



Clear thinking for
a stronger Nebraska

About OpenSky Policy Institute

We are a non-partisan think tank focused on fiscal policy in Nebraska.

Our mission is to improve opportunities for every Nebraskan by providing impartial and precise research, analysis, education, and leadership.

SELECT TEEOSA GOALS

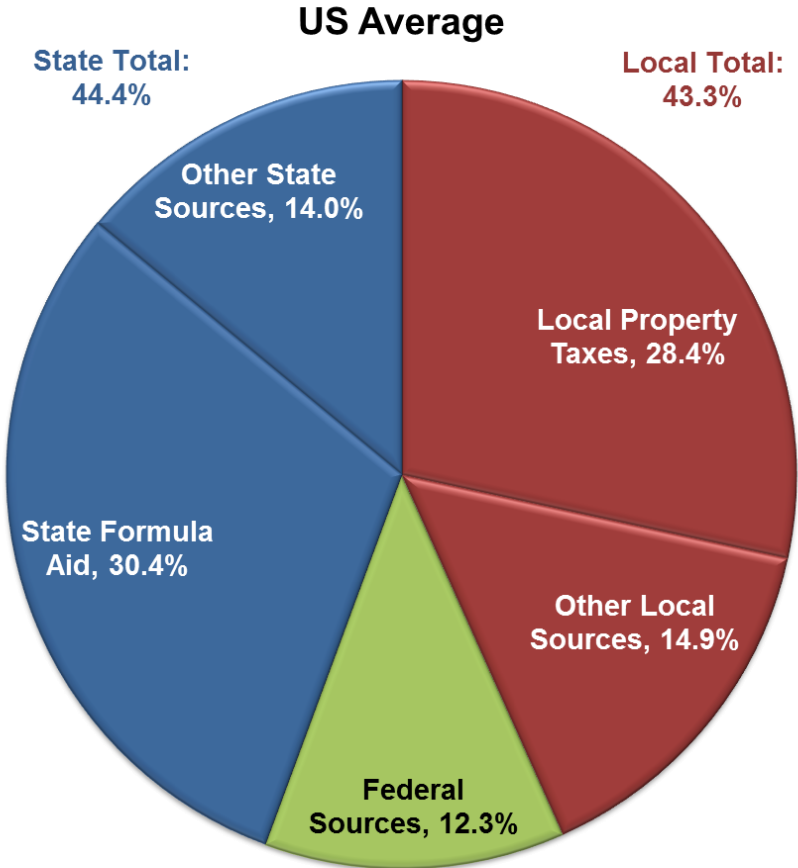
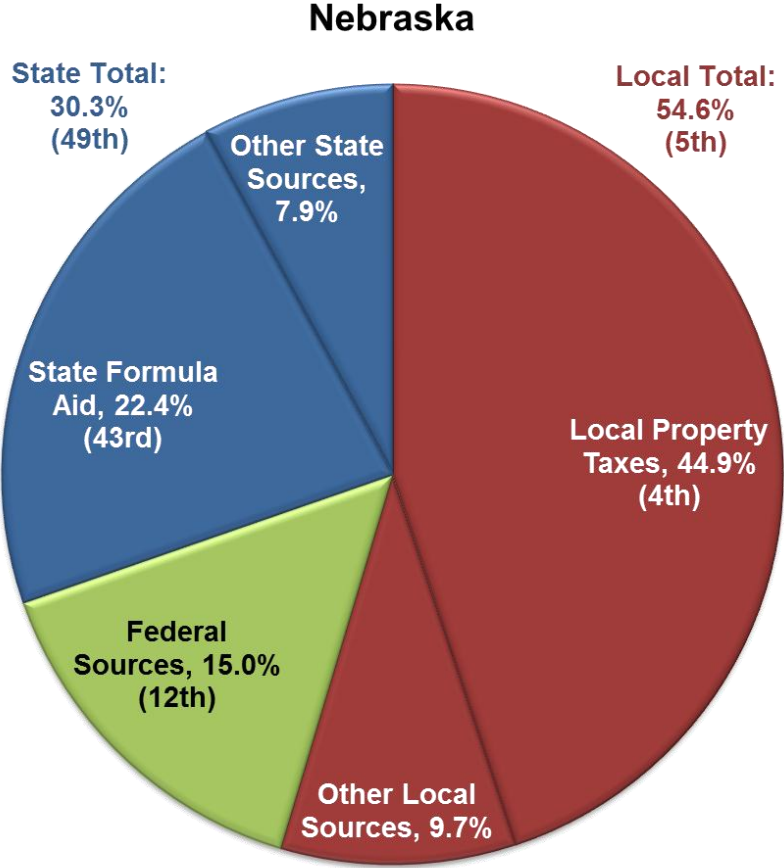
LB 1059 (1990)

- Reduce reliance on property taxes to pay for K-12 education;
- Provide a sustainable revenue source other than property taxes to keep pace with the increasing costs of operating the public school system; and
- Assure a greater level of equity of educational opportunities for students in all districts.

Goal #1: Reduce Reliance on Property Taxes to Pay for K-12 Education

- Goal: **45%** of state school system should be funded by state sources
- Today: **30.3%** of state school system is funded by state sources (49th)
- Would need to provide an additional **\$513m** in state aid to get to national average

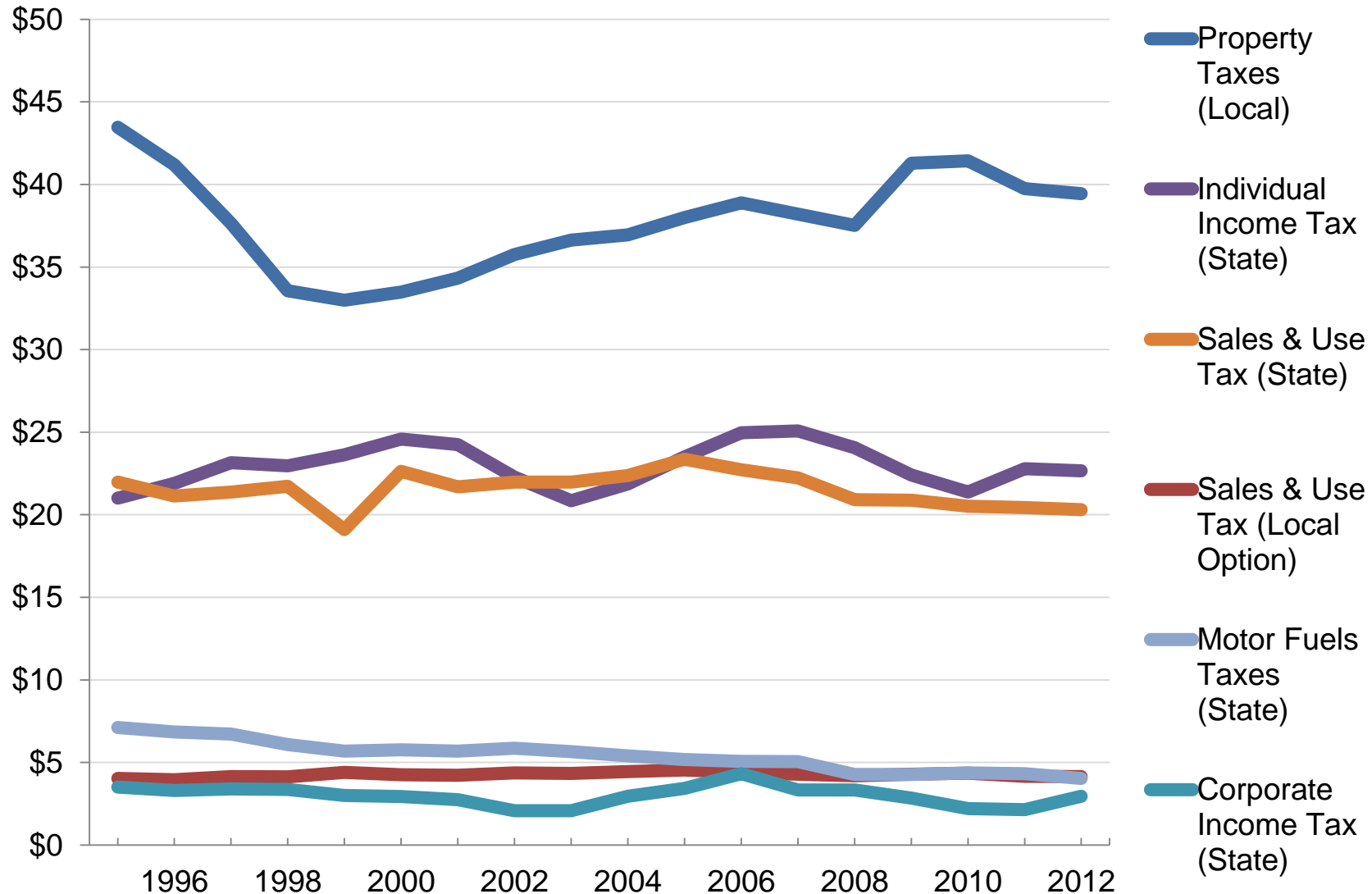
Nebraska Schools Heavily Reliant on Local Property Taxes



