



Investing In Our Future

An Overview of Nebraska's Education Funding System



POLICY INSTITUTE

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OpenSky is a nonprofit, nonpartisan organization that analyzes tax and budget policy in the state of Nebraska. We use data to help lawmakers and citizens adopt sound policy, because everyone deserves a chance at the Good Life.

Our mission is to use research, strategic communications and coalition-building to advance evidence-based policies that improve economic opportunity for all Nebraskans.



Acknowledgements

OpenSky Policy Institute would like to acknowledge staff whose work was instrumental in the development of this report, led by Connie Knoche, OpenSky’s Education Policy Director.

Colleagues providing essential technical assistance include John Skretta, Associate Superintendent at Lincoln Public Schools; Jack Moles, Executive Director of the Nebraska Rural Community Schools Association; Elias Prtiza, OpenSky’s Policy Fellow; and Tiffany Friesen Milone, OpenSky’s Deputy Director.

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OpenSky Policy Institute, (2025) Investing in Our Future: An Overview of Nebraska’s Education Funding System.

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January 2025

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Introduction



Nebraskans are proud of their K-12 education system, and rightly so.

Nebraska students consistently score above the national average on the ACT, which Nebraska and 12 other states require all students to take (U.S. Department of Education, 2023).¹ The state also boasts one of the highest high school graduation rates (87 percent) in the nation, according to the most recent U.S. Department of Education data (U.S. Department of Education, 2024).

Because of these successes, most Nebraskans view spending on public education as a justifiable, long-term investment in the state's future, according to OpenSky polling (2023b).

Well-educated workers earn better wages and contribute more to the overall good of the state through taxes they pay on those higher wages (U.S. Bureau of Labor Statistics, 2023). A strong K-12 education system not only expands economic opportunities for all, but it also helps strengthen the overall economy (Gandal, 2023) (Berger & Fisher, 2013).

Nebraska's Constitution says the "Legislature shall provide for the free instruction in the common schools of this state," but it does not define how it should be done or how to pay for it (Neb. Const. art. VII, sec. 1).

And while the pride and ownership felt by Nebraskans toward public education have been consistent, so has the debate over how to pay for it in an equitable fashion that affords all students equal educational opportunities.

As the education funding system has evolved, Nebraska has relied more heavily on local sources of revenue such as property taxes to fund its public education. In Fiscal Year 2022, Nebraska schools were the second most reliant on property taxes as a source of revenue in the country (United States Census Bureau, 2022). That reliance has created problems in trying to make state funding equitable between districts that have high property values on which to draw for tax purposes and those that don't.

Today, the dialogue about how the state can best use education funding to provide adequately for the education of all students is shaped not only by equity considerations but also Nebraska's changing demographics – increasing racial and ethnic diversity throughout the state, a declining rural population and increased student needs in many areas.

Meeting the educational needs of everyone in a large, diverse state like Nebraska will always require vigorous debate and periodic reform.

And while the state must remain committed to local solutions to local issues, those debates and reforms will come easier if there is a shared statewide vision for an adequate, equitable education for all Nebraskans.

This primer is meant to be another tool to help legislators, policymakers and citizens better understand the education finance system in Nebraska. It provides a clear, precise explanation of how Nebraska has paid for K-12 education in the past and how it does so now and promotes a vibrant debate on the vital issues surrounding school funding.

Chapter 1 of this report goes over the history of school funding in Nebraska. Chapter 2 examines how schools are funded today with local, state and federal sources. Chapter 3 looks at spending and tax rate lids the Legislature has set for school districts. Chapter 4 evaluates Nebraska's current school funding system.

¹ Thirteen states, including Nebraska, require all students to take the ACT test while in high school. This comparison is only among those states with such a requirement.

Chapter 1: History of School Funding



The primary source of funding Nebraska's schools has always been local property taxes.

And until 1965, the primary means of financing state government came from a general state property tax. That's when the Legislature created the first state income tax, which triggered an existing constitutional mechanism to automatically eliminate the state property tax – and led to a political battle between the state's most powerful economic interests (Dulaney, 2007, p. 28).

In 1966, the business community convinced voters to repeal the state income tax. The agricultural community countered with its own ballot measure to eliminate the state property tax, which also passed. That left the state without any real source of revenue.

As a compromise in 1967, the Legislature established a state income tax and a state sales tax as sources of revenue for Nebraska. The Legislature also established the state's first comprehensive school funding reform measure – known as the School Foundation and Equalization Act.

The three components of school funding under the new law were:

- **Foundation aid** – Funding based on the number of students attending a school district
- **Equalization aid** – Funding based on property valuation, meant to equalize funding between school districts with different levels of property wealth
- **Incentive aid** – Funding provided to school districts that offered summer school programs, employed teachers with advanced degrees or both

At the time, lawmakers intended to have the state cover 40% of the cost of K-12 education through the School Foundation and Equalization Act. However, the most the state ever covered was 13%, despite several legislative efforts to correct the underfunding of the overall state aid formula (Dulaney, 2007). As a result, schools continued to rely on local property taxes for the bulk of their funding.

Another concern at the time was some districts being seen as "tax havens," where property taxes were lower because the districts included only elementary schools. As a result, a property owner in an elementary-only school district paid significantly less in property taxes than someone in the adjoining K-12 district.

In one of its most controversial attempts to bring more equity to school funding, the Legislature in 1986 passed a measure (LB662) that would have increased the sales tax rate to generate more state revenue for education. It also would have required more than 1,000 school districts to consolidate to address the tax-haven issue. However, since consolidation was seen by many Nebraskans as a potential loss of local control over their schools, voters rejected the measure in a 1986 referendum, leaving the tax haven issue unresolved until 1990 (Nebraska Legislature, 2016, p. 258).

By the 1988/89 school year, there were significant tax and spending disparities between school districts across the state.

School district property tax levies ranged from \$0.75 to \$3.25 per \$100 of property valuation – with the highest rates in districts with low property wealth. That meant the owner of property valued at \$100,000 for tax purposes would have been paying anywhere from \$750 to \$3,250 a year in property taxes to the local school district, depending on the location of the property.

Even with the much higher tax levies in low-wealth districts, property tax disparities were so large – and state support did so little to address them – that the districts with the most property wealth had more than five times as much total funding per student (\$7,120) as the lowest-wealth district (\$1,313) (Gould v. Orr, 1993).

The ongoing debate both inside and outside the Legislature over improving school district organization and financing prompted the Legislature to create a 16-member School Finance Review Commission in 1988.

After 18 months of public meetings, public hearings and presentations from staff and outside experts, the commission made five recommendations for a new school finance system:

- Dedicate 20% of all state income-tax revenues to public schools.
- Increase the level of state support to 45% of schools' operating costs, with the goal of reducing the property taxes used to support schools by 20%.
- Implement an equalization-based school aid formula designed to ensure that all school districts have enough money to provide for the needs of their students. The system should measure a school district's wealth by its available state income tax resources and local property tax resources.
- Limit how much public school budgets can grow each year.
- Fund school finance on an ongoing and sustainable basis using increases in the state sales tax, income taxes or both.

In its final report, the commission concluded that "the burden on property for school support is excessive by any standard of measurement, resulting in inequities to taxpayers and a narrow and unstable tax base for schools." It also found that the flawed financing system "does not assure that all students in the state will have equitable access to appropriate and necessary school services." (Nebraska School Financing Review Commission, 1990).

Around the time the commission issued its recommendations, a group of landowners in Lancaster County filed a lawsuit in district court (*Gould v. Orr*, 1993), arguing that the school finance system deprived some students of equal and adequate educational opportunities and failed to provide a uniform, proportionate tax system to help fund schools.

Meanwhile, a group of anti-tax activists launched a ballot initiative to limit increases in overall state and local government spending to 2% a year – which would have kept school spending below what lawmakers had determined was necessary.

The specter of the Gould lawsuit and the spending cap initiative prompted the Legislature to pass LB1059 in 1990, a comprehensive education and revenue reform measure known as the Tax Equity and Educational Opportunities Support Act (TEEOSA). The measure increased state support for school districts by attempting to shift a significant portion of K-12 funding from property taxes to state income and sales taxes. It also limited annual growth in school district spending to an adjustable range, which the Legislature has kept between 4 and 6.5% (Nebraska Legislature, 1990, LB 1059).

Also in 1990, the Legislature took a less controversial approach to mandatory school consolidation, requiring each elementary-only district to affiliate with a K-12 district for tax purposes – without forcing them to consolidate physically. It required tax levies in both districts to be identical. Students in elementary-only districts would remain in their local elementary school and then go to high school in the affiliated district.

In 1993, the Nebraska Supreme Court upheld a lower court's dismissal of the Gould case, ruling that the state Constitution does not guarantee equal funding of schools. It also ruled that the plaintiffs failed to prove that unequal funding of schools affected the quality of the education students were receiving. However, some observers felt a dissenting opinion in the case left open the possibility for another lawsuit challenging the "adequacy" of education (Center for Educational Equity, 2012).

Two subsequent events left the issue of educational adequacy to the discretion of the Legislature:

the voters' rejection in 1996 of Initiative 411, which would have made a "quality education" a constitutional right; and a 1997 Nebraska Supreme Court decision saying questions of what constitutes an "adequate" and "quality" education were political questions that could not be decided by a court of law (Nebraska Coalition for Educational Equity and Adequacy v. Heineman, 2007).

