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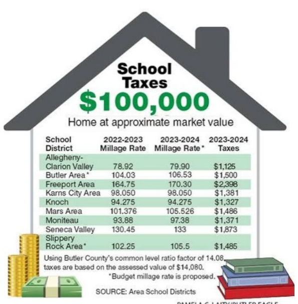
***NEBRASKA TAXPAYERS FOR FREEDOM* ISSUE PAPER:**

STATE AID TO SCHOOLS HAS NOT LOWERED LOCAL PROPERTY TAXES.

BACKGROