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Financing Public Education in Nebraska*

This NebGuide describes the costs and characteristics of Nebraska's public education system.

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Providing public education traditionally has been one of the most important functions of government. During the 1990-91 school year, education expenditures by all levels of government in the United States approximated \$330 billion, or about 18 percent of total public expenditures. In a narrower sense, state and local governments committed just over one-third of their budgets to education, and for local governments alone (primarily local school districts), about 43 percent of all spending went for education.

The Structure of Nebraska's Education System

Public Elementary and Secondary Schools. In the 1992-93 school year, Nebraska had 736 public elementary and secondary school districts and systems. Of this total, 729 were governed by a locally-elected school board. The remaining seven were state-operated systems, such as the Nebraska School for the Deaf in Omaha. Altogether, there were 1,385 publicly operated schools. In addition, 19 Educational Service Units (ESUs) provided a range of supplementary programs to public school districts.

Nebraska ranks fourth among the states in the number of local school districts, trailing only Texas, California and Illinois. However, the number of districts in Nebraska has dropped dramatically since 1950, when the total exceeded 6,000. As recently as 1982-83, the state had more than 1,000 districts.

Unlike other states, Nebraska continues to maintain a relatively large number of elementary-only (Class I) school districts. In 1992-93, there were 433 such districts, of which 412 had operating schools. Most were rural and had small enrollments, and many were significant distances from population centers.

While the number of Class I districts has been declining for many years, this pattern may accelerate in the 1990s. In part, laws enacted in 1990 and 1993 requiring common tax levies between districts

offering only elementary education and those offering secondary education may be the spur. (In the future no Class I district will find it advantageous to remain open for tax reasons alone.) Because of underlying demographic characteristics, many Class I districts will continue to experience declines in student numbers to the point that the cost per student stimulates merger discussion. Further, the open enrollment program (sometimes referred to as the option program) allows families in Class I districts to send children to high school districts, which, in turn, reduces state aid to the district from which students transferred. Finally, special education requirements may encourage mergers because in many cases it will not be economical for small districts to offer such programs.

Class II through V districts provide kindergarten through high school education, with the resident population determining the class to which a district is assigned. Those with a resident population of 1,000 or less are Class II districts; in 1992-93, there were 48 such districts. Another 224, with resident populations of 1,001 to 100,000 were Class III districts. Lincoln public schools were assigned a Class IV designation and Omaha public schools, Class V.

The 22 districts that provide only secondary education, that is, grades 7 or 9 through 12, are Class VI schools. Such districts receive students from Class I elementary schools.

Nonpublic Elementary and Secondary Schools. In 1992-93, 222 nonpublic school systems, with 253 schools, operated in Nebraska. Most were parochial schools.

Home Schools. In 1992-93, 1,623 family units, with 2,931 children ages 7-16 (the ages for compulsory school attendance) provided home schooling. These figures represent significant increases from 518 families and 939 children in 1985-86, the first year that such schools were legally sanctioned.

Public Postsecondary Institutions. Public institutions of postsecondary (higher) education in Nebraska include the University of Nebraska, the Nebraska state colleges, and the Nebraska technical community colleges.

The governing board for the four-campus University of Nebraska system is an elected eight-member Board of Regents plus a non-voting student regent from each campus. The three state colleges at Chadron, Peru and Wayne are governed by an appointed six-member Board of Trustees plus a non-voting student from each college. Nebraska has six community college areas, most of which have more than one campus:

1. Central--Columbus, Grand Island and Hastings.
2. Metropolitan--Elkhorn Valley, Fort Omaha and South Omaha.
3. Mid-Plains--McCook and North Platte.
4. Northeast--Norfolk.
5. Southeast--Beatrice, Lincoln and Milford.
6. Western--Scottsbluff and Sidney.

The governing body for each community college area is an elected Board of Governors.

Independent Postsecondary Institutions. In the fall of 1992, 18 independent colleges and universities operated in the state. Most had a religious affiliation. The size of these institutions, based on headcount enrollment, ranged from less than 25 at the Platte Valley Bible College to more than 5,000 at Creighton University.