The Cornerstone of Nebraska's Education Funding System: LB1059

LB1059 set the basis for the present state aid formula and replaced the School Foundation and Equalization Act that had been in place since 1967.

While the overall goals of LB1059 mirrored the goals and recommendations of the School Finance Review Commission, its overriding focus was on lowering property taxes.

A member of the commission testified at a legislative hearing that more than 70% of the aggregate cost of running public schools in Nebraska came from local support – such as property taxes – compared to a national average of less than 45%, saying: "While state governments across the United States have assumed a greater responsibility for public education, Nebraska in recent years has gone the other direction ... " (Dulaney, 2007, p.115).

LB1059 raised state sales and income tax rates to broaden the available financial support for public schools, attempting to lessen the reliance on local property taxes, and created the basic concept for the present state aid formula.

That concept (**Needs — Resources = Equalization Aid**) is meant to provide enough state aid to a school district to help make up some of the difference between its needs and the local resources it can tap, such as taxable property. This difference is called "equalization aid."

- **Needs** are what it costs the school district to educate its students.
- **Resources** are the revenue sources – such as taxable property – a school district may access to generate money for educating its students.
- **Equalization Aid** is distributed by the state to help make up the difference between the needs of a school district and its resources.

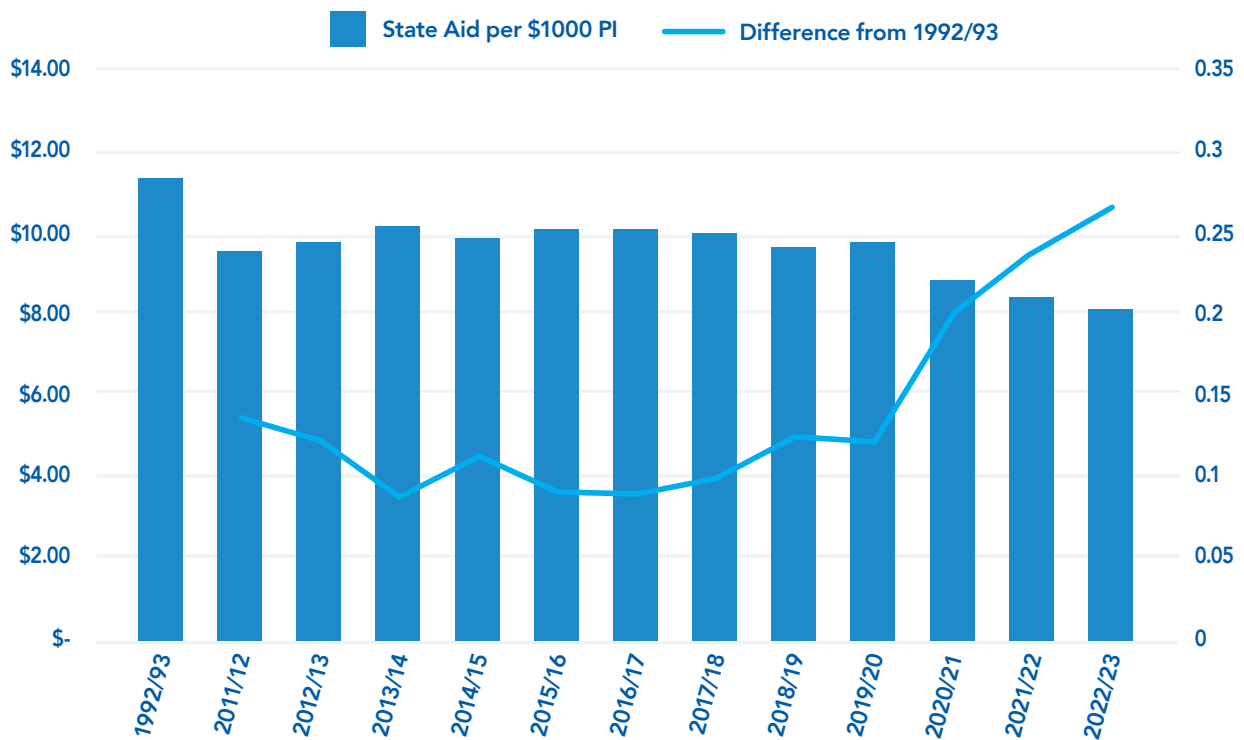
Following passage of LB1059, Nebraska's business community tried to repeal the legislation by ballot measure in the 1990 general election. Also on the ballot was an attempt to limit overall government spending. Some 56% of the voters supported retaining LB1059, while about 70% rejected the spending cap (Nebraska Secretary of State, 1990).

While the basic concept of LB1059 has not changed since 1990, the statutes governing state aid have been adjusted several times. Many of those changes were made to try to direct equalization aid to districts with needs such as high transportation costs, high demand for special education or a large number of students living in poverty.

In addition, the formula used to determine equalization aid has been changed regularly during legislative negotiations to balance the state budget, which often results in less state aid to schools. For example, LB675 (2019) made changes to the formula that reduced state funding by \$12 million in 2019/20 and \$13 million in 2020/21. Overall, state aid has declined 29% since 1992/93 as a share of the economy (Nebraska Department of Education, 2024 (U.S. Bureau of Economic Analysis & Federal Reserve Bank of St. Louis, n.d.).

One of the more significant changes since the enactment of LB1059 was the formation of a "Learning Community" in the Omaha area in 2006. It was established by LB 1024, filed in response to what's known as the "One City, One School district" initiative. Proposed by the Omaha Public Schools board and then-superintendent in 2005, the controversial plan would have annexed all schools within Omaha city limits

Figure 1: State Aid Per \$1,000 of Personal Income



Source: (Nebraska Department of Education, 2024) (U.S. Bureau of Economic Analysis & Federal Reserve Bank of St. Louis, n.d).

(Nebraska Legislature, 2005, LB 1024). A hearing on the proposal saw a number of arguments raised on either side of the issue, ranging from proponents citing a state law requiring a single district to opponents arguing smaller districts could provide a higher quality education (Grunke, 2006).

Rather than annex districts, the Learning Community system grouped school districts together to share and equalize resources while addressing the challenges of urban education on a broader basis than just one district. It allowed school districts to create specialty programs to attract students from across the Learning Community so that each district did not have to offer such programs to a limited student population. The Learning Community is governed by a coordinating council and had a common property tax levy until 2017. Beginning in 2018/19, the Learning Community districts received equalization aid based on their own needs and resources in the formula as opposed to their share of the Learning Community's collective needs. However, the additional \$0.015 the Learning Community can levy for elementary sites and early childhood education programs still remains (Nebraska Legislature, 2016, LB 1067).

In May 2023, the Governor signed into law LB 583, which increased the state's reimbursement of special education excess costs to 80% and added \$1,500 per student foundation aid, leading to an increase in school funding of \$110 million and \$199 million, respectively. For the first two years, the full amount of foundation aid will be counted as a resource within the formula but drop to 60% for school fiscal year 2025-26 and beyond (Nebraska Legislature, 2023, LB 583).

To sustain the additional funding, the Legislature designated \$1 billion for an Education Future Fund, promising ongoing annual contributions of \$250 million (Nebraska Legislature, 2023, LB 818). Nearly a quarter – 24% – of the total amount of foundation aid will come from this fund (Neb. Rev. Stat. § 79-1006). Linked to this significant investment is a 3% revenue cap included in LB 243 that school districts must comply with in the annual budget-setting process (Neb. Rev. Stat. § 79-3403).

Chapter 2: A Closer Look at the Components of School Funding

School districts in Nebraska get revenue from local, state and federal sources.

From all revenue sources combined, Nebraska school districts received \$4.7 billion for public education in 2022/23 (Nebraska Department of Education, Annual Financial Report, 2023)².

Despite ongoing efforts to increase state support for education and reduce reliance on local property taxes, Nebraska continues to rely heavily on property taxes and other local sources to fund K-12 education.

Nearly 56% of total school funding came from local sources in 2022/23, as shown in Figure 2, with the vast majority of that coming from property taxes collected by school districts – about 88%, or \$2.3 billion (Nebraska Department of Education, Annual Financial Report, 2023).

Figure 2: How Nebraska’s Schools are Funded

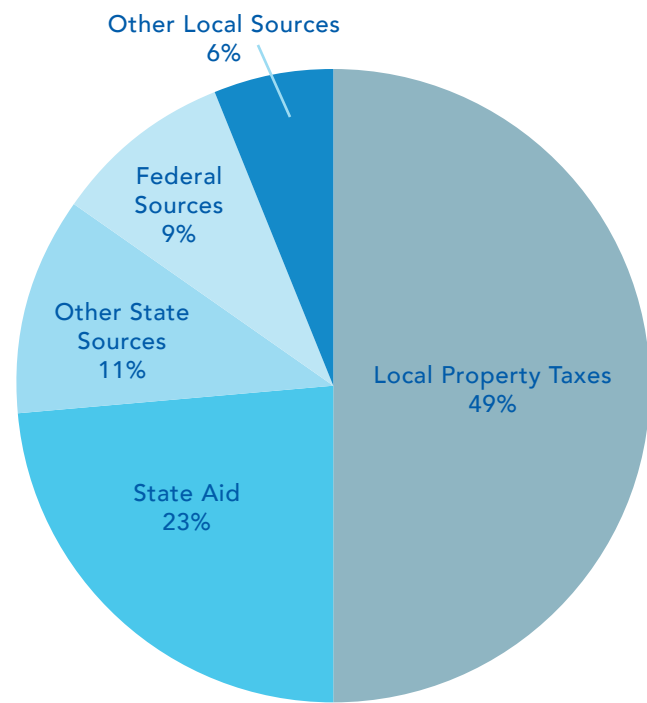
Local Sources

Local property taxes are generated from a school district’s tax levy and the amount of value placed upon homes, businesses and agricultural property for tax purposes in its jurisdiction.

