

**ONE HUNDRED THIRD LEGISLATURE - SECOND SESSION - 2014**  
**COMMITTEE STATEMENT**  
**LB967**

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**Hearing Date:** Tuesday February 04, 2014  
**Committee On:** Education  
**Introducer:** Education  
**One Liner:** Change provisions relating to state aid to schools and funding for early childhood education programs

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**Roll Call Vote - Final Committee Action:**  
Advanced to General File with amendment(s)

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**Vote Results:**  
**Aye:** 8 Senators Avery, Cook, Davis, Haar, Kolowski, Scheer, Seiler, Sullivan  
**Nay:**  
**Absent:**  
**Present Not Voting:**

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**Proponents:**  
Senator Kate Sullivan  
John Bonaiuto  
  
Jon Habben  
Terry Haack  
Kay Stilwell-Bergquist

**Representing:**  
Introducer  
Nebraska Association of School Boards and the  
Nebraska Council of School Administrators  
Nebraska Rural Community Schools Association  
Bennington Public Schools  
Open Sky Policy Institute

**Opponents:**  
Jason Hayes  
Larry Scherer  
Alan Bone  
  
Bill Mueller

**Representing:**  
Nebraska State Education Association  
Nebraska State Education Association  
Westside Education Association/ Nebraska State  
Education Association  
Millard Public Schools

**Neutral:**

**Representing:**

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**Summary of purpose and/or changes:**

Legislative Bill 967 would phase out the teacher education and instructional time allowances and aid by 50% for 2015-16 and completely for 2016-17, provide \$2,000,000 from the Education Innovation Fund for school district reorganization support grants, add an intent for all children to have access to early childhood education programs in the year prior to kindergarten, and allow lottery funds allocated to reorganization support grants and early childhood education prior to the termination of the Education Innovation Fund to be used after the current June 30, 2016 deadline.

**Teacher Education and Instructional Time Allowances**

Section 79-1003 would be amended by removing the teacher education and instructional time allowances from the calculation of adjusted general fund operating expenditures beginning with 2016-17. Obsolete language would be eliminated.

Section 79-1007.11 would be amended by removing teacher education and instructional time allowances from the calculation of formula need beginning with 2016-17. Obsolete language would be eliminated.

Section 79-1007.23 would be amended by limiting the instructional time allowance to school fiscal years through 2015-16 and by reducing the statewide aggregate instructional time allowance from \$20,000,000 to \$10,000,000 for 2015-16. Because instructional time aid is 50% of the allowance, the reduction in the allowance would cause the aid to be reduced from \$10,000,000 to \$5,000,000 for 2015-16.

Section 79-1007.2 would be amended by limiting the teacher education allowance to school fiscal years through 2015-16 and by reducing the statewide aggregate teacher education allowance from \$30,000,000 to \$15,000,000 for 2015-16. Because teacher education aid is 50% of the allowance, the reduction in the allowance would cause the aid to be reduced from \$15,000,000 to \$7,500,000 for 2015-16. Obsolete language would be eliminated.

Section 79-1017.01 would be amended by removing the teacher education aid and instructional time aid from the calculation of formula resources beginning with 2016-17. Obsolete language would be eliminated.

### Reorganization Support Grants

Section 79-1011 would be amended by replacing the expired provisions for reorganization incentives with provisions for support grants for districts that consolidate into a new Class III school district after the effective date of the act.

To qualify for support payments, consolidations would be required to be approved for the grants by the State Committee for the Reorganization of School Districts. The deadline for filing applications would be on or before June 15, 2014 or within 30 days following the issuance of the boundary change order, whichever is later. The Committee would have 30 days to approve or disapprove the grants. Qualifying consolidations would need to have a study completed prior to the reorganization, which includes efficiency, demographic, curriculum, facility, financial, and community components. The Committee could approve the grants if the study indicates that the reorganization will most likely result in more efficiency in the delivery of educational services or greater educational opportunities. This criteria would be retained from the expired incentives.

The amount of support grants would equal \$125,000 multiplied by the number of school districts that are consolidating into the new reorganized Class III school district. The expired incentives included this amount, but also had a component based on the number of students that moved from a district with less than 390 students to a district with more than 390 students.

The grants would be calculated as of August 2nd immediately preceding the first full school fiscal year the consolidation will be in effect and would be paid directly to the reorganized district from the School District Reorganization Fund in 10 nearly as possible equal payments on the last business day of each month, beginning in September and ending in June. The payment method is retained from the expired incentives.

