (3) income tax rates and designated uses; (4) review of how local governments and schools are financed; and (5) any other tax sources, special funding sources, and the relationship of population to the tax base.