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BRIEFING REPORT

3

NEBRASKA LEGISLATIVE ISSUES SYMPOSIUM

PUBLIC SCHOOL FINANCE IN NEBRASKA AND SELECTED STATES

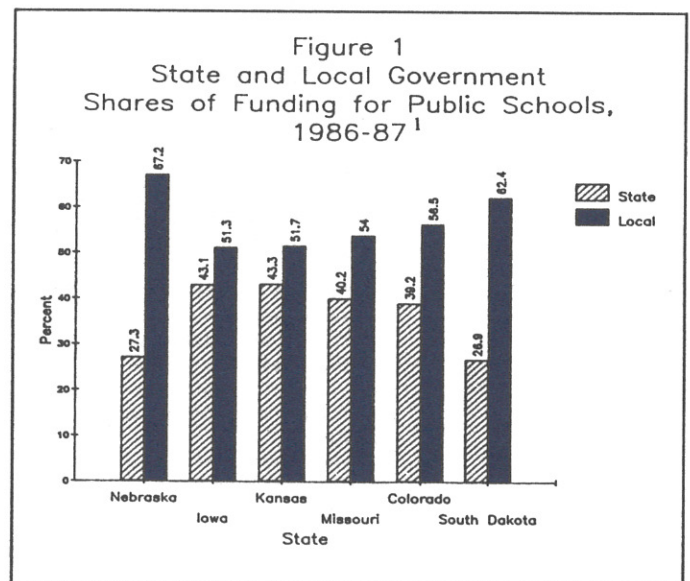
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Summary information about levels of state support, selected features of distribution plans, and the number of local education agencies in Nebraska and five adjacent states are shown in table 1. The share of state and local government funding for public schools in Nebraska, Iowa, Kansas, Missouri, Colorado, and South Dakota during 1986-87 is provided in figure 1. The information indicates the following:

- State support for schools in Nebraska is low compared with other states in the region. South Dakota compares well with Nebraska in this category. The national average is about 50 percent; all of the states in the region are below the national average.
- State support programs are complex and represent unique adjustments to basic theoretical programs.
 - All programs require a local property tax levy against the state's share.
 - Nebraska provides the smallest proportion for equalization of any of the listed states.
 - Nebraska's school boards have the greatest fiscal independence within the region—no state budget control; no votes

on local general fund levies, except in Class I units; and no levy limits.

- Colorado provides a bonus for small attendance centers.
- Two of the states include income as a measure of local wealth and a third permits local approval of a limited income tax for program enrichment.
- The number of school districts in Nebraska far exceeds that of neighboring states.



As shown in table 1, the level of local support for public schools is high in Nebraska compared with adjacent states; local support is also high relative to all states in the United States, with Nebraska ranking 49th in state support. Moreover, local support for public schools has increased recently and state support has decreased (table 2).

- Local district taxes have increased as a source of revenue, while state aid has decreased.
- The decrease in state support means that sales and income taxes provide less support to schools, and property taxes provide more support.

Table 1
Selected States' Programs for Funding Elementary and Secondary Education

State	State Support of Schools, General Fund Budget, 1986-87	Selected Program Features	Wealth measures for equalization aid	Local Education Agencies
	Percent			Number
Nebraska	25.0	<ol style="list-style-type: none"> 1. Weighted pupil grants. 2. Equalization = residual from (1) - [local effort + other revenues]. 3. Categorical special ed. @ 90% approved excess. 4. No budget limits. 5. Bulk of aid is flat grant, not for equalization. 	Real property @ 100% assessment except for special classification for agricultural/horticultural lands.	891*
Colorado	45.0	<ol style="list-style-type: none"> 1. Guaranteed amount per pupil mill - local share = state basic aid. 2. Categorical special ed. @ 80 - 100% for different program features. 3. Categorical transportation. 4. Bonus payments for small attendance centers. 5. State budget control with provision for local override. 6. Bulk of aid is for equalization. 	Real property with limitations on increases tied to a base year (currently 1985).	176
Kansas	45.0	<ol style="list-style-type: none"> 1. State pays district's contribution to retirement fund in addition to state aid. 2. State budget control with provision for local override. 3. Twenty percent of state income tax is rebated to school district of taxpayer; 85% of this is deducted from state aid. 4. Categorical special education @ 95% of excess cost. 5. Bulk of aid is for equalization. 	District measures of wealth are tangible property and taxable income.	304
Iowa	50.1	<ol style="list-style-type: none"> 1. State regulates budget increases. 2. State Budget Review Committee may modify budget growth. 3. Enrichment surtax on income is subject to voter approval. 4. Special education students are weighted for inclusion in basic aid program. 5. Ninety-eight percent of basic support is for equalization. 	Real property assessed value.	436
Missouri	56.8	<ol style="list-style-type: none"> 1. Fifty percent of state aid for equalization. 2. Aid calculations use previous costs, property values, adjusted gross income, and cost of education index. 3. State 1% sales tax earmarked for education. 4. Aid formula uses both guaranteed tax base equations. 5. Categorical special education on basis of weighted classroom units. 6. Local vote required to increase budgets beyond 12.5 mills. 	<ol style="list-style-type: none"> 1. Property: residential @ 19% of market; agricultural @ 12% of soil use value; commercial @ 32%; personal @ 33.3% 2. Adjusted gross income. 	546

*updated November 1987.
Source: Unpublished state summaries.

