School Finance History

Brian L. Halstead
Deputy Commissioner

NEBRASKA
DEPARTMENT OF EDUCATION

1

Prior School Finance Review Commission

2

90th Legislature, 2nd Session (1988)

- LB 940 created the Nebraska School Finance Review Commission with sixteen (16) members that began on August 31, 1988, and ended June 30, 1990.
- Commission held over 20 public meetings & 5 public hearings.
- Commission found two major problems with funding of public schools:

  1. Excessive Burden on Property tax

  2. Overemphasis on property tax and grossly inadequate equalization abilities did not assure all students in the state would have equitable access to appropriate and necessary school services

3

Addressing the Two Identified Problems

The Commission determined a need to reach a consensus on the important goals and objectives of providing state support to schools.

What were the overriding principles and beliefs about the purpose of state involvement in the financial support of public school system?

4

Purposes of State Financial Support

- First, to assure all Nebraska children an equitable opportunity for an appropriate education regardless of where the children may live in the state;
- Second, to provide broad and stable system of financial support for public schools through an appropriate mixture of revenue sources; and
- Third, to provide equalization of fiscal ability and financial support among school districts and taxpayers through a distribution formula which recognizes school district needs and school district wealth
  - Wealth as it relates to school district ability to provide educational services and taxpayers ability to pay for such services needed to include consideration of income tax revenues as well as property tax revenues

5

The Proposed Plan had Five (5) Recommendations

1. Twenty percent (20%) of all state income tax revenues should be dedicated for public school support, with twenty percent (20%) of all individual income tax proceeds which are attributable to specific school district should be returned directly to the school district where such income tax revenues originated.

2. Implementation of a new equalization formula for aid from the state based upon realistic needs of schools and which considers all accessible resources of schools, including income tax revenues returned to schools, and which is sensitive to the income wealth of school districts, as well as to property tax wealth of school districts.

3. Implementation of rational and effective growth limitations for school budgets which are sensitive to local differences yet assure a substantial level of property tax relief.

4. School finance plan be funded on an ongoing and sustainable basis from appropriate increases in state sales and/or income taxes as determined by the Legislature.

6

Proposed Plan (cont.)

5. Increase in the overall level of state support to effectuate:

- A fifteen percent (15%) aggregate reduction in property taxes to be levied (or a twenty percent (20%) reduction in property taxes to be levied for school purposes).
- State funding from all state sources be maintained at a target level of forty-five percent (45%) of aggregate general fund operating expenditures of school districts.

7

Implementation of the Plan in 1990

- LB 259 – Affiliation
- LB 1059 – enacted the Tax Equity and Educational Opportunities Support Act (TEEOSA)
  - Included a school finance review committee to monitor the operations of the school finance provisions in TEEOSA
  - This committee was eliminated in the Second Special session of the 97th Legislature (2002).

