

LEGISLATURE OF NEBRASKA
ONE HUNDRED THIRD LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 553

Introduced by Nordquist, 7.

Read first time January 23, 2013

Committee: Nebraska Retirement Systems

A BILL

1 FOR AN ACT relating to the School Employees Retirement Act; to amend
2 section 79-966.01, Reissue Revised Statutes of Nebraska,
3 and sections 79-901, 79-902, 79-916, 79-947.06, 79-958,
4 79-966, 79-1003, and 79-1028.01, Revised Statutes
5 Cumulative Supplement, 2012; to redefine a term; to
6 change provisions relating to retirement allowances; to
7 change the amount of state deposits and employee
8 deposits; to change provisions related to retirement plan
9 funding; to eliminate obsolete language; to redefine
10 terms and change provisions relating to school aid
11 calculations; to provide an operative date; to provide
12 severability; to repeal the original sections; and to
13 declare an emergency.

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

1 Section 1. Section 79-901, Revised Statutes Cumulative
2 Supplement, 2012, is amended to read:

3 79-901 Sections 79-901 to 79-977.03 and section 5 of this
4 act shall be known and may be cited as the School Employees
5 Retirement Act.

6 Sec. 2. Section 79-902, Revised Statutes Cumulative
7 Supplement, 2012, is amended to read:

8 79-902 For purposes of the School Employees Retirement
9 Act, unless the context otherwise requires:

10 (1) Accumulated contributions means the sum of all
11 amounts deducted from the compensation of a member and credited to
12 his or her individual account in the School Retirement Fund together
13 with regular interest thereon, compounded monthly, quarterly,
14 semiannually, or annually;

15 (2) Beneficiary means any person in receipt of a school
16 retirement allowance or other benefit provided by the act;

17 (3) Member means any person who has an account in the
18 School Retirement Fund;

19 (4) County school official means (a) until July 1, 2000,
20 the county superintendent or district superintendent and any person
21 serving in his or her office who is required by law to have a
22 teacher's certificate and (b) on or after July 1, 2000, the county
23 superintendent, county school administrator, or district
24 superintendent and any person serving in his or her office who is
25 required by law to have a teacher's certificate;

1 (5) Creditable service means prior service for which
2 credit is granted under sections 79-926 to 79-929, service credit
3 purchased under sections 79-933.03 to 79-933.06 and 79-933.08, and
4 all service rendered while a contributing member of the retirement
5 system. Creditable service includes working days, sick days, vacation
6 days, holidays, and any other leave days for which the employee is
7 paid regular wages as part of the employee's agreement with the
8 employer. Creditable service does not include lump-sum payments to
9 the employee upon termination or retirement in lieu of accrued
10 benefits for such days, eligibility and vesting credit, nor service
11 years for which member contributions are withdrawn and not repaid.
12 Creditable service also does not include service rendered by a member
13 for which the retirement board determines that the member was paid
14 less in compensation than the minimum wage as provided in the Wage
15 and Hour Act or service which the board determines was rendered with
16 the intent to defraud the retirement system;

17 (6) Disability retirement allowance means the annuity
18 paid to a person upon retirement for disability under section 79-952;

19 (7) Employer means the State of Nebraska or any
20 subdivision thereof or agency of the state or subdivision authorized
21 by law to hire school employees or to pay their compensation;

22 (8) Fiscal year means any year beginning July 1 and
23 ending June 30 next following;

24 (9) Regular interest means interest fixed at a rate equal
25 to the daily treasury yield curve for one-year treasury securities,

1 as published by the Secretary of the Treasury of the United States,
2 that applies on July 1 of each year, which may be credited monthly,
3 quarterly, semiannually, or annually as the board may direct;

4 (10) School employee means a contributing member who
5 earns service credit pursuant to section 79-927. For purposes of this
6 section, contributing member means the following persons who receive
7 compensation from a public school: (a) Regular employees; (b) regular
8 employees having retired pursuant to the School Employees Retirement
9 Act who subsequently provide compensated service on a regular basis
10 in any capacity; and (c) regular employees hired by a public school
11 on an ongoing basis to assume the duties of other regular employees
12 who are temporarily absent. Substitute employees, temporary
13 employees, and employees who have not attained the age of eighteen
14 years shall not be considered school employees;

15 (11) Prior service means service rendered as a school
16 employee in the public schools of the State of Nebraska prior to July
17 1, 1945;

18 (12) Public school means any and all schools offering
19 instruction in elementary or high school grades, as defined in
20 section 79-101, which schools are supported by public funds and are
21 wholly under the control and management of the State of Nebraska or
22 any subdivision thereof, including (a) schools or other entities
23 established, maintained, and controlled by the school boards of local
24 school districts, except Class V school districts, (b) any
25 educational service unit, and (c) any other educational institution

1 wholly supported by public funds, except schools under the control
2 and management of the Board of Trustees of the Nebraska State
3 Colleges, the Board of Regents of the University of Nebraska, or the
4 community college boards of governors for any community college
5 areas;

6 (13) Retirement means qualifying for and accepting a
7 school or disability retirement allowance granted under the School
8 Employees Retirement Act;

9 (14) Retirement board or board means the Public Employees
10 Retirement Board;

11 (15) Retirement system means the School Employees
12 Retirement System of the State of Nebraska;

13 (16) Required deposit means the deduction from a member's
14 compensation as provided for in section 79-958 which shall be
15 deposited in the School Retirement Fund;

16 (17) School year means one fiscal year which includes not
17 less than one thousand instructional hours or, in the case of service
18 in the State of Nebraska prior to July 1, 1945, not less than
19 seventy-five percent of the then legal school year;

20 (18) Service means employment as a school employee and
21 shall not be deemed interrupted by (a) termination at the end of the
22 school year of the contract of employment of an employee in a public
23 school if the employee enters into a contract of employment in any
24 public school, except a school in a Class V school district, for the
25 following school year, (b) temporary or seasonal suspension of

1 service that does not terminate the employee's employment, (c) leave
2 of absence authorized by the employer for a period not exceeding
3 twelve months, (d) leave of absence because of disability, or (e)
4 military service when properly authorized by the retirement board.
5 Service does not include any period of disability for which
6 disability retirement benefits are received under sections 79-951 to
7 79-953;

8 (19) School retirement allowance means the total of the
9 savings annuity and the service annuity or formula annuity paid a
10 person who has retired under sections 79-931 to 79-935. The monthly
11 payments shall be payable at the end of each calendar month during
12 the life of a retired member. The first payment shall include all
13 amounts accrued since the effective date of the award of annuity. The
14 last payment shall be at the end of the calendar month in which such
15 member dies or in accordance with the payment option chosen by the
16 member;

17 (20) Service annuity means payments for life, made in
18 equal monthly installments, derived from appropriations made by the
19 State of Nebraska to the retirement system;

20 (21) State deposit means the deposit by the state in the
21 retirement system on behalf of any member;

22 (22) State school official means the Commissioner of
23 Education and his or her professional staff who are required by law
24 or by the State Department of Education to hold a certificate as such
25 term is defined in section 79-807;

1 (23) Savings annuity means payments for life, made in
2 equal monthly payments, derived from the accumulated contributions of
3 a member;

4 (24) Emeritus member means a person (a) who has entered
5 retirement under the provisions of the act, including those persons
6 who have retired since July 1, 1945, under any other regularly
7 established retirement or pension system as contemplated by section
8 79-916, (b) who has thereafter been reemployed in any capacity by a
9 public school, a Class V school district, or a school under the
10 control and management of the Board of Trustees of the Nebraska State
11 Colleges, the Board of Regents of the University of Nebraska, or a
12 community college board of governors or has become a state school
13 official or county school official subsequent to such retirement, and
14 (c) who has applied to the board for emeritus membership in the
15 retirement system. The school district or agency shall certify to the
16 retirement board on forms prescribed by the retirement board that the
17 annuitant was reemployed, rendered a service, and was paid by the
18 district or agency for such services;