School districts are among the 35 types of political subdivisions that rely on property tax dollars in Nebraska³. Among these are cities, counties, community colleges, natural resource districts and sanitary improvement districts.

School districts used about 58% of all property taxes collected in the state in 2023, according to the Nebraska Department of Revenue’s Property Assessment Division (2024).

Other local sources of school revenue include public power district sales taxes, motor vehicle taxes, tuition/fees and transportation.



Total: \$4.68 billion

Source: Nebraska Department of Education
2022/23 Annual Financial Report

² This total value includes numbers coded as ‘non-revenue’ receipts such as the sale of property by the district or insurance adjustments.

³ A complete list of the types of political subdivisions may be found in Taking Ownership: An Overview of Property Taxes in Nebraska (OpenSky, 2023c).

State Sources

All Nebraska school districts receive state funding, not every district receives funding from every possible state source of revenue. State sources accounted collectively for \$1.6 billion of funding in 2022/23, or about 34% of total revenue (Nebraska Department of Revenue, 2024⁴). Key definitions used in Nebraska's school finance system include:

- **State Support** – All funds provided to districts by the state for the general support of elementary and secondary education.
- **State Aid** (also called TEEOSA Aid) – A component of state support paid to a district under the state aid formula.
- **Equalization Aid** – A component of state aid, which is meant to help schools make up the difference between the money they can raise through local sources, such as taxable property value, and what they need to educate their students.
- **Foundation Aid** – A component of state aid, which provides \$1,500 per student based on the number of students attending the school district.

State Aid

This is the largest source of state funding for schools, accounting for about \$1.07 billion – or 23% – of the total revenue for school districts in 2022/23 (Nebraska Department Education, Annual Financial Report, 2023).

Equalization Aid

All school districts are guaranteed at least some state aid through the TEEOSA formula as of the 2017/18 school year, due to the passage of LB 959 in 2016, which ensured every district, regardless of equalization status, would receive at least some funds through the allocated income tax (explained in more detail below) (Nebraska Department of Education, Annual Financial Report, 2023). Until then, schools that were both ineligible for equalization aid and levying below \$0.95 received a reduced share.

Equalization aid is a component of state aid meant to help schools make up differences in the funds they are able to raise through local sources and is not guaranteed. A school district may be equalized or non-equalized within the state aid formula, meaning they either do or do not receive equalization aid⁵ (Appendix B). Such aid accounted for \$886 million – 83% of total state aid for 2022/23⁶.

Foundation Aid

All school districts are guaranteed \$1,500 per student, regardless of equalization status.

The State Aid Formula

The intent of LB1059 was to reduce school districts' heavy reliance on local property taxes and create a more equitable tax load among taxpayers in school districts of similar size with significant disparities in property wealth.

⁴ Property taxes collected in 2023 were used for school districts' 2023/24 budget and the certification of state aid in 2024/25.

⁵ With the elimination of the Minimum Levy Adjustment beginning in FY18 (LB 959, 2016), districts are now guaranteed to receive state aid in the form of the Allocated Income Tax. Before non-equalized districts not levying at 95 cents or higher were penalized an amount that could equal as high as their total share of the allocated income tax. See Appendix B for more detailed explanations of these components.

⁶ A school district is equalized in the TEEOSA formula when its "needs" exceed its "resources". This means the school district receives equalization aid. A school district is non-equalized in the TEEOSA formula when its "needs" are less than its "resources". This means the school district receives no equalization aid.

The formula is complex because it must account for the unique needs of and differences across Nebraska's 244⁷ school districts, which include schools large and small, urban and rural and with high and low property wealth (Nebraska Department of Education, *2022/23 State Aid Calculated*, 2022). The state aid formula establishes the components of need and the components of resources for the calculation of state aid.

The aid calculation requires several steps (shown in Figure 3):

Step 1 – Determining Needs

Needs are the costs a school district incurs to educate its students. The needs calculation includes a number of components (18 in 2022/23), such as the number of students in poverty and transportation costs.

The largest component of the needs calculation is basic funding (83% in 2022/23), which is used to determine how much a district should spend theoretically compared to school districts with similar numbers of students (Nebraska Department of Education, *2022/23 State Aid Calculated*, 2022). This helps smooth out spending between districts to make sure that all students have educational opportunities that are as equal as possible. (See Appendix A for all of the components included in basic funding).

Step 2 – Calculating Resources

The formula uses another set of components to determine how much revenue a school district has to fund its needs.

The largest component is the Yield from Local Effort Rate. The "local effort rate" is a theoretical property tax rate set by statute to determine how much a school district could potentially collect (the "yield") at the local level (Neb. Rev. Stat. § 79-1007.11) (Nebraska Department of Education, *Tax Equity and Educational Opportunities*, 2022). The yield from the local effort rate does not determine the actual local property tax dollars a school district will receive. For 2022/23, the rate was the maximum levy less five cents, as set by statute (Neb. Rev. Stat. § 79-1015.01(3))⁸.

Other components of the resource calculation include:

- A portion of state income taxes paid by taxpayers in the school district, collected by the state and remitted to school districts (known as the **Allocated Income Tax**).
- Specific local and state sources of revenue set in statute, such as interest earned on investments and tuition received from other districts (Neb. Rev. Stat. § 79-1015.01).
- State funding for districts educating students who exercise the option to attend a school outside their home district (known as **Net Option Funding**) (Neb. Rev. Stat. § 79-1018.01).

(A detailed explanation of the components of the resource calculation is in Appendix B.)

Step 3 – Setting Equalization Aid

Equalization aid is meant to bridge the difference between what a district needs to educate its students and its available resources. A school district may be equalized or non-equalized within the state aid formula, meaning it either does or does not receive equalization aid.

⁷ The number of school districts during the 2022-2023 school year. This number has declined historically due to school district consolidation.

⁸ For 2022/23, the LER was certified at \$1.00.

While all school districts are guaranteed some level of state support, not all school districts receive equalization aid. A school district receives this aid only if its needs exceed its resources. In 1990/91, nearly 90% of the state’s K-12 schools (250 of 278) received equalization aid. About 35% of the state’s school districts (86 of 244) received equalization aid in 2022/23.

Step 4 – Adding Additional Items

The amount of state aid that is calculated for a school district is the sum of the following:

- **Equalization Aid**
- **Net Option Funding**
- **Allocated Income Tax**
- **Community Achievement Plan Aid** (see Appendix A for more information.)
- **Foundation Aid**
- **Prior Year Correction** (Any under-payment or over-payment of state aid from the prior year after data estimates are reconciled with actual data.) (Neb. Rev. Stat. § 79-1065).

Figure 3 shows the basic concept of state aid (Needs - Resources = Equalization Aid). Net option funding, allocated income tax, foundation aid and community achievement plan aid are components of available resources and are added back to equalization aid to determine the total state aid amount. The prior year correction is not part of the resources calculation; it is only added to equalization aid to determine total state aid.

Figure 3: How 2022/23 Total State Aid is Calculated

Step 1	Step 2	Step 3	Step 4	
NEEDS	– RESOURCES	= EQUALIZATION AID	+ ADDITIONAL ITEMS	= TOTAL STATE AID
The sum of: Basic Funding Poverty Allowance Limited English Proficiency (LEP) Allowance Focus School & Program Allowance Summer School Allowance Special Receipts Allowance Transportation Allowance Elementary Site Allowance Distance Education & Telecommunications Allowance Averaging Adjustment New School Adjustment Student Growth Adjustment Student Growth Adjustment Correction Community Achievement Plan Adjustment Poverty Allowance Correction LEP Allowance Correction Non-Qualified LEP Adjustment	The sum of: Yield from Local Effort Rate Net Option Funding Allocated Income Tax Community Achievement Plan Aid Other Receipts Actually Received by the District		The sum of: Net Option Funding Allocated Income Tax Community Achievement Plan Aid Foundation Aid Prior Year State Aid Correction	
				Note: See Appendices A and B for complete descriptions of the components listed. Source: Nebraska Department of Education Tax Equity and Educational Opportunities Support Act Certification of 2019/20 State Aid

The Cost Growth Factor⁹ – which adjusts two-year-old expenditure data to help set a basic funding level for school districts for the current year – and the Local Effort Rate – the theoretical property tax rate used in the calculation of resources – are the main pieces of the state aid formula that affect the total amount of state aid. When the Legislature determines that the total amount of state aid to be distributed should be adjusted because of overall state revenue shortfalls, it will typically adjust the cost growth factor and/or the local effort rate.