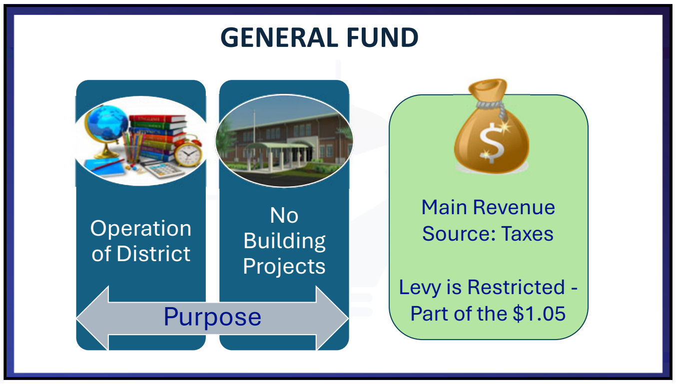
8

Current School Finance

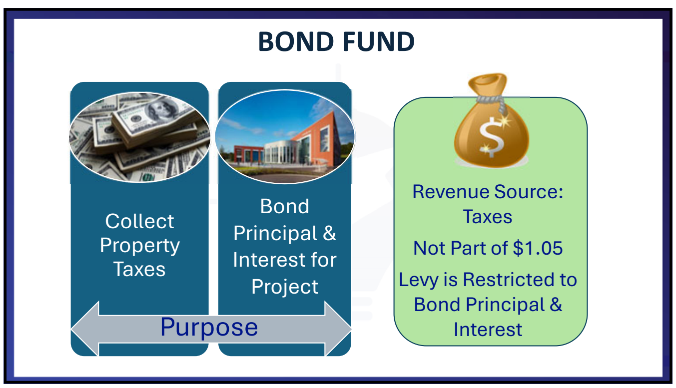
Bryce Wilson
Finance Officer, NDE

NEBRASKA
DEPARTMENT OF EDUCATION

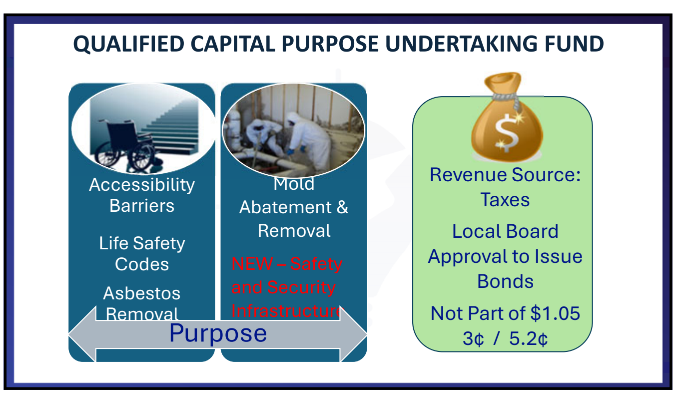
9


GENERAL FUND
Operation of District
No Building Projects
Purpose
Main Revenue Source: Taxes
Levy is Restricted - Part of the $1.05

10


BOND FUND
Collect Property Taxes
Bond Principal & Interest for Project
Purpose
Revenue Source: Taxes
Not Part of $1.05
Levy is Restricted to Bond Principal & Interest

11


QUALIFIED CAPITAL PURPOSE UNDERTAKING FUND
Accessibility Barriers
Life Safety Codes
Asbestos Removal
Mold Abatement & Removal
NEW – Safety and Security Infrastructur
Purpose
Revenue Source: Taxes
Local Board Approval to Issue Bonds
Not Part of $1.05
3¢ / 5.2¢

12

SPECIAL BUILDING FUND

New Building Projects, Purchase Sites &

Purchase Furnishings for New Facilities

Improvement of Site
Purpose

Revenue Source: Taxes

Levy is Restricted 14¢ (*17.5¢)

Part of the $1.05

13

TAXING FUNDS

Tax proceeds must be spent for the purposes for which they were originally collected.

Building projects cannot be paid out of the General Fund.

Interfund Loans can be made between Taxing Funds

**One Exception – General can be used for Bond payment in a shortfall situation.*

14

District Levies

- The levy limit in Nebraska is $1.05
- How Much Taxes will the District Levy Generate?

$$\frac{(\text{Levy} \times \text{Valuation})}{100}$$

$$\frac{.97 \times 350{,}000{,}000}{100}$$

Property Tax Request
$3,395,000

15

CERTIFIED BUDGET AUTHORITY

Nebraska Department of Education
School Finance & Organization Services

2025/26 BUDGET AUTHORITY AND ALLOWABLE RESERVE PERCENTAGE CERTIFICATION

County: Huskerland
County District #: 01-2345
District Name: Huskerville Public Schools

Certified Budget Authority	**$4,925,739**	**Budget Based**
Allowable Reserve Percentage	**45 %**	
Access to Prior Year's Unused Budget Authority	**$0**	

Certified Budget Authority:
Certified Budget Authority is calculated three ways. The greater of the Budget Based Calculation, the Student Growth Adjustment Calculation, or the Formula Needs Calculation becomes a district's Certified Budget Authority.