19 (25) Actuarial equivalent means the equality in value of
20 the aggregate amounts expected to be received under different forms
21 of payment. The determinations shall be based on the 1994 Group
22 Annuity Mortality Table reflecting sex-distinct factors blended using
23 twenty-five percent of the male table and seventy-five percent of the
24 female table. An interest rate of eight percent per annum shall be
25 reflected in making these determinations except when a lump-sum

1 settlement is made to an estate. If the lump-sum settlement is made
2 to an estate, the interest rate will be determined by the Moody's
3 Triple A Bond Index as of the prior June 30, rounded to the next
4 lower quarter percent;

5 (26) Retirement date means (a) if the member has
6 terminated employment, the first day of the month following the date
7 upon which a member's request for retirement is received on a
8 retirement application provided by the retirement system or (b) if
9 the member has filed an application but has not yet terminated
10 employment, the first day of the month following the date on which
11 the member terminates employment. An application may be filed no more
12 than ninety days prior to the effective date of the member's initial
13 benefit;

14 (27) Disability retirement date means the first day of
15 the month following the date upon which a member's request for
16 disability retirement is received on a retirement application
17 provided by the retirement system if the member has terminated
18 employment in the school system and has complied with sections 79-951
19 to 79-954 as such sections refer to disability retirement;

20 (28) Retirement application means the form approved by
21 the retirement system for acceptance of a member's request for either
22 regular or disability retirement;

23 (29) Eligibility and vesting credit means credit for
24 years, or a fraction of a year, of participation in a Nebraska
25 government plan for purposes of determining eligibility for benefits

1 under the School Employees Retirement Act. Such credit shall not be
2 included as years of creditable service in the benefit calculation;

3 (30)(a) Final average compensation means: ~~the~~

4 (i) For an employee who was a member prior to July 1,
5 2013:

6 (A) The sum of the member's total compensation during the
7 three twelve-month periods of service as a school employee in which
8 such compensation was the greatest divided by thirty-six; or -

9 ~~(b)-(B) If a member has such compensation for less than~~
10 ~~thirty-six months, his or her final average compensation shall be~~
11 ~~determined by dividing his or her the sum of the member's total~~
12 ~~compensation in all months divided by the total number of months of~~
13 ~~his or her creditable service therefor; and -~~

14 (ii) For an employee who became a member for the first
15 time on or after July 1, 2013:

16 (A) The sum of the member's total compensation during the
17 five twelve-month periods of service as a school employee in which
18 such compensation was the greatest divided by sixty; or

19 (B) If a member has such compensation for less than sixty
20 months, the sum of the member's total compensation in all months
21 divided by the total number of months of his or her creditable
22 service therefor.

23 ~~(e)-(b) Payments under the Retirement Incentive Plan~~
24 ~~pursuant to section 79-855 and Staff Development Assistance pursuant~~
25 ~~to section 79-856 shall not be included in the determination of final~~

1 average compensation;

2 (31) Plan year means the twelve-month period beginning on
3 July 1 and ending on June 30 of the following year;

4 (32) Current benefit means the initial benefit increased
5 by all adjustments made pursuant to the School Employees Retirement
6 Act;

7 (33) Initial benefit means the retirement benefit
8 calculated at the time of retirement;

9 (34) Surviving spouse means (a) the spouse married to the
10 member on the date of the member's death or (b) the spouse or former
11 spouse of the member if survivorship rights are provided under a
12 qualified domestic relations order filed with the board pursuant to
13 the Spousal Pension Rights Act. The spouse or former spouse shall
14 supersede the spouse married to the member on the date of the
15 member's death as provided under a qualified domestic relations
16 order. If the benefits payable to the spouse or former spouse under a
17 qualified domestic relations order are less than the value of
18 benefits entitled to the surviving spouse, the spouse married to the
19 member on the date of the member's death shall be the surviving
20 spouse for the balance of the benefits;

21 (35)(a) Compensation means gross wages or salaries
22 payable to the member for personal services performed during the plan
23 year and includes (i) overtime pay, (ii) member retirement
24 contributions, (iii) retroactive salary payments paid pursuant to
25 court order, arbitration, or litigation and grievance settlements,

1 and (iv) amounts contributed by the member to plans under sections
2 125, 403(b), and 457 of the Internal Revenue Code as defined in
3 section 49-801.01 or any other section of the code which defers or
4 excludes such amounts from income.

5 (b) Compensation does not include (i) fraudulently
6 obtained amounts as determined by the retirement board, (ii) amounts
7 for unused sick leave or unused vacation leave converted to cash
8 payments, (iii) insurance premiums converted into cash payments, (iv)
9 reimbursement for expenses incurred, (v) fringe benefits, (vi) per
10 diems, (vii) bonuses for services not actually rendered, including,
11 but not limited to, early retirement inducements, cash awards, and
12 severance pay, or (viii) beginning on September 4, 2005, employer
13 contributions made for the purposes of separation payments made at
14 retirement and early retirement inducements as provided for in
15 section 79-514.

16 (c) Compensation in excess of the limitations set forth
17 in section 401(a)(17) of the Internal Revenue Code as defined in
18 section 49-801.01 shall be disregarded. For an employee who was a
19 member of the retirement system before the first plan year beginning
20 after December 31, 1995, the limitation on compensation shall not be
21 less than the amount which was allowed to be taken into account under
22 the retirement system as in effect on July 1, 1993.

23 (d)(i) For purposes of section 79-934, in the
24 determination of compensation for members on or after July 1, 2005,
25 that part of a member's compensation for the plan year which exceeds

1 the member's compensation with the same employer for the preceding
2 plan year by more than seven percent of the compensation base during
3 the sixty months preceding the member's retirement shall be excluded
4 unless (A) the member experienced a substantial change in employment
5 position, (B) as verified by the school board, the excess
6 compensation above seven percent occurred as the result of a
7 collective-bargaining agreement between the employer and a recognized
8 collective-bargaining unit or category of school employee, and the
9 percentage increase in compensation above seven percent shall not be
10 excluded for employees outside of a collective-bargaining unit or
11 within the same category of school employee, or (C) the excess
12 compensation occurred as the result of a districtwide permanent
13 benefit change made by the employer for a category of school employee
14 in accordance with subdivision (35)(a)(iv) of this section.

15 (ii) For purposes of subdivision (35)(d) of this section:

16 (A) Category of school employee means either all
17 employees of the employer who are administrators or certificated
18 teachers, or all employees of the employer who are not administrators
19 or certificated teachers, or both;

20 (B) Compensation base means (I) for current members
21 employed with the same employer, the member's compensation for the
22 plan year ending June 30, 2005, or (II) for members newly hired or
23 hired by a separate employer on or after July 1, 2005, the member's
24 compensation for the first full plan year following the member's date
25 of hiring. Thereafter, the member's compensation base shall be

1 increased each plan year by the lesser of seven percent of the
2 member's preceding plan year's compensation base or the member's
3 actual annual compensation increase during the preceding plan year;
4 and

5 (C) Recognized collective-bargaining unit means a group
6 of employees similarly situated with a similar community of interest
7 appropriate for bargaining recognized as such by a school board.

8 (e)(i) In the determination of compensation for members
9 on or after July 1, 2012, until July 1, 2013, that part of a member's
10 compensation for the plan year which exceeds the member's
11 compensation with the same employer for the preceding plan year by
12 more than nine percent of the compensation base during the sixty
13 months preceding the member's retirement shall be excluded.

14 (ii) For purposes of subdivision (35)(e) of this section:

15 (A) Category of school employee means either all
16 employees of the employer who are administrators or certificated
17 teachers, or all employees of the employer who are not administrators
18 or certificated teachers, or both; and

19 (B) Compensation base means (I) for current members
20 employed with the same employer, the member's compensation for the
21 plan year ending June 30, 2012, or (II) for members newly hired or
22 hired by a separate employer on or after July 1, 2012, the member's
23 compensation for the first full plan year following the member's date
24 of hiring. Thereafter, the member's compensation base shall be
25 increased each plan year by the lesser of nine percent of the

1 member's preceding plan year's compensation base or the member's
2 actual annual compensation increase during the preceding plan year.