Source: US Census Bureau, 2011 Annual Survey of School System Finances

Major State and Local Tax Revenues

Taxes per \$1,000 of Nebraska Personal Income, 1995-2012

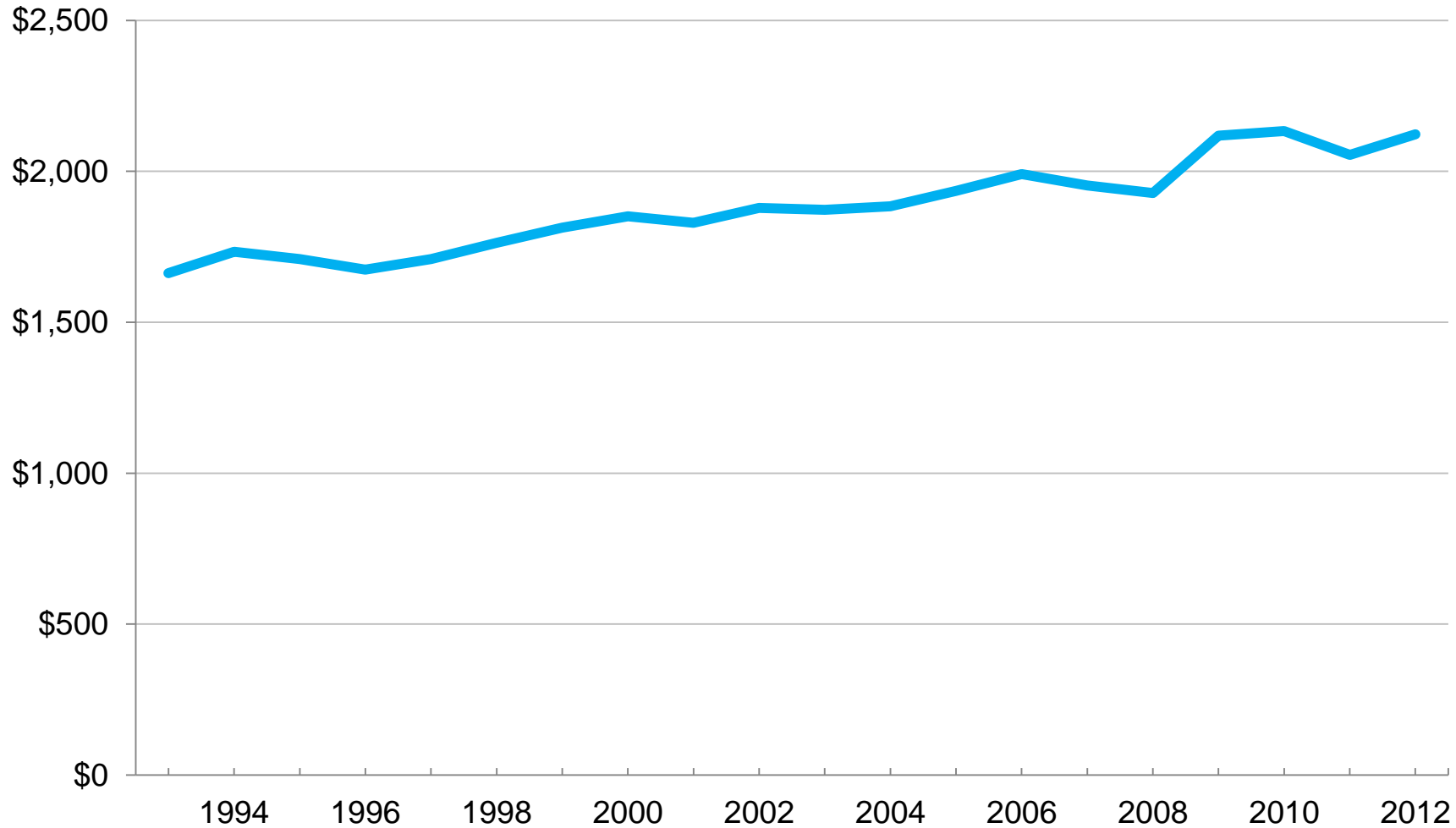


*State data are for fiscal years (2012 = FY 11-12); local data are for calendar years

Sources: Department of Administrative Services Accounting Division, *Annual Budgetary Reports*, and Department of Revenue

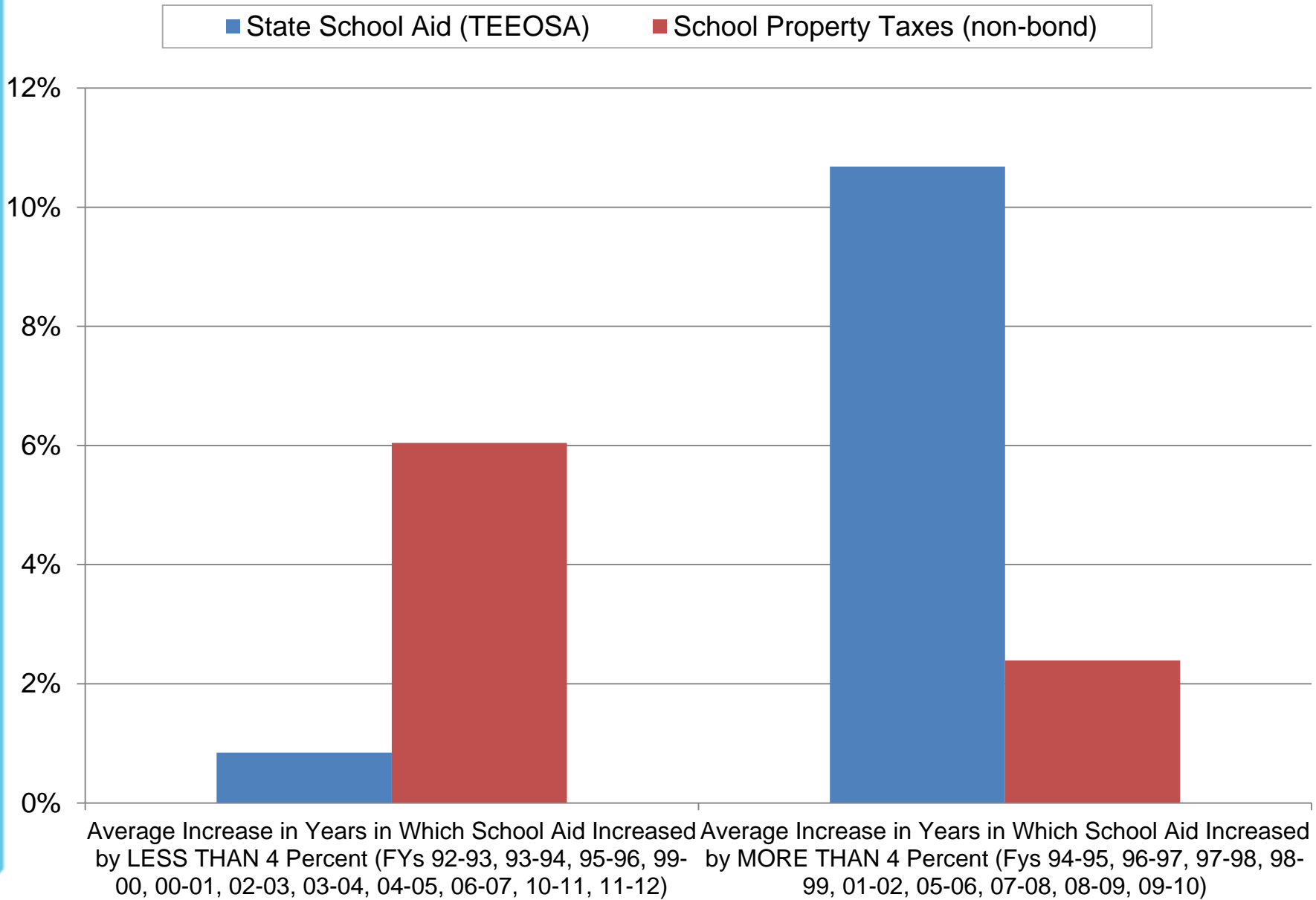
Property Tax Base Has Grown Faster than Economy

Property Values per \$1,000 of Nebraska Personal Income, 1993-2012



Note: Motor Vehicle property values have been removed to be consistent across all years.
Source: Department of Revenue Property Assessment Division, US Bureau of Economic Analysis

