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# 2019 State of the States: Nebraska

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## Funding Priorities for Higher Education

The majority of states now fund public universities from tuition rather than state funds and for now, Nebraska is in the minority. According to a recent article in the *Lincoln Journal Star*, Nebraska may join the majority in the next 10 years for the Nebraska University (NU) system, the state college system, and community colleges where tuition is a main funding source (Dunker, 2019). Outgoing NU President Hank Bounds reported that it is inevitable that tuition will surpass state resources unless there are changes to the current tax structure. According to budget records, the amount of state support to the NU's system has decreased 9% in the past 10 years.

The state college system and community colleges have also realized a decrease in state funding over the since the last recession. Community colleges can assess a property tax where the state colleges and NU system cannot. The tuition at community colleges has decreased as property taxes have increased to offset a tuition increase and loss of state funding.

Some concerns may also exist with greater reliance on funding sources such as tuition. The NU system saw a decrease in enrollment at three of the four campuses for fall 2019. The state college system also saw an overall decrease in enrollment from two of the three campuses (Ruggles, 2019).

### **Changes to the Funding Formula**

While school finance and property taxes were discussed, no significant changes to the state aid formula were made. The 2019 Legislature met for a 90-day session which means that bills introduced that were not passed will carry over to the 2020 session. There are eight bills, each addressing property valuation and taxation, that carried over (Dulaney, 2019).

### **Pressing State Issues Affecting P-12**

School financing is one of the most pressing issues for P-12 and is an ongoing discussion and how school funding can be balanced with property tax relief. Three main issues have a direct connection with school funding. The first issue is how state funding is primarily distributed to the largest districts in the state. The second issue is how districts with more resources through property valuation receive little to no equalization aid. The discussion of property values and taxation has also highlighted a divide that exists between the rural and urban parts of the state. The third issue as it relates to school funding, is how the Nebraska Legislature and Governor have openly stressed a need for reform. There are three interim studies designed to gather information on the impact of state funding (Nebraska Legislature, 2019).

One major milestone that took place for the 2018-2019 school year is that the total amount of state aid surpassed the \$1.0 billion level for the first time without the infusion of federal funds such as the American Recovery and Reinvestment Act and Education Jobs Funds (Nebraska Department of Education, 2019c). However, for the 2019-2020

school year, 163 of Nebraska's 245 school districts did not receive equalization aid tied directly to property values and how local districts can use taxes to provide funding to maintain a budget needed for adequate programming. In order to put the concept of state aid into perspective, the 17 school districts in the state that receive more than \$10 million in equalization aid also receive 85.9% of the available equalization funding and 79.1% of all state-related funds. These districts also have some of the larger enrollments in the state (Nebraska Department of Education, 2019a).

The primary reason for the shift in equalization aid distributed to school districts is, in large part, due to the increase in agriculture valuation. Over the past decade, property values in rural parts of the state have dramatically increased. With an increase of property values, a school district realizes a loss of equalization aid due to a decrease in needs and increase in available local resources. Local school boards control the tax rates and as state funding decreases, local revenue has become a larger percentage of funding.

Recently, Schulte (2019) highlighted a proposed bill authored by Sen. Lou Ann Linehan, chairwoman of the Legislature's Revenue Committee for the 2020 legislative session, that would increase state equalization aid funding to school districts with the idea that local tax dollars would be decreased. The governor has been an advocate for decreasing the reliance on property taxes but opposes any additional taxes to fund such an idea. Groups opposed to the proposed bill claim that an increase in state equalization funding may not be sustainable and no clear understanding exists of how additional state funds would be generated.

### **Other Issues**

The Nebraska Legislature is examining the role of educational service units, the role truancy plays in the school-to-prison pipeline, the use of Native American *2019 State of the States* 335 mascots in nontribal schools, and the examination of state and district policies that relate to maintaining a safe and positive learning environment.

## Other Information

\$12,614 per pupil in ADM for P-12 education in 2017/18 NDE, 2019 (Nebraska Department of Education, 2019b).

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