- Increasing the local effort rate and/or decreasing the cost growth factor reduces the amount of state funding required by the state aid formula. This increases pressure on local property taxes.
- Decreasing the local effort rate and/or increasing the cost growth factor increases the amount of state funding required by the state aid formula. This reduces pressure on local property taxes.

Other Sources of State Revenue

The state also provides funding to schools – that is not part of the state formula aid – for other purposes, such as special education costs and reducing property taxes. This funding, which is detailed in Table 1 below, accounted for about \$531 million – or 11% – of the \$4.65 billion in total revenue for school district operating expenses in 2022/23.

The property tax credit and homestead exemption reduce the amount of property tax revenue schools collect. That revenue, however, is then replaced by state dollars, making the schools whole. The property tax credit reduces taxes levied against real property. The state’s homestead exemption provides property tax relief by exempting certain homeowners from some or all their property taxes.

Apportionment is another source of state funding for schools wherein money from the “temporary school fund” is divided among districts based on the number of all school age children who live in each district. The temporary school fund contains income generated from a state endowment fund for schools and net income from school lands (Nebraska Board of Educational Lands and Funds).

Table 1: Other State Revenue

SOURCE OF STATE REVENUE	AMOUNT	SHARE OF TOTAL DISTRICT REVENUE
Special Education	\$224 million	4.8%
Property Tax Credit	\$158 million	3.4%
State Appointment	\$60 million	1.3%
Homestead Exemption	\$53 million	1.1%
State Categorical Programs	\$15 million	0.03%
Other State Receipts	\$21 million	0.5%

Source: Nebraska Department of Education 2022/23 Statewide Annual Financial Report

⁹ The cost growth factor is used to increase the actual expenditures used to calculate basic funding. The cost growth factor is 1 + the basic allowable growth rate for the year in which aid is to be distributed and the immediately preceding fiscal year. The basic allowable growth rate is equal to the base limitation rate established by Neb. Rev. Stat. § 77-3446 which is 2.5% each year unless otherwise adjusted by the Legislature.

Special education funding is provided to school districts from both the state and federal governments to help offset the cost of educating students with special needs.

State categorical programs provide funding for specific purpose grants or programs. Funds received by a school district for a state categorical program must be spent on the grant or program the funds were allocated for. Examples of state categorical programs include funding for early childhood and career education.

Other state receipts include funding for schools that comes from a variety of state sources such as nameplate capacity taxes and public service entities and railroad taxes.

Federal Sources

School districts also receive funds from a number of federal sources. One is the 2015 Every Student Succeeds Act (ESSA), which is the federal government’s main program helping disadvantaged students. Another is the Individuals with Disabilities Education Act (IDEA), which provides funding and governs how states provide services and education to children identified for special education services.

In 2020 and 2021, Congress passed three separate stimulus packages as part of the Elementary and Secondary School Emergency Relief (ESSER) Fund to help schools prepare for, prevent and respond to the effects of the COVID-19 pandemic. The vast majority – 90% – of funding went directly to school districts, with Nebraska receiving \$854 million. The remaining 10% was reserved by the Nebraska Department of Education (NDE) for statewide activities (Nebraska Department of Education, ESSR Investments, 2024).

Table 2: Elementary & Secondary School Emergency Relief (ESSER)

	Coronavirus Aid, Relief, and Economic Security Act (CARES) March 2020	Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) December 2020	American Rescue Plan (ARP) March 2021
Total Allocation	\$65 million	\$243 million	\$546 million
Flow Through to LEAs	\$59 million	\$218 million	\$492 million
NDE Set-Aside	\$6 million	\$24 million	\$54 million

Source: Nebraska Department of Education, ESSR Investments, 2024

States had until September 2024 to commit the final round of funding, which can be spent through the end of December, although extensions could push that to March 2026. These funds comprise a significant share of education dollars and their expiration could put schools at risk of shortfalls once they phase out (LeFebvre & Master, 2024).

In 2022/23 federal dollars provided about \$435 million in general operating revenue for Nebraska school districts – roughly 9% of total revenues for school district operating expenses (Table 3).

Table 3: Other Federal Revenue FY 2022-23

SOURCE OF FEDERAL REVENUE	AMOUNT	SHARE OF TOTAL DISTRICT REVENUE
ESSA	\$82 million	18.7%
Individuals with Disabilities Education Act (IDEA) Grants	\$74 million	17.1%
Federal Impact Aid	\$25 million	5.8%
Medicaid and Medicaid Administrative Activities (MAAPS)	\$15 million	3.4%
Head Start	\$14 million	3.2%
Rural Education Achievement Program Grants	\$5 million	1.1%
Elementary & Secondary School Emergency Relief (ESSER)	\$190 million	43.6%
Universal Service Fund (E-Rate)	\$3 million	<0.1%
Perkins Federal Vocational and Applied Technology Education Grants	\$3 million	<0.1%
Native American Education Grants	\$1 million	<0.1%
Other Federal Receipts	\$22 million	5.3%

Source: Nebraska Department of Education 2022/23 Statewide Annual Financial Report

Chapter 3: Spending and Tax Restrictions

The School Finance Review Commission concluded in 1990 that some limits on school district budget growth should be a necessary part of the school funding system to ensure a portion of new state aid money to school districts would be used to keep local property taxes low, rather than just be added to existing budgets. Lawmakers correspondingly set limits on the growth of local school spending in LB1059.

In 1996, the Legislature added a property tax levy limit – now at \$1.05 for each \$100 of a property’s taxable value – to the restrictions on school district budgeting. The levy limit is discussed further below (Neb. Rev. Stat. § 77-3442).

In 2023, the Legislature added property tax request authority – caps state and local revenue to a 3% base growth with adjustments for increases in enrollment growth and other changes in student needs – to limit how much school districts can request through property taxes each year (Neb. Rev. Stat. § 77-3405). The revenue cap is discussed further below.

School districts are the only Nebraska political subdivisions with a spending limit, a property tax levy limit and a revenue cap. A school district must consider multiple factors when balancing its budget – trying to provide the best education for its students while staying within the spending limit and the property tax limit.

Spending Limit

The spending limit works by applying a rate of growth (Basic Allowable Growth Rate) to the main portion of each district's budget, based on the prior year's budget. The amount a school's budget can grow from year to year is limited currently to 2.5%, although the Legislature may change the growth rate annually. For example, lawmakers dropped the growth rate to 1.5% for 2017/18 and 2018/19. It was set at 2.0% for 2019/20 onward (Neb. Rev. Stat § 77-3446).

Expenditure Exclusions & Overrides

Expenditure exclusions are items in a district's budget that are not subject to the spending limit. The two largest are special education expenditures and special grant fund expenditures, including money given to a school district that must be used for a specific purpose, like purchasing distance learning equipment. (All expenditure exclusions are listed in Appendix C.)

A school district that cannot meet its needs without exceeding the spending limit can hold a special election to ask voters to approve an override to spend more money. If the voters approve the additional spending, it is only in effect for one year. Such elections are rare.

Limitation on Cash Reserves

The amount of money that school districts can hold in reserve from year to year is also limited, changing each year based on a schedule using average daily membership (Neb. Rev. Stat. § 79-1027). School districts rely on cash reserves to absorb lagging reimbursements from the state, to meet payroll demand and to absorb fluctuations in expenditures or inflationary increases which require additional funds to be expended.

Property Tax Limit

Since the passage of LB1059, the Legislature has tried other ways to curb schools' reliance on local property taxes, including the property tax limit passed in 1996.

By law, the maximum property tax levy is currently \$1.05 per \$100 of property value. There are some exceptions to this limit, which are discussed below.

Levy Exclusions & Overrides

Levy exclusions allow a school district to exceed the \$1.05 maximum levy without voter approval. The most common exclusion is for expenditures on early retirement payouts or other employee buy-out arrangements (Neb. Rev. Stat § 77-3442).

A school district that cannot generate the property tax dollars it needs – even after using all available levy exclusions – may ask the district's taxpayers to approve a higher levy through a levy override.

A levy override is only in effect for a maximum of five consecutive years. In 2022/23, levy overrides were in effect in 3 school districts (Nebraska Department of Education, *Statistical Information*, 2023).

A vote to override the levy is different than a vote to issue bonds. A vote to issue bonds gives the school district the money to build new facilities or renovate current facilities. This vote does not provide additional money for the general operation and maintenance of a school district. However, a taxpayer may see their total taxes increase if the vote to issue bonds is successful.

Property Tax Request Authority

A school district's property tax request authority is the amount of property taxes a district can request each year (Neb. Rev. Stat. § 77-3403). Growth in property tax revenue is limited to 3% each year with exceptions for student enrollment growth, limited English proficiency student growth and poverty student growth. Depending on the number of students in the district, a school board can exceed the property tax request authority by 4% to 7%, if at least 70% of its members approve. A district can also exceed its property tax request authority by an amount approved by 60% of voters at a special election (Neb. Rev. Stat. § 79-3405).

A school district that chooses not to increase its property tax request for the full amount of its property tax request authority may carry forward the amount of unused property tax request authority.