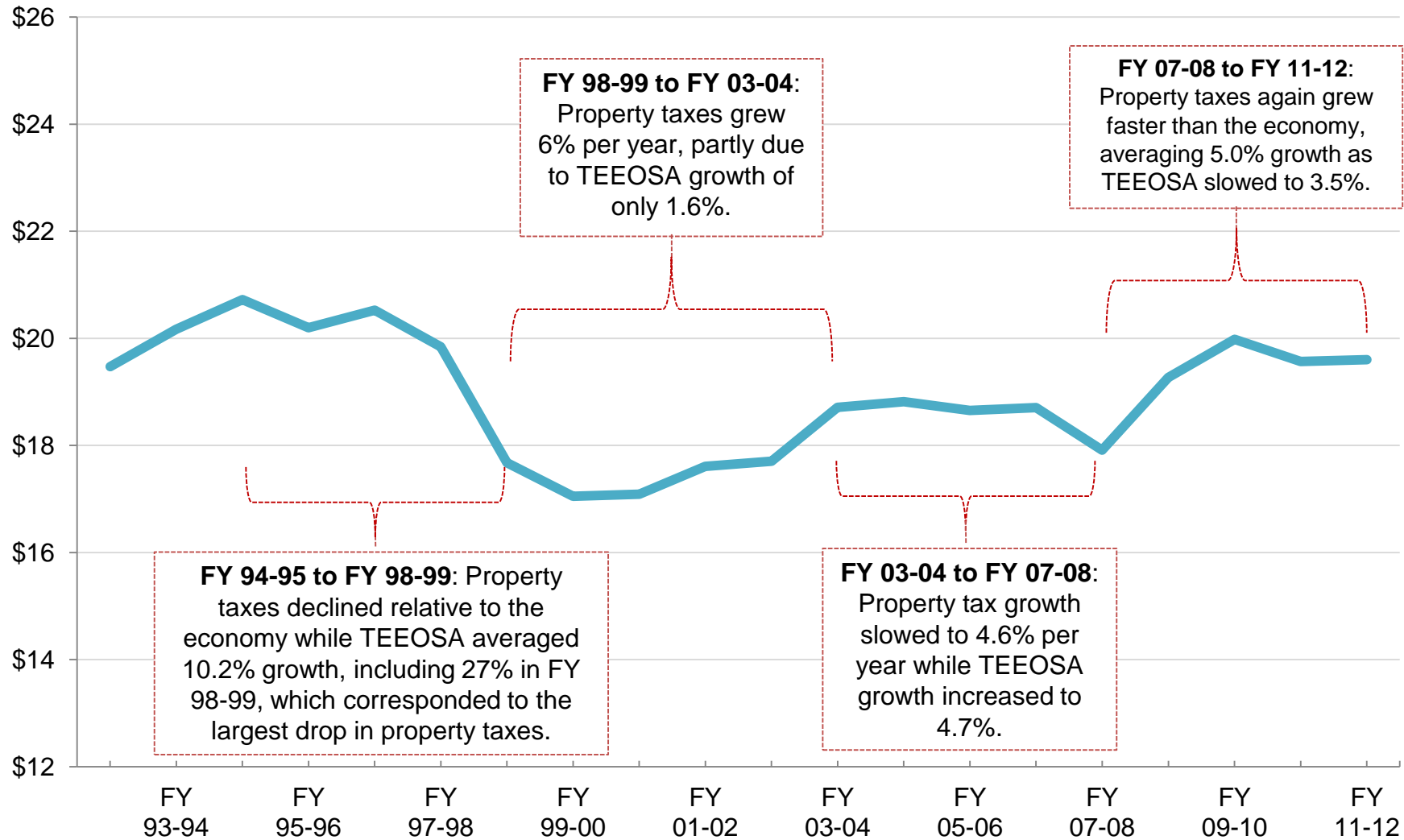
Property Taxes Rise When State School Aid Does Not



Sources: Department of Revenue Property Assessment Division and Legislative Fiscal Office

School Property Taxes Influenced by TEEOSA Aid

School Property Taxes per \$1,000 of NE Personal Income,
FY 92-93 to FY 11-12



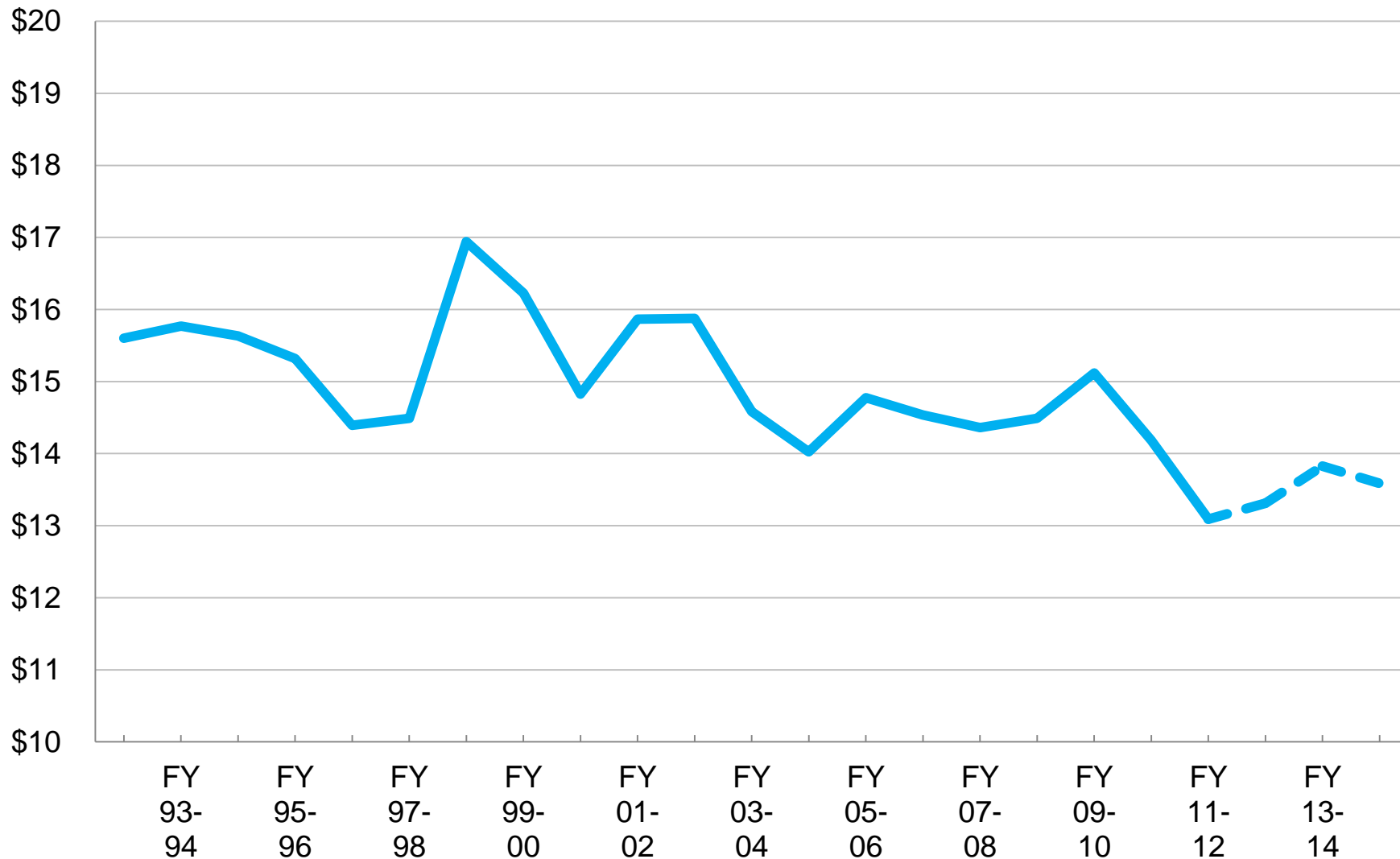
Sources: NE Department of Education *Annual Financial Reports*, NE Legislative Fiscal Office *Budget Reports*

Note: Motor vehicle property taxes have been removed from this graph in order to avoid overstating the property tax decline in the late 1990s. Motor vehicles were subject to property tax through 1996, accounting for about 9.2% of property taxes.

Goal #2: Provide a sustainable revenue source other than property taxes to keep pace with the increasing costs of operating the public school system