Enrollments

Elementary and Secondary Schools. Even though total enrollment (officially, membership on the last Friday in September) in Nebraska elementary and secondary schools is well below its record high of 385,452 reached in the 1968-69 school year, it has been trending upward since touching a 25-year low of 302,094 in 1985-86. Enrollment for 1992-93 was 320,718. Of this total, 38,242 were enrolled in non-public schools. Racial/ethnic minorities have accounted for most of the enrollment growth since 1985. In 1992-93, statewide non-white enrollment stood at 33,875.

In the public sector, 184,217 students (65 percent of the total) were enrolled in a Class III district. Enrollments in Omaha and Lincoln public schools were 43,158 (15 percent of the state total) and 29,738 (11 percent of the state total), respectively. Only 7 percent of all elementary and secondary students were enrolled in the smaller Class I and II school districts.

Projections from the Nebraska Department of Education indicate that enrollment in elementary and secondary schools will not change much, on balance, over the next decade (*Figure 1*). However, some individual districts, e.g., Lincoln public schools, probably will continue to grow, while many others face declining enrollment.

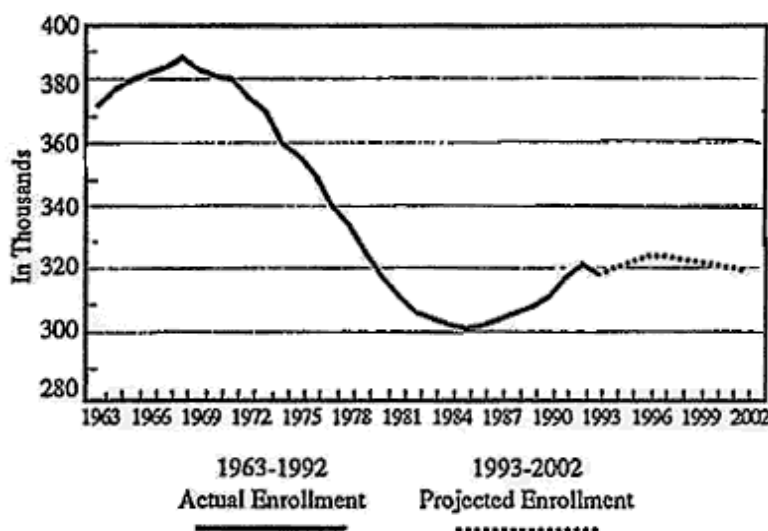


Figure 1. Total enrollment in Nebraska elementary and secondary schools, 1963-Projected 2002.

Source: Nebraska Department of Education unpublished data.

Postsecondary Institutions. Long-term enrollment in Nebraska postsecondary institutions has been increasing, reaching a record 115,618 (headcount basis) in the fall of 1992. This compared to 95,662 in the fall of 1983. Of the 1992 total, 96,467 were attending public institutions, while the remaining 19,151 (17 percent of the total) were enrolled in independent colleges and universities in the state.

Among the public institutions, 1992 enrollments and shares of the state total were as follows: University of Nebraska, 52,112 (53 percent); state colleges, 8,478 (9 percent); and community colleges, 35,877 (37 percent). During the 1983-1992 period, enrollment increased for all three after taking into account the transfer of Kearney State College into the university system.

The largest percentage increase in enrollment continued to be in the community colleges. In the first dozen years after community colleges replaced junior colleges in 1971, enrollment soared by more than 400 percent. While enrollment growth slowed to only 59 percent for the 1983-92 period, community colleges still accounted for two-thirds of all public enrollment gains during the period. However, unlike other colleges and universities in the state, most students at community colleges (typically about 70 percent of the total) are part-time.

Funding for Public Education in Nebraska

Elementary and Secondary Schools. Funding for elementary and secondary schools is determined on the basis of school districts, not individual schools. For example, property owners in the Lincoln Public Schools district pay a common property tax levy for the support of all 49 schools in the district.

The largest proportion of funds available to school districts come from local sources--the school district itself, counties and Educational Service Units (ESUs). For the 1991-92 school year, \$684.5 million, representing 53 percent of the total was generated locally (*Table I*). About 88 percent of this subtotal (\$600.5 million) came from property taxes levied by the school district.

