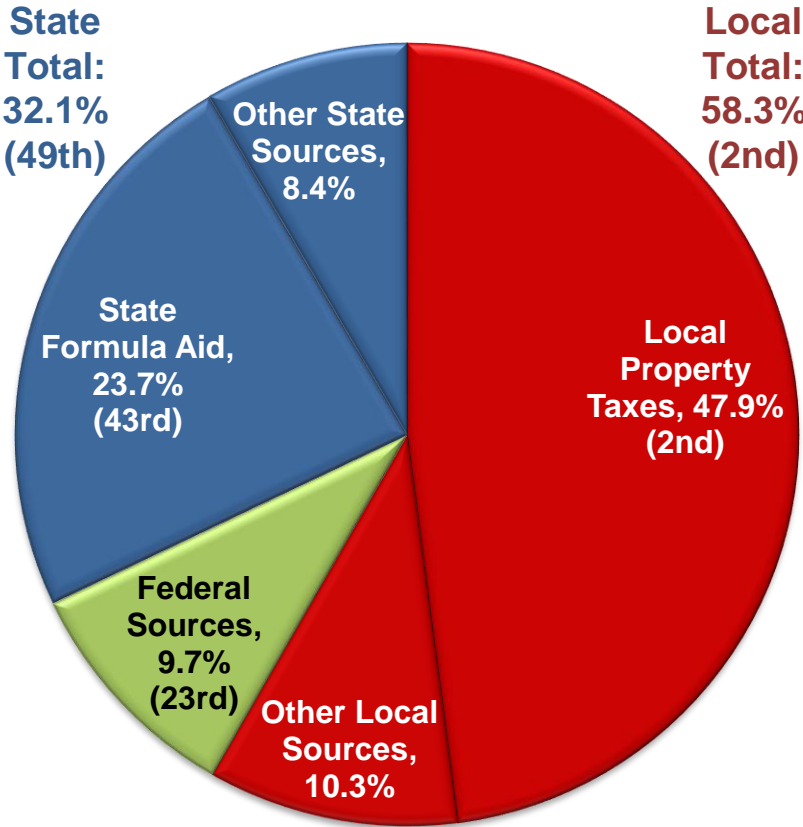


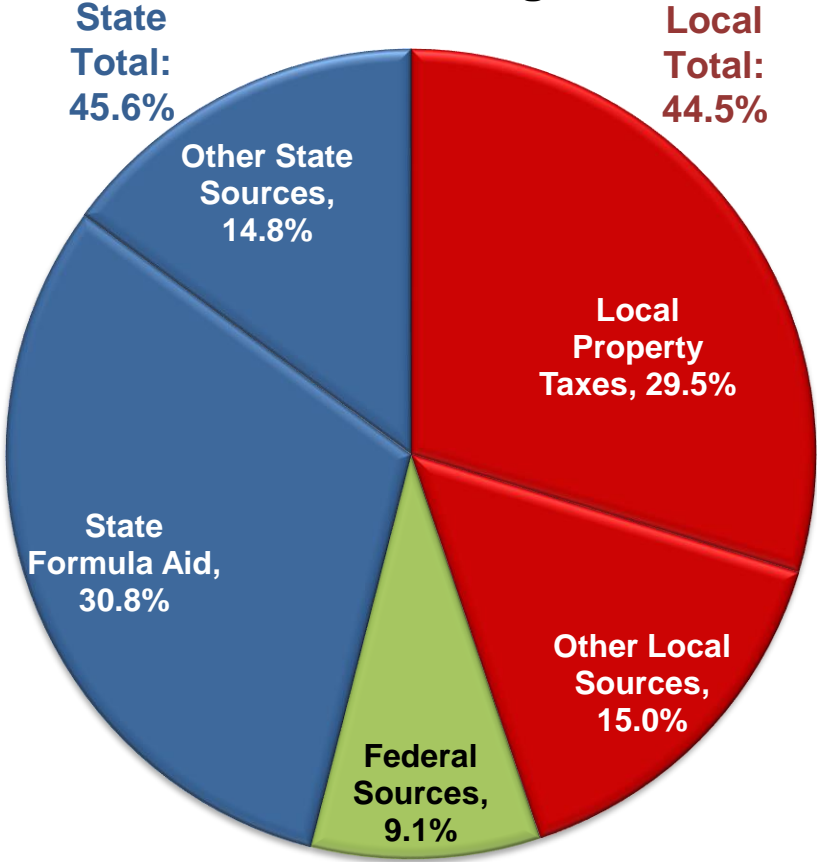
How Nebraska Funds K-12 Education

How NE Compares to the National Average in Education Funding

Nebraska



US Average



Source: US Census Bureau, 2013 Annual Survey of School System Finances

State Investments in K-12 Public Education

- State Aid (TEEOSA Formula)
 - Equalization Aid
 - Allocated Income Tax
 - Net Option Funding
- Other state sources are not included in the TEEOSA formula - Special Education, for example

Other Sources of K-12 Funding

Local sources:

- Property taxes
- Motor vehicle taxes

Federal Sources:

- NCLB
- IDEA
- Categorical aid
- Title 8 Impact Aid

Calculating Equalization Aid

Needs

-

Resources

=

Equalization Aid

What are “Needs” & “Resources”

Needs:

- Basic Funding
- Allowances (Poverty, LEP)
- Adjustments
- Corrections

Resources:

- Yield from Local Effort Rate (LER)
- Net Option Funding
- Allocated Income Tax
- *Minimum Levy Adjustment*

School Spending

- Average growth in school general fund disbursements - 4.1% (FY04-FY14)
- Average total school disbursements - 3.5% (FY04-FY14)
- “Costs’ don’t change significantly if the number of students per class decline. On the other hand, the larger growing districts are adding new buildings and staff to account for their growing enrollment. If declining districts grow at inflation and growing enrollment districts grow at inflation plus enrollment growth, the overall statewide spending will always grow faster than inflation plus enrollment growth.”
- Source: Legislative Fiscal Office, “Historical and Current Nebraska K-12 School Data,” August 2015

School Spending (cont.)

