

## LB 280 – Expanding the Resource Calculation - Property and Income

### LB 280 – School District Examples

LB 280 creates a school-funding surtax (local income tax) that would be coupled with a reduction in property taxes. Adding the school-funding surtax revenue -- while maintaining existing budget growth limits and reducing the maximum levy -- would lower property taxes for all districts. The expanded resources calculation in TEEOSA means each district's ability to pay would now be a broader accounting of their property and income wealth combined. Equalization aid would still be distributed to districts with low resources relative to their needs.

The school-funding surtax is calculated by multiplying a person's state individual income tax liability by a set percentage -- the rate set in LB 280 is 19.4% of state income tax liability. As a very simplistic example, if a person owes \$1,000 in state income tax, the school-funding surtax would be an additional \$194. Alternatively, if a person owes no state income tax, he or she pays no school-funding surtax either. This surtax would be paid at the same time as state income taxes and on the same form.

For Nebraska residents & partial-year residents, the revenue from the school-funding surtax will be distributed back to the home school district. Surtax revenues would be counted as district resources for the purposes of the TEEOSA formula. For non-residents, the revenue from the surtax will be owed to the state and credited to the General Fund.

See below for examples of four Nebraska school districts\* representing the following categories:

- Low income (average), low property value (per student) – South Sioux City Community Schools
- Low income, high property value – Sandhills Public Schools
- High income, low property value – Sidney Public Schools
- High income, high property value – Loomis Public Schools

*\*This analysis of the impact of LB 280 was conducted by OpenSky Policy Institute. The school district examples used in this analysis are not intended to reflect any position taken by that school district regarding LB 280.*

## LB 280 – Expanding the Resource Calculation - Property and Income

### Example 1: Low Income, Low Property Value (South Sioux City Community Schools)

#### Step 1 - Calculation of Resources: School-Funding Surtax + Property Tax + Other Resources

- State income taxes in South Sioux City Community Schools total \$6.6 million, so the local income surtax in LB 280 raises \$1.3 million (19.4% of \$6.6 million). This amount is included in the resource calculation in TEEOSA.
- The income surtax revenue would allow the property tax Local Effort Rate (LER) to be reduced and agricultural land valuations in TEEOSA to be reduced, so the district's property tax resources in TEEOSA would be \$6.4 million, \$2.1 million lower than under current law.
- After also including the \$500 per-student aid component of LB 280 and other resources<sup>1</sup>, the district's total resources would be \$15 million, an increase of about \$1 million from current law.

#### Step 2 – Calculation of State Aid: Per-Student Aid + (Needs – Resources) + Other Aid

- South Sioux City Community Schools' per-student aid would be \$1.9 million (\$500 times 3,763.72 formula students).
- The calculation of district needs remains unchanged under LB 280, so when resources are subtracted from needs, the district receives \$25.4 million in equalization aid in addition to its per-student aid.
- Overall the district's total state aid increases \$864,003.

#### Step 3 – Setting the Levy

- The combined effect of the local income surtax revenue (\$1.3 million) and increased state aid (\$864,003) allows the district to reduce its General Fund property taxes \$2.1 million.
- This allows the district's General Fund property tax levy to be reduced about 25¢ from \$1.04 to 79.1¢.

		Current	LB 280	Change
<b>Needs</b>	Formula Needs	40,414,993	40,414,993	-
<b>- Resources</b>	<b>Yield from Local Effort Rate (\$1.00 in Current Law, \$0.755 under LB 280)</b>	<b>8,561,123</b>	<b>6,419,942</b>	<b>(2,141,181)</b>
	<b>Per-Student Aid</b>	-	<b>1,881,860</b>	<b>1,881,860</b>
	<b>Local Income Surtax</b>	-	<b>1,277,178</b>	<b>1,277,178</b>
	Other Resources	5,432,556	5,432,556	-
	<b>Total Resources</b>	<b>13,993,679</b>	<b>15,011,536</b>	<b>1,017,857</b>
<b>= Equalization Aid</b>		26,421,314	25,403,457	(1,017,857)
<b>+ Other State Aid</b>	Other state aid	410,479	410,479	-
	Per-student aid	-	1,881,860	1,881,860
	Minimum Levy Adjustment (non-equalized)	-	-	-
<b>= Total State Aid</b>		<b>26,831,793</b>	<b>27,695,796</b>	<b>864,003</b>
<b>+ Local Taxes</b>	<b>General Fund Property Tax levy</b>	<b>1.04</b>	<b>0.79</b>	<b>(0.25)</b>
	<b>General Fund Property Taxes</b>	<b>8,924,562</b>	<b>6,783,381</b>	<b>(2,141,181)</b>
	Local Income Surtax	-	1,277,178	1,277,178
<b>= Total</b>	Total from General Fund Levy, Local Surtax, State Aid	35,756,354	35,756,354	-

<sup>1</sup> Net Option Funding, Teacher Education Aid, Instructional Time Aid, Income Tax Rebate, and Other Receipts