Budget Based Calculation: *((GFBE - SGF - SPED - GFLE) X 1.025))*

Student Growth Adjustment Calculation: *((GFBE - SGF - SPED - GFLE) + (SGA +/- SGACORR))*

Formula Needs Calculation: *((FN X 1.10) - (SPED X 1.025))*

Add to total:
✓ SPED Budget
✓ Grants
✓ Expenditure Exclusions

*Certified by March 1

16

PROPERTY TAX AUTHORITY

Creates a third mechanism for limiting school district taxation
- Levy lid
- Spending lid/Budget Authority
- Property Tax Authority

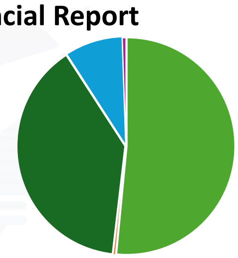
Functionally it's more of a Revenue Lid than a Property Tax Lid
Applies to General Fund and Special Building Fund.

Allows for revenue growth each year
- 3% for all districts
- Membership growth – K12 fall membership (ADVISER)
- Poverty growth – Direct Cert Medicaid Free and SNAP
- LEP growth – LEP students used for TEEOSA calculation

17

Total Revenue Sources
2023/24 Annual Financial Report

Local Revenue	$2.62B	51.53%
County Revenue	$17.2M	.34%
State Revenue	$1.98B	38.96%
Federal Revenue	$439.1M	8.64%
Other Revenue	$27M	.53%
TOTAL REVENUE	**$5.08B**	

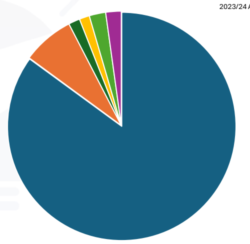


18

Local Revenue Sources
2023/24 ANNUAL FINANCIAL REPORT

Information from 2023/24 AFR

TAXES LEVIED BY THE SCHOOL DISTRICT	$2.3B	87.9%
MOTOR VEHICLE TAXES	$199M	7.6%
PUBLIC POWER DISTRICT SALES TAXES	$44M	1.7%
INTEREST ON INVESTMENTS	$38M	1.5%
GRANTS FROM CORPORATIONS AND PRIVATE INTERESTS	$63.1M	.4%
OTHER LOCAL REVENUES	$22.7M	.9%
TOTAL	$ 2.62B	

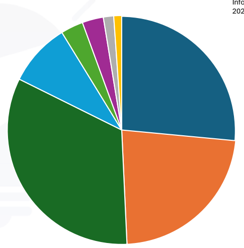


19

State Revenue Sources
2023/24 ANNUAL FINANCIAL REPORT

Information from 2023/24 AFR

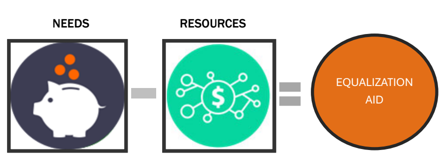
EQUALIZATION AID	$525M	26.5%
SPED	$451M	22.8%
OTHER TEEOSA AID	$655M	33.1%
PROPERTY/PERSONAL TAX CREDIT	$176M	8.9%
HOMESTEAD EXEMPTION	$63.1M	3.2%
APPORTIONMENT	$59.5M	3%
CATEGORICAL PROGRAMS	$ 28.5M	1.4%
OTHER STATE REVENUE	$ 22.3M	1.1%
TOTAL	$ 1.98B	



20

EQUALIZATION BASIC CONCEPT

Funding is intended to cover the needs of school districts which cannot be met by the resources



21

BIG THREE EQUALIZATION FACTORS

FORMULA STUDENTS
- Grades K - 12
- Qualified 4 & 5 year-olds (60% Rate)
- Contracted to another district

GENERAL FUND OPERATING EXPENDITURES
- Revenues & expenses from Annual Financial Report

PROPERTY VALUE
- Tax Base
- District's ability to pay

COST SHARING FORMULA

22

Additional State Revenue Information

- Special Education Funding
  - Applies to school age excess cost expenditures only
  - Increased to approximately 80% of the eligible expenses
  - Reimbursed the year following the year the expenses were incurred
  - Paid in seven monthly payments from Dec-June

- Apportionment Funding
  - Funded with temporary school fund earnings
  - Amount to be allocated is certified by State Treasurer each year
  - Total amount certified is divided by the total census count of students 5-18 in each district

23

NDE - WEBSITES

Nebraska Department of Education

http://www.education.ne.gov

Finance & Organizational Services (School Finance)

http://www.education.ne.gov/FOS

NDE Payment Information

https://www.education.ne.gov/FOS/PaymentInformation/index.html

24

25