3 (f)(i) In the determination of compensation for members
4 on or after July 1, 2013, that part of a member's compensation for
5 the plan year which exceeds the member's compensation with the same
6 employer for the preceding plan year by more than eight percent of
7 the compensation base during the sixty months preceding the member's
8 retirement shall be excluded.

9 (ii) For purposes of subdivision (35)(f) of this section:

10 (A) Category of school employee means either all
11 employees of the employer who are administrators or certificated
12 teachers, or all employees of the employer who are not administrators
13 or certificated teachers, or both; and

14 (B) Compensation base means (I) for current members
15 employed with the same employer, the member's compensation for the
16 plan year ending June 30, 2013, or (II) for members newly hired or
17 hired by a separate employer on or after July 1, 2013, the member's
18 compensation for the first full plan year following the member's date
19 of hiring. Thereafter, the member's compensation base shall be
20 increased each plan year by the lesser of eight percent of the
21 member's preceding plan year's compensation base or the member's
22 actual annual compensation increase during the preceding plan year;

23 (36) Termination of employment occurs on the date on
24 which the member experiences a bona fide separation from service of
25 employment with the member's employer, the date of which separation

1 is determined by the employer. The employer shall notify the board of
2 the date on which such a termination has occurred. It is the
3 responsibility of the employer that is involved in the termination of
4 employment to notify the board of such change in employment and
5 provide the board with such information as the board deems necessary.
6 If the board determines that termination of employment has not
7 occurred and a retirement benefit has been paid to a member of the
8 retirement system pursuant to section 79-933, the board shall require
9 the member who has received such benefit to repay the benefit to the
10 retirement system. A member shall not be deemed to have terminated
11 employment if the member subsequently provides service to any
12 employer participating in the retirement system provided for in the
13 School Employees Retirement Act within one hundred eighty calendar
14 days after ceasing employment unless such service:

15 (a) Is bona fide unpaid voluntary service or substitute
16 service, provided on an intermittent basis; or

17 (b) Is as provided in subsection (2) of section 79-920.

18 A member shall not be deemed to have terminated
19 employment if the board determines that a purported termination was
20 not a bona fide separation from service with the employer;

21 (37) Disability means an inability to engage in a
22 substantially gainful activity by reason of any medically
23 determinable physical or mental impairment which can be expected to
24 result in death or be of a long and indefinite duration;

25 (38) Substitute employee means a person hired by a public

1 school as a temporary employee to assume the duties of regular
2 employees due to the temporary absence of the regular employees.
3 Substitute employee does not mean a person hired as a regular
4 employee on an ongoing basis to assume the duties of other regular
5 employees who are temporarily absent;

6 (39) Participation means qualifying for and making
7 required deposits to the retirement system during the course of a
8 plan year;

9 (40) Regular employee means an employee hired by a public
10 school or under contract in a regular full-time or part-time position
11 who works a full-time or part-time schedule on an ongoing basis for
12 fifteen or more hours per week. An employee hired as described in
13 this subdivision to provide service for less than fifteen hours per
14 week but who provides service for an average of fifteen hours or more
15 per week in each calendar month of any three calendar months of a
16 plan year shall immediately commence contributions and shall be
17 deemed a regular employee; and

18 (41) Temporary employee means an employee hired by a
19 public school who is not a regular employee and who is hired to
20 provide service for a limited period of time to accomplish a specific
21 purpose or task. When such specific purpose or task is complete, the
22 employment of such temporary employee shall terminate and in no case
23 shall the temporary employment period exceed one year in duration.

24 Sec. 3. Section 79-916, Revised Statutes Cumulative
25 Supplement, 2012, is amended to read:

1 79-916 (1)(a) On July 1, 2004, the board shall transfer
2 from the School Retirement Fund to the Service Annuity Fund an amount
3 equal to the funded ratio of the retirement system which is equal to
4 the market value of the retirement system assets divided by the
5 actuarial accrued liability of the retirement system, times the
6 actuarial accrued liability of the service annuity, as determined
7 pursuant to section 79-966.01, of the employees who are members of
8 the retirement system established pursuant to the Class V School
9 Employees Retirement Act. ~~Such actuarial accrued liability shall be~~
10 ~~determined for each employee on a level dollar basis.~~ On or before
11 July 1 of each fiscal year thereafter, the state shall deposit into
12 the Service Annuity Fund such amounts as may be necessary to pay the
13 normal cost and amortize the unfunded actuarial accrued liability of
14 the service annuity, as determined pursuant to section 79-966.01, as
15 of the end of the previous fiscal year of the employees who are
16 members of the retirement system established pursuant to the Class V
17 School Employees Retirement Act. The actuarial accrued liability
18 shall be determined for each employee on a level percentage of salary
19 basis. Based on the fiscal year of the retirement system established
20 pursuant to the Class V School Employees Retirement Act, the
21 administrator of such system shall provide all membership information
22 needed for the actuary engaged by the retirement board to determine
23 the normal cost and the amortization payment of the unfunded
24 actuarial accrued liability, as determined pursuant to section
25 79-966.01, to be paid by the state to the Service Annuity Fund each

1 fiscal year as required by this subdivision.

2 (b) At the time of retirement of any employee who is a
3 member of the retirement system established pursuant to the Class V
4 School Employees Retirement Act, the retirement board shall, upon
5 receipt of a certification of the administrator of such retirement
6 system of the name, identification number, date of birth, retirement
7 date, last date of employment, type of retirement, and number of
8 years of service credited to such eligible employee at the date of
9 retirement, transfer to such retirement system from the Service
10 Annuity Fund the actuarial accrued liability of the service annuity
11 to be paid by the state to the eligible employee for the years of
12 service thus certified as provided for members of the School
13 Employees Retirement System of the State of Nebraska under sections
14 79-933 and 79-952. Such transfer of the actuarial accrued liability
15 to the retirement system established pursuant to the Class V School
16 Employees Retirement Act shall be in lieu of the payment of the
17 service annuity to which the employee would be entitled.

18 (c) The Service Annuity Fund is created. The fund shall
19 consist of the amounts paid by the state and transferred from the
20 School Retirement Fund pursuant to this section to pay the service
21 annuity to be paid by the state to employees who are members of the
22 retirement system established pursuant to the Class V School
23 Employees Retirement Act. Any money in the Service Annuity Fund
24 available for investment shall be invested by the state investment
25 officer pursuant to the Nebraska Capital Expansion Act and the

1 Nebraska State Funds Investment Act.

2 (2) In addition to the transfer of the actuarial accrued
3 liability of the service annuity to be paid by the state, the state
4 shall also transfer to the funds of the Class V school district's
5 retirement system an amount determined by multiplying the
6 compensation of all members of such retirement system by the percent
7 specified in subsection (2) of section 79-966 for determining the
8 amount of the state's payment to the School Retirement Fund. The
9 transfer shall be made annually on or before July 1 of each fiscal
10 year.