State Spending for K-12 has Declined

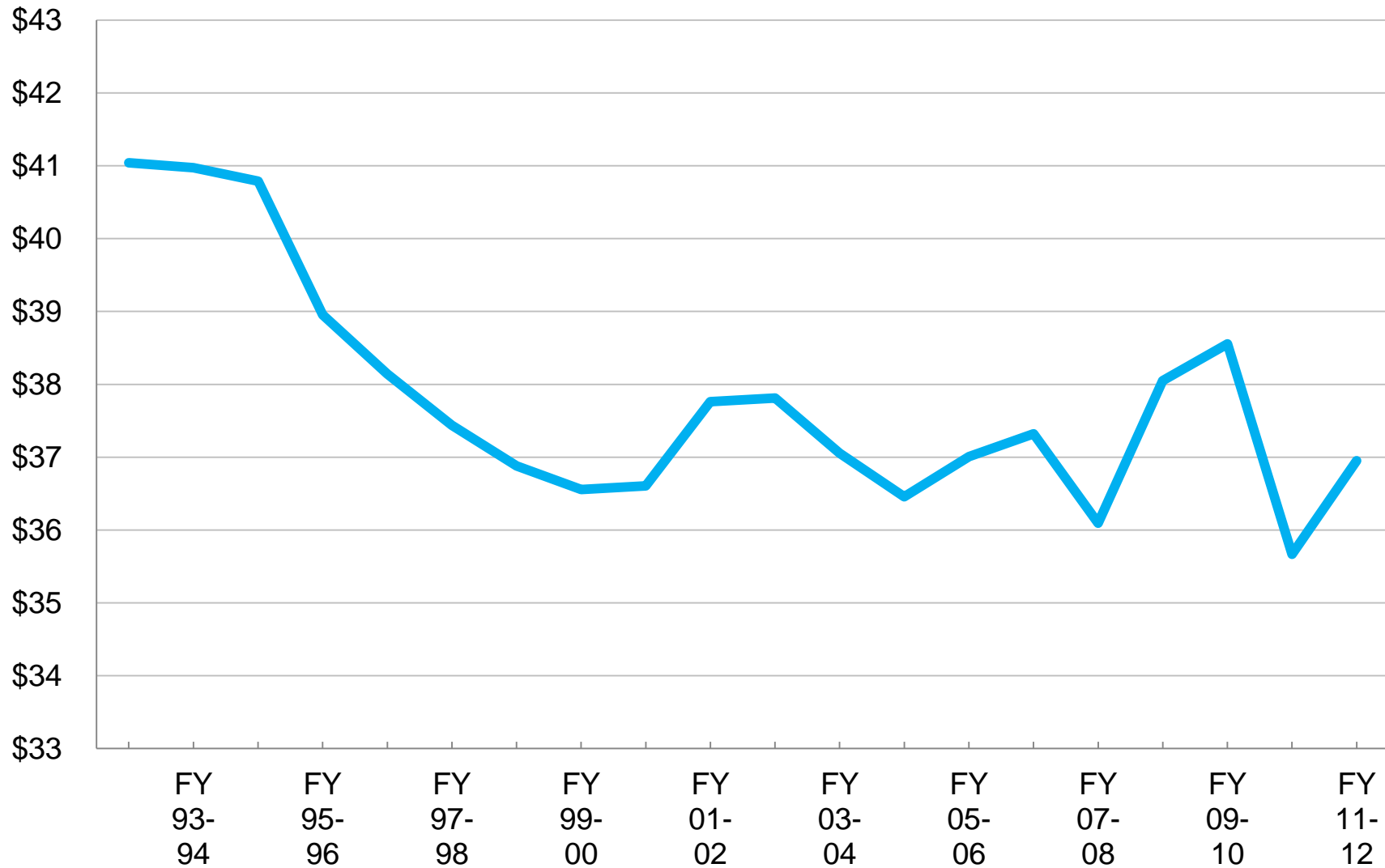
General Fund Appropriations per \$1,000 of Nebraska Personal Income



Sources: NE Legislative Fiscal Office, US Bureau of Economic Analysis

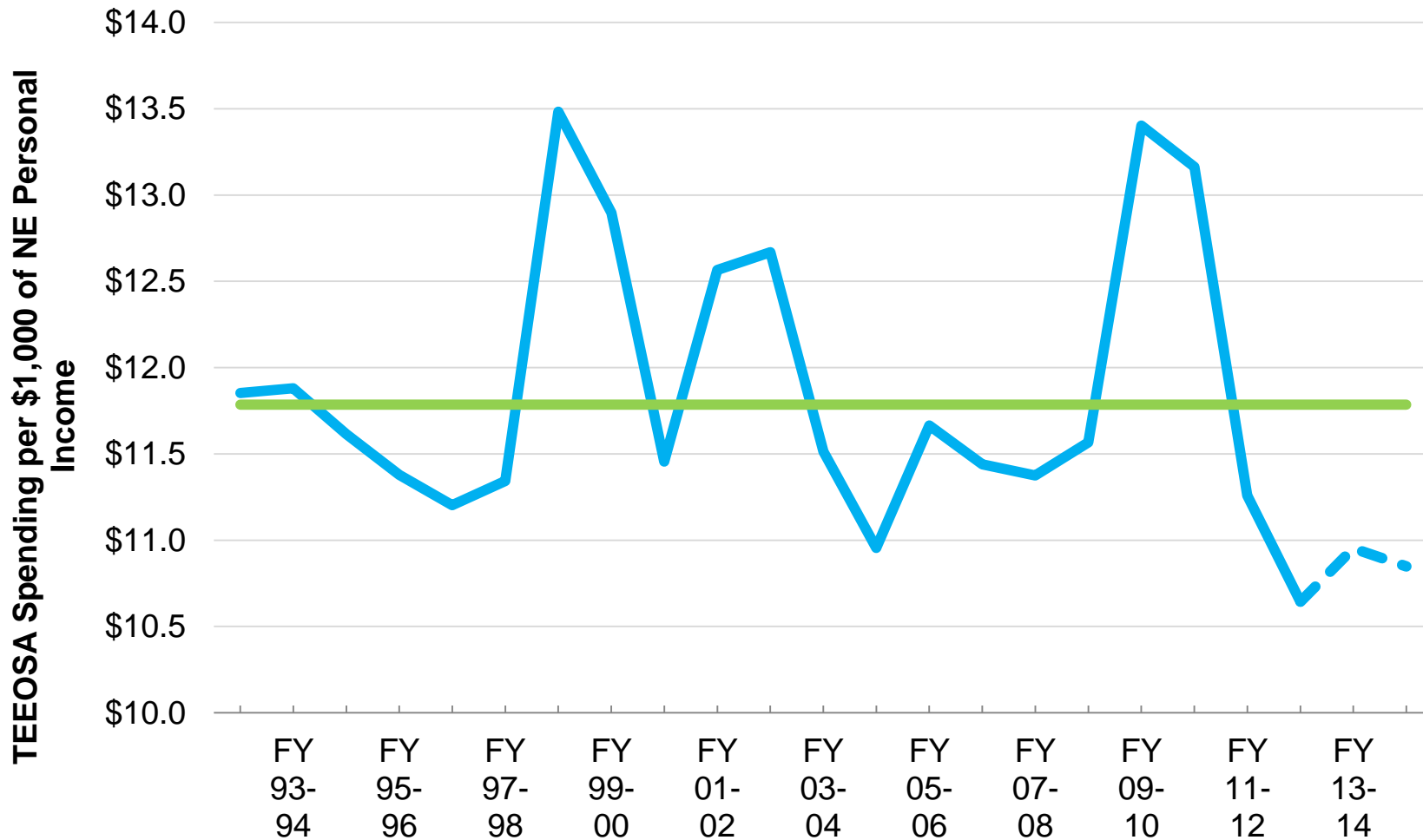
School Spending Has Decreased

School District Spending per \$1,000 of Nebraska Personal Income



Sources: Department of Education Annual Financial Reports.

State's School Funding Commitment below Historic Average



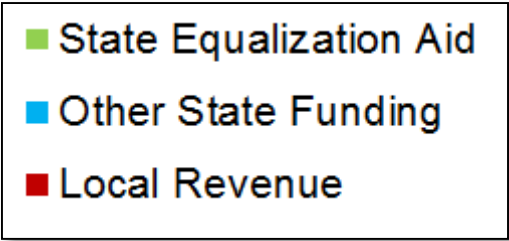
Sources: Spending data and projections from Legislative Fiscal Office; Personal Income from US Bureau of Economic Analysis; Personal Income growth projections from Nebraska Economic Forecasting Advisory Board.

Note: \$58.6 million in federal Education Jobs money is shown here in the year it was spent, FY12, rather than the year it was received, FY11.