## LB 280 – Expanding the Resource Calculation - Property and Income

### Example 2: Low Income, High Property Value (Sandhills Public Schools)

#### Step 1 - Calculation of Resources: School-Funding Surtax + Property Tax + Other Resources

- State income taxes in Sandhills Public Schools total about \$434,865, so the local income surtax in LB 280 raises \$84,364 (19.4% of \$434,865). This amount is included in the resource calculation in TEEOSA.
- The income surtax revenue would allow the property tax Local Effort Rate (LER) to be reduced and agricultural land valuations in TEEOSA to be reduced, so the district's property tax resources in TEEOSA would be \$1.8 million, \$852,891 lower than under current law.
- After also including the \$500 per-student aid component of LB 280 and other resources<sup>2</sup>, the district's total resources would be \$2.2 million, a decrease of about \$1.1 million from current law.

#### Step 2 – Calculation of State Aid: Per-Student Aid + (Needs – Resources) + Other Aid

- Sandhills Public Schools' per-student aid would be about \$58,155 (\$500 times 116.31 formula students).
- The calculation of district needs remains unchanged under LB 280, so when resources are subtracted from needs, the district becomes equalized, receiving \$79,755 in equalization aid in addition to its per-student aid.
- Overall the district's total state aid increases \$147,259.

#### Step 3 – Setting the Levy

- The combined effect of the local income surtax revenue (\$84,364) and increased state aid (\$147,259) allows the district to reduce its General Fund property taxes \$231,623.
- This allows the district's General Fund property tax levy to be reduced about 9¢ from 78.9¢ to 70.3¢.

		Current	LB 280	Change
<b>Needs</b>	Formula Needs	2,300,160	2,300,160	-
<b>- Resources</b>	<b>Yield from Local Effort Rate (\$1.00 in Current Law, \$0.755 under LB 280)</b>	<b>2,660,332</b>	<b>1,807,441</b>	<b>(852,891)</b>
	<b>Per-Student Aid</b>	-	<b>58,155</b>	<b>58,155</b>
	<b>Local Income Surtax</b>	-	<b>84,364</b>	<b>84,364</b>
	Other Resources	266,214	266,214	-
	<b>Total Resources</b>	<b>3,353,529</b>	<b>2,220,406</b>	<b>(1,133,124)</b>
<b>= Equalization Aid</b>		-	79,755	79,755
<b>+ Other state aid</b>	Other state aid	61,340	61,340	-
	Per-student aid	-	58,155	58,155
	Minimum Levy Adjustment (non-equalized)	(9,349)	-	9,349
<b>= Total state aid</b>		<b>51,991</b>	<b>199,250</b>	<b>147,259</b>
<b>+ Local Taxes</b>	<b>General Fund Property Tax levy</b>	<b>0.79</b>	<b>0.70</b>	<b>(0.09)</b>
	<b>General Fund Property Taxes</b>	<b>2,108,689</b>	<b>1,877,066</b>	<b>(231,623)</b>
	Local Income Surtax	-	84,364	84,364
<b>= Total</b>	Total from General Fund Levy, Local Surtax, State Aid	2,160,680	2,160,680	-

<sup>2</sup> Net Option Funding, Teacher Education Aid, Instructional Time Aid, Income Tax Rebate, and Other Receipts

## LB 280 – Expanding the Resource Calculation - Property and Income

### Example 3: High Income, Low Property Value (Sidney Public Schools)

#### Step 1 - Calculation of Resources: School-Funding Surtax + Property Tax + Other Resources

- State income taxes in Sidney Public Schools total about \$12 million, so the local income surtax in LB 280 raises \$2.3 million (19.4% of \$12 million). This amount is included in the resource calculation in TEEOSA.
- The income surtax revenue would allow the property tax Local Effort Rate (LER) to be reduced and agricultural land valuations in TEEOSA to be reduced, so the district's property tax resources in TEEOSA would be \$5 million, \$1.7 million lower than under current law.
- After also including the \$500 per-student aid component of LB 280 and other resources<sup>3</sup>, the district's total resources would be \$9.9 million, an increase of about \$1.2 million from current law.

#### Step 2 – Calculation of State Aid: Per-Student Aid + (Needs – Resources) + Other Aid

- Sidney Public Schools' per-student aid would be \$650,535 (\$500 times 1,301.07 formula students).
- The calculation of district needs remains unchanged under LB 280, so when resources are subtracted from needs, the district receives about \$3 million in equalization aid in addition to its per-student aid.
- Overall the district's total state aid decreases \$593,471.

#### Step 3 – Setting the Levy

- The combined effect of the local income surtax revenue (\$2.3 million) and decreased state aid (\$593,471) allows the district to reduce its General Fund property taxes \$1.7 million.
- This allows the district's General Fund property tax levy to be reduced about 25¢ from \$1.05 to 79.6¢.

