

LB 407 does not equate to growth in K-12 aid

The increase in K-12 education funds proposed in LB 407¹ is not growth in state aid for schools but rather a partial restoration of support that was cut drastically in recent years.

And even with the increases proposed in LB 407, state aid to K-12 schools would remain at historically low levels while property tax support for education would remain historically high.

What LB 407 does

LB 407 would increase state aid to education by 7.3 percent in Fiscal Year 2013-2014 (FY 13-14) and 2.8 percent in FY 14-15.² However, these increases follow a 10.3 percent – or roughly \$100 million -- cut in state aid in the last biennium.³

State aid reductions have historically been followed by significant increases, which help sustain healthy school budgets. For example, a 5 percent cut in FY 00-01 was followed by a 15 percent increase in FY 01-02.

So after last biennium's 10.3 percent cut, the 11.3 percent and 2.9 percent increases in FY 13-14 and FY 14-15 that are anticipated under current law would be more in keeping with the state's history of restoring funds to schools than the smaller increases called for in LB 407.

In terms of dollar amounts, LB 407 would restore about \$69 million less than the increases called for under the current law, which is \$35 million fewer dollars in FY 13-14 than in FY 10-11.

Reduced aid puts school districts in a bind

The formula Nebraska uses to determine state aid for K-12 schools -- known as the Tax Equity and Educational Opportunities Support Act (TEEOSA) -- is designed to create a steady level of education quality across the state.

¹ All references to LB 407 in this memo refer to the bill with pending amendments AM 1018 (the committee amendment) and AM 1044.

² FY 13-14: Nebraska Department of Education, *2013/14 State Aid Model Calculated by System Under LB 407 with Committee Amendment and AM 1044* (April 2013); FY 14-15: most recent unofficial estimates

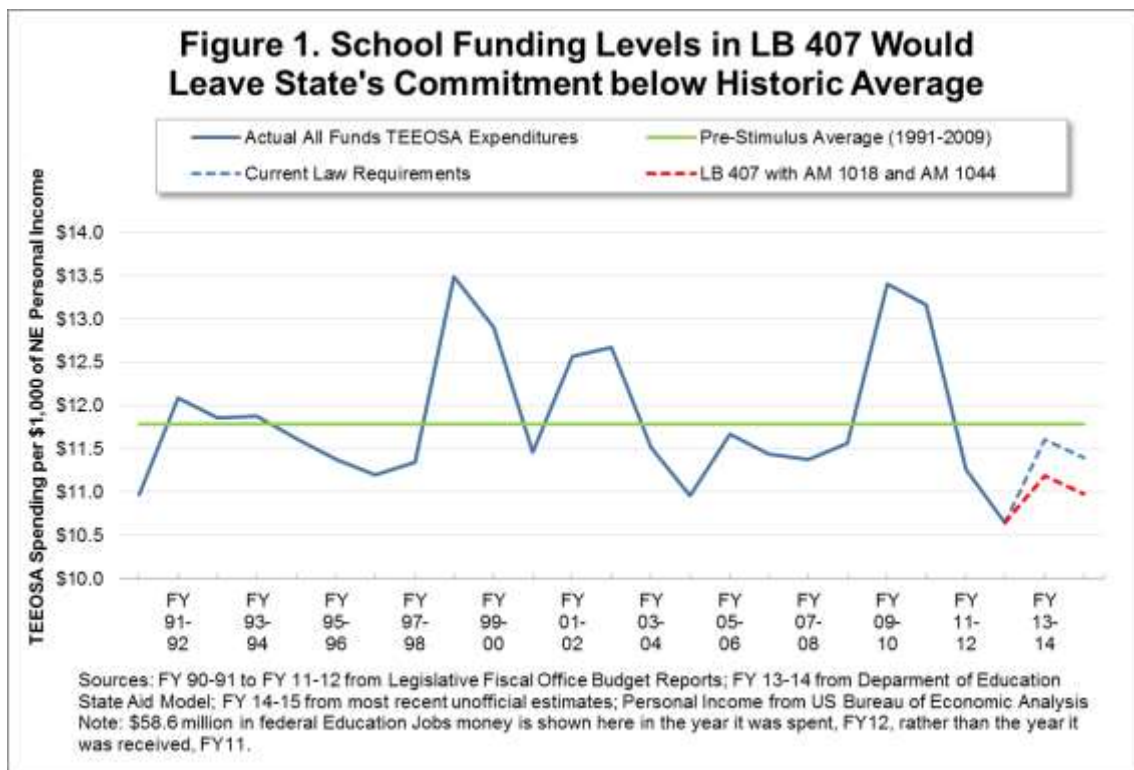
³ All historical spending data are from Nebraska Legislative Fiscal Office.

When support for this system is lessened, school districts are put in a bind. They must either cut programs or raise property taxes to maintain their current offerings.

In FY 12-13, 41 percent of Nebraska school districts did not receive state equalization aid, a jump from 23 percent just two years earlier.⁴ Under LB 407, that percentage would rise to 45 percent.⁵

Aid historically low/ Property tax contributions historically high

State aid to schools in FY 12-13 is at its lowest level as a share of the economy since the TEEOSA formula was created in 1990.



⁴ Nebraska Department of Education, *State Aid Calculations*.

⁵ Nebraska Department of Education, *2013/14 State Aid Model Calculated by System Under LB 407 with Committee Amendment and AM 1044* (April 2013).

The funding proposed in LB 407 would be a significant increase over FY 12-13, but would still leave state school aid in FY 13-14 and FY 14-15 below the historic average. (Figure 1)

In the face of these state aid reductions, local property taxes in FY 11-12 accounted for more than 48 percent of K-12 funding, the highest that share has been since FY 97-98.⁶

Effects of cuts

In FY 12-13, Nebraska reduced state aid per K-12 student by 5.2 percent. That reduction was the second-largest in the nation, behind only Alaska.⁷

Also, Nebraska public K-12 schools employed 502 fewer full-time-equivalent teachers in FY 11-12 than in FY 10-11, while student enrollment increased by 2,648 in that period.⁸

Other factors work against education support

Two measures passed last year – a cut to the state’s income tax and a quarter-percent sales tax diversion for roads funding – will take \$222 million from the state’s General Fund in the FY 13-15 biennium.⁹

Some of this revenue could have been used to restore funding for our schools.

Conclusion

As Nebraskans, we pride ourselves on the quality of education we offer our children. Good schools are a big part of “The Good Life.”

While LB 407 would provide an increase of K-12 funds, it still would make school districts rely heavily on property taxes and it would not restore school funding to the levels needed to maintain the high quality of education that serves as a foundation of our state’s strong economy.

⁶ Nebraska Department of Education, *Annual Financial Reports*.

⁷ Phil Oliff, Chris Mai, and Michael Leachman, *New School Year Brings More Cuts in State Funding for Schools* (Center on Budget and Policy Priorities: September 2012).

⁸ Nebraska Department of Education, *State of the Schools Reports*.

⁹ Appropriations Committee, *Preliminary Report, FY2013-14/FY2014-15 Biennial Budget*