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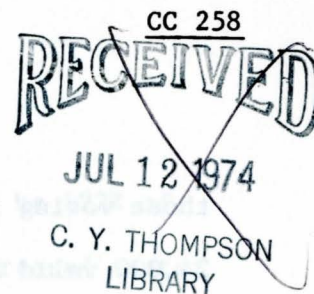
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SHOULD WE VOTE ON LB772: STATE AID

TO EDUCATION?

by

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Legislative Bill 772 was enacted to provide greater State sharing in the cost of public elementary and secondary education. It was vetoed by the Governor but the Legislature overrode this veto. A petition drive to place repeal of LB772 on the ballot in November has been organized by opponents of this approach to school finance.

Qualified voters who are approached to sign a petition need to understand what happens if LB772 goes into effect and what are the consequences of repeal. The text of LB772 is reproduced on the petitions. If the petition drive succeeds, voters will decide in November whether to retain or repeal this act of the Legislature. If the petition effort fails to obtain the required number of signatures by July 12, 1974, the Bill becomes law.

Voters who feel that a greater share of the cost of operating local schools should come from revenue raised by state sales and income taxes should not sign a petition. Those who want greater state sharing of public education costs but who are dissatisfied with the distribution of funds under LB772 might consider working to get the formula changed by the 1975 Legislature. Those who favor the present system of school finance with about two-thirds of the funds coming from local property taxes will prefer to sign.

Article II, Sec. 3, of Nebraska's Constitution provides that petitions must be signed by qualified electors equal in number to not less than 5% of

those voting in the preceding election for Governor. In this case, about 24,000 valid signatures are required. These signatures must be obtained from at least 5% of the electors in each of two-fifths or 38 of the State's 93 counties. Signed petitions must be filed with the Secretary of State on or before July 12, 1974.

MAIN FEATURES OF LB772

If LB772 becomes law, increased state sharing in operating costs of local school districts will begin in the 1975-76 school year and be fully implemented in 1976-77 and subsequent years. For 1974-75, school districts will again receive \$55 million from the state, under current state aid law which remains in effect through 1975-76. Except for relatively minor receipts from federal programs, school land rent and other sources, all of the remaining operating and capital expenditures are now, and will be in 1974-75, financed by local property taxes. Inflation will cause these expenditures to rise next year so property taxes will go up substantially in many school districts.

State Aid Program in 1975-76

LB772 will be partially implemented. The current state aid law will provide \$35 to \$55 million depending upon availability of the State's federal revenue sharing funds to help finance local public schools. In addition, appropriations under LB772 will equal 25% of total "adjusted current operational expenditures" for all school districts. Such expenditures are those made for salaries and wages, school supplies and operation and maintenance of buildings and equipment. It does not include capital outlays -- new buildings or equipment. Total statewide operational costs will be adjusted downward by subtracting receipts from tuition, fees and fines, payments from educational service units, federal education programs, rent of school lands and other sources except property taxes.

For 1975-76, the bill provides that the base figure used will be 122% of 1972-73 adjusted current operational expenditures to allow for increased costs; 25% of this is \$71 million. Of this amount, \$5 million will be set aside for distribution to any local school districts having financial hardships due to abnormal increase or decrease in enrollment in that school year. The remainder (\$66 million) will be allocated according to formulas provided in the law.

First, the \$66 million will be divided equally between foundation aid and equalization aid. Distribution of foundation aid is easy to understand because it will be allocated on a per-pupil basis. Each school district in the state will receive the same amount per pupil as any other district. All school districts will participate in foundation aid. The amount each receives will be its average daily membership in 1974-75 multiplied by per-pupil foundation aid. Total foundation aid will be \$33 million.

Distribution of \$33 million in equalization aid is more complicated. By insuring that a minimum amount will be spent to educate each pupil in the state, equalization aid attempts to reduce inequalities in educational opportunities and in property taxes. An important cause of such inequalities under school finance systems like Nebraska's is differences among school districts as to property tax base or assessed value per pupil. In 1975-76, the goals for minimum expenditures per pupil set by LB772 are: Kindergarten, \$400; Grades 1-6, \$750; Grades 7-8, \$850; and \$900 in Grades 9-12.

Each school district will determine its total insured needs by multiplying the above figures by numbers of pupils in each grade category. Because of higher per pupil costs, sparsely populated districts can increase the total amount so computed by:

- (a) 10% with population density of four or more persons per square mile, but less than five;

- (b) 15% with density of three or more, but less than four;
- (c) 20% with density of two or more, but less than three;
- (d) 25% with density of one or more, but less than two; and
- (e) 30% with less than one person per square mile.

To qualify for equalization aid in 1975-76, a school district must have a mill levy for operating expenses of at least 20 mills. This means that some school districts will not receive any equalization aid, mostly those with relatively few children of school age, high assessed values per pupil and low mill levies. Class I and Class VI school districts will be able to qualify with lower mill levies as provided in Section 7 of the bill.

Equalization aid for a qualifying district will be figured by subtracting from total insured needs the sum of: foundation aid under LB772; revenue from sources other than property taxes; and the district's total assessed valuation times 20 mills. The remainder, if any, is equalization aid. LB772 states that funds available for this purpose "shall be distributed to the various school districts so as to provide, as nearly as may be practicable," the established minimum levels of financial support per pupil from state and local sources. With partial implementation of LB772, equalization aid funds of \$33 million will not be sufficient to achieve the expenditure goals.