The Combined Impact of Spending and Property Tax Limits

The combination of spending, property tax limits and property tax request limits can constrain a school district's budget flexibility.

With inflation rising, capping schools' ability to increase their spending over time will curb their ability to recruit and retain staff (Leachman, Masterson & Figueroa, 2017).

School districts that have lowered their property tax asking in the past will be capped at lower growth rates.

Provisions to override the calculated property tax request authority based on a 60% vote of the people or 75% vote by the school board are very high thresholds. Special elections are costly for school districts to undertake (Neb. Rev. Stat. § 79-3405).

All of this fuels the debate over local control of schools and the state's effort to control property taxes and spending while at the same time trying to provide adequate amounts of state support.

Chapter 4: Evaluating the Nebraska Education Funding System



K-12 Funding Heavily Reliant on Property Taxes

A regular complaint among Nebraska property owners is they pay too much in property taxes, and the push to reduce property taxes has been a recurrent theme in the debate over how schools are funded. That point was raised consistently during the passage of LB1059 in 1990, during the Tax Modernization Committee and Education Committee hearings in 2013 and has since been the subject of many bills, including LB1107, which was passed in 2020 and created the Property Tax Incentive Act.

LB1059 tried to address property owners' concerns by increasing sales and income taxes to take some of the pressure off property taxes as a school funding source. LB1114 (1996) established the property tax levy limit.

These efforts reduced the highest total tax levy – which includes not only a district's general fund needs, but also special building and qualified purpose undertaking fund needs – from \$3.25 per \$100 of property tax valuation in 1989/90 to \$1.29 by 2022/23 (Nebraska Department of Education, *Statistical Information*, 2023).

Nonetheless, Nebraska today relies more on local property taxes to fund public schools than 49 other states. Here, 58% of education funding comes from property taxes and other local resources, compared to the U.S. average of 45%, according to the most recent data (2021/22) from the U.S. Census Bureau (2022). This is the most recent data available and does not reflect a number of shifts in the funding landscape described above, which will invariably change the way this data looks going forward.

The heavy reliance on local property taxes and low level of state support in Nebraska have been noted in major tax studies going back to the early 1960's:

- A 1962 study (McClelland) found that "in comparison with surrounding states, Nebraska provides a minimum of financial assistance to local governments, particularly in the field of education" (McClelland, 1962).
- The 1988 "Syracuse Study" found that "Nebraska's assistance to its local governments is farther out of line with practice in the rest of the country and from accepted principles of public policy than any other aspect of public finance in the state" (Nebraska Council of School Administrators, n.d.).
- The 2007 Burling Commission found that "Nebraska's property taxes are high by every measure looked at ... [and] Nebraska's state aid to local government ranks among the very lowest of all states." It also noted urban-rural tensions over school funding and concluded that "the relative lack of state funding for education compared to other states magnifies this problem" (Nebraska Tax Policy Commission, 2007).
- Finally, the Tax Modernization Committee of 2013 found that "Nebraska makes greater use of the property tax to fund public services than other states in the nation or region. Achieving the

same average balance of sources in the region or nation would require a \$200 million to \$300 million shift and reduction in use of property tax” (Nebraska Tax Modernization Committee, 2013).

State Support for Nebraska Schools

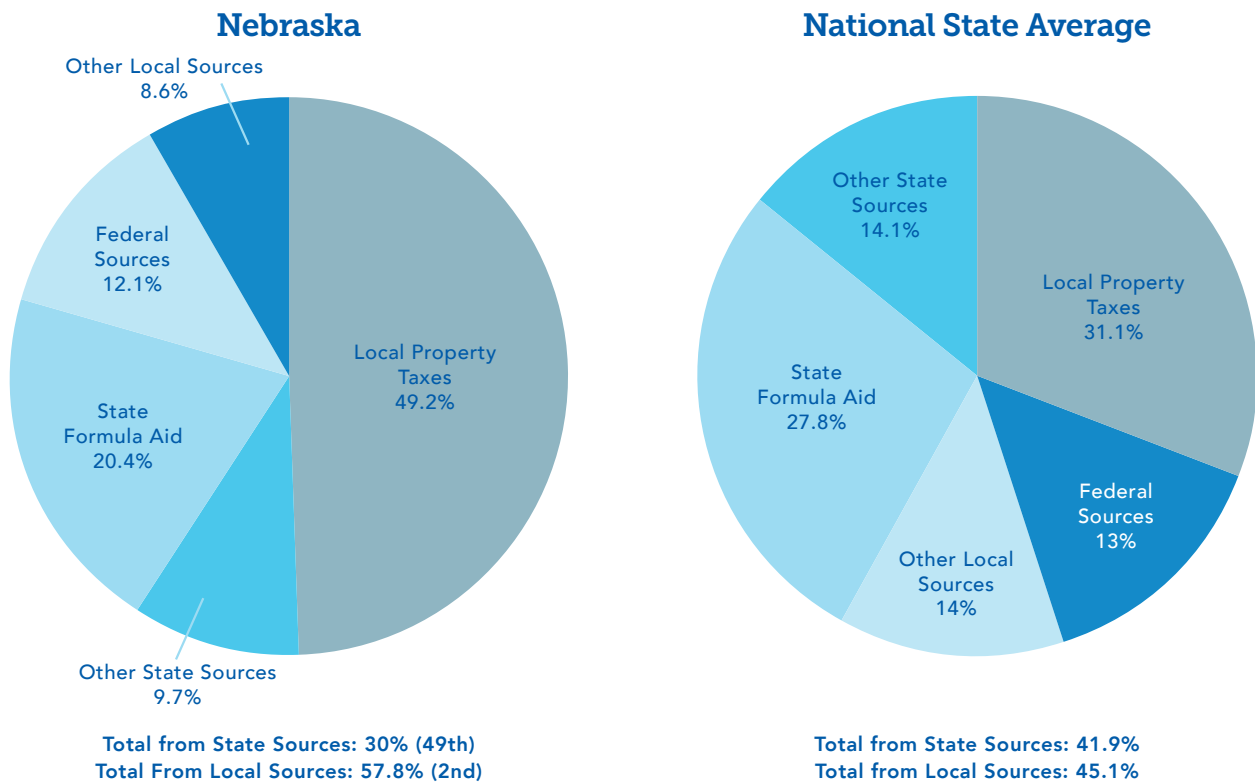
Historically, state support for Nebraska schools has fallen short of targets set by lawmakers.

For example, LB1059 set a goal for the state to provide at least 45% of the operating costs for public school districts. The state has yet to meet this goal – for the 2022/23 school year, state sources funded 34.5% of operating costs, more than \$489 million below the goal (Nebraska Department of Education, *Annual Financial Report*, 2023).

When LB1059 passed in 1990, Nebraska ranked 49th nationally for the percentage of K-12 funding provided by the state. Despite that law and other attempts to increase state support significantly, Nebraska again ranked 49th nationally in 2022/23 (United States Census Bureau, 2022).

Figure 6 shows how little the mix of state, local and federal revenue sources has changed since 1992/93, according to the Nebraska Department of Education Annual Financial Reports.

Figure 4: Nebraska Relies Heavily on Local Revenues to Fund K-12 Education Public school funding by source, 2022/23



Note: Examples of other state sources of revenue include special education reimbursement, property tax credit and homestead exemption. Examples of other local sources of K-12 revenue include public power district sales tax and motor vehicles tax.

Source: U.S. Census Bureau, 2022 Annual Survey of School System Finances

In 1996, lawmakers changed the state aid law to allow the school funding formula to determine how much to spend on education. However, the amount of state aid to be distributed has instead been determined by the Legislature, often to help balance the state budget. After the amount is determined by lawmakers, the formula is adjusted through statutory changes to result in the same number.

Since LB1059 was passed, the state aid formula has been changed 24 times to varying degrees—often to accommodate the money available in the state budget.

Equity Issues in Nebraska's Education Finance System

Heavy reliance on property taxes combined with relatively low state support and spending/levy limits creates inequities. That is because funding is generally driven by the property valuation in a district – something over which students, their families and schools have no control.

Inequities can occur between tax rates and per-pupil funding among districts – and raise questions about unequal educational opportunities across the state.

Tax Rate Inequities

Disparities in tax rates have driven much debate over education finance and reform efforts.

- In 1989/90, the highest school district general fund property tax levy in Nebraska was more than four times greater than the lowest. General fund levies ranged from \$0.75 per \$100 of property tax valuation to \$3.25 in 1989/90.
- In 2022/23, the highest school district general fund property tax levy in Nebraska was 3.3 times greater than the lowest. General fund levies ranged from \$0.34 per \$100 of property tax valuation to \$1.17 in 2022/23 (Nebraska Department of Education, *Statistical Information*, 2023).

All real property is assessed at or near 100% of actual value, except agricultural and horticultural land which is assessed at or near 75% of actual value (Neb. Rev. Stat. § 77-201, 2023).

While rural tax levies tend to be lower than urban levies, rural schools usually have significantly more property value per student. For example, agricultural land values skyrocketed in the years after the Great Recession, although they have since stagnated or declined slightly. This has resulted in the formula showing rural schools having even more resources under the state aid formula. (See Figure 5.)