		Current	LB 280	Change
<b>Needs</b>	Formula Needs	12,827,356	12,827,356	-
<b>- Resources</b>	<b>Yield from Local Effort Rate (\$1.00 in Current Law, \$0.755 under LB 280)</b>	<b>6,770,532</b>	<b>5,026,624</b>	<b>(1,743,908)</b>
	<b>Per-Student Aid</b>	-	<b>650,535</b>	<b>650,535</b>
	<b>Local Income Surtax</b>	-	<b>2,337,379</b>	<b>2,337,379</b>
	Other Resources	1,841,300	1,841,300	-
	<b>Total Resources</b>	<b>8,611,832</b>	<b>9,855,838</b>	<b>1,244,006</b>
<b>= Equalization Aid</b>		4,215,524	2,971,518	(1,244,006)
<b>+ Other state aid</b>	Other state aid	279,156	279,156	-
	Per-student aid	-	650,535	650,535
	Minimum Levy Adjustment (non-equalized)	-	-	-
<b>= Total state aid</b>		<b>4,494,680</b>	<b>3,901,209</b>	<b>(593,471)</b>
<b>+ Local Taxes</b>	<b>General Fund Property Tax levy</b>	<b>1.05</b>	<b>0.80</b>	<b>(0.25)</b>
	<b>General Fund Property Taxes</b>	<b>7,208,547</b>	<b>5,464,639</b>	<b>(1,743,908)</b>
	Local Income Surtax	-	2,337,379	2,337,379
<b>= Total</b>	Total from General Fund Levy, Local Surtax, State Aid	11,703,227	11,703,227	-

<sup>3</sup> Net Option Funding, Teacher Education Aid, Instructional Time Aid, Income Tax Rebate, and Other Receipts

## LB 280 – Expanding the Resource Calculation - Property and Income

### Example 4: High Income, High Property Value (Loomis Public Schools)

#### Step 1 - Calculation of Resources: School-Funding Surtax + Property Tax + Other Resources

- State income taxes in Loomis Public Schools total \$863,252, so the local income surtax in LB 280 raises \$167,471 (19.4% of \$863,252). This amount is included in the resource calculation in TEEOSA.
- The income surtax revenue would allow the property tax Local Effort Rate (LER) to be reduced and agricultural land valuations in TEEOSA to be reduced, so the district's property tax resources in TEEOSA would be \$3.1 million, \$1.5 million lower than under current law.
- After also including the \$500 per-student aid component of LB 280 and other resources<sup>4</sup>, the district's total resources would be \$4.7 million, a decrease of about \$2 million from current law.

#### Step 2 – Calculation of State Aid: Per-Student Aid + (Needs – Resources) + Other Aid

- Loomis Public Schools' per-student aid would be \$95,795 (\$500 times 191.59 formula students).
- The calculation of district needs remains unchanged under LB 280, so when resources are subtracted from needs, the district remains non-equalized, receiving its full \$95,795 in per-student aid but no equalization aid in addition to that.
- Overall the district's total state aid increases \$95,795.

#### Step 3 – Setting the Levy

- The combined effect of the local income surtax revenue (\$167,471) and increased state aid (\$95,795) allows the district to reduce its General Fund property taxes \$263,266.
- This allows the district's General Fund property tax levy to be reduced about 6¢ from 63.6¢ to 57.8¢

		Current	LB 280	Change
<b>Needs</b>	Formula Needs	3,065,552	3,065,552	-
<b>- Resources</b>	<b>Yield from Local Effort Rate (\$1.00 in Current Law, \$0.755 under LB 280)</b>	<b>4,523,097</b>	<b>3,069,919</b>	<b>(1,453,178)</b>
	<b>Per-Student Aid</b>	-	<b>95,795</b>	<b>95,795</b>
	<b>Local Income Surtax</b>	-	<b>167,471</b>	<b>167,471</b>
	Other Resources	775,772	775,772	-
	<b>Total Resources</b>	<b>6,719,122</b>	<b>4,688,239</b>	<b>(2,030,883)</b>
<b>= Equalization Aid</b>		-	-	-
<b>+ Other state aid</b>	Other state aid	405,279	405,279	-
	Per-student aid	-	95,795	95,795
	Minimum Levy Adjustment (non-equalized)	(18,560)	(18,560)	-
<b>= Total state aid</b>		<b>386,720</b>	<b>482,515</b>	<b>95,795</b>
<b>+ Local Taxes</b>	<b>General Fund Property Tax levy</b>	<b>0.64</b>	<b>0.58</b>	<b>(0.06)</b>
	<b>General Fund Property Taxes</b>	<b>2,866,508</b>	<b>2,603,242</b>	<b>(263,266)</b>
	Local Income Surtax	-	167,471	167,471
<b>= Total</b>	Total from General Fund Levy, Local Surtax, State Aid	<b>3,253,227</b>	<b>3,253,227</b>	-

<sup>4</sup> Net Option Funding, Teacher Education Aid, Instructional Time Aid, Income Tax Rebate, and Other Receipts