

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).

Sources: *OpenSky Policy Institute*; Pawnee City Public School AFR's

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%.

Source: Pawnee City Public School AFR's

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).

Sources: NDE Model State Aid 2018-19; PCPS AFR's & BOE Meeting Minutes

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.