If the total support grants exceed the amount in the Fund, the grants would be reduced proportionately. The amount of any reduction for 2014-15 will be paid to those districts from the amount available in 2015-16 prior to the payment of newly approved grants. The grants are not included in formula resources.

Section 79-1012 would be amended by harmonizing the language regarding the School District Reorganization Fund with the change from incentives to support grants. Obsolete language would also be eliminated.

Section 79-1028.01 would be amended by converting the budget exception for the expired reorganizations incentives to a budget exception for the reorganization support grants. The exception would allow the grants to be spent outside of the budget limitations, but to be included in the base for future budget authority calculations.

## Early Childhood Education

Section 79-1101 would be amended by adding to the intent for early childhood education programs. A goal would be stated of assuring that every family in Nebraska has access to such programs for, at the minimum, the school year prior to the school year when the child will be eligible to attend kindergarten.

## Lottery Funds

Section 9-812 would be amended by transferring \$1,000,000 from the Education Innovation Fund to the School District Reorganization Fund each year for 2014-15 and 2015-16. The section would also be amended by allowing funds allocated to the School District Reorganization Fund, the Department of Education for early childhood education grants, or the Early Childhood Education Endowment Cash Fund to be obligated for payments to be made after June 30, 2016 and by clarifying that other funds allocated from the Education Innovation Fund that have not been used for their designated purpose by that date will be transferred to the Nebraska Education Improvement Fund on or before August 1, 2016. Existing language prohibits funds received from the Education Innovation Fund for 2014-15 or 2015-16 from being obligated for payments to be made after June 30, 2016 when the Fund terminates. Obsolete language would be eliminated.

Section 79-2306 would be amended to harmonize with changes in the subdivision numbers in section 9-812 caused by the removal of obsolete language. The section provides grants from funds allocated from the Education Innovation Fund for 2013-14 to be used for the acquisition and upgrade of equipment and software for administering examinations for diplomas of high school equivalency.

## Emergency Clause

The measure contains an emergency clause.

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### **Explanation of amendments:**

The committee amendments replace the original provisions. The distribution of lottery funds through the Education Innovation Fund would be modified for 2014-15 and 2015-16 with the inclusion of provisions from LB's 754, 835, 842, 967, 984, and 1069 with some modifications. The other original provisions from LB 967 are also integrated into the amendment and represent the work of the Education Committee on the LR 182 school finance interim study from 2013. Provisions from LB 958 to create the position of achievement coordinator in the Department of Education and modified provisions from LB 984 to provide intent for early childhood education appropriations are related to the interim study discussions. The additional proposed changes originated in LB 1069, which is the annual technical bill for education.

For 2014-15 and 2015-16, the amendments would make the following changes to allocations and transfers from the Education Innovation Fund:

1. Add \$200,000 per year to the existing transfers to the Enhancing Excellence in Teaching Cash Fund (LB 842);
2. Limit distance education equipment and incentives to \$2,000,000 for 2014-15 and \$2,500,000 for 2015-16;
3. Transfer \$1,000,000 per year for reorganization support (LB 967);
4. Allocate \$145,000 per year to continue the college admissions test pilot project for two additional years (LB 835); and
5. Allocate \$335,000 for 2014-15 and an estimated \$344,000 for 2015-16 for evaluating and improving career education programs to align with economic and workforce needs (LB 754).

Additional provisions related to the Education Innovation Fund would:

1. Allow lottery funds that are allocated to reorganization support grants and early childhood education prior to the termination of the Education Innovation Fund to be used after the Fund terminates on June 30, 2016 (LB's 967 and 984);
2. Transfer unspent funds from other allocations and transfers to the Nebraska Education Improvement Fund on August 1, 2016 (LB's 967 and 984);
3. Transfer the remaining funds in the Excellence in Teaching Cash Fund to the Nebraska Education Improvement Fund on August 1, 2016 (harmonize with LB's 967 and 984);

4. Retain \$3,000,000 to be transferred to the Nebraska Education Improvement Fund, which will receive lottery funds for education beginning July 1, 2016 (LB 984); and
5. Further clarify the final deadlines for distance education incentives (LB 1069).

Additional provisions from the original LB's 967 and 984 would:

1. Phase out the teacher education and instructional time allowances and aid by 50% for 2015-16 and completely for 2016-17 (LB 967);
2. Add an intent for all children to have access to early childhood education programs in the year prior to kindergarten (LB's 967 and 984); and
3. Add an intent for new appropriations to be used for such access to programs (LB 984).