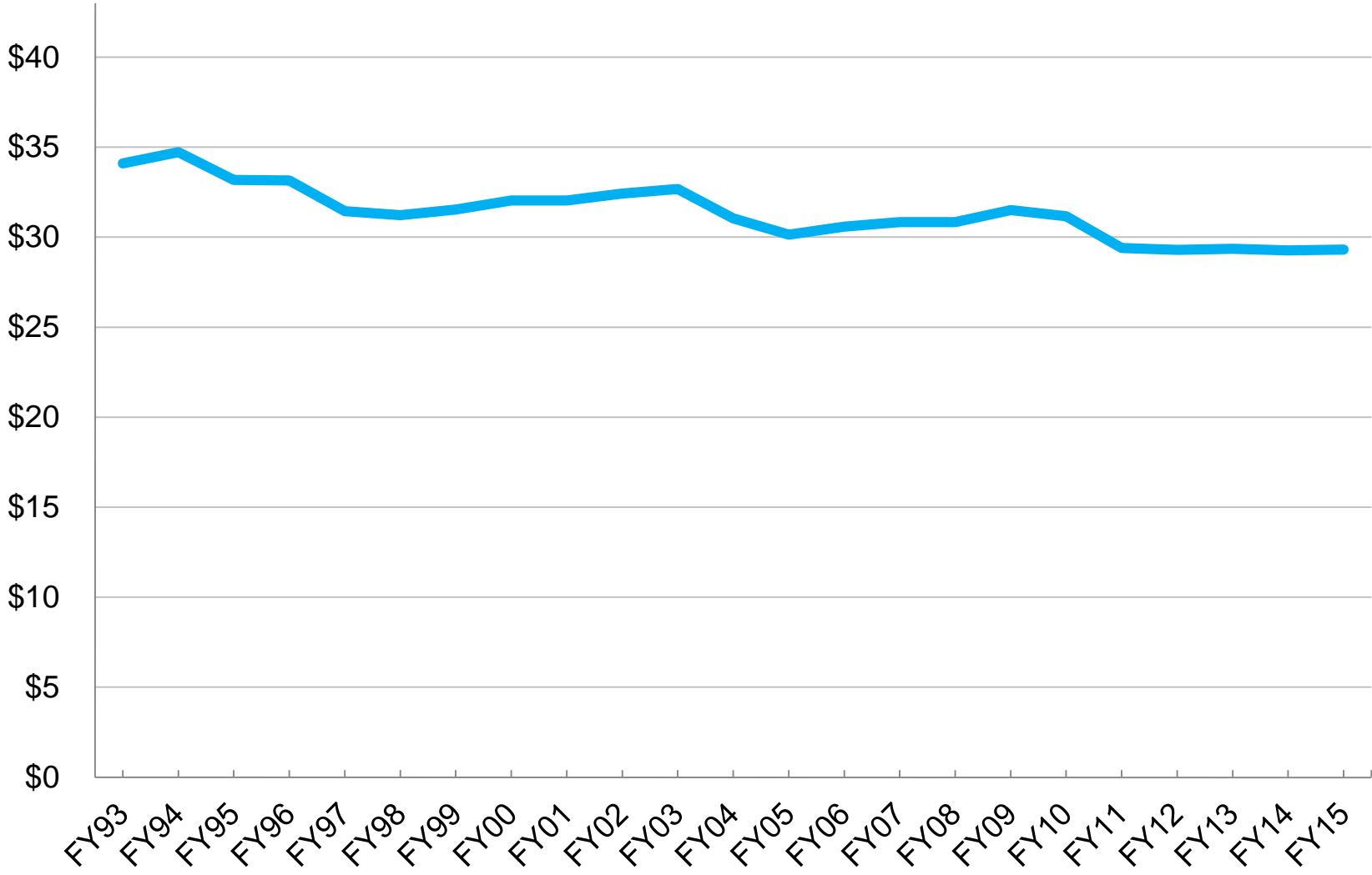
- Per Pupil Cost in SY14/15 (ADM) - \$11,619.34
 - Ranges from \$9,202.76 in Gretna Public Schools to \$32,171.87 in Lynch Public Schools
 - OPS - \$10,819.38
 - LPS - \$10,576.14
- “The rising cost per pupil in smaller schools is more the result of declining enrollments than high spending growth...**Despite savings achieved through reorganization, the cost per pupil still increases as the continued decline in enrollment more than offsets any savings.** This trend is likely to continue, as evidenced by the low ratio of elementary to secondary students in smaller schools.” (LFO, August 2015)

School Spending - Limits

- Limits to budget growth – Basic Allowable Growth Rate of 2.5%/year (with limited exceptions)
- Limits to property tax levies - \$1.05 per \$100 of property value
- Limits to cash reserves – based on school size (20% to 45%).

