

**NEBRASKA TAXPAYERS FOR FREEDOM ISSUE PAPER:**  
**NE COMMUNITY COLLEGES FUNDING STILL PROBLEMATIC.**

**BACKGROUND.** Our state community college system includes 5 regional member colleges across the state with 1 metropolitan college consisting of the 4 counties surrounding Omaha. In 1997, the Legislature adopted a community college funding formula which included the intent for funding as follows: 40% by the state, 40% by local property taxes, and 20% by tuition. State Sen. Dave Murman originally introduced **LB 783** in the 2023 legislative session. His bill would have removed property taxing authority estimated \$300 million yearly from NE community colleges beginning in FY 2026-2027 and require the state to assume all funding for the community colleges to offset their loss of property tax revenues. Distributions to the community colleges would occur in 10 equal payments each year. The funding



automatically would increase by about 3.5% annually. This percentage would allow for campus growth, and college bonding authority would continue until bonds completely paid. The Coordinating Commission for Postsecondary Education would calculate the aid amounts, certified to each community college area and to the administrator of the budget division of the Dept. of Administrative Services. Property taxes under this bill would drop by about 5.5%. Local administrations will continue to administer the college campuses. It would eliminate a refundable income tax credit the Legislature created last year intended to offset part of the amount of

property taxes Nebraskans pay to community colleges. Under the new law, the state assumes costs for community colleges at a net cost of about \$180 million starting in FY 2026-2027. **LB 783** bill content became amended into **LB 243** for passage (see NTF issue paper Legwatch2023final.doc.)

**THE PROBLEM.** Community college property taxes have increased by 80% in a decade. These property tax collections have outpaced inflation, growing over 5.8% annually. The state-local funding balance broke down over time, with local property taxes providing more than double the resources that the state appropriates. A large number of rural residents see community college property taxes constituting 10% of their total property tax bills.

**HUGE LOOPHOLE.** If the state fails to provide full funding for any fiscal year, each community college can, with approval by a majority vote of its board of governors, levy a property tax amount for such fiscal year sufficient to generate revenue equal to the state aid that would have gone to the community college. This property tax levy provided for is in addition to the maximum allowable property tax levied for funding accessibility barrier elimination project costs and abatement of environmental hazards. The colleges also can continue to levy property taxes to fund capital expenditures like building renovations or new buildings and projects already strategically planned for the future. However, because of expected higher state revenues in the next several years, sufficient state funding looks likely in the next years. Nonetheless, remedial legislation necessary in 2024 to close at least one or two of these loopholes.

**TAXPAYER COMPLAINTS.** Community college boards of directors immediately complained that the change would hamper their ability to offer new programs. **Solution:** The campuses simply could examine which classes held the fewest students and end these courses. The colleges complained that the 3.5% annual increase was insufficient, however, in the past, property taxes levied by community colleges have raised more revenue than spent. Thus, the constant 3.5% increase added through this bill will provide sufficient funding for community college areas. Another complaint is that the state generally has a history of underfunding community colleges, sometimes only 29% of the promised 40% of total funding, putting increased pressure on property taxes. Again, expected higher state revenues in the next several years will provide sufficient state funding. The bill, say critics, would remove some local control by taking away college ability to issue bonds to build new facilities to meet the demands of businesses. Southeast Community College is poised to build new projects. **Solution:** allow the colleges to ask for a popular vote by the people on the bonds. Another complaint: The 3.5% increases in state dollars would total a smaller amount than the colleges have received through high valuation increases. Property values have skyrocketed during the last few years, allowing the colleges to collect more revenues even when their levies remain the same. Besides, property valuation reform is on the horizon, which will hold down property valuation spikes. One more complaint: existing property tax credits for community college property taxes paid offered taxpayers enough relief. However, relying on the credits to ease steep tax increases is not respectful of taxpayers. The credits reimbursed people for taxes already paid and did not help when the tax bills actually came due. Additionally, these credits require taxpayers across the state to pay for a property tax increase in one or another community college area. And not all taxpayers claimed the credits. Only about 60% took advantage of similar income tax credits for K-12 school

property taxes in past years. Whining Mid-Plains President Ryan Purdy said his college levy is the lowest in the state and expects it will stay that way. The levy is less than 6c, meaning his college will see a substantial bump in revenues for the 2024-2025 school year. Under the new formula, it will receive state funding equal to what a 7.5c property tax levy would have provided. College leaders worried about revenue shortfalls never refer to Nebraska community colleges receiving approximately \$69 million in aid from federal pandemic monies. These extra revenues provide a money bucket for state lawmakers and a bonus for community college leaders to carefully phase in their spending priorities.

**TAKING ADVANTAGE.** Southeast Community College (SCC) officials have proposed boosting the college General Fund property tax levy almost 26% for the 2023-24 school year. Together with valuation increases in the area, the result would reach almost a 40% increase in total property tax revenues. Individual property tax bills will hike by 50% or more. The college president declared the levy increase needed to maximize state funding for the following year and ensure



adequate future funding under the new law, the rate based on a detailed study of SCC current and future needs. Truthfully, this strategy for raising taxes would enable SCC to permanently gain more future state aid for egregious spending. Several angry state senators sent a letter to the SCC board, asking it to quash the proposed levy increase. “This proposal runs counter to the intention of the Legislature in lowering the tax burden on the people of Nebraska,” it read, “Raising your levy to the maximum allowed under state law does not send a good message to Nebraskans.” The letter warned that lawmakers would prevent such rigging next year, if the board does not change course and threatened to change state aid levels. The SCC

proposal would boost the general fund levy from 7.37c up to the state lid limit of 9.25c for next year. A separate 2c levy for capital expenditure needs would remain. The proposal would add \$37.60 to the property tax bill on a \$200,000 home. The plan provides for a 7% increase for ongoing operations next year and sets aside \$17 million from the levy increase for building maintenance needs. In future years, larger and larger shares of that \$17 million would fund ongoing operations costs, one of them for a 94,000 square foot construction technology center on the Milford Campus.

**TAKE ACTION NOW.** Without change, NE taxpayers will subsidize our community colleges with heaps of new state aid from our state income and sales taxes, revenue from the federal pandemic monies, plus ongoing property taxes. State senators must squeeze shut loopholes in [LB 243](#) that will allow NE community colleges to benefit from more than necessary funding sources and extenuating situations. Using the information above, lobby your state senator to tighten restrictions for community college ability to continue to levy property taxes and to press for community college budget cuts instead on their respective campuses. Email [netaxpayers@gmail.com](mailto:netaxpayers@gmail.com) for state senator contact information and to join our NTF *Legislature Watch Project*.

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