Additional provisions from the original LB 1069 would:

1. Replace outdated references to the North Central Association for postsecondary education;
2. Harmonize Department of Education requirements with the Nebraska Publications Clearinghouse requirements;
3. Specifically authorize school district expenditures related to programs and activities;
4. Require the Early Childhood Training Center to approve training for the Step Up to Quality Child Care Act;
5. Update special education definitions; and
6. Include private postsecondary career schools in any interstate reciprocity agreements for postsecondary distance education.

#### Education Innovation Fund Details

Lottery proceeds are currently distributed for education purposes through the Education Innovation Fund and the Nebraska Opportunity Grant Fund. The current uses of lottery proceeds for education purposes expire on June 30, 2016. The Education Committee was directed by LB 497 (2013) to complete a study regarding the future use of lottery proceeds for education by December 31, 2014.

In addition to changing the amounts and uses of lottery funds for 2014-15 and 2015-16, section 9-812 would be amended by allowing funds allocated to the School District Reorganization Fund, the Department of Education for early childhood education grants, and the Early Childhood Education Endowment Cash Fund to be obligated for payments to be made after June 30, 2016. Existing language prohibits funds received from the Education Innovation Fund for 2014-15 or 2015-16 from being obligated for payments to be made after June 30, 2016 when the Fund terminates. Additional new language would require other funds allocated from the Education Innovation Fund that have not been used for their designated purpose by that date to be transferred to the Nebraska Education Improvement Fund on or before August 1, 2016. Of the available lottery funds, \$3,000,000 would be reserved to be transferred to the Nebraska Education Fund at its inception on June 30, 2016.

Section 79-2306 would be amended to harmonize with changes in the subdivision numbers in section 9-812 caused by the removal of obsolete language. The section provides grants from funds allocated from the Education Innovation Fund for 2013-14 to be used for the acquisition and upgrade of equipment and software for administering examinations for diplomas of high school equivalency.

#### Excellence in Teaching Program

The transfer in section 9-812 to the Excellence in Teaching Cash Fund would be increased by \$200,000 each year for 2014-15 and 2015-16. The transfers are currently designated as \$1,000,000 for each of those years. The Excellence in Teaching Program receives lottery funds for two forgivable loan programs. Up to \$400,000 is distributed annually to institutions through the Attracting Excellence to Teaching Program to provide forgivable loans to students working toward a baccalaureate degree in education in a shortage area. The remainder is distributed through the Enhancing Excellence in Teaching Program to current teachers seeking graduate education.

Section 79-8,137.05 would be amended to harmonize with the requirement to transfer unspent balances to the Nebraska Education Improvement Fund on August 1, 2016. The balance of the Excellence in Teaching Cash Fund

would be transferred on such date, but the Fund would not terminate. The Fund would need to remain to collect loan proceeds from loans that do not qualify for forgiveness.

#### Distance Education Equipment and Incentives

In section 9-812, distance education equipment and incentives currently receives the remainder of available funds in the Education Innovation Fund. The proposal would limit that allocation to \$2,000,000 for 2014-15 and \$2,500,000 for 2015-16. These amounts are consistent with the estimates of the amounts needed for such purposes.

Section 79-1337 would be amended by clarifying that the final applications for distance education incentives are due August 1, 2015 and that the final round of incentives will be certified by September 1, 2015 and be paid by October 1, 2015. Currently, the last year of funding for the incentives from the Education Innovation Fund pursuant to section 9-812 is 2015-16 and the funds cannot be spent after June 30, 2016.

#### Reorganization Support

The proposed changes to section 9-812 would transfer \$1,000,000 from the Education Innovation Fund to the School District Reorganization Fund each year for 2014-15 and 2015-16.

Section 79-1011 would be amended by replacing the expired provisions for reorganization incentives with provisions for support grants for districts that consolidate into a new Class III school district after the effective date of the act.

To qualify for support payments, consolidations would be required to be approved for the grants by the State Committee for the Reorganization of School Districts. The deadline for filing applications would be on or before June 15, 2014 or within 30 days following the issuance of the boundary change order, whichever is later. The Committee would have 30 days to approve or disapprove the grants. Qualifying consolidations would need to have a study completed prior to the reorganization, which includes efficiency, demographic, curriculum, facility, financial, and community components. The Committee could approve the grants if the study indicates that the reorganization will most likely result in more efficiency in the delivery of educational services or greater educational opportunities. This criteria would be retained from the expired incentives.