Total state funds available to local school districts in 1975-76 under LB772 and current state aid law will be at least \$106 million (\$71 million plus \$35 million or more), or \$51 million more than in 1973-74 and 1974-75 school years.

State Aid to Schools in 1976-77 and Beyond

LB772 will be fully implemented in 1976-77 and subsequent years. The current state aid law will be repealed. Total funds to be distributed among

local school districts will equal 50% of total adjusted current operational expenditures for all districts. The base for each year will be adjusted current operation costs for the second preceding school year multiplied by 115% to allow for expected increases in salaries and other costs due to inflation. Total state aid is estimated at \$160 million in 1976-77, or \$105 million more than under the present program. Before distribution under equalization and foundation aid programs, \$15 million will be earmarked for:

1. Allocation of \$5 million to school districts with abnormal changes in enrollment;
2. \$5 million for reimbursement to school districts for up to half the cost of transportation furnished to pupils by the districts, and up to half the excess cost of special programs for gifted or culturally deprived children; proportionate reductions will be made if \$5 million is not sufficient to pay half of these costs;
3. Another \$5 million for special aid to districts in which foundation and equalization aid is less than 35% of current operational costs. To qualify for this type of aid, a school district's mill levy must be 25% or more above the qualifying levy, it must be a K-12 district, have operating costs per pupil in second preceding year of at least 110% of minimum support, have more than 50 pupils and a pupil-teacher ratio of more than 12 to one.

The remainder (\$145 million in 1976-77) will be divided equally between foundation and equalization aid. Foundation aid will be distributed on an equal-amount-per-pupil basis as in 1975-76, using the preceding year's average of average daily membership.

For equalization aid, the level of minimum support by grades will be the same in 1976-77 as in 1975-76 but will increase thereafter by 7% per year. Distribution will be figured as in 1975-76 except that the qualifying levy

will be computed each year by dividing the local share (50%) of total adjusted current operational expenditures by total assessed value of taxable property in the state.

ARGUMENTS FOR RETAINING LB772

Proponents of financing a larger share of elementary and secondary education costs from state revenue sources give these arguments for retaining LB772 and not signing a petition to place a repeal proposal on the November ballot:

1. Education is no longer primarily the responsibility of local communities because of population mobility and differences in ability to pay the costs of public education;
2. Ownership of property is an inadequate and inequitable measure of ability to pay taxes and of benefits received from education;
3. Local property taxes paid per capita in Nebraska are among the highest in U.S.; state taxes paid per person are among the lowest;
4. Low income people would not be hurt by higher sales and income taxes to fund LB772 because they pay little or no income tax and get the food sales tax credit of \$13 per person against any state income tax liability or a refund if income tax due per person is less than \$13;
5. Sales tax base could be broadened if necessary by extending it to personal services used mainly by higher income people;
6. Repeal of LB772 would not "hold the line" or reduce taxes but would assure higher property taxes;
7. Property tax relief is guaranteed by LB984 placing limits on yearly increases in general fund expenditures of local school districts;

limit for salaries and wages is 2% plus percentage increase in Consumer Price Index, and for other expenses the limit is 2% plus percentage increase in Wholesale Price Index;

8. Local control of schools is not diminished because LB772 does not specify how funds are to be spent;
9. LB772 is an important step toward reducing inequalities in educational opportunities which develop when property taxes are main source of revenue for local school costs; this may help Nebraska avoid court cases like those in California, Texas, New Jersey and other states;
10. Since LB772 will not be fully implemented until 1976-77, opportunity and time remain for the Legislature to improve the formula for distributing school aid without repeal.

ARGUMENTS FOR REPEAL OF LB772

Opponents of LB772 and supporters of the petition drive give these arguments for repeal:

1. Local control of schools would be eroded because control goes with financing; local school boards can best determine the kind of education needed by the children of a community;
2. Increased state support of education could lead to fiscal irresponsibility among local school boards because they would have less responsibility for level of tax rates to raise needed revenue;
3. Renters will not benefit from lower property taxes paid by landlords;
4. Greater state aid to local schools will mean more difficulty in obtaining needed funds for other important state government functions;

5. Aid distribution formula in LB772 does not consider differences in per capita income among school districts except as indicated by property values;
6. Higher state sales and income taxes would hurt those least able to pay;
7. County assessors would try to hold assessed values at a low level in order to maximize receipts of state aid to schools;
8. School districts with high assessed values per pupil and low mill levies will be ineligible for equalization aid.

THE DECISION IS YOURS

Nebraska citizens will decide whether or not the proposal to repeal LB772 will be placed on the ballot in the November general election. They will do this by signing or not signing petitions now being circulated for this purpose. This important decision should be based upon factual information on: the present system of school finance; its effects upon the kind of education provided for our children and whether its costs are distributed equitably among taxpayers of the State; changes that would be made by LB772; and whether these changes will improve educational opportunities for our children and reduce inequities in the state and local tax system.

Study the alternatives and their consequences carefully; discuss the issues with your neighbors, state senator, school board members and other informed people. Then make up your own mind!