11 Sec. 4. Section 79-947.06, Revised Statutes Cumulative
12 Supplement, 2012, is amended to read:

13 79-947.06 Beginning July 1, 2011, and each July 1
14 thereafter, for school employees who became members prior to July 1,
15 2013:

16 (1) ~~Beginning July 1, 2011, and each July 1 thereafter,~~
17 ~~the~~ The board shall determine the number of retired members or
18 beneficiaries described in subdivision (4)(b) of this section in the
19 retirement system and an annual benefit adjustment shall be made by
20 the board for each retired member or beneficiary under one of the
21 cost-of-living adjustment calculation methods found in ~~subsection~~
22 subdivision (2), (3), or (4) of this section. Each retired member or
23 beneficiary, if eligible, shall receive an annual benefit adjustment
24 under the cost-of-living adjustment calculation method that provides
25 the retired member or beneficiary the greatest annual benefit

1 adjustment increase. No retired member or beneficiary shall receive
2 an annual benefit adjustment under more than one of the cost-of-
3 living adjustment calculation methods provided in this section; -

4 (2) The current benefit paid to a retired member or
5 beneficiary under this ~~subsection~~subdivision shall be adjusted so
6 that the purchasing power of the benefit being paid is not less than
7 seventy-five percent of the purchasing power of the initial benefit.
8 The purchasing power of the initial benefit in any year following the
9 year in which the initial benefit commenced shall be calculated by
10 dividing the United States Department of Labor, Bureau of Labor
11 Statistics, Consumer Price Index for Urban Wage Earners and Clerical
12 Workers factor on June 30 of the current year by the Consumer Price
13 Index for Urban Wage Earners and Clerical Workers factor on June 30
14 of the year in which the benefit commenced. The result shall be
15 multiplied by the product that results when the amount of the initial
16 benefit is multiplied by seventy-five percent. In any year in which
17 applying the adjustment provided in ~~subsection~~subdivision (3) of
18 this section results in a benefit which would be less than seventy-
19 five percent of the purchasing power of the initial benefit as
20 calculated in this ~~subsection~~subdivision, the adjustment shall
21 instead be equal to the percentage change in the Consumer Price Index
22 for Urban Wage Earners and Clerical Workers factor from the prior
23 year to the current year; -

24 (3) The current benefit paid to a retired member or
25 beneficiary under this ~~subsection~~subdivision shall be increased

1 annually by the lesser of (a) the percentage change in the Consumer
2 Price Index for Urban Wage Earners and Clerical Workers for the
3 period between June 30 of the prior year to June 30 of the present
4 year or (b) two and one-half percent; -

5 (4)(a) The current benefit paid to a retired member or
6 beneficiary under ~~this subsection subdivision (4) of this section~~
7 shall be calculated by multiplying the retired member's or
8 beneficiary's total monthly benefit by the lesser of (i) the
9 cumulative change in the Consumer Price Index for Urban Wage Earners
10 and Clerical Workers from the last adjustment of the total monthly
11 benefit of each retired member or beneficiary through June 30 of the
12 year for which the annual benefit adjustment is being calculated or
13 (ii) an amount equal to three percent per annum compounded for the
14 period from the last adjustment of the total monthly benefit of each
15 retired member or beneficiary through June 30 of the year for which
16 the annual benefit adjustment is being calculated.

17 (b) In order for a retired member or beneficiary to
18 receive the cost-of-living adjustment calculation method provided in
19 ~~this subsection, subdivision (4) of this section,~~ the retired member
20 or beneficiary shall be (i) a retired member or beneficiary who has
21 been receiving a retirement benefit for at least five years if the
22 member had at least twenty-five years of creditable service, (ii) a
23 member who has been receiving a disability retirement benefit for at
24 least five years pursuant to section 79-952, or (iii) a beneficiary
25 who has been receiving a death benefit pursuant to section 79-956 for

1 at least five years, if the member's or beneficiary's monthly accrual
2 rate is less than or equal to the minimum accrual rate as determined
3 by ~~this subsection.~~ subdivision (4) of this section.

4 (c) The monthly accrual rate under ~~this subsection~~
5 subdivision (4) of this section is the retired member's or
6 beneficiary's total monthly benefit divided by the number of years of
7 creditable service earned by the retired or deceased member.

8 (d) The total monthly benefit under ~~this subsection~~
9 subdivision (4) of this section is the total benefit received by a
10 retired member or beneficiary pursuant to the School Employees
11 Retirement Act and previous adjustments made pursuant to this section
12 or any other provision of the act that grants a benefit or cost-of-
13 living increase, but the total monthly benefit shall not include sums
14 received by an eligible retired member or eligible beneficiary from
15 federal sources.

16 (e) The minimum accrual rate under ~~this subsection~~
17 subdivision (4) of this section is twenty-three dollars and thirty-
18 two cents until adjusted pursuant to ~~this subsection.~~ such
19 subdivision. Beginning July 1, 2011, the board shall annually adjust
20 the minimum accrual rate to reflect the cumulative percentage change
21 in the Consumer Price Index for Urban Wage Earners and Clerical
22 Workers from the last adjustment of the minimum accrual rate; -

23 (5) Beginning July 1, 2011, and each July 1 thereafter,
24 each retired member or beneficiary shall receive the sum of the
25 annual benefit adjustment and such retiree's total monthly benefit

1 less withholding, which sum shall be the retired member's or
2 beneficiary's adjusted total monthly benefit. Each retired member or
3 beneficiary shall receive the adjusted total monthly benefit until
4 the expiration of the annuity option selected by the member or until
5 the retired member or beneficiary again qualifies for the annual
6 benefit adjustment, whichever occurs first; -

7 (6) The annual benefit adjustment pursuant to this
8 section shall not cause a current benefit to be reduced, and a
9 retired member or beneficiary shall never receive less than the
10 adjusted total monthly benefit until the annuity option selected by
11 the member expires; -

12 (7) The board shall adjust the annual benefit adjustment
13 provided in this section so that the cost-of-living adjustment
14 provided to the retired member or beneficiary at the time of the
15 annual benefit adjustment does not exceed the change in the Consumer
16 Price Index for Urban Wage Earners and Clerical Workers for the
17 period between June 30 of the prior year to June 30 of the present
18 year. If the consumer price index used in this section is
19 discontinued or replaced, a substitute index published by the United
20 States Department of Labor shall be selected by the board which shall
21 be a reasonable representative measurement of the cost-of-living for
22 retired employees; and -

23 (8) The state shall contribute to the Annuity Reserve
24 Fund an annual level ~~dollar payment percentage of salary~~ certified by
25 the board. ~~For the 2011-12 fiscal year through the 2012-13 fiscal~~

1 ~~year, the annual level dollar payment certified by the board shall~~
2 ~~equal 81.7873 percent of six million eight hundred ninety five~~
3 ~~thousand dollars.~~

4 Sec. 5. Beginning July 1, 2013, and each July 1
5 thereafter, for school employees who became members for the first
6 time on or after July 1, 2013:

7 (1) The board shall determine the number of retired
8 members or beneficiaries described in subdivision (3) of this section
9 in the retirement system and an annual benefit adjustment shall be
10 made by the board for each retired member or beneficiary;

11 (2) The benefit paid to a retired member or beneficiary
12 under this section shall be increased annually by the lesser of (a)
13 the percentage change in the Consumer Price Index for Urban Wage
14 Earners and Clerical Workers for the period between June 30 of the
15 prior year to June 30 of the present year or (b) one percent;

16 (3) In order for a retired member or beneficiary to
17 receive the cost-of-living adjustment calculation method provided in
18 this section, the retired member or beneficiary shall be (a) a
19 retired member or beneficiary who has been receiving a retirement
20 benefit for at least five years if the member had at least twenty-
21 five years of creditable service, (b) a member who has been receiving
22 a disability retirement benefit for at least five years pursuant to
23 section 79-952, or (c) a beneficiary who has been receiving a death
24 benefit pursuant to section 79-956 for at least five years, if the
25 member's or beneficiary's monthly accrual rate is less than or equal

1 to the minimum accrual rate as determined by this section;

2 (4) Each retired member or beneficiary shall receive the
3 sum of the annual benefit adjustment and such retiree's total monthly
4 benefit less withholding, which sum shall be the retired member's or
5 beneficiary's adjusted total monthly benefit. Each retired member or
6 beneficiary shall receive the adjusted total monthly benefit until
7 the expiration of the annuity option selected by the member or until
8 the retired member or beneficiary again qualifies for the annual
9 benefit adjustment, whichever occurs first;

10 (5) The annual benefit adjustment pursuant to this
11 section shall not cause a current benefit to be reduced, and a
12 retired member or beneficiary shall never receive less than the
13 adjusted total monthly benefit until the annuity option selected by
14 the member expires; and

15 (6) The board shall adjust the annual benefit adjustment
16 provided in this section so that the cost-of-living adjustment
17 provided to the retired member or beneficiary at the time of the
18 annual benefit adjustment does not exceed the change in the Consumer
19 Price Index for Urban Wage Earners and Clerical Workers for the
20 period between June 30 of the prior year to June 30 of the present
21 year. If the consumer price index used in this section is
22 discontinued or replaced, a substitute index published by the United
23 States Department of Labor shall be selected by the board which shall
24 be a reasonable representative measurement of the cost-of-living for
25 retired employees.