**Goal #3: Assure a
greater level of equity of
educational
opportunities for
students in all districts**

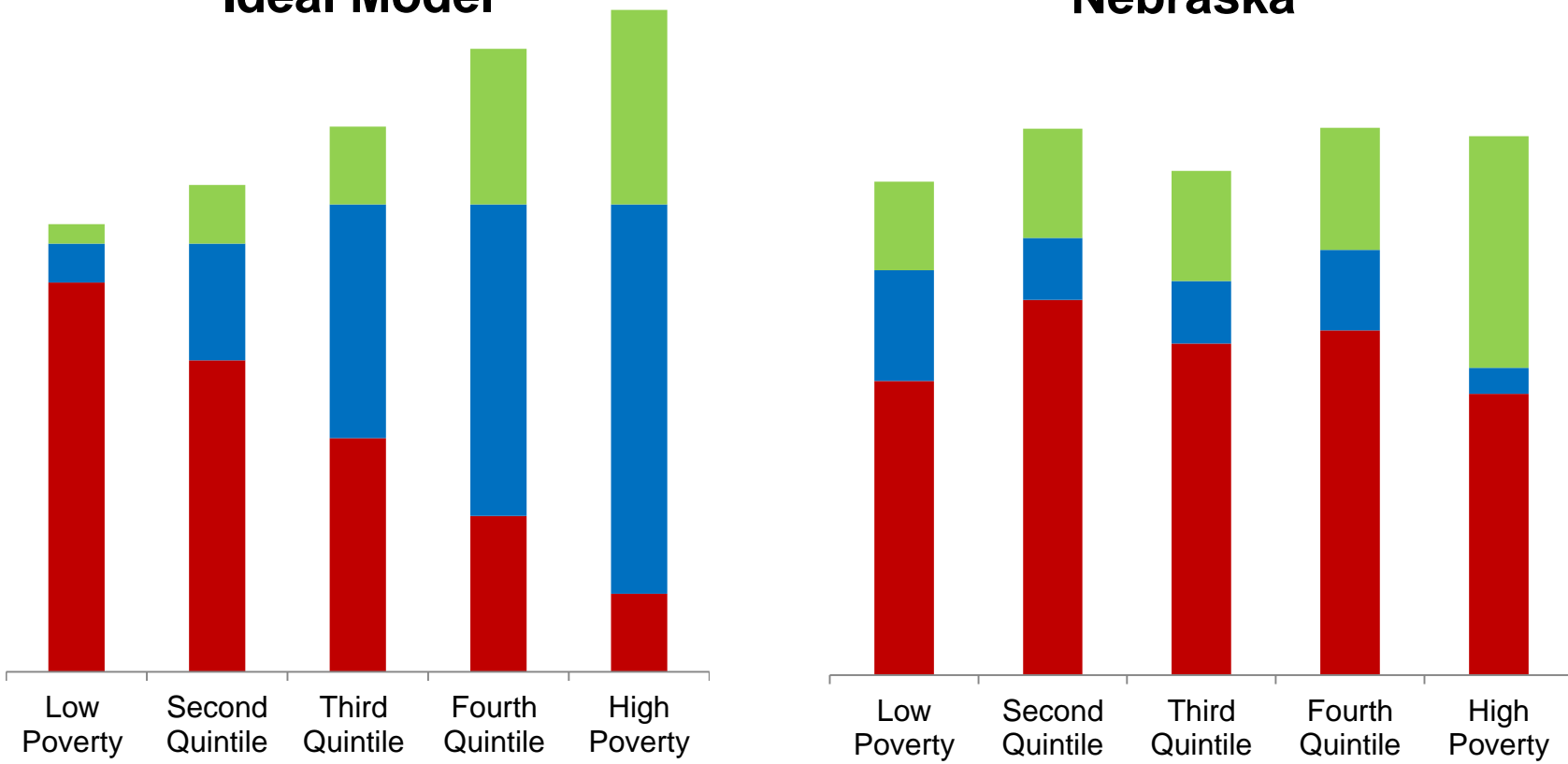
An equitable funding system requires progressiveness in both the equity formula as well as the funding that falls outside of the formula.

Nebraska compared to the ideal model



Ideal Model

Nebraska

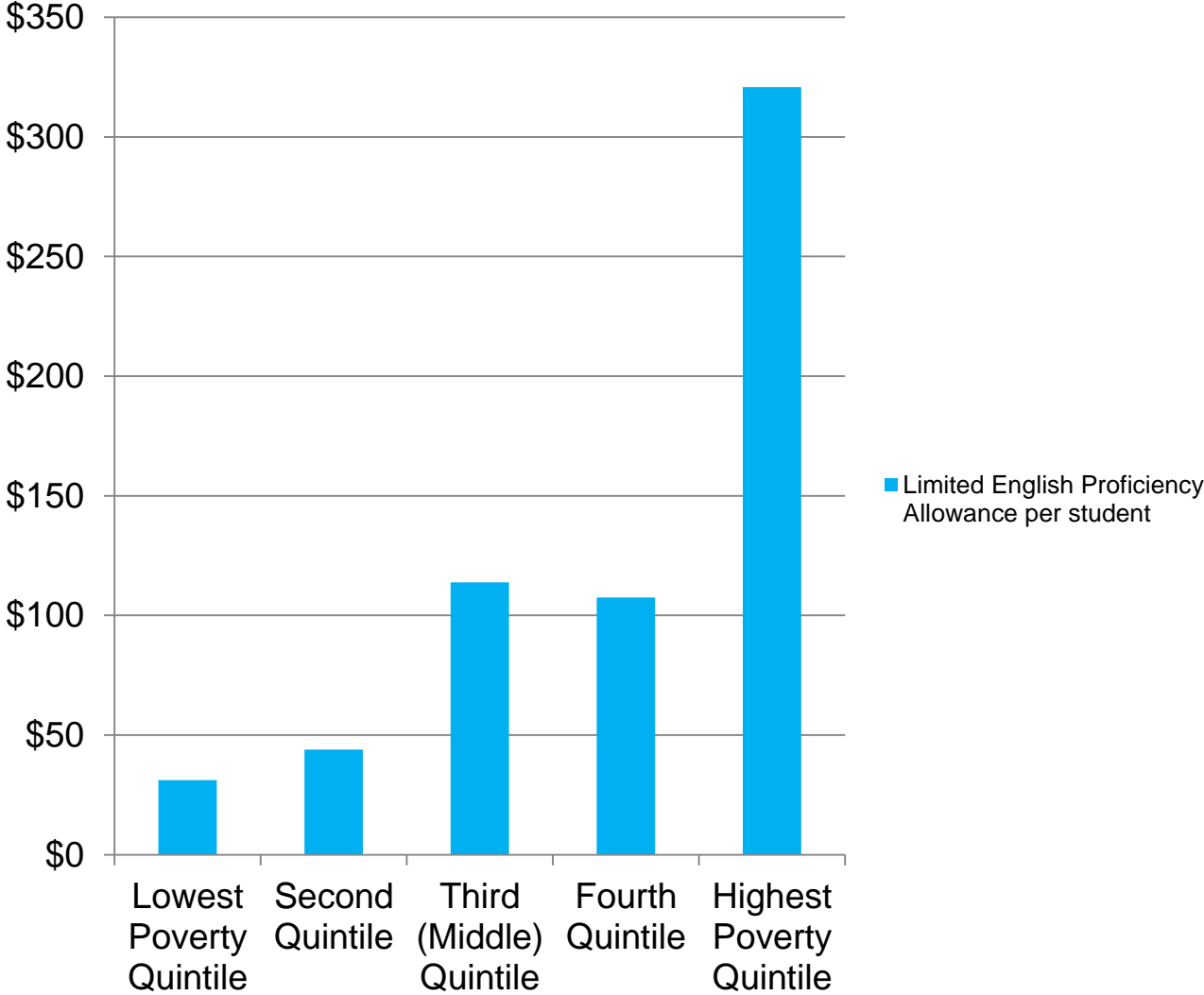


Source: *The Stealth Inequities of School Funding*, Baker & Corcoran, September 2012, p. 4; Nebraska Department of Education

Progressive Components of TEEOSA

- Limited English Proficiency Allowance
- Poverty Allowance

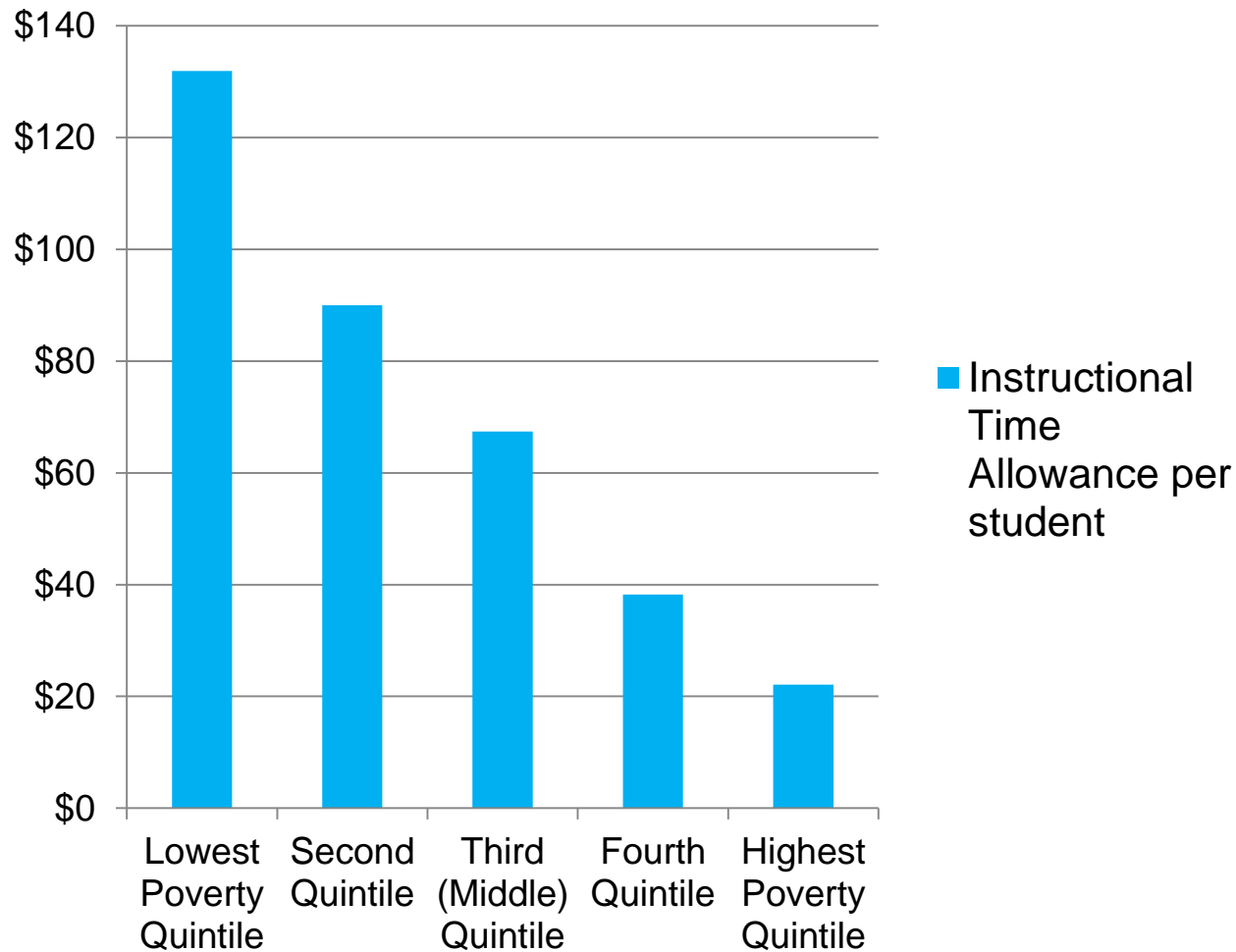
Limited English Proficiency Allowance Is Progressive