Table 2
Sources of Revenue for Nebraska School Districts' General Funds, 1982-86

Source of revenue	Year			
	1982-83	1983-84	1984-85	1985-86
	Percent			
Local district taxes	53.68	54.89	55.22	58.41
All local sources	57.96	59.22	59.70	62.41
All county sources	4.31	4.05	4.26	4.24
State (formula)	18.02	17.01	15.53	14.38
Special education	5.36	5.48	5.55	5.78
All state sources	30.06	28.75	26.72	25.82
Federal aid	5.86	6.04	6.35	5.93
Nonrevenue sources	1.81	1.94	2.97	1.60

Sources: C. Cale Hudson and Katherine Lewellen Kasten. "Financing Public Elementary and Secondary Schools in Nebraska." *Nebraska Policy Choices: 1987*. Russell L. Smith (Ed.). Omaha, NE: Center for Applied Urban Research, University of Nebraska at Omaha, 1987.

- Because property taxes account for most local school revenues (93.6 percent in 1985-86), Nebraska's schools are more dependent on local property taxes than school districts in most other states.
- Pupil to teacher ratios appear to relate to salaries—higher ratios match higher salaries.
- Nebraska's total tax effort is modest, both nationally (rank 41) and regionally (rank 4 of 6).
- The lack of balance in the tax system in Nebraska is exceeded only by South Dakota. South Dakota has a rank spread of 32 between that for tax per \$1,000 of personal income and that for property tax. Nebraska's spread was 28 in the same categories, while the other states showed much smaller differences.
- Among the six states shown, Nebraska is fourth in expenditure per pupil, fifth in average salary for teachers, and third in per capita personal income.

Table 3 provides information about funding elementary and secondary education. The following highlights summarize the data.

This briefing report was developed by the Center for Applied Urban Research, University of Nebraska at Omaha for the Legislative Council Executive Board, to provide background information for the 1987 Nebraska Legislative Issues Symposium. The briefing report is intended to provide an overview, and do not necessarily represent those of the expressed views of the individual authors. The views and opinions expressed are those of the individual authors and do not necessarily represent those of the Center for Applied Urban Research, University of Nebraska at Omaha.

Table 3
Selected Data Concerning Financing of Public Schools, Selected Years

Item	State					
	Nebraska	Iowa	Kansas	Missouri	Colorado	South Dakota
Expenditure per pupil (1986-87) ¹	\$ 3,437	\$ 3,740	\$ 4,137	\$ 3,345	\$ 4,129	\$ 3,190
Pupil/teacher ratios	15.0	15.3	15.4	16.5	18.4	14.9
Average salaries for teachers (1986-87) ¹	\$22,063 (Rank 40)	\$22,603 (Rank 39)	\$23,550 (Rank 31)	\$23,468 (Rank 33)	\$27,388 (Rank 18)	\$18,781 (Rank 51)
Per capita personal income (1985) ²	\$13,281 (Rank 23)	\$12,594 (Rank 30)	\$13,775 (Rank 18)	\$13,244 (Rank 24)	\$14,812 (Rank 9)	\$11,161 (Rank 40)
State-local tax per \$1,000 personal income (1984-85) ²	\$100.67 (Rank 41)	\$108.49 (Rank 29)	\$102.91 (Rank 38)	\$ 90.14 (Rank 49)	\$106.35 (Rank 34)	\$ 94.49 (Rank 48)
Property tax per \$1,000 personal income (1984-85) ²	\$ 43.55 (Rank 13)	\$ 42.41 (Rank 15)	\$ 37.99 (Rank 19)	\$ 19.73 (Rank 43)	\$ 36.51 (Rank 22)	\$ 41.24 (Rank 16)

Source: ¹"Education Vital Signs 1987/88," *The American School Board Journal*, October 1987. (Ranks were calculated.)

²"How Does Nebraska Compare? State and Local Taxes," *Nebraska Tax Research Council, Inc.*, December 1986.

¹Figure 1 was taken from "Education Vital Signs 1987/88," *The American School Board Journal*, October, 1987.

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