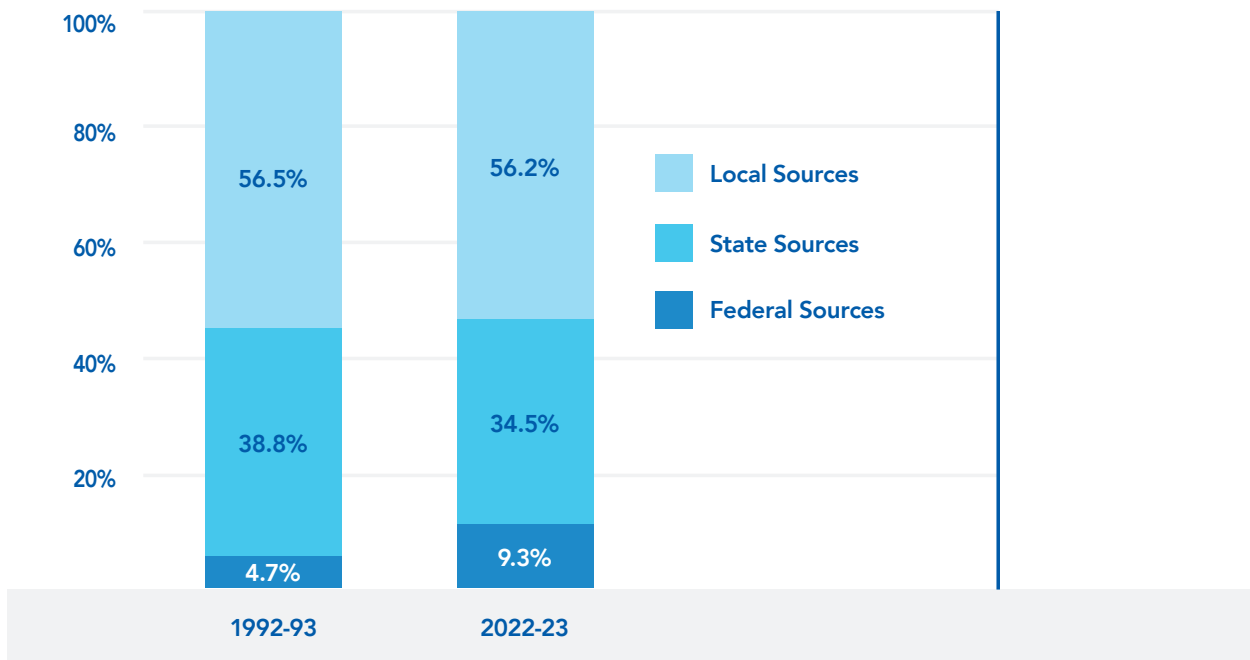
Meanwhile, the needs of urban schools under the formula have increased for several reasons, including student population growth and increasing rates of poverty.

So, while rural communities are not necessarily wealthier (higher land values may not translate into higher farm income), the state aid formula recognizes increasing property valuation as an increase in available resources. That means that a district with a low property tax levy, but increased property valuations will get less state aid.

Per-Pupil Funding Inequities

States that rely heavily on property taxes to fund schools tend to have large gaps across districts in the amount of money that is spent per pupil to educate children. Schools in areas with high

Figure 5: School Funding Mix Has Changed Little



Source: Nebraska Department of Education, Annual Financial Reports - Statewide

property wealth, such as agricultural land and expensive homes, are able to spend much more than schools in areas with little property wealth. How much state support should be going to schools is a constant source of debate in these states.

In Nebraska, the K-12 funding formula attempts to equalize resources and thus eliminate funding inequities among school districts by sending more state money to those school districts with less property value. In other words, schools with high property values are expected to raise more money through local resources, and those with less property value receive a higher proportion of state dollars.

However, as Table 4 shows, even after state support is included, school districts with high property values are able to spend nearly twice as much per pupil as those with low property values.

Districts with high property values can raise more from local property taxes per pupil and still have a lower general fund property tax levy (an average of \$0.60) than those with low property values, who tend to have a higher property tax levy (an average of \$0.98). A district's general fund levy will be lower than its total levy (see page 26) because it includes only that amount levied by a school district to fund its operating expenses. While all school districts have a general fund levy, not all will levy for bond, special building or qualified purpose undertaking funds. Table 4 shows that high property value districts have more than three times as much property tax revenue per pupil than those with low property values.

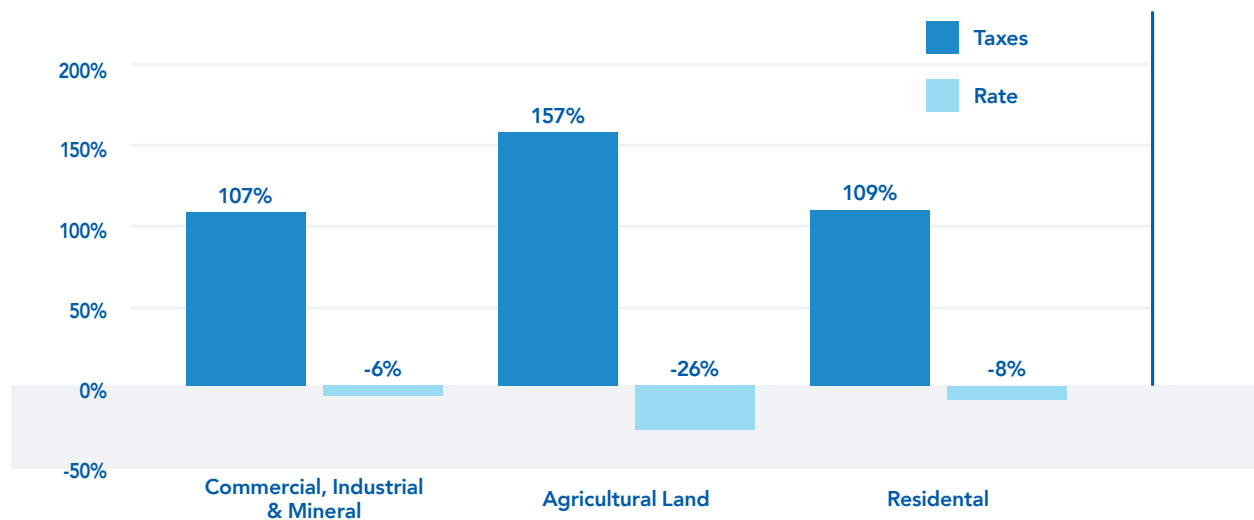
While there are other factors that contribute to per-pupil funding inequities – such as the economies of scale that are found in schools with a large number of students – the fact that those districts with the lowest spending tend to have the highest tax levies warrants further discussion.

How These Inequities Play Out: Rural Schools More Reliant on Property Tax Revenue while Urban Schools Have Higher Tax Rates

It can be helpful to look at a specific example contrasting a rural and an urban school district.

The 2022/23 actual revenues generated by the school funding system for a rural school district and an urban school district are shown below.

Figure 6: Property Tax Growth for Agricultural Land Has Far Outpaced Other Property Types Percent change in rate and total taxes, 2006-2023



Source: Nebraska Department of Revenue, Property Assessment Division

Each school district relies heavily on local property taxes to fund its education programs: they represent 66% of the total revenue for the rural school district and 33% for the urban school district.

State aid provides less than 1% of the total revenue for the rural school district and 35% of the total revenue for the urban school district.

- The rural district has a general fund levy of \$0.55. The urban school district has a general fund levy of \$1.00.
- The property tax valuation per student for the rural school district is \$3.46 million. The property tax valuation per student in the urban district is \$582,000.
- The rural school district spends \$15,843 to educate each student, while the urban school district spends \$6,219 to educate a student.

The notable difference in the school funding system for these two schools is the property tax valuation behind each student. The rural school district has six times as much property tax valuation behind each student as the urban school district. The difference in the amount of local and state sources of revenue is directly related to this difference.

Because the state aid formula relies so heavily on local property values to calculate the resources of schools, the result is that urban school districts need more state aid even though they tend to have higher property tax levies.

Overall, the percentage of school districts receiving equalization aid declined consistently from 2004 to 2018, as shown in Figure 8, although that trend has reversed slightly in recent years.

Rural districts have historically seen their resources outweigh their needs, while urban districts with low property value saw their needs increase faster than their resources, due in part to rapid population growth and increasing poverty rates. As a result, a greater share of equalization aid has, over time, gone to larger, urban schools.

In 2022/23, the 20% of districts with the lowest property values per student received, on average, \$4,726 per student in equalization aid, while the 20% of districts with the highest property values per student received \$0. That year, equalization aid went to only 35% of schools; however, those 86 schools educated 79% of all students in the state. Many of these equalized districts levy at or near the levy limit of \$1.05, and so have little room to increase local contributions should state support decline.

These dynamics have fueled the ongoing rift in the Legislature and pitted urban and rural school districts against each other in the fight for state funding.