Regressive Components of TEEOSA

- Instructional Time Allowance
- Teacher Education Allowance
- Averaging Adjustment
- Needs Stabilization

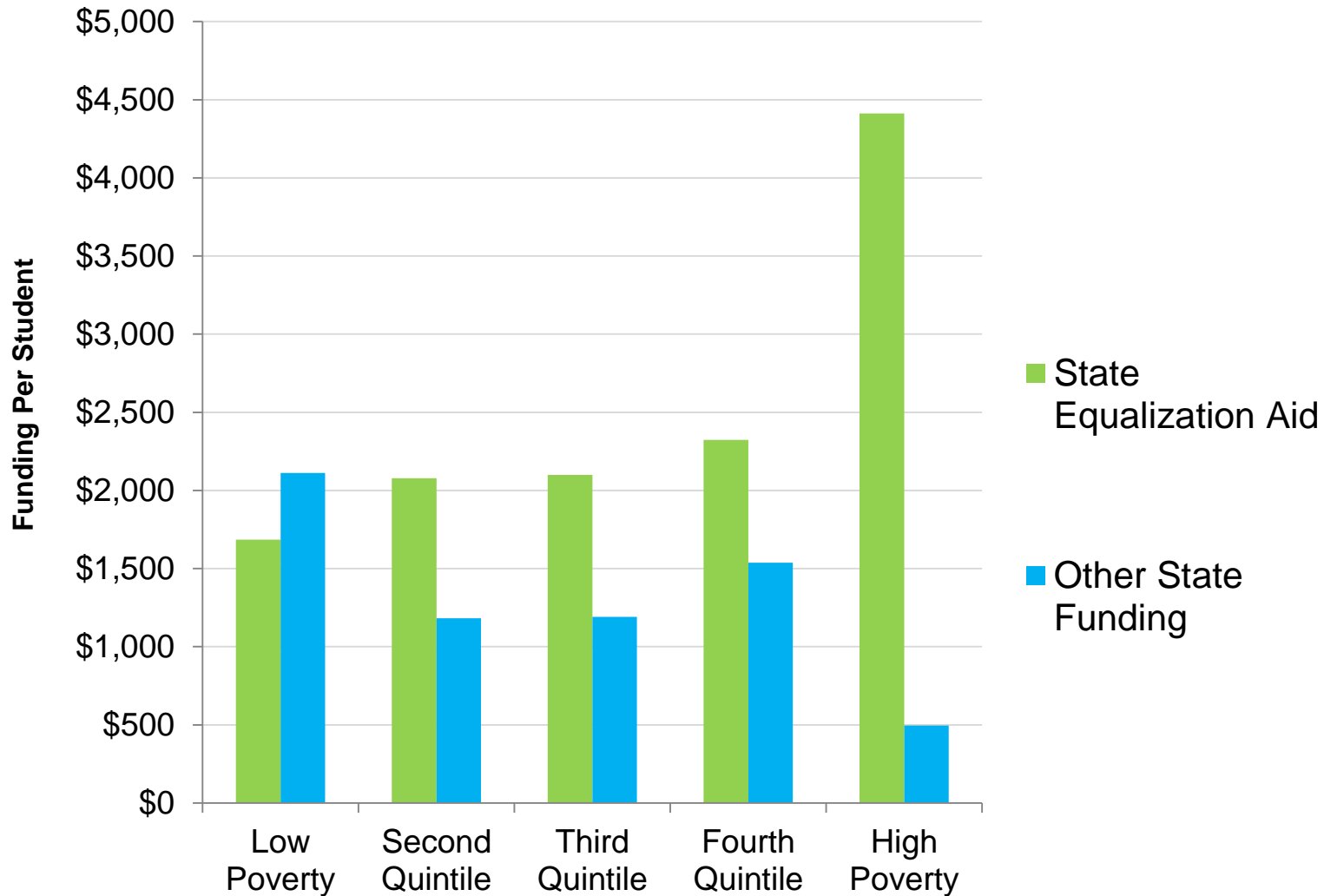
Instructional Time Allowance Is Regressive



Examples of Regressive Components Outside of TEEOSA

- State Apportionment
- Textbook Loan
- Property Tax Credit Act

TEEOSA Equalization Aid Is Progressive, Rest of State Education Funding Is Not

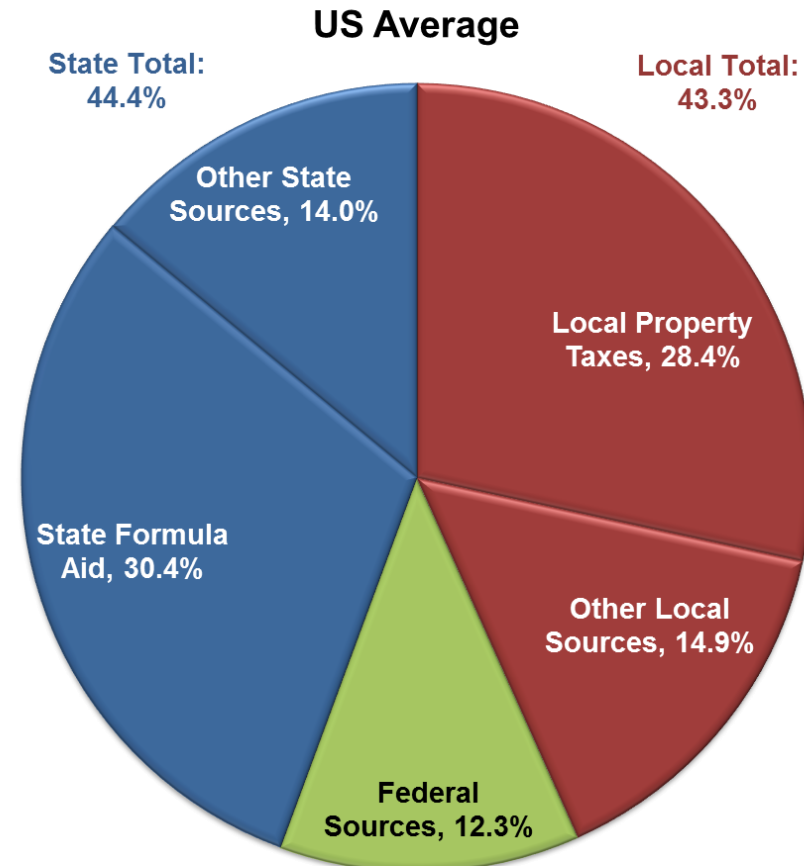
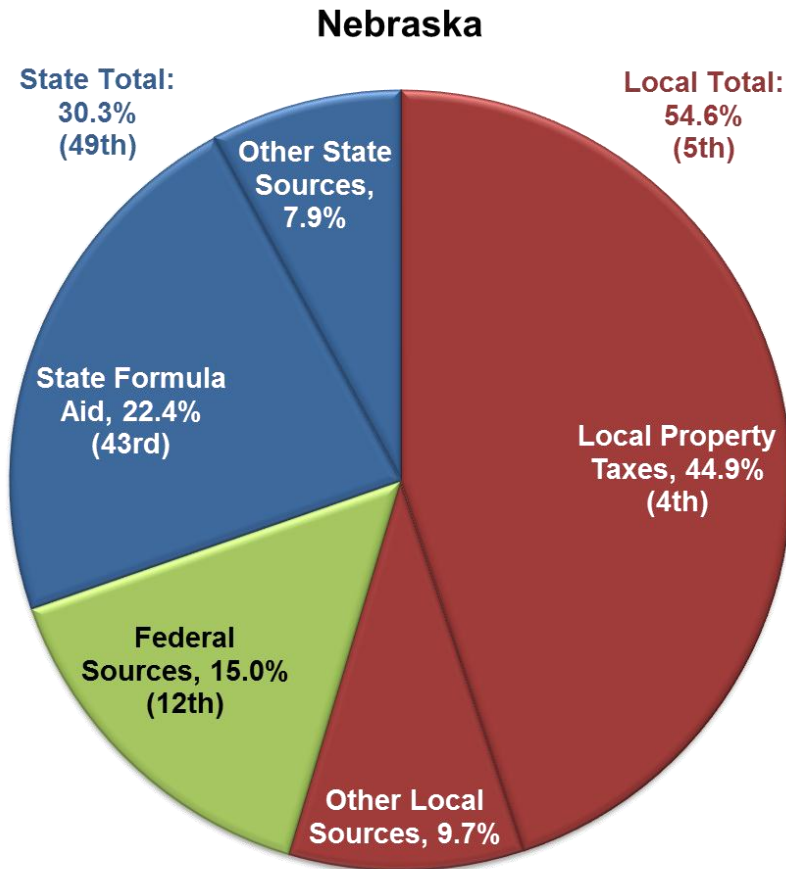