1 Sec. 6. Section 79-958, Revised Statutes Cumulative
2 Supplement, 2012, is amended to read:

3 79-958 (1) ~~Beginning on September 1, 2009, and ending~~
4 ~~August 31, 2011, for the purpose of providing the funds to pay for~~
5 ~~formula annuities, every employee shall be required to deposit in the~~
6 ~~School Retirement Fund eight and twenty eight hundredths percent of~~
7 ~~compensation. Beginning on September 1, 2011, and ending August 31,~~
8 ~~2012, for the purpose of providing the funds to pay for formula~~
9 ~~annuities, every employee shall be required to deposit in the School~~
10 ~~Retirement Fund eight and eighty eight hundredths percent of~~
11 ~~compensation. Beginning on September 1, 2012, and ending August 31,~~
12 ~~2017, 2013, for the purpose of providing the funds to pay for formula~~
13 ~~annuities, every employee shall be required to deposit in the School~~
14 ~~Retirement Fund nine and seventy-eight hundredths percent of~~
15 ~~compensation. Beginning on September 1, 2017, for the purpose of~~
16 ~~providing the funds to pay for formula annuities, every employee~~
17 ~~shall be required to deposit in the School Retirement Fund seven and~~
18 ~~twenty eight hundredths percent of compensation. Beginning on~~
19 September 1, 2013, for the purposes of providing the funds to pay for
20 formula annuities, every employee shall be required to deposit in the
21 School Retirement Fund XX percent of compensation. Such deposits
22 shall be transmitted at the same time and in the same manner as
23 required employer contributions.

24 (2) For the purpose of providing the funds to pay for
25 formula annuities, every employer shall be required to deposit in the

1 School Retirement Fund one hundred one percent of the required
2 contributions of the school employees of each employer. Such deposits
3 shall be transmitted to the retirement board at the same time and in
4 the same manner as such required employee contributions.

5 (3) The employer shall pick up the member contributions
6 required by this section for all compensation paid on or after
7 January 1, 1986, and the contributions so picked up shall be treated
8 as employer contributions in determining federal tax treatment under
9 the Internal Revenue Code as defined in section 49-801.01, except
10 that the employer shall continue to withhold federal income taxes
11 based upon these contributions until the Internal Revenue Service or
12 the federal courts rule that, pursuant to section 414(h) of the code,
13 these contributions shall not be included as gross income of the
14 member until such time as they are distributed or made available. The
15 employer shall pay these member contributions from the same source of
16 funds which is used in paying earnings to the member. The employer
17 shall pick up these contributions by a compensation deduction through
18 a reduction in the cash compensation of the member. Member
19 contributions picked up shall be treated for all purposes of the
20 School Employees Retirement Act in the same manner and to the same
21 extent as member contributions made prior to the date picked up.

22 (4) The employer shall pick up the member contributions
23 made through irrevocable payroll deduction authorizations pursuant to
24 sections 79-921, 79-933.03 to 79-933.06, and 79-933.08, and the
25 contributions so picked up shall be treated as employer contributions

1 in the same manner as contributions picked up under subsection (3) of
2 this section.

3 Sec. 7. Section 79-966, Revised Statutes Cumulative
4 Supplement, 2012, is amended to read:

5 79-966 (1) On the basis of all data in the possession of
6 the retirement board, including such mortality and other tables as
7 are recommended by the actuary engaged by the retirement board and
8 adopted by the retirement board, the retirement board shall annually,
9 on or before July 1, determine the state deposit to be made by the
10 state in the School Retirement Fund for that fiscal year. The amount
11 of such state deposit shall be determined pursuant to section
12 79-966.01. The retirement board shall thereupon certify the amount of
13 such state deposit, and on the warrant of the Director of
14 Administrative Services, the State Treasurer shall, as of July 1 of
15 such year, transfer from funds appropriated by the state for that
16 purpose to the School Retirement Fund the amount of such state
17 deposit.

18 ~~(2) In addition to the state deposits required by~~
19 ~~subsections (1) and (3) of this section, the state shall deposit in~~
20 ~~the School Retirement Fund an amount equal to seven tenths of one~~
21 ~~percent of the compensation of all members of the retirement system~~
22 ~~for each fiscal year on or after July 1, 1984, until July 1, 2009.~~
23 For each fiscal year beginning July 1, 2009, until July 1, 2017,
24 2013, in addition to the state deposits required by subsections (1)
25 and ~~(3)-(4)~~ (4) of this section, the state shall deposit in the School

1 Retirement Fund an amount equal to one percent of the compensation of
2 all members of the retirement system. ~~For each fiscal year beginning~~
3 ~~July 1, 2017, in addition to the state deposits required by~~
4 ~~subsections (1) and (3) of this section, the state shall deposit in~~
5 ~~the School Retirement Fund an amount equal to seven tenths of one~~
6 ~~percent of the compensation of all members of the retirement system.~~
7 For each fiscal year beginning July 1, 2013, in addition to the state
8 deposits required by subsections (1) and (4) of this section, the
9 state shall deposit in the School Retirement Fund an amount equal to
10 two percent of the compensation of the school employees who are
11 members of the School Employees Retirement System of the State of
12 Nebraska.

13 (3) For each fiscal year beginning July 1, 2013, in
14 addition to the state deposits required by subsections (1) and (4) of
15 this section, the state shall deposit in the School Retirement Fund
16 an amount equal to one percent of the compensation of the school
17 employees who are members of the retirement system established
18 pursuant to the Class V School Employees Retirement Act.

19 ~~(3)-(4)~~ (4) In addition to the state deposits required by
20 subsections (1) and (2) of this section, beginning on July 1, 2005,
21 and each fiscal year thereafter, the state shall deposit in the
22 Service Annuity Fund such amounts as may be necessary to pay the
23 normal cost and amortize the unfunded actuarial accrued liability of
24 the service annuity benefit established pursuant to sections 79-933
25 and 79-952 as accrued through the end of the previous fiscal year of

1 the school employees who are members of the retirement system
2 established pursuant to the Class V School Employees Retirement Act.

3 Sec. 8. Section 79-966.01, Reissue Revised Statutes of
4 Nebraska, is amended to read:

5 79-966.01 Beginning July 1, 2002, and each year
6 thereafter, this section shall govern annual actuarial valuations of
7 the School Retirement Fund. In order to determine the additional
8 required deposits by the State of Nebraska, as required by section
9 79-966, the board shall cause an annual actuarial valuation to be
10 performed that will value the plan assets for the year and ascertain
11 the contributions required for such fiscal year. The actuary for the
12 board shall perform the annual valuation using the entry age
13 actuarial cost method. Under this method, the actuarially required
14 funding rate is equal to the normal cost rate, plus the contribution
15 rate necessary to amortize the unfunded actuarial accrued liability
16 on a level ~~payment percentage of salary~~ basis. The normal cost under
17 this method shall be determined for each individual member on a level
18 percentage of salary basis. The normal cost amount is then summed for
19 all members. ~~The initial unfunded actual accrued liability as of July~~
20 ~~1, 2002, if any, shall be amortized over a twenty five year period.~~
21 ~~Prior to July 1, 2006, changes in the funded actuarial accrued~~
22 ~~liability due to changes in benefits, actuarial assumptions, the~~
23 ~~asset valuation method, or actuarial gains or losses shall be~~
24 ~~measured and amortized over a twenty five year period beginning on~~
25 ~~the valuation date of such change. Beginning July 1, 2006, any Any~~

1 existing unfunded liabilities shall be reinitialized and amortized
2 over a thirty-year period, and during each subsequent actuarial
3 valuation, changes in the funded actuarial accrued liability due to
4 changes in benefits, actuarial assumptions, the asset valuation
5 method, or actuarial gains or losses shall be measured and amortized
6 over a thirty-year period beginning on the valuation date of such
7 change. If the unfunded actuarial accrued liability under the entry
8 age actuarial cost method is zero or less than zero on an actuarial
9 valuation date, then all prior unfunded actuarial accrued liabilities
10 shall be considered fully funded and the unfunded actuarial accrued
11 liability shall be reinitialized and amortized over a thirty-year
12 period as of the actuarial valuation date. If the actuarially
13 required contribution rate exceeds the rate of all contributions
14 required pursuant to the School Employees Retirement Act, the actuary
15 shall determine the added contributions required to be paid by the
16 State of Nebraska that constitute the difference between the
17 actuarially required contribution rate and the rate of all other
18 required contributions.