School Spending has Decreased as a Share of the Economy

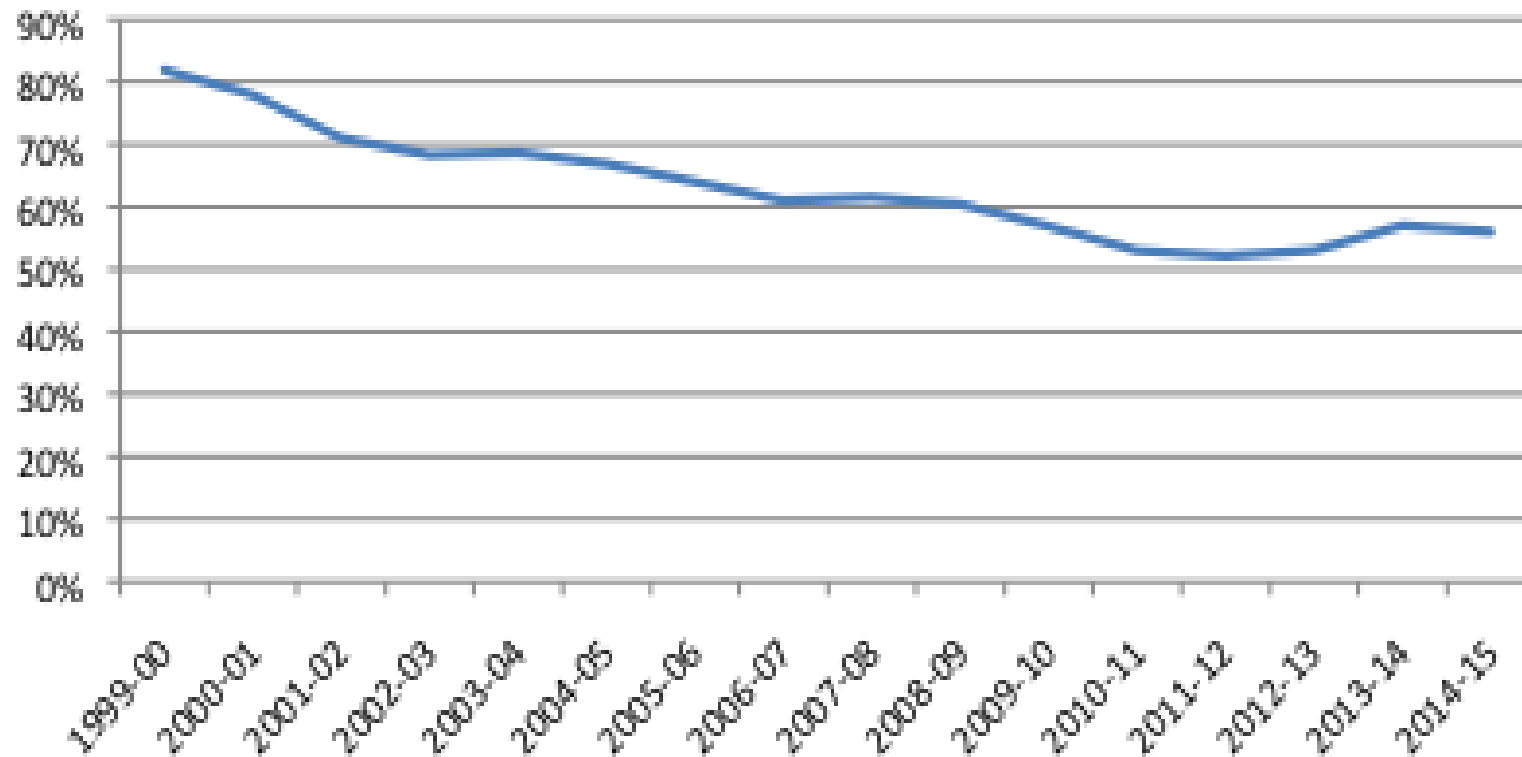
School District Spending per \$1,000 of Nebraska GDP



Sources: Schools: Department of Education Annual Financial Reports.

