

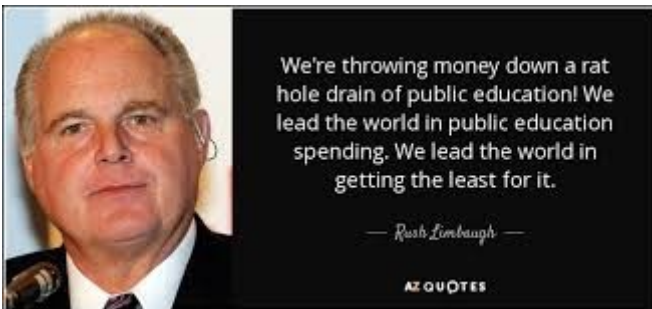
**NEBRASKA TAXPAYERS FOR FREEDOM ISSUE PAPER:  
PILLEN EDUCATION PLAN ELUDES MANY TAXPAYERS.**

**BACKGROUND.** Gov. Pillen wants to greatly increase K-12 public education funding by utilizing our huge state cash reserve, a reserve that may reach \$2.3 billion by this summer but perhaps only temporarily, because much of the additional revenue is actually federal pandemic money. His plan includes 3 separate legislative bills, which together would increase funding by \$2.5 billion through 2030, \$1 billion in the first year, \$250 million in each of the next 6 years. This largesse is in addition to the present state aid funding of \$1.1 billion for public schools, which provides equalization money to schools to cover funding shortfalls in districts with low property tax revenues, high enrollment, or large numbers of poor or immigrant students. Nebraska ranks among the lowest states nationally in the percentage of school funding provided by the state.

**CURRENT DISPLEASURE.** The present state aid formula considers district needs against resources. Schools where the needs exceed the resources generated through local property taxes receive additional funding from the state known as equalization aid. Only about 90 of 244 school districts currently receive equalization aid, typically those being the largest in student enrollment: Omaha, Lincoln, Millard, and Grand Island. However, sometimes this promised aid not forthcoming in order to balance the state budget. Rural senators complain that the state aid formula is unfair, which has led to legislation seeking to provide additional state aid to smaller schools in order to reduce their reliance on local property taxes. Large school districts complain about insufficient funding for their increased enrollment of non-English speakers.

**HIS PLAN.** **LB 583**, sponsored by Sen. Rita Sanders, would provide \$1,500 for every student, mostly those in the school districts that do not receive state equalization funds or receive less than this amount. This funding would come from an Education Futures Fund, baseline aid of \$113 million in foundation aid considered a local resource as part of the school funding formula. It would boost the amount of state funding to 180 districts across the state. It is unfair that 158 of 244 school districts receive no equalization aid under the current state aid formula. Districts that receive more than

\$1,500 per student in state aid would not see that funding reduced. Pillen promised that the new funding package would hold harmless all K-12 districts that receive equalization aid, including the Omaha Public Schools, Millard Public Schools, and Lincoln Public Schools, spending more on their special ed students and millions more for other special ed students. The special ed portion, \$157 million yearly from state and federal sources, paying for 80% of these costs as previously promised, will increase state funding for special education from about \$160 million to a total of \$410 million. No mention of how all this continual funding would materialize.



**PROPERTY TAXES.** **LB 589** would place a cap of 3% increased property tax growth annually on school district spending. However, this Swiss Cheese lid allows 75% of school board members or a 60% public vote at a special election, if at least 5% of legally registered voters of a school district petition for such vote, to override the cap if student numbers, poverty students, or English-language learners increased. The petition must state how much additional property tax requested. The additional percentages allowable in the override range from 7% for smaller districts to 4% for larger districts. A school district may choose not to increase its property tax request by the full additional amount allowed by the school district property tax request authority in a particular year. In such cases, the school district may carry forward to future years the amount of unused property tax request authority. The school district must pay for the entire cost of such election. The lid does not apply to the numerous school bond issues upon which residents vote. Pillen did not have an estimate of how much the bills might relieve our average property taxes.

**SLUSH FUND.** This fund would use \$1 billion from surplus revenue and federal pandemic money to create a NE Education Future Fund, a reserve fund to continually pay for public education. Anticipated is building up the fund to \$2.5 billion by FY 2029-2030, providing at least \$250 million annually in new spending. The state investment officer would oversee investments, the fund under NE Investment Council guidance. Investment profits would cover annual costs of baseline aid and special ed funding. This money would pay for retention bonuses for teachers and retaining them, career

and technical ed programs, and more mentoring programs for K-12 students. The objective of the fund is to more easily deal with economic downturns, like a recession.

**LITTLE PROPERTY TAX RELIEF.** This plan would offer millions more tax dollars to public school districts without demanding additional accountability about how they spend our tax dollars. Districts could embark on spending sprees for items not basic to educational needs. They could ask for the maximum amount for a levy override, then keep the unspent portion for future annual spending. Many urban school districts have increasing numbers of poverty, illegal alien, and regular students, providing easy reasoning to request a levy override. The property tax lids resemble Swiss Cheese, easily blown away by school boards dominated by liberals and liberal activist petitioners. School bond issues are frequent; the 3% lid does not apply to them, offering incentives for school districts to multiply bond campaigns. The Pillen tax formula



also does nothing to address the cause of ballooning local property taxes funding the schools, property valuation spiking. The real school funding problem is that property taxes escalate every year because 1) real estate valuations have spiked, and 2) when valuations rise, school districts receive additional property tax revenues under their levies, and therefore fewer state dollars trickle down to these districts. The state teacher's union embraces this plan, another alarm signal. Gov. Pillen promised that his School Finance Reform Committee would focus on finding ways that NE can have an educational funding system in which the state does not pick winners and losers.

Unfortunately, many NE taxpayers will become losers, if this tax plan becomes law.

**TAKE ACTION NOW.** Contact your state senator to pass legislation restricting the growth of urban and rural property valuations and to place a tight lid on public school spending. Suggest legislation to increase state aid to education only to the extent that property taxes decrease. Email [netaxpayers@gmail.com](mailto:netaxpayers@gmail.com) for senator contact information and join our NTF *Legislature Watch Project*.

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