

**CONCERNS OVER SCHOOL
FUNDING IN NEBRASKA
PAWNEE CITY PUBLIC
SCHOOLS**

**Special School Board Meeting
January 31, 2018**

BACKGROUND:

- Schools in Nebraska continue to be more and more reliant on local property taxes to fund essential school operations.
- In 2007-08, 205 school districts (80.7%) received TEEOSA “Equalization” Aid.
- Ten years later, in 2016-17, only 65 districts (26.5%) received TEEOSA “Equalization” Aid.

BACKGROUND:

- **In 2017, the Pawnee City School Board joined the newly-formed group “Nebraskans United for Property Tax Reform and Education.”**
- **“Nebraskans United” works with elected officials to fix issues of excessive property tax and reduced State Aid to schools.**

BACKGROUND:

- **In January 2018, Senator Tom Briese introduced LB 1084 “Property Tax Request Limitation Act” on behalf of “Nebraskans United.”**
- **LB 1084 would shift about \$1 billion of annual tax burden away from property taxes, mostly by eliminating tax credits.**

THE PROBLEMS:

- **Nebraska K-12 schools receive 49.4% of their funding from local property taxes, the national average is 29.3%.**
- **Nebraska ranks 49th in its level of State revenue support for public education.**
- **63.6% of Pawnee City School funding in 2016-17 came from district property taxes (not including other local taxes).**

THE PROBLEMS:

- In 2007-08, 42.1% of Pawnee City School's general fund revenue came from TEEOSA State Aid.
- Ten years later, in 2016-17, only 11.7% of the revenue came from TEEOSA State Aid.
- Over the same ten years, district valuation increased by 155%.

THE PROBLEMS:

- Pawnee City School will receive no (\$0) “Equalization Aid” in 2018-19 for the first time in TEEOSA history.
- Pawnee City School has had an average annual increase in “Regular Education” general fund expenses of only 1.9% over the past ten years (2007-08 to 2016-17).

THE PROBLEMS:

- From 2007-08 to 2016-17 Pawnee City School's "Special Education" expenses have increased by 11.1% annually.
- The State reimbursement rate for Special Education expenses has dropped continually from over 80% in the mid-1990's to 48% in 2017-18.

THE PROBLEMS:

- **To compensate for revenue reductions Pawnee City School reduced its teaching staff the past two years:**
- **From 30 to 29 teachers in 2016-17**
- **From 29 to 28 teachers 2017-18**

WHAT NOW?

- **The Pawnee City School Board hopes our elected officials will pass legislation in this 2018 session to finally address how public schools are funded.**
- **A legislative solution is the preferred option of “Nebraskans United,” as long as it truly solves the problem.**

WHAT IF...?

- **If no legislation is passed, educational and agricultural organizations have two options to bring about change:**
- **One group is considering a “ballot initiative” in November 2018.**
- **A ballot initiative presents many concerns because it provides no mechanism to replace lost property tax funds.**

WHAT IF...?

- **The second option to generate change is to participate in a lawsuit.**
- **If Pawnee City Public Schools were to consider being part of a lawsuit, we would do so with several partners.**
- **We would ensure our participation would come at no cost to the district.**

ASPECTS OF A LAWSUIT:

- **The Nebraska State Constitution requires that the State provide a free and public education to all persons between the ages of 5-21 years.**
- **The State Constitution forbids the State from levying a property tax directly on local property owners.**

ASPECTS OF A LAWSUIT:

- The State can delegate the duty for providing the education to school districts, but cannot avoid the Constitutional obligation to finance free and public education.
- Local taxing districts do not provide substantially equal revenues for districts with vastly different tax values.

ASPECTS OF A LAWSUIT:

- **Students are denied equal protection in their right to a free and public education across the State.**
- **School districts are treated differently and are denied equal protection by current legal funding mechanisms.**

ASPECTS OF A LAWSUIT:

- **Property owners are compromised by the property tax methods used to finance public education.**
- **The financing scheme produces widely varied mill levels from district to district and prevents statewide uniformity and proportionality in the burden of property taxes.**

NEXT STEPS:

- **Pawnee City Public School District remains committed to our students and patrons.**
- **We need to pursue all possible actions to find meaningful change for school funding in Pawnee City and all of Nebraska.**

CONCLUSION:

- Educational and agricultural partners need to continue to work together to make their concerns known.
- A legislative solution is the preferred outcome, but legal action should be strongly considered without evidence of meaningful change as the 2018 legislative session moves forward.