Source: *The Stealth Inequities of School Funding*, Baker & Corcoran, September 2012, p. 4;
Nebraska Department of Education

Property Taxes and Funding Inequity

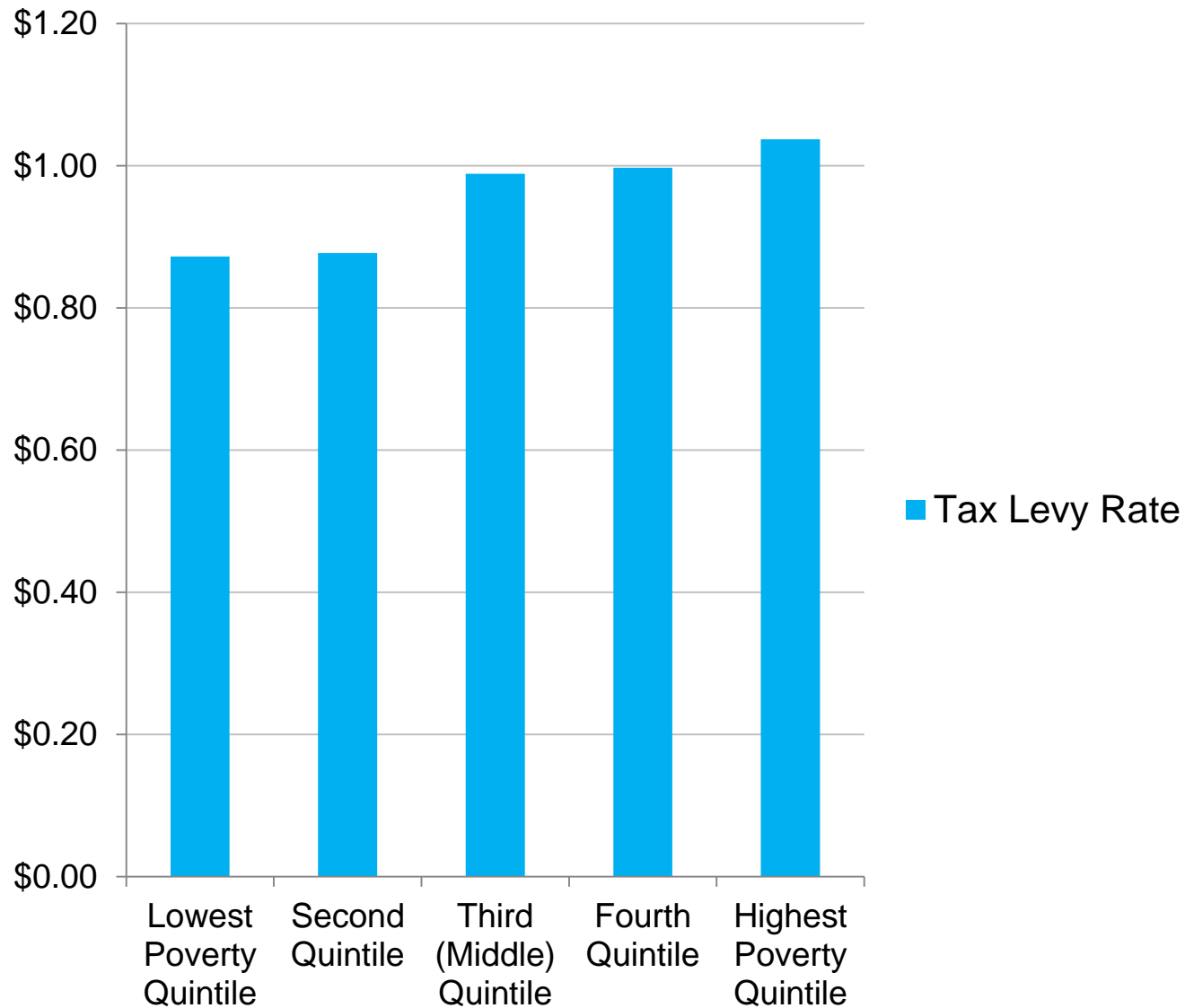
- Property taxes are the most important contributor to inequities in local revenues across school districts.
- Property taxes play a disproportionate role in inequality.

Nebraska Schools Heavily Reliant on Local Property Taxes



Source: US Census Bureau, 2011 Annual Survey of School System Finances

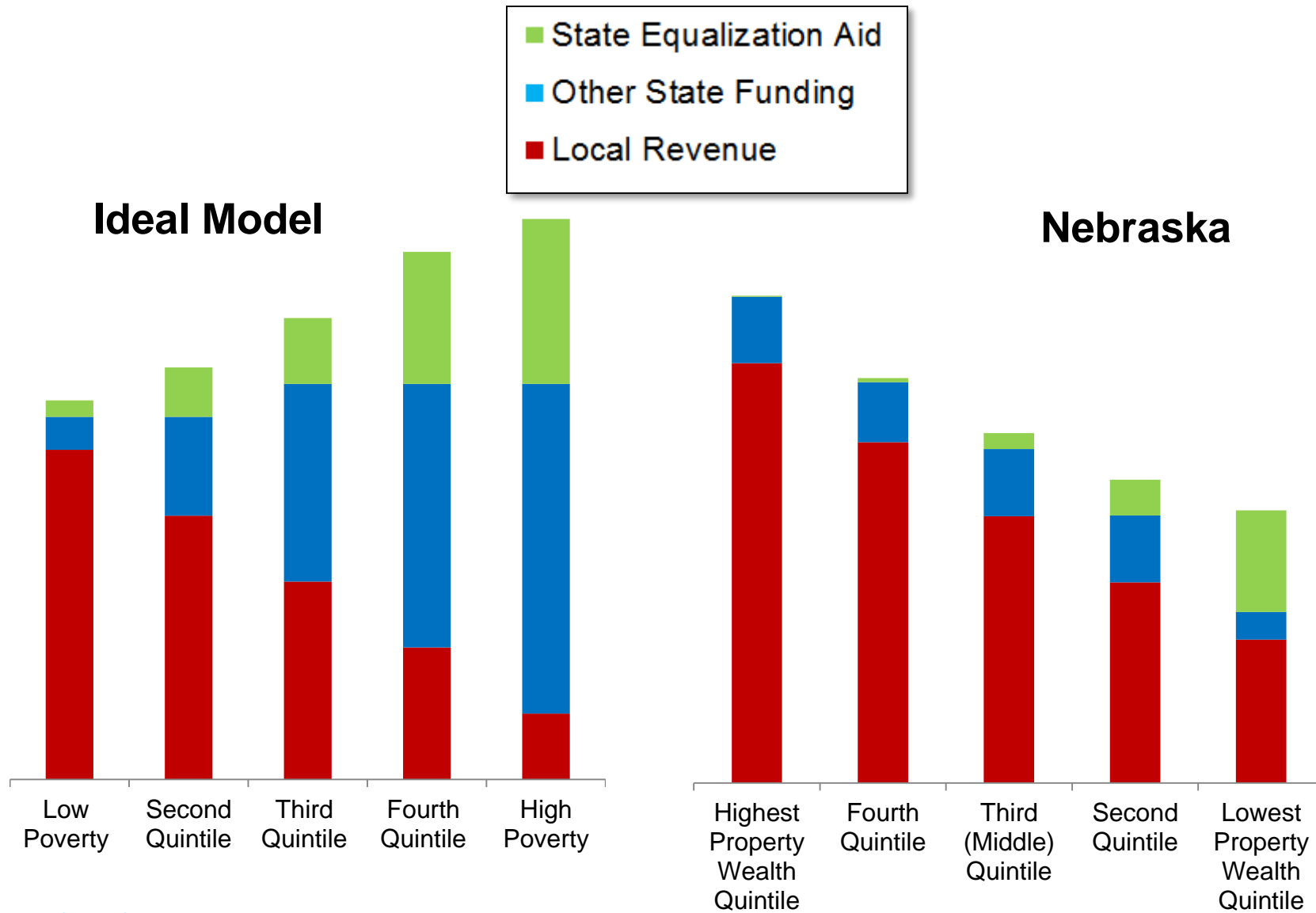
High-Poverty Districts Pay Higher Rates



Higher state aid doesn't fully offset regressivity

	High Property Value Districts	Low Property Value Districts
Operating Expenditures Per Pupil	\$17,251	\$9,905
Assessed (Taxable) Value Per Pupil	\$1,701,624	\$418,145
Average Property Tax Levy	0.811	0.965
Average Property Taxes Levied Per Pupil	\$13,794	\$4,035
Property Tax Credit Per Pupil	\$586	\$86
State Aid Per Pupil	\$586	\$3,765