Special Education – 2nd Largest Source of State Support

State-Funded Share of Special Education Spending Has Declined

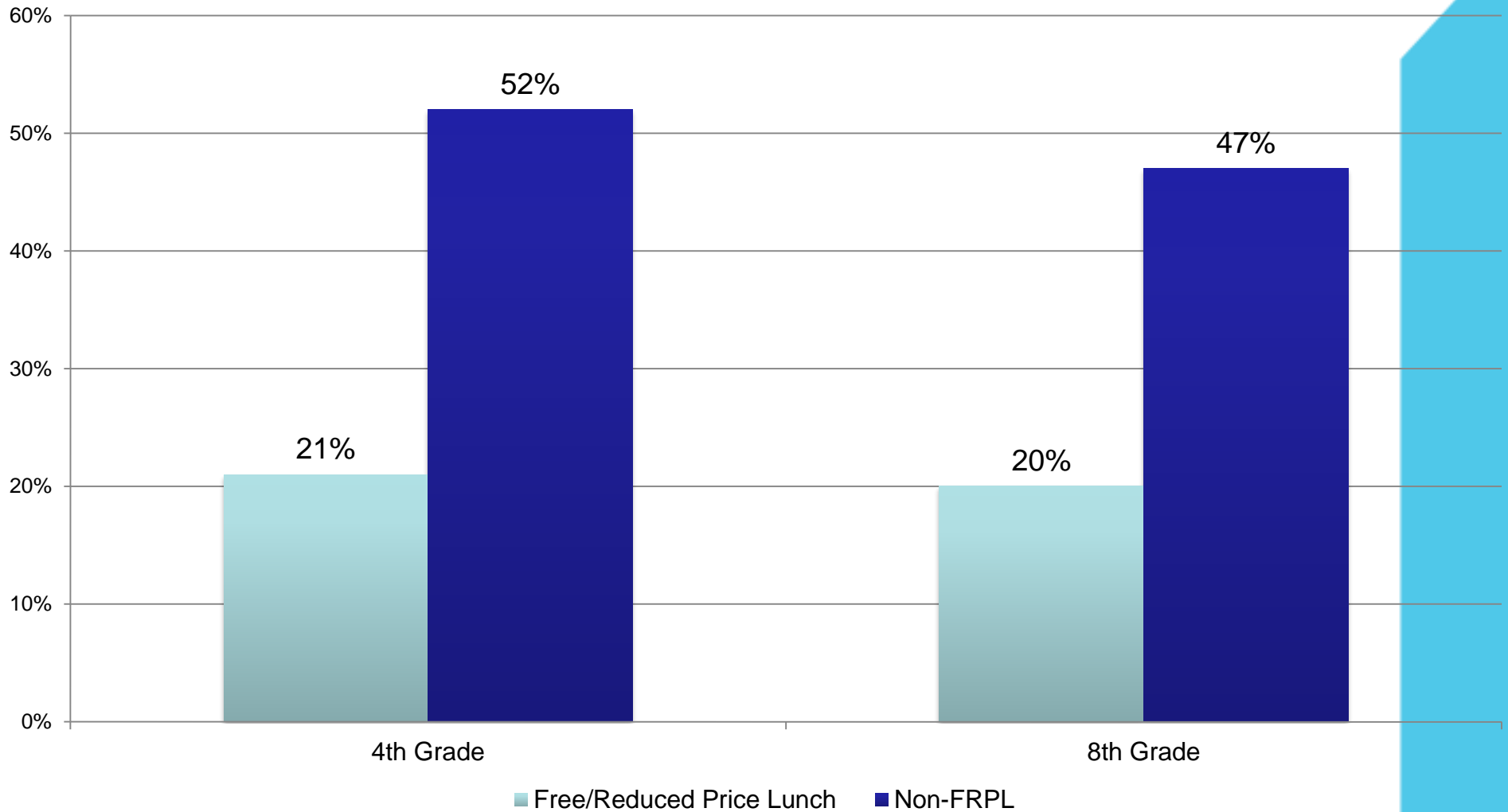


Poverty & K-12 Education

- TEEOSA formula recognizes that poverty presents increased challenges to education through poverty allowance.
- Schools with concentrated poverty face even greater challenges.
- In FY15, 30 school districts had greater than 40% of students that qualified for free meals.
- 250 of 793 public school buildings in NE were more than 40% free meals in FY15.