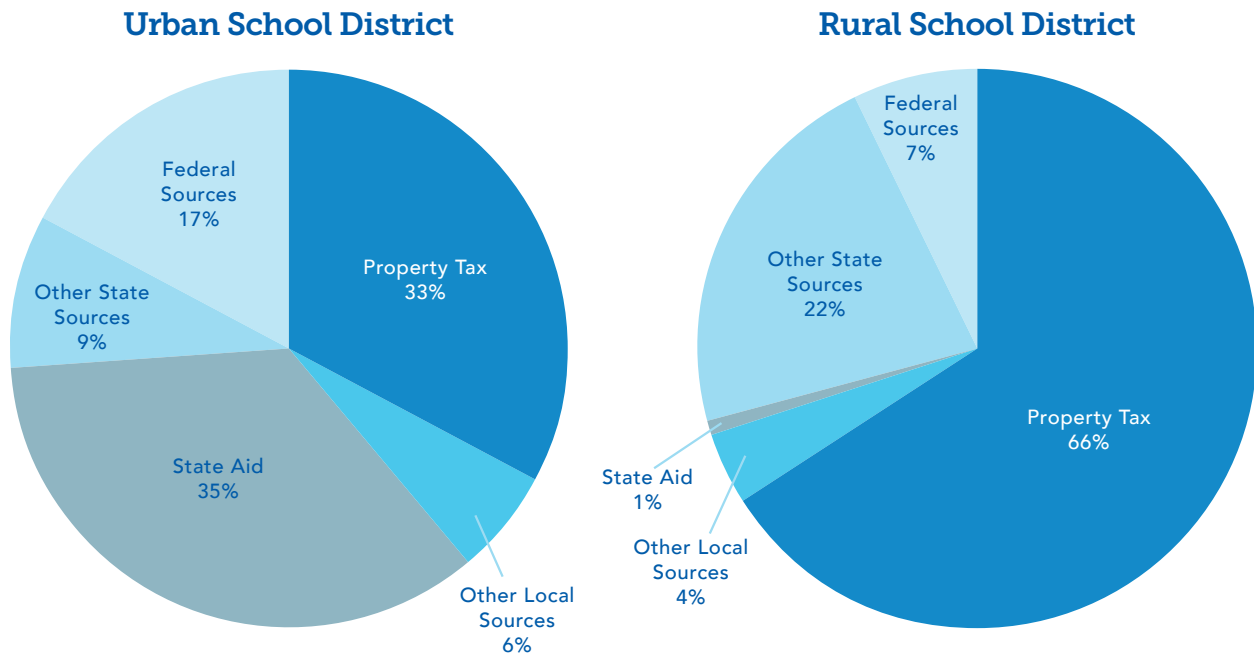
¹⁰ Other state sources are the Property Tax Credit and Homestead Exemption. Districts with high property value per student will tend to receive more of these two sources of state aid per student.

Table 4: High-Low Property Value Districts in 2022/23

SOURCE OF FEDERAL REVENUE	20% OF DISTRICTS WITH HIGHEST PROPERTY VALUE PER STUDENT	20% OF DISTRICTS WITH LOWEST PROPERTY VALUE PER STUDENT
Average Assessed Property Value per Student	\$3,519,355	\$644,640
Average General Fund Tax Levy	\$0.6006	\$0.9821
Average General Fund Property Taxes Levied per Student	\$20,763	\$6,318
Average Equalization Aid per Student	\$0	\$4,726
Average Total State Aid per Student	\$601	\$5,561
Average Other State Sources per Student ¹⁰	\$994	\$865
Total General Fund Expenditures per Student	\$17,363	\$8,398

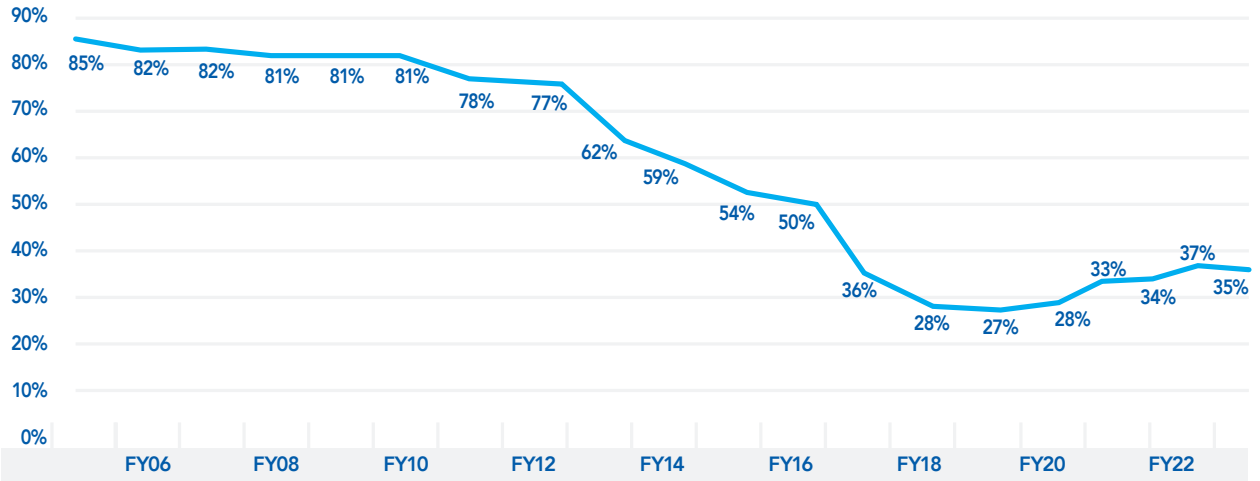
Source: 2022/23 Statewide Annual Financial Report; 2022/23 Statistical Information for Public School Districts; 2022/23 State Aid Certification, Nebraska Department of Education

Figure 7: Funding Mix in a Rural and an Urban School District



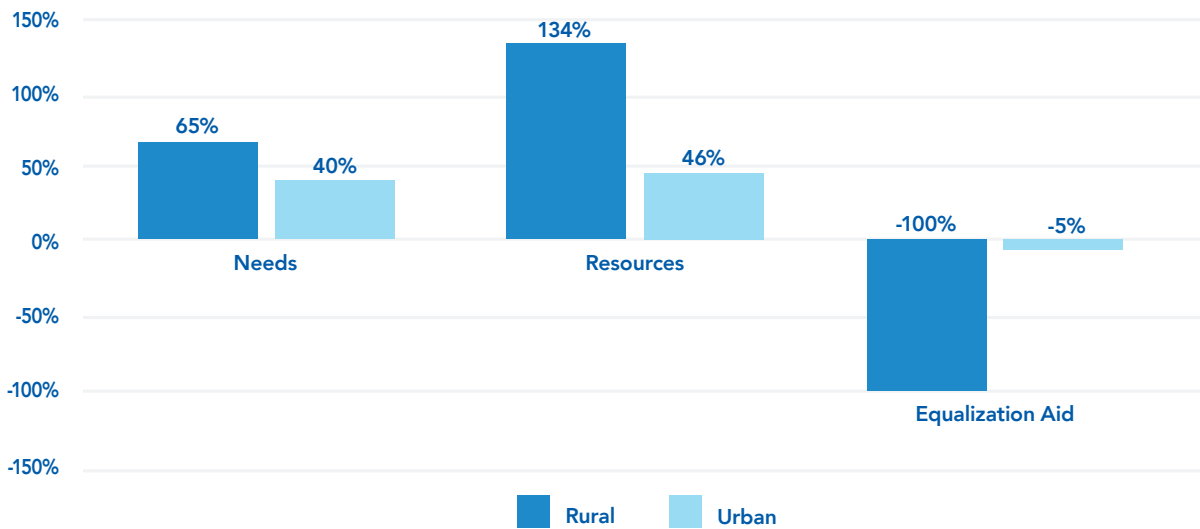
Source: Nebraska Department of Education 2022/23 Annual Financial Reports

Figure 8: Percent of School Districts Receiving Equalization Aid, FY04-FY24



Source: Nebraska Department of Education, State Aid Certifications.

Figure 9: Changes in Highly Urban and Highly Rural Districts, Growth in needs, resources & equalization aid, FY10 - FY23



Source: Nebraska Department of Education, State Aid Certification Information.

Conclusion



Nebraskans’ passion for strong K-12 education is evident by the ongoing dialogue about how best to develop a fair and equitable funding system.

Fueling that conversation are the unique situations facing urban and rural schools and districts of varying sizes, coupled with shared challenges such as educating children in poverty, those with disabilities, English language learners and those with parents who move frequently.

Nebraska for decades has relied more heavily on local property taxes to fund schools than most other states – which has framed the debate over what is fair and equitable.

Meanwhile, the economy has changed markedly in the last 50 years and continues to do so, shifting the landscape on which the school funding debate takes place.

A number of questions are key to the school funding debate:

What is most important in Nebraska’s school funding: equity in spending or adequacy in school district support? Do the disparities of curriculum offerings to students in schools across the state and disparities in per-pupil spending mean some students are not being provided an “adequate” education?

How can Nebraska create an education finance system that fosters quality, fairness and equity when some schools have four times as much property value per student as other schools? Should the state assume a larger role in K-12 finance and, in effect, reduce property tax reliance?

Or is more fundamental revision of the school funding system needed? Is property value an appropriate measure of community resources in today’s economy, or is it time to look at determining the wealth of a school district based on income of its residents or some other measures?

How well positioned are we in Nebraska to meet the technology and infrastructure needs of students and school districts to compete in a global economy heading into the future?