Table I. Funding for Public School Districts in Nebraska, by Funding Source, Selected Years.						
	1972-73		1982-83		1991-92	
Funding source	(\$ mil.)	(%)	(\$ mil.)	(%)	(\$ mil.)	(%)
Local district, county & ESU	235.9	76	464.5	63	684.5	53
State	48.0	15	220.7	30	515.9	40
Federal	26.2	8	43.5	6	82.9	6
Other	8.0	2	13.4	2	12.6	1
TOTAL	318.0	100	742.0	100	1,295.9	100
Source: Nebraska Department of Education, <i>Financial Report of Public School Districts</i>, selected years.						

Overall, the proportion of funding generated locally has trended down over the years. In 1971-72, for example, local sources provided 76 percent of the total. By 1981-82, only 63 percent came from these same local sources. And by 1991-92, largely because of the 1990 passage of LB 1059, local funding stood at 53 percent.

The second largest source of funds for local school districts is state government. In 1991-92, the state provided 40 percent of total funding (mostly as "state aid"), up from 29 percent 10 years earlier. Another 6 percent came from federal sources, with the remaining 1 percent coming from other (non-tax) revenues.

Postsecondary Institutions. State appropriations (primarily state income and sales taxes) are the primary source of funding for public postsecondary institutions (*Table II*). However, for community colleges alone, a slightly larger proportion of their receipts came from local property taxes than from state appropriations in 1990-91. Although not indicated in *Table II*, the state share of funding for all three categories of public postsecondary institutions declined slightly in the 1980s. Meanwhile, the federal share increased across the board, as did the share funded by tuition and fees at the state and community colleges.

Table II. Funding for Public Postsecondary Institutions in Nebraska, by Funding Source, 1990-91^a						
Funding source	University of Nebraska		Nebraska State Colleges		Nebraska Community Colleges	
	(\$ mil.)	(%)	(\$ mil.)	(%)	(\$ mil.)	(%)
Tuition & fees	73.0	15	18.9	26	16.6	16
State	245.6	52	40.5	56	32.4	31
Local	0	0	0	0	36.6	36.6

Issues in Financing Education

Education represents the single largest category of expenditures for state and local governments in Nebraska. As such, public policy issues relating to education financing have particular significance to citizens of the state.

Several issues relate to educational goals. Equally important, citizens always are interested in who pays and how much they pay for public education.

High-performance Learning. Beginning with the 1993-94 school year, all public schools in Nebraska must be accredited. Still, questions arise about the performance and progress of students in Nebraska's elementary and secondary schools.

Legislation passed in 1992 created the Nebraska Schools Accountability Commission. Its purpose is to develop methods for assessing student performance over extended periods of time. The fundamental idea is that school improvement should be based on the performance of students, not educational inputs, including the improvement of facilities and other non-student variables. While the commission is to remain active only through June 1996, some education and political leaders insist that the commission must not be phased out until an acceptable system of measuring and enhancing student performance is in place. Acceptability implies greater specificity about educational performance while retaining a measure of local district autonomy.

Expenditures and Quality--Is There a Linkage? Nebraska spends less than the national average per pupil on public elementary and secondary education. (In 1991-92, per pupil expenditures based on average daily attendance were estimated at \$4,676 or about 86 percent of the national average.) Yet, on several counts, Nebraska's education system ranks high. For example, scores on nationally recognized achievement tests are consistently above average, with Nebraska students often ranking in the top ten among the states. Another plus for Nebraska public schools is the high attendance rate: in 1991-92, average daily attendance was 95.4 percent of average daily membership, ranking the state third among the 44 states which maintain such records. Additionally, the high school graduation rate in Nebraska is one of the highest in the nation. In short, it would appear that Nebraskans receive a relatively good rate of return on their education dollar.

Teachers' Salaries. Teachers' salaries have received considerable publicity in recent years. In 1991-92, the average teacher's salary in Nebraska public schools was \$27,231. This was 80 percent of the national average, leaving Nebraska ranked 41st among the states. Compared to adjacent states, only South Dakota's average salary was lower.