The amount of support grants would equal \$125,000 multiplied by the number of school districts that are consolidating into the new reorganized Class III school district. The expired incentives included this amount, but also had a component based on the number of students that moved from a district with less than 390 students to a district with more than 390 students.

The grants would be calculated as of August 2nd immediately preceding the first full school fiscal year the consolidation will be in effect and would be paid directly to the reorganized district from the School District Reorganization Fund in 10 nearly as possible equal payments on the last business day of each month, beginning in September and ending in June. The payment method is retained from the expired incentives.

If the total support grants exceed the amount in the Fund, the grants would be reduced proportionately. The amount of any reduction for 2014-15 will be paid to those districts from the amount available in 2015-16 prior to the payment of newly approved grants. The grants are not included in formula resources.

Section 79-1012 would be amended by harmonizing the language regarding the School District Reorganization Fund with the change from incentives to support grants. Obsolete language would also be eliminated.

Section 79-1028.01 would be amended by converting the budget exception for the expired reorganizations incentives to a budget exception for the reorganization support grants. The exception would allow the grants to be spent outside of the budget limitations, but to be included in the base for future budget authority calculations.

#### College Admission Test Pilot

Another proposed change to section 9-812 would extend the pilot project for the district-wide administration of a standard college admission test (A.C.T) by the Nebraska Department of Education, through the 2015-16 school year. \$145,000 would be appropriated each year for fiscal years 2014-15 and 2015-16, from the Education Innovation Fund. Section 79-759 would also be amended to reflect the extension of the pilot project through school year 2015-16.

#### Career Education

Section 9-812 would be amended to allocate \$335,000 from the Education Innovation Fund for 2014-15 and an estimated \$344,000 for 2015-16 for the purpose of providing grants to local school systems to assist those schools with evaluating and improving career education programs so they align with the economic and workforce needs of the state. For 2015-16, the amount allocated would be the remainder of the Education Innovation Fund, except that \$3,000,000 would be retained to be transferred to the new Nebraska Education Improvement Fund for the purposes to be determined by the Legislature for 2016-17. At this time that amount is estimated to be approximately \$344,000. The grants would be administered and awarded by the State Department of Education.

#### Teacher Education and Instructional Time Allowances

Section 79-1003 would be amended by removing the teacher education and instructional time allowances from the calculation of adjusted general fund operating expenditures beginning with 2016-17. Obsolete language would be eliminated.

Section 79-1007.11 would be amended by removing teacher education and instructional time allowances from the calculation of formula need beginning with 2016-17. Obsolete language would be eliminated.

Section 79-1007.23 would be amended by limiting the instructional time allowance to school fiscal years through 2015-16 and by reducing the statewide aggregate instructional time allowance from \$20,000,000 to \$10,000,000 for 2015-16. Because instructional time aid is 50% of the allowance, the reduction in the allowance would cause the aid to be reduced from \$10,000,000 to \$5,000,000 for 2015-16.

Section 79-1007.25 would be amended by limiting the teacher education allowance to school fiscal years through 2015-16 and by reducing the statewide aggregate teacher education allowance from \$30,000,000 to \$15,000,000 for 2015-16. Because teacher education aid is 50% of the allowance, the reduction in the allowance would cause the aid to be reduced from \$15,000,000 to \$7,500,000 for 2015-16. Obsolete language would be eliminated.

Section 79-1017.01 would be amended by removing the teacher education aid and instructional time aid from the calculation of formula resources beginning with 2016-17. Obsolete language would be eliminated.

#### Achievement Coordinator

The position of "Achievement Coordinator" in the Nebraska Department of Education would be created in a new section.

The achievement coordinator would be tasked with evaluating and coordinating, existing resources across the state to more effectively impact the educational needs of low-achieving students.

The achievement coordinator would review poverty plans as described under section 79-1013 and limited English proficiency plans as described under section 79-1014, to identify successful practices being implemented under those plans. The achievement coordinator would also be tasked with assisting school districts in improving their poverty and limited English proficiency plans. A schedule to ensure that plans are reviewed periodically must be created.

#### Early Childhood Education

Section 79-1101 would be amended by adding to the intent for early childhood education programs. A goal would be stated of assuring that every family in Nebraska has access to such programs for, at the minimum, the school year prior to the school year when the child will be eligible to attend kindergarten. An intent would also be stated that any additional appropriations for 2014-15 for early childhood education grants be used to assist schools and community-based organizations in working together to expand the access to high-quality early childhood education programs for the school year prior to the school year for which the child will be eligible to attend kindergarten and that unobligated balances be reappropriated for 2015-16 and 2016-17. The original provisions in LB 984 spelled out an

intent for the additional appropriation to be \$4,600,000, but a specified amount is not included in the committee amendments to LB 967.