Nebraska 2015 NAEP Reading Results for Free/Reduced Price Lunch Students

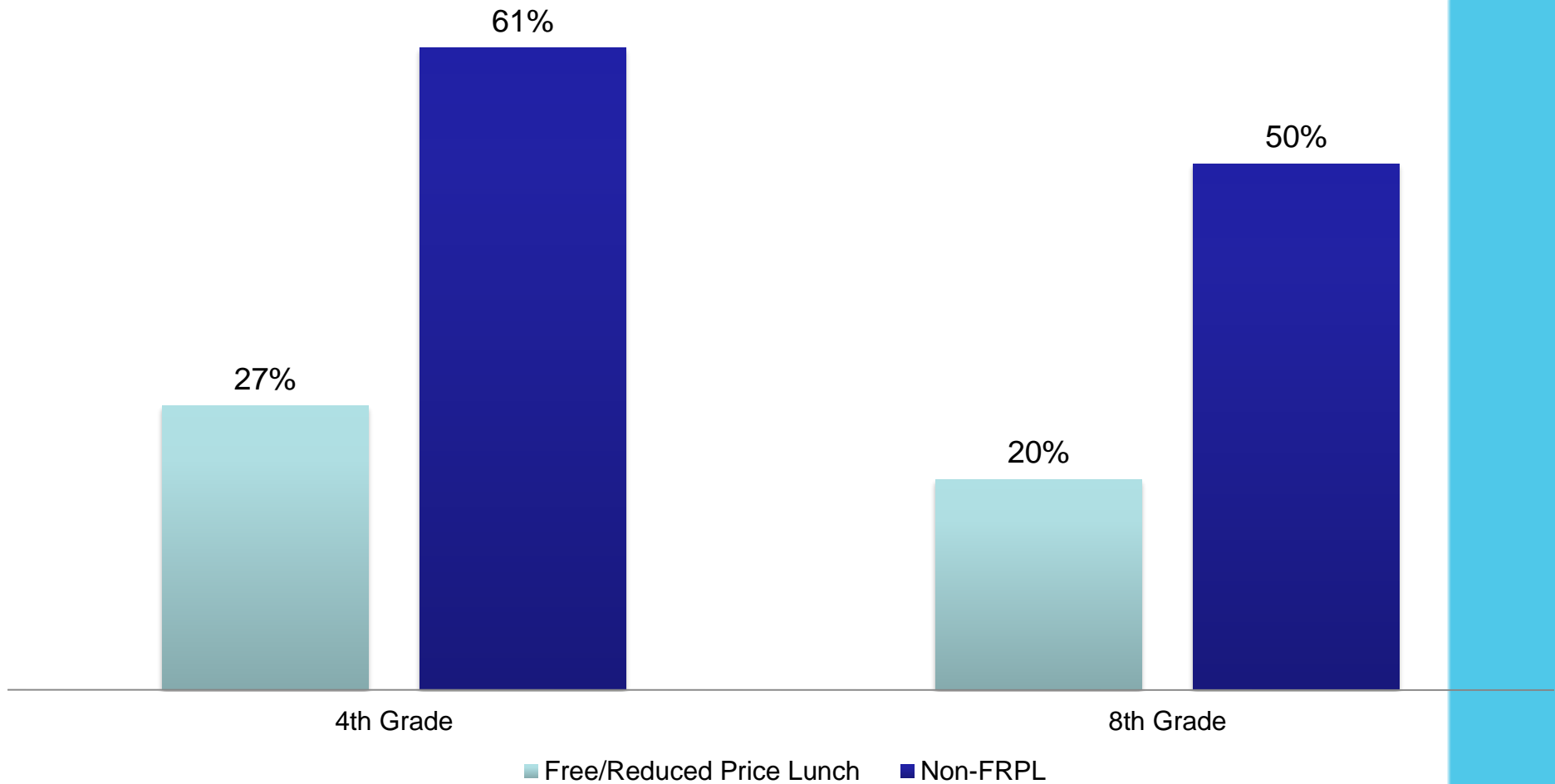
Students Scoring At Proficient or Above



Source: Michael Griffith, Education Commission of the States, Nov 2015

Nebraska 2015 NAEP Math Results for Free/Reduced Price Lunch Students

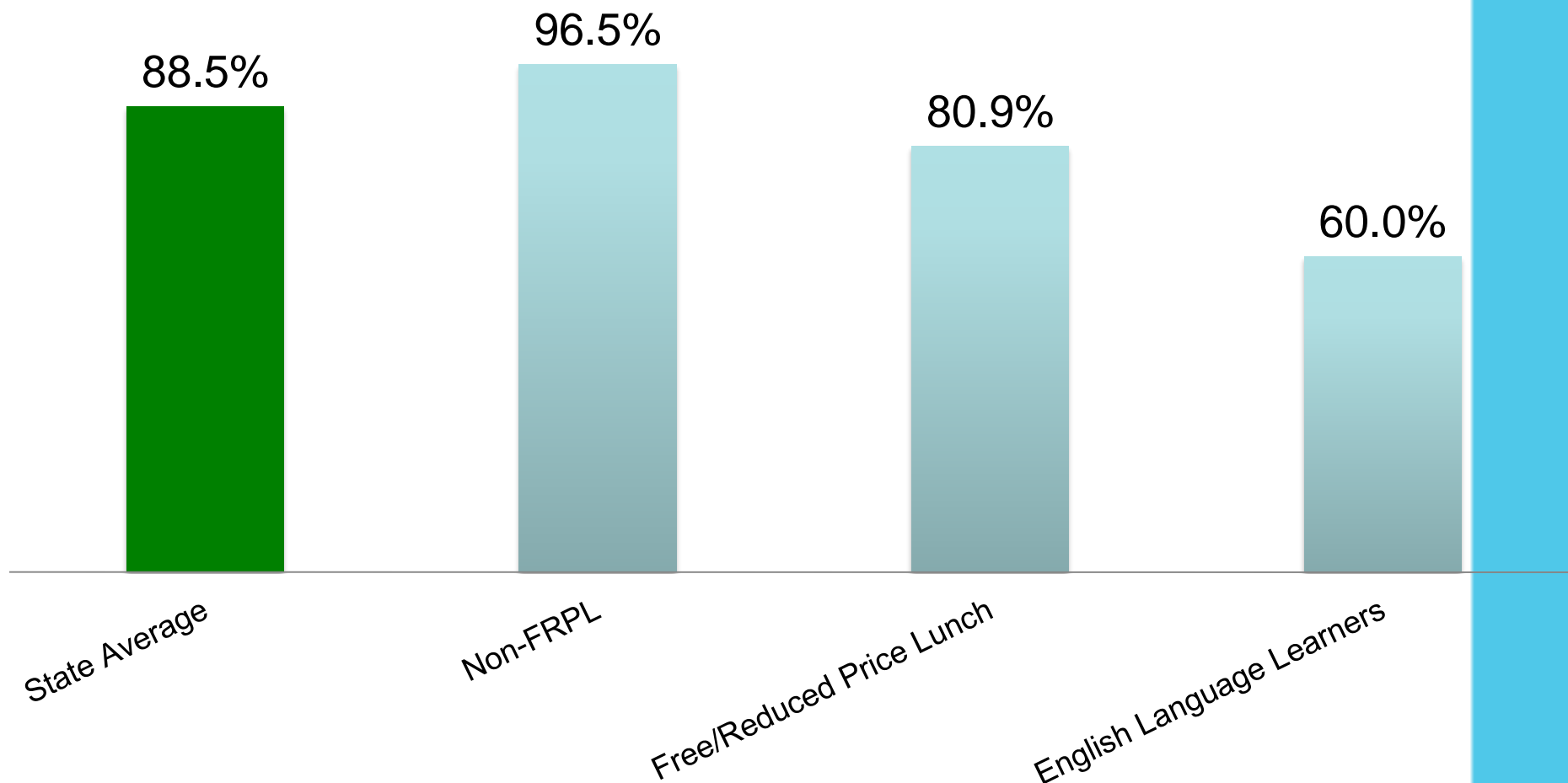
Students Scoring At Proficient or Above



Source: Michael Griffith, Education Commission of the States, Nov 2015

Nebraska's Four-Year High School Grad Rates 2012-13

Source: U.S. Dept. of Education



Source: Michael Griffith, Education Commission of the States, Nov 2015

Changes to Education Finance 2016 Legislative Session

- LB 959 – Eliminates the minimum levy adjustment, changes the averaging adjustment, and tightens QCPUF authority.
- LB 1067 – Eliminates common levy of the Learning Community and creates new funding mechanisms for LC districts.

What's ahead for 2017 Legislature – taxes and education funding?

- New Committee Chairs - Appropriations, Education & Revenue
- Growing budget shortfall - \$234+ million
- Poverty funding for schools
- Tax credit for education scholarships
- Community college funding