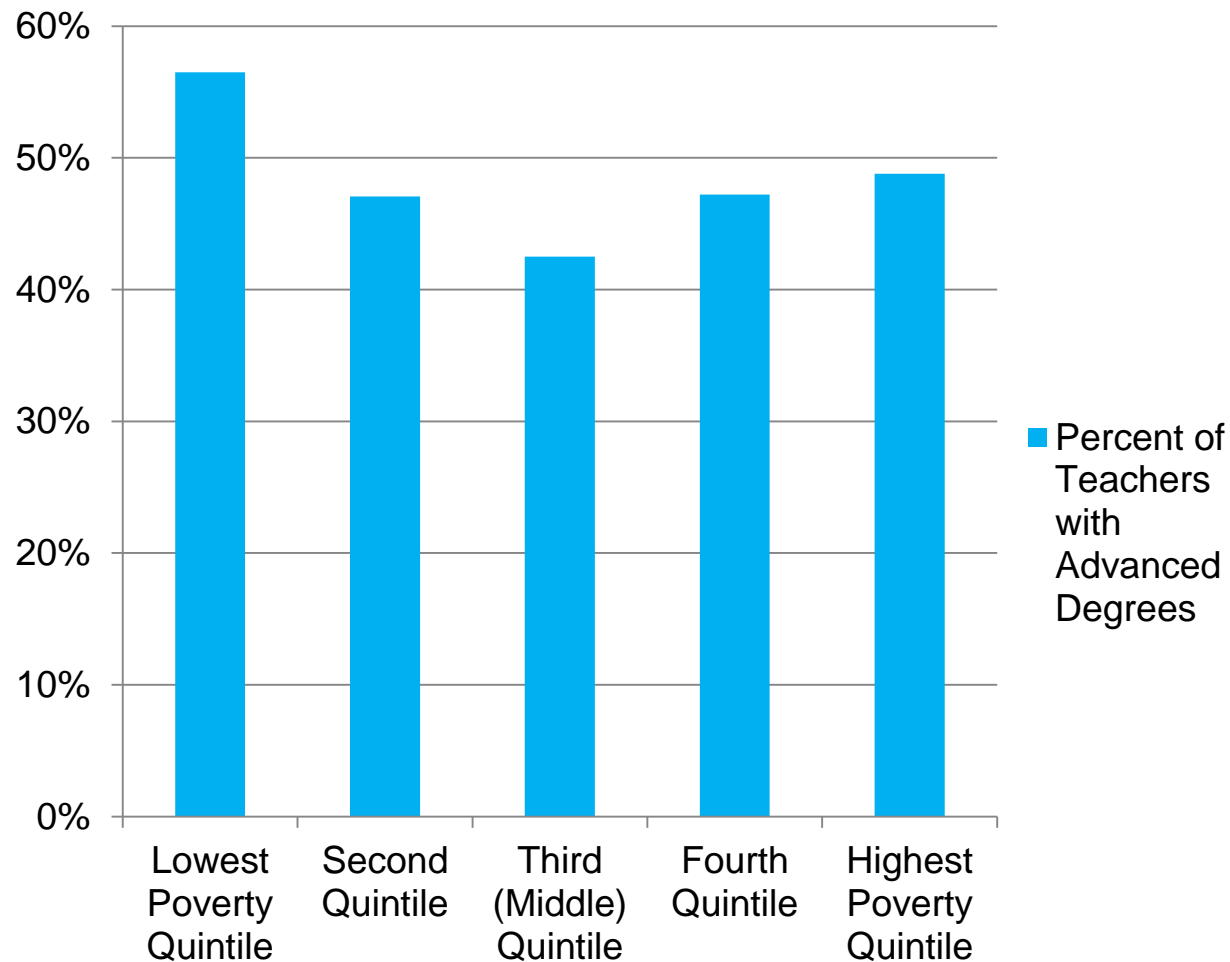
Nebraska compared to the ideal model, comparing districts by property wealth



There are many concrete inequities that come from regressive systems.

High-Poverty Districts Have Fewer Highly Educated Teachers

Percent of Teachers with Advanced Degrees

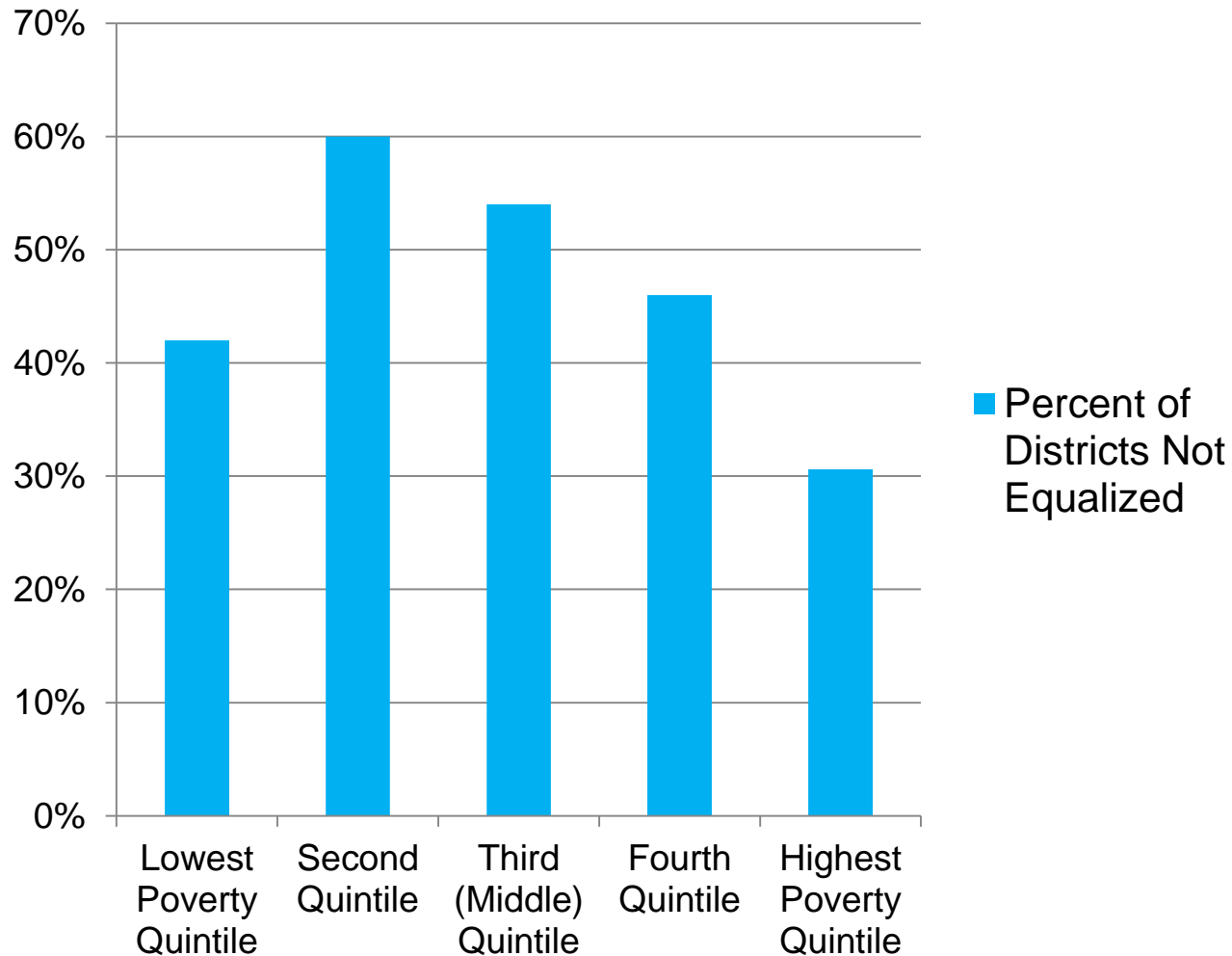


Source: Nebraska Department of Education

No Allowance for Capital Construction

Not providing funding for capital construction puts school districts with the least ability to raise revenue for a bond issue at a disadvantage.

Many High-Poverty Districts Receive No Equalization Funds



Source: Nebraska Department of Education

Conclusion

- Has not reduced reliance on property taxes to pay for K-12 education;
- Has not provided a sustainable revenue source other than property taxes to keep pace with the increasing costs of operating the public school system; and
- Has not assured a greater level of equity of educational opportunities for students in all districts.

Nebraska School Finance Review Commission

“Increases in state taxes are the political cost which Nebraskans must be willing to pay in order to reap the benefits of short-term and long-term property tax relief and educational equity”

How to receive our information

- www.openskypolicy.org
- Sign up for our email updates
- Find us on facebook
- Follow us on twitter
- Contact us:

rfry@openskypolicy.org

kstilwellbergquist@openskypolicy.org