A periodic review of the entire school finance system – to address changes in how children are taught, federal policies, and the availability of financial resources – would allow Nebraska to create a common statewide vision for education in Nebraska while maintaining strong local control of schools.

The intent of this primer is to help Nebraskans understand the current school funding system, how it came to be and the challenges the state faces in this arena. We also hope it has shown the perceived inequities from different points of view and can promote a better understanding of the unique challenges facing different types of schools, while helping Nebraskans find more common ground on this vital issue.

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Appendix A. 2022/23 Components of Need



Basic Funding – Basic funding is the major component of formula needs. It uses actual spending data as a baseline and adjusts to account for some of the components below as well as expenditure exclusions. Finally, this adjusted spending is averaged with the spending of the ten larger and ten smaller districts that are closest in size.

Poverty Allowance – School districts must annually designate a maximum poverty allowance. For districts that qualify, the allowance is calculated based on the greater of the number of low-income students, or the free lunch and free milk students, so that, up to a point, those with an increased concentration of students in poverty receive a higher per-student allowance .

Limited English Proficiency (LEP) Allowance – School districts must annually designate a maximum limited English proficiency allowance to qualify for this allowance. For districts that qualify, the LEP allowance is determined based on a per-student factor.

Focus School & Program Allowance – School districts that are members of a learning community are the only school districts that may qualify for this allowance if it is created as a part of the Learning Community diversity plan. A focus school is a school created for a specific and unique curriculum focus and enrollment is not restricted by student residence.

Summer School Allowance – School districts that operate summer school for at least three hours a day for 12 days a year will qualify for this allowance. The allowance is calculated using a per-student factor.

Special Receipts Allowance – This includes receipts for special education, state wards of the court and the high ability learner curriculum program.

Transportation Allowance – This allowance is designed to recognize the additional costs associated with the transportation of students. The amount of this allowance is calculated based on actual transportation expenditures or route miles traveled.

Elementary Site Allowance – School districts with more than one elementary school that is more than seven miles from another elementary school or is the only elementary school within a city or village may qualify for this allowance.

Distance Education & Telecommunications Allowance – This recognizes the transmission costs for providing distance education courses. It is based on actual expenditures.

System Averaging Adjustment – School districts with greater than 900 formula students whose basic funding per formula student is less than the average of all districts with greater than 900 formula students qualify for this adjustment.

New School Adjustment – A school district that builds a new school due to overcrowding may qualify for the adjustment. The amount of need calculated for this adjustment is based on the school district’s basic funding per formula student.

¹¹ After the percentage of students in poverty in a district exceeds 35%, the district no longer receives an increase in their poverty allowance for a higher concentration of students in poverty.

Student Growth Adjustment – School districts that see an increase in enrollment may apply for this adjustment. The amount of need calculated for this adjustment is based on the K-12 estimated end-of-year student count and the school district’s basic funding per formula student.

Community Achievement Plan Allowance – School districts in a learning community receive this allowance based upon meeting standards in an approved learning community achievement plan¹².

Limited English Proficiency Allowance Correction – Schools that receive an LEP allowance (see above) must demonstrate that their actual expenditures for LEP students were equal to 117.65% or more of the LEP allowance estimate they are required to submit each year or the school district will see its needs reduced and be disqualified from receiving the LEP allowance for a year.

Poverty Allowance Correction – Schools that receive a poverty allowance (see above) must demonstrate that their actual expenditures for poverty students were equal to 117.65% or more of the poverty allowance estimate they are required to submit each year or the school district will see its needs reduced.

Non-qualified LEP Adjustment – Schools that do not spend 50 percent of their prior year LEP allowance will not be able to participate in the LEP allowance for the next certification of State Aid.

Student Growth Adjustment Correction – A school district that received a student growth adjustment will have an increase in need if the actual student growth was higher than the estimated student growth; or the school district will have a decrease in its need if the actual student growth was less than the estimated growth.

Needs Stabilization – To avoid a large increase or decrease in a school district’s need, once all the above components are summed, the total formula needs of a school district may not be less than 100 percent or greater than 112 percent of its prior year’s need. The Needs Stabilization amount adjusts formula needs up or down as necessary.

¹² Community achievement plan aid was an adjustment through fiscal year 2018-19 and became an allowance starting in fiscal year 2019-20. Going forward, it will be an allowance included in formula needs that is divided proportionately to learning community districts based on 2% of their poverty allowance and 2% of their limited English proficiency allowance. Districts with more than 40% poverty students receive an additional amount equal to 3% of the product of the statewide average operating expenditures multiplied by the difference between total poverty students minus 50% of poverty students in the district.

Appendix B. 2022/23 Components of Resources



Yield from Local Effort Rate – A school district’s adjusted valuation multiplied by the Local Effort Rate (LER). The LER is a common tax rate that is established by statute. The LER for 2022/23 is \$1.00.

Net Option Funding – Students do not have to be educated in their resident district. They have the opportunity to choose (option into) another school. School districts that have more students choosing to attend their school will receive this resource. The amount of the resource is calculated on a statewide per-student factor. For 2022/23, net option funding equals 100% of the statewide average basic funding per formula student (Nebraska Department of Education, *Tax Equity and Educational Opportunities*, 2022).

Allocated Income Tax Funds – This is the share of the money that residents of a school district pay in state income taxes that is received by that school district in the form of a rebate. This resource meets one of the goals of LB1059 (1990). For 2022/23, the share of income tax is 2.23% (Nebraska Department of Education, *Tax Equity and Educational Opportunities*, 2022)

Other Actual Receipts Received by the District – This is based on actual local and state receipts reported by a school district on the Annual Financial Report. Receipts identified as other actual receipts are found in § 79-1018.01. Examples include fines, license fees and interest.

Community Achievement Plan Aid – Distributed to districts which are members of a learning community, predicated on meeting goals set forth in an approved community achievement plan. For 2022/23, community achievement plan aid equals 0.4643% of statewide average operating expenses per student multiplied by the total learning community formula students (Nebraska Department of Education, *Tax Equity and Educational Opportunities*, 2022).

Appendix C. 2022/23 Expenditure Exclusions



Infrastructure Damaged by Natural Disaster – A school district may exceed the spending limit for building and other infrastructure damage due to a natural disaster. The State Board of Education must approve the use of this exclusion.

Judgments Not Paid by Liability Insurance – This exclusion is limited to the amount not paid by the liability insurance coverage of the school district for a judgment against it. The State Board of Education must approve the use of this exclusion.

Retirement Incentive Plan & Staff Development Assistance – Any school district that must cut staff because it has reorganized or unified may budget for these costs outside of the spending limit during the year in which the reorganization or unification occurs. The State Board of Education must approve the use of this exclusion.

Distance Education Courses – Any amounts received from schools or educational service units for providing distance education courses. The State Board of Education must approve the use of this exclusion.

Data Transmission Networks Exclusion – The first-year costs associated with joining Network Nebraska are excluded from the expenditure lid. Network Nebraska maintains the statewide data transmission hardware and software for providing distance education. The State Board of Education must approve the use of this exclusion.

Voluntary Termination Agreements with Certificated Employees – Amounts agreed to be paid to a certificated employee for a voluntary termination of employment. The State Board of Education must approve the use of this exclusion.

Retirement Contribution Increase – The additional costs incurred by a school district to pay its portion of an employee’s retirement contribution. The State Board of Education must approve the use of this exclusion.

Special Education – Expenditures under the special education budget.

Special Grant Funds – Expenditures from special grant funds.

Federal Impact Aid – Districts may exclude the aid received from the federal government for the education of children residing on federal Indian lands within the district. The State Board of Education must approve the use of this exclusion.

New Elementary Attendance Site(s) – A school district may exceed the spending limit for the first year costs of operating a new elementary school. The State Board of Education must approve the use of this exclusion.

Early Childhood Education – For the first fiscal year in which early childhood students are included in the calculation of formula students, qualifying districts can exceed the expenditure lid by an amount equal to the early childhood grants received the previous fiscal year increased by the Basic Allowable Growth Rate. The State Board of Education must approve the use of this exclusion.

Special Election to Override Expenditure Lid – A school district may ask voters to exceed the spending limit through a special election. Effective for one fiscal year only.

Appendix D. 2022/23 Levy Exclusions



Voluntary termination agreements with certificated employees – Amounts to be paid to certificated employees in exchange for a voluntary termination of employment.

Special Building Fund Projects – Amounts to pay for special building fund projects started before April 1, 1996.

Health and safety modifications – Levies approved for the purposes of environment hazard abatement, accessibility barrier elimination or for modifications for life safety code violations, indoor air quality or mold abatement and prevention. A levy for this purpose may not exceed ten years.

Judgments not covered by liability insurance – Any amount for judgments obtained against a school district that are not covered by liability insurance.

Lease-purchase contracts approved prior to July 1, 1998 – The amount of any yearly lease payments for any active lease-purchase contracts.

Bonded indebtedness – The amount to retire the principal and interest on a bond that was approved by a vote of the taxpayers in the school district.

Special Election to Override the Levy Lid – A board of education or the patrons of a school district may call for a special election to exceed the levy limitation. The special election ballot must include the amount of the excess levy authority being sought and the number of years for the excess levy. A levy override may not exceed five consecutive school fiscal years.



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January 2025