However, some argue that several mitigating circumstances must be acknowledged with regard to teachers' salaries.

First, average salaries are reduced by lower salaries for teachers in Class I districts. School districts of a comparable size do not exist in most other states. Class I districts also helped lower the average ratio of pupils per teacher to 13.9 in 1991-92, compared to the national average of 15.9.

Second, teachers' salaries must be considered in the context of costs of living. Variability in living costs can be documented, both intrastate and from state to state. In general, the cost of living in Nebraska tends to be less than the national average.

Third, Nebraska teachers' salaries might be considered in the context of other workers' earnings in

Nebraska. In 1991, the all-employee average pay in Nebraska was 30 percent less than the average teacher's salary. The state ranked 19th among the states with respect to the ratio of average teacher's salary to all-employee average earnings.

State Aid. State aid to local school districts began in 1967. Until 1990, aid was distributed to school districts primarily on a per student basis. The more students in a district, the greater the amount of state aid. However, with the passage of LB 1059 in 1990, both the character and amount of state aid were altered significantly.

A primary objective of LB 1059 was to move toward equalizing educational opportunities for students. Under the old system, the property valuation of some school districts could support relatively high expenditures per student with relatively low property tax rates. Other districts with relatively lower property valuations faced much higher property tax rates, even with lower levels of expenditures per student.

Aid to school districts now is based on property values and incomes within individual districts. Districts with the lowest tax bases per student receive the most aid. Districts with high tax bases per student receive relatively less in state aid, although under a "hold harmless" provision, no school district is to receive less in state aid through 1995 than it received under the old system.

Despite the intent of LB 1059 to move toward more equality, significant differences remain across districts in expenditures per student. Legislative or judicial action may address those differences in the future. However, in a 1993 Nebraska Supreme Court case, the court ruled that the linkage between education expenditures and education quality had not been established. Therefore, the plaintiff's contention that all pupils in Nebraska public schools were not being given an equal opportunity for a quality education was rejected.

The other significant change in LB 1059 relates to Nebraska's relative dependence on local property taxes for the support of school districts. Prior to July 1, 1990, about 70 percent of the funding came from property taxes and other local revenue sources. State aid accounted for 24 percent of the total, with the remainder coming from federal and miscellaneous sources. A still-to-be-reached goal of LB 1059 is to raise state aid to 45 percent of the total funding requirement, thereby reducing property tax funding to a roughly equal share. State sales and income tax rates were increased under LB 1059 to pay for increased state aid.

The effect of LB 1059 has been to push down Nebraska's property tax ranking relative to other states while increasing sales and income tax rankings. Some Nebraskans would prefer even less dependence on property taxes in the future, even if sales and income tax rates had to be raised at the same time. Others argue that education expenditures simply need to be cut or that additional state support for local schools also would mean increased state control.

Postsecondary Institutions. As at the elementary and secondary levels, both quality and cost concerns are sometimes raised relative to Nebraska's public postsecondary institutions.

With respect to quality, citizens want students who graduate from the state's postsecondary institutions to be able to compete effectively in the work place with those from other such institutions, both in-state and out-of-state, and to be contributing members to society.

Retention of Nebraska's brightest high school seniors for the state's colleges and universities is the goal of some. They argue that the proportion of such students enrolling in public postsecondary institutions in

the state should be higher. At the same time, another concern is that a relatively large percentage of those who do enroll in public postsecondary institutions do not graduate because of academic difficulties.

Where research and outreach are complementary to teaching, citizens also expect excellence in these activities. The public's perception of the quality of the institution is just as likely to turn on research and outreach as teaching.

Postsecondary education in Nebraska faces tough competition for state funds because of rising costs for other programs, including health care, corrections, and state aid to political subdivisions (including school districts). One response has been to increase tuition and fees for postsecondary students. However, trade-offs must always be considered between societal and individual responsibility: The historical model of public postsecondary institutions is that educational opportunities should be available to many, not just those who can pay the total cost of a postsecondary education.

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