Section 79-1102 would be amended by requiring the Early Childhood Training Center, in consultation with the Department of Health and Human Services, to approve training that is used to satisfy child care licensing criteria for required training, annual inservice training, and training needed for participation or advancement in the quality rating and improvement system established pursuant to the Step Up to Quality Child Care Act. Obsolete language would be eliminated.

#### References to North Central Association

Section 1-116 would be amended by modifying the reference to the accrediting agency for postsecondary education institutions that provide qualifying baccalaureate degrees for the certified public accountant exam. Candidates are currently required to have at least a baccalaureate degree from a college or university accredited by the North Central Association of Colleges and Universities. With the modification, the degrees would have to be earned at a college or university accredited by a regional accrediting agency recognized by the United States Department of Education.

Section 79-8,133 would be amended by modifying the definition of eligible institutions for purposes of the Attracting Excellence to Teaching Program. Eligible institutions are currently required to be accredited by the North Central Association of Colleges and Schools. With the modification, eligible institutions would have to be accredited by a regional accrediting agency recognized by the United States Department of Education as determined to be acceptable by the State Board of Education. The Attracting Excellence to Teaching Program provides forgivable loans to students seeking education degrees.

Section 79-8,137.01 would be amended by modifying the definition of eligible institutions for purposes of the Enhancing Excellence in Teaching Program. Eligible institutions are currently required to be accredited by the North Central Association of Colleges and Schools. With the modification, eligible institutions would have to be accredited by a regional accrediting agency recognized by the United States Department of Education as determined to be acceptable by the State Board of Education. The Enhancing Excellence in Teaching Program provides forgivable loans to teachers seeking graduate degrees.

#### Nebraska Publications Clearinghouse Requirements

Section 79-319 would be amended by modifying the requirement to provide the Nebraska Publications Clearinghouse with copies of Department of Education publications. Currently, the Department is required to provide 8 copies of each publication. With the modification, the requirement would be pursuant to section 51-413. Section 51-413 currently requires all state agencies to deposit 4 copies and a short summary, including author, title, and subject. The Clearinghouse may also require additional copies required to meet the needs of the Nebraska publications depository system, except that the University of Nebraska Press may only be required to deposit the 4 copies.

#### Program and Activity Expenditures by School Districts

Section 79-526 would be amended by authorizing school boards of Class I, II, III, IV and VI school districts to make expenditures for supplies, equipment, travel, meals, and lodging for school programs and activities, including extracurricular and interscholastic activities, appropriate for the benefit, government, and health of pupils enrolled in the school district.

Section 79-535 would be amended by authorizing school boards of Class V school districts to make expenditures for supplies, equipment, travel, meals, and lodging for school programs and activities, including extracurricular and interscholastic activities, appropriate for the benefit, government, and health of pupils enrolled in the school district.

#### Special Education Definitions

Section 79-1118.01 would be amended by streamlining the definition of disability for purposes of the Special Education Act and renaming behavior disorders as emotional disturbances.

#### Private Postsecondary Career School Distance Education

Section 85-1603 would be amended by defining distance education for purposes of the Private Postsecondary Career School Act and repealing the definition of home study school. Distance education would mean instruction offered by any means in which the student and faculty member are in separate physical locations and includes, but is not limited to, online, interactive video, and correspondence courses or programs.

Section 85-1604 would be amended by exempting distance education programs from the Private Postsecondary Career School Act when offered by out-of-state schools and authorized in accordance with an interstate reciprocity agreement for the provision of postsecondary distance education across state boundaries entered into and administered pursuant to section 85-2405.

Section 85-2405 would be amended by modifying the provisions regarding interstate reciprocity agreements for the provision of postsecondary distance education entered into and administered by the Coordinating Commission for Postsecondary Education. With the modifications, the Commission would be required to consult with the Nebraska Department of Education regarding the potential impact of such agreement and any modifications on Nebraska students who may participate in distance education offered by out-of-state private postsecondary career schools.

Section 85-2407 would be amended to include private postsecondary career schools in the Postsecondary Institution Act for purposes of interstate reciprocity agreements for the provision of postsecondary distance education across state boundaries entered into and administered pursuant to section 85-2405.

#### Emergency Clause

The amendment contains an emergency clause.

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Kate Sullivan, Chairperson