19 Sec. 9. Section 79-1003, Revised Statutes Cumulative
20 Supplement, 2012, is amended to read:

21 79-1003 For purposes of the Tax Equity and Educational
22 Opportunities Support Act:

23 (1) Adjusted general fund operating expenditures means
24 (a) for school fiscal years 2010-11 through 2012-13, the difference
25 of the general fund operating expenditures as calculated pursuant to

1 subdivision (22) of this section increased by, or for aid calculated
2 for school fiscal year 2010-11 multiplied by, the cost growth factor
3 calculated pursuant to section 79-1007.10, minus the transportation
4 allowance, special receipts allowance, poverty allowance, limited
5 English proficiency allowance, distance education and
6 telecommunications allowance, elementary site allowance, elementary
7 class size allowance, summer school allowance, instructional time
8 allowance, teacher education allowance, and focus school and program
9 allowance, and (b) for school fiscal year 2013-14 and each school
10 fiscal year thereafter, the difference of the general fund operating
11 expenditures as calculated pursuant to subdivision (22) of this
12 section increased by the cost growth factor calculated pursuant to
13 section 79-1007.10, minus the transportation allowance, special
14 receipts allowance, poverty allowance, limited English proficiency
15 allowance, distance education and telecommunications allowance,
16 elementary site allowance, summer school allowance, instructional
17 time allowance, teacher education allowance, and focus school and
18 program allowance;

19 (2) Adjusted valuation means the assessed valuation of
20 taxable property of each local system in the state, adjusted pursuant
21 to the adjustment factors described in section 79-1016. Adjusted
22 valuation means the adjusted valuation for the property tax year
23 ending during the school fiscal year immediately preceding the school
24 fiscal year in which the aid based upon that value is to be paid. For
25 purposes of determining the local effort rate yield pursuant to

1 section 79-1015.01, adjusted valuation does not include the value of
2 any property which a court, by a final judgment from which no appeal
3 is taken, has declared to be nontaxable or exempt from taxation;

4 (3) Allocated income tax funds means the amount of
5 assistance paid to a local system pursuant to section 79-1005.01 as
6 adjusted by the minimum levy adjustment pursuant to section
7 79-1008.02;

8 (4) Average daily membership means the average daily
9 membership for grades kindergarten through twelve attributable to the
10 local system, as provided in each district's annual statistical
11 summary, and includes the proportionate share of students enrolled in
12 a public school instructional program on less than a full-time basis;

13 (5) Base fiscal year means the first school fiscal year
14 following the school fiscal year in which the reorganization or
15 unification occurred;

16 (6) Board means the school board of each school district;

17 (7) Categorical funds means funds limited to a specific
18 purpose by federal or state law, including, but not limited to, Title
19 I funds, Title VI funds, federal vocational education funds, federal
20 school lunch funds, Indian education funds, Head Start funds, and
21 funds from the Education Innovation Fund. Categorical funds does not
22 include funds received pursuant to section 79-1028.02 or 79-1028.04;

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

1 (9) Converted contract means an expired contract that was
2 in effect for at least fifteen school years beginning prior to school
3 year 2012-13 for the education of students in a nonresident district
4 in exchange for tuition from the resident district when the
5 expiration of such contract results in the nonresident district
6 educating students, who would have been covered by the contract if
7 the contract were still in effect, as option students pursuant to the
8 enrollment option program established in section 79-234;

9 (10) Converted contract option student means a student
10 who will be an option student pursuant to the enrollment option
11 program established in section 79-234 for the school fiscal year for
12 which aid is being calculated and who would have been covered by a
13 converted contract if the contract were still in effect and such
14 school fiscal year is the first school fiscal year for which such
15 contract is not in effect;

16 (11) Department means the State Department of Education;

17 (12) District means any Class I, II, III, IV, V, or VI
18 school district and, beginning with the calculation of state aid for
19 school fiscal year 2011-12 and each school fiscal year thereafter, a
20 unified system as defined in section 79-4,108;

21 (13) Ensuing school fiscal year means the school fiscal
22 year following the current school fiscal year;

23 (14) Equalization aid means the amount of assistance
24 calculated to be paid to a local system pursuant to sections
25 79-1007.11 to 79-1007.23, 79-1007.25, 79-1008.01 to 79-1022,

1 79-1022.02, 79-1028.02, and 79-1028.04;

2 (15) Fall membership means the total membership in
3 kindergarten through grade twelve attributable to the local system as
4 reported on the fall school district membership reports for each
5 district pursuant to section 79-528;

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

8 (17) Formula students means:

9 (a) For state aid certified pursuant to section 79-1022,
10 the sum of the product of fall membership from the school fiscal year
11 immediately preceding the school fiscal year in which the aid is to
12 be paid multiplied by the average ratio of average daily membership
13 to fall membership for the second school fiscal year immediately
14 preceding the school fiscal year in which the aid is to be paid and
15 the prior two school fiscal years plus sixty percent of the qualified
16 early childhood education fall membership plus tuitioned students
17 from the school fiscal year immediately preceding the school fiscal
18 year in which aid is to be paid minus the product of the number of
19 students enrolled in kindergarten that is not full-day kindergarten
20 from the fall membership multiplied by 0.5; and

21 (b) For the final calculation of state aid pursuant to
22 section 79-1065, the sum of average daily membership plus sixty
23 percent of the qualified early childhood education average daily
24 membership plus tuitioned students minus the product of the number of
25 students enrolled in kindergarten that is not full-day kindergarten

1 from the average daily membership multiplied by 0.5 from the school
2 fiscal year immediately preceding the school fiscal year in which aid
3 was paid;

4 (18) Free lunch and free milk student means a student who
5 qualified for free lunches or free milk from the most recent data
6 available on November 1 of the school fiscal year immediately
7 preceding the school fiscal year in which aid is to be paid;

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

10 (20) General fund budget of expenditures means the total
11 budget of disbursements and transfers for general fund purposes as
12 certified in the budget statement adopted pursuant to the Nebraska
13 Budget Act, except that for purposes of the limitation imposed in
14 section 79-1023 and the calculation pursuant to subdivision (2) of
15 section 79-1027.01, the general fund budget of expenditures does not
16 include any special grant funds, exclusive of local matching funds,
17 received by a district;

18 (21) General fund expenditures means all expenditures
19 from the general fund;

20 (22) General fund operating expenditures means:

21 (a) For state aid calculated for school fiscal years
22 2010-11 and 2011-12, as reported on the annual financial report for
23 the second school fiscal year immediately preceding the school fiscal
24 year in which aid is to be paid, the total general fund expenditures
25 minus (i) the amount of all receipts to the general fund, to the

1 extent that such receipts are not included in local system formula
2 resources, from early childhood education tuition, summer school
3 tuition, educational entities as defined in section 79-1201.01 for
4 providing distance education courses through the Educational Service
5 Unit Coordinating Council to such educational entities, private
6 foundations, individuals, associations, charitable organizations, the
7 textbook loan program authorized by section 79-734, federal impact
8 aid, and levy override elections pursuant to section 77-3444, (ii)
9 the amount of expenditures for categorical funds, tuition paid,
10 transportation fees paid to other districts, adult education,
11 community services, redemption of the principal portion of general
12 fund debt service, retirement incentive plans authorized by section
13 79-855, and staff development assistance authorized by section
14 79-856, (iii) the amount of any transfers from the general fund to
15 any bond fund and transfers from other funds into the general fund,
16 (iv) any legal expenses in excess of fifteen-hundredths of one
17 percent of the formula need for the school fiscal year in which the
18 expenses occurred, (v) expenditures to pay for sums agreed to be paid
19 by a school district to certificated employees in exchange for a
20 voluntary termination occurring prior to July 1, 2009, and (vi)(A)
21 expenditures in school fiscal years 2009-10 through 2013-14 to pay
22 for employer contributions pursuant to subsection (2) of section
23 79-958 to the School Retirement System of the State of Nebraska to
24 the extent that such expenditures exceed the employer contributions
25 under such subsection that would have been made at a contribution

1 rate of seven and thirty-five hundredths percent or (B) expenditures
2 in school fiscal years 2009-10 through 2013-14 to pay for school
3 district contributions pursuant to subdivision (1)(c)(i) of section
4 79-9,113 to the retirement system established pursuant to the Class V
5 School Employees Retirement Act to the extent that such expenditures
6 exceed the school district contributions under such subdivision that
7 would have been made at a contribution rate of seven and thirty-seven
8 hundredths percent; and

9 (b) For state aid calculated for school fiscal years
10 2012-13 and each school fiscal year thereafter, as reported on the
11 annual financial report for the second school fiscal year immediately
12 preceding the school fiscal year in which aid is to be paid, the
13 total general fund expenditures minus (i) the amount of all receipts
14 to the general fund, to the extent that such receipts are not
15 included in local system formula resources, from early childhood
16 education tuition, summer school tuition, educational entities as
17 defined in section 79-1201.01 for providing distance education
18 courses through the Educational Service Unit Coordinating Council to
19 such educational entities, private foundations, individuals,
20 associations, charitable organizations, the textbook loan program
21 authorized by section 79-734, federal impact aid, and levy override
22 elections pursuant to section 77-3444, (ii) the amount of
23 expenditures for categorical funds, tuition paid, transportation fees
24 paid to other districts, adult education, community services,
25 redemption of the principal portion of general fund debt service,

1 retirement incentive plans authorized by section 79-855, and staff
2 development assistance authorized by section 79-856, (iii) the amount
3 of any transfers from the general fund to any bond fund and transfers
4 from other funds into the general fund, (iv) any legal expenses in
5 excess of fifteen-hundredths of one percent of the formula need for
6 the school fiscal year in which the expenses occurred, (v)
7 expenditures to pay for sums agreed to be paid by a school district
8 to certificated employees in exchange for a voluntary termination
9 occurring prior to July 1, 2009, or occurring on or after the last
10 day of the 2010-11 school year and prior to the first day of the
11 2013-14 school year, (vi)(A) expenditures ~~in school fiscal years~~
12 ~~2009-10 through 2016-17~~ to pay for employer contributions pursuant to
13 subsection (2) of section 79-958 to the School Employees Retirement
14 System of the State of Nebraska to the extent that such expenditures
15 exceed the employer contributions under such subsection that would
16 have been made at a contribution rate of seven and thirty-five
17 hundredths percent or (B) expenditures ~~in school fiscal years 2009-10~~
18 ~~through 2016-17~~ to pay for school district contributions pursuant to
19 subdivision (1)(c)(i) of section 79-9,113 to the retirement system
20 established pursuant to the Class V School Employees Retirement Act
21 to the extent that such expenditures exceed the school district
22 contributions under such subdivision that would have been made at a
23 contribution rate of seven and thirty-seven hundredths percent, and
24 (vii) any amounts paid by the district for lobbyist fees and expenses
25 reported to the Clerk of the Legislature pursuant to section 49-1483.

1 For purposes of this subdivision (22) of this section,
2 receipts from levy override elections shall equal ninety-nine percent
3 of the difference of the total general fund levy minus a levy of one
4 dollar and five cents per one hundred dollars of taxable valuation
5 multiplied by the assessed valuation for school districts that have
6 voted pursuant to section 77-3444 to override the maximum levy
7 provided pursuant to section 77-3442;

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

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

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

17 (26) Limited English proficiency students means the
18 number of students with limited English proficiency in a district
19 from the most recent data available on November 1 of the school
20 fiscal year preceding the school fiscal year in which aid is to be
21 paid plus the difference of such students with limited English
22 proficiency minus the average number of limited English proficiency
23 students for such district, prior to such addition, for the three
24 immediately preceding school fiscal years if such difference is
25 greater than zero;

1 (27) Local system means a learning community for purposes
2 of calculation of state aid for the second full school fiscal year
3 after becoming a learning community and each school fiscal year
4 thereafter, a unified system, a Class VI district and the associated
5 Class I districts, or a Class II, III, IV, or V district and any
6 affiliated Class I districts or portions of Class I districts. The
7 membership, expenditures, and resources of Class I districts that are
8 affiliated with multiple high school districts will be attributed to
9 local systems based on the percent of the Class I valuation that is
10 affiliated with each high school district;

11 (28) Low-income child means a child under nineteen years
12 of age living in a household having an annual adjusted gross income
13 for the second calendar year preceding the beginning of the school
14 fiscal year for which aid is being calculated equal to or less than
15 the maximum household income that would allow a student from a family
16 of four people to be a free lunch and free milk student during the
17 school fiscal year immediately preceding the school fiscal year for
18 which aid is being calculated;

19 (29) Low-income students means the number of low-income
20 children within the district multiplied by the ratio of the formula
21 students in the district divided by the total children under nineteen
22 years of age residing in the district as derived from income tax
23 information;

24 (30) Most recently available complete data year means the
25 most recent single school fiscal year for which the annual financial

1 report, fall school district membership report, annual statistical
2 summary, Nebraska income tax liability by school district for the
3 calendar year in which the majority of the school fiscal year falls,
4 and adjusted valuation data are available;

5 (31) Poverty students means the number of low-income
6 students or the number of students who are free lunch and free milk
7 students in a district plus the difference of the number of low-
8 income students or the number of students who are free lunch and free
9 milk students in a district, whichever is greater, minus the average
10 number of poverty students for such district, prior to such addition,
11 for the three immediately preceding school fiscal years if such
12 difference is greater than zero;

13 (32) Qualified early childhood education average daily
14 membership means the product of the average daily membership for
15 school fiscal year 2006-07 and each school fiscal year thereafter of
16 students who will be eligible to attend kindergarten the following
17 school year and are enrolled in an early childhood education program
18 approved by the department pursuant to section 79-1103 for such
19 school district for such school year multiplied by the ratio of the
20 actual instructional hours of the program divided by one thousand
21 thirty-two if: (a) The program is receiving a grant pursuant to such
22 section for the third year; (b) the program has already received
23 grants pursuant to such section for three years; or (c) the program
24 has been approved pursuant to subsection (5) of section 79-1103 for
25 such school year and the two preceding school years, including any

1 such students in portions of any of such programs receiving an
2 expansion grant;

3 (33) Qualified early childhood education fall membership
4 means the product of membership on the last Friday in September 2006
5 and each year thereafter of students who will be eligible to attend
6 kindergarten the following school year and are enrolled in an early
7 childhood education program approved by the department pursuant to
8 section 79-1103 for such school district for such school year
9 multiplied by the ratio of the planned instructional hours of the
10 program divided by one thousand thirty-two if: (a) The program is
11 receiving a grant pursuant to such section for the third year; (b)
12 the program has already received grants pursuant to such section for
13 three years; or (c) the program has been approved pursuant to
14 subsection (5) of section 79-1103 for such school year and the two
15 preceding school years, including any such students in portions of
16 any of such programs receiving an expansion grant;

17 (34) Regular route transportation means the
18 transportation of students on regularly scheduled daily routes to and
19 from the attendance center;

20 (35) Reorganized district means any district involved in
21 a consolidation and currently educating students following
22 consolidation;

23 (36) School year or school fiscal year means the fiscal
24 year of a school district as defined in section 79-1091;

25 (37) Sparse local system means a local system that is not

1 a very sparse local system but which meets the following criteria:

2 (a)(i) Less than two students per square mile in the
3 county in which each high school is located, based on the school
4 district census, (ii) less than one formula student per square mile
5 in the local system, and (iii) more than ten miles between each high
6 school attendance center and the next closest high school attendance
7 center on paved roads;

8 (b)(i) Less than one and one-half formula students per
9 square mile in the local system and (ii) more than fifteen miles
10 between each high school attendance center and the next closest high
11 school attendance center on paved roads;

12 (c)(i) Less than one and one-half formula students per
13 square mile in the local system and (ii) more than two hundred
14 seventy-five square miles in the local system; or

15 (d)(i) Less than two formula students per square mile in
16 the local system and (ii) the local system includes an area equal to
17 ninety-five percent or more of the square miles in the largest county
18 in which a high school attendance center is located in the local
19 system;

20 (38) Special education means specially designed
21 kindergarten through grade twelve instruction pursuant to section
22 79-1125, and includes special education transportation;

23 (39) Special grant funds means the budgeted receipts for
24 grants, including, but not limited to, categorical funds,
25 reimbursements for wards of the court, short-term borrowings

1 including, but not limited to, registered warrants and tax
2 anticipation notes, interfund loans, insurance settlements, and
3 reimbursements to county government for previous overpayment. The
4 state board shall approve a listing of grants that qualify as special
5 grant funds;

6 (40) State aid means the amount of assistance paid to a
7 district pursuant to the Tax Equity and Educational Opportunities
8 Support Act;

9 (41) State board means the State Board of Education;

10 (42) State support means all funds provided to districts
11 by the State of Nebraska for the general fund support of elementary
12 and secondary education;

13 (43) Statewide average basic funding per formula student
14 means the statewide total basic funding for all districts divided by
15 the statewide total formula students for all districts;

16 (44) Statewide average general fund operating
17 expenditures per formula student means the statewide total general
18 fund operating expenditures for all districts divided by the
19 statewide total formula students for all districts;

20 (45) Teacher has the definition found in section 79-101;

21 (46) Temporary aid adjustment factor means (a) for school
22 fiscal years before school fiscal year 2007-08, one and one-fourth
23 percent of the sum of the local system's transportation allowance,
24 the local system's special receipts allowance, and the product of the
25 local system's adjusted formula students multiplied by the average

1 formula cost per student in the local system's cost grouping and (b)
2 for school fiscal year 2007-08, one and one-fourth percent of the sum
3 of the local system's transportation allowance, special receipts
4 allowance, and distance education and telecommunications allowance
5 and the product of the local system's adjusted formula students
6 multiplied by the average formula cost per student in the local
7 system's cost grouping;

8 (47) Tuition receipts from converted contracts means
9 tuition receipts received by a district from another district in the
10 most recently available complete data year pursuant to a converted
11 contract prior to the expiration of the contract;

12 (48) Tuitioned students means students in kindergarten
13 through grade twelve of the district whose tuition is paid by the
14 district to some other district or education agency; and

15 (49) Very sparse local system means a local system that
16 has:

17 (a)(i) Less than one-half student per square mile in each
18 county in which each high school attendance center is located based
19 on the school district census, (ii) less than one formula student per
20 square mile in the local system, and (iii) more than fifteen miles
21 between the high school attendance center and the next closest high
22 school attendance center on paved roads; or

23 (b)(i) More than four hundred fifty square miles in the
24 local system, (ii) less than one-half student per square mile in the
25 local system, and (iii) more than fifteen miles between each high

1 school attendance center and the next closest high school attendance
2 center on paved roads.

3 Sec. 10. Section 79-1028.01, Revised Statutes Cumulative
4 Supplement, 2012, is amended to read:

5 79-1028.01 (1) For each school fiscal year, a school
6 district may exceed its budget authority for the general fund budget
7 of expenditures as calculated pursuant to section 79-1023 for such
8 school fiscal year by a specific dollar amount for the following
9 exclusions:

10 (a) Expenditures for repairs to infrastructure damaged by
11 a natural disaster which is declared a disaster emergency pursuant to
12 the Emergency Management Act;

13 (b) Expenditures for judgments, except judgments or
14 orders from the Commission of Industrial Relations, obtained against
15 a school district which require or obligate a school district to pay
16 such judgment, to the extent such judgment is not paid by liability
17 insurance coverage of a school district;

18 (c) Expenditures pursuant to the Retirement Incentive
19 Plan authorized in section 79-855 or the Staff Development Assistance
20 authorized in section 79-856;

21 (d) Expenditures of amounts received from educational
22 entities as defined in section 79-1201.01 for providing distance
23 education courses through the Educational Service Unit Coordinating
24 Council to such educational entities;

25 (e) Expenditures to pay another school district for the

1 transfer of land from such other school district;

2 (f) Expenditures ~~in school fiscal years 2009-10 through~~
3 ~~2016-17~~ to pay for employer contributions pursuant to subsection (2)
4 of section 79-958 to the School Employees Retirement System of the
5 State of Nebraska to the extent that such expenditures exceed the
6 employer contributions under such subsection that would have been
7 made at a contribution rate of seven and thirty-five hundredths
8 percent;

9 (g) Expenditures ~~in school fiscal years 2009-10 through~~
10 ~~2016-17~~ to pay for school district contributions pursuant to
11 subdivision (1)(c)(i) of section 79-9,113 to the retirement system
12 established pursuant to the Class V School Employees Retirement Act
13 to the extent that such expenditures exceed the school district
14 contributions under such subdivision that would have been made at a
15 contribution rate of seven and thirty-seven hundredths percent;

16 (h) Expenditures for sums agreed to be paid by a school
17 district to certificated employees in exchange for a voluntary
18 termination occurring prior to July 1, 2009, or occurring on or after
19 the last day of the 2010-11 school year and prior to the first day of
20 the 2013-14 school year;

21 (i) Any expenditures in school fiscal years 2016-17 and
22 2017-18 of amounts specified in the notice provided by the
23 Commissioner of Education pursuant to section 79-309.01 for teacher
24 performance pay;

25 (j) The special education budget of expenditures; and

1 (k) Expenditures of special grant funds.

2 (2) For each school fiscal year, a school district may
3 exceed its budget authority for the general fund budget of
4 expenditures as calculated pursuant to section 79-1023 for such
5 school fiscal year by a specific dollar amount and include such
6 dollar amount in the budget of expenditures used to calculate budget
7 authority for the general fund budget of expenditures pursuant to
8 section 79-1023 for future years for the following exclusions:

9 (a) Expenditures of incentive payments or base fiscal
10 year incentive payments to be received in such school fiscal year
11 pursuant to section 79-1011;

12 (b) The first school fiscal year the district will be
13 participating in Network Nebraska for the full school fiscal year,
14 for the difference of the estimated expenditures for such school
15 fiscal year for telecommunications services, access to data
16 transmission networks that transmit data to and from the school
17 district, and the transmission of data on such networks as such
18 expenditures are defined by the department for purposes of the
19 distance education and telecommunications allowance minus the dollar
20 amount of such expenditures for the second school fiscal year
21 preceding the first full school fiscal year the district participates
22 in Network Nebraska; and

23 (c) Expenditures for new elementary attendance sites in
24 the first year of operation or the first year of operation after
25 being closed for at least one school year if such elementary

1 attendance site will most likely qualify for the elementary site
2 allowance in the immediately following school fiscal year as
3 determined by the state board.

4 (3) The state board shall approve, deny, or modify the
5 amount allowed for any exclusions to the budget authority for the
6 general fund budget of expenditures pursuant to this section.

7 Sec. 11. This act becomes operative on July 1, 2013.

8 Sec. 12. If any section in this act or any part of any
9 section is declared invalid or unconstitutional, the declaration
10 shall not affect the validity or constitutionality of the remaining
11 portions.

12 Sec. 13. Original section 79-966.01, Reissue Revised
13 Statutes of Nebraska, and sections 79-901, 79-902, 79-916, 79-947.06,
14 79-958, 79-966, 79-1003, and 79-1028.01, Revised Statutes Cumulative
15 Supplement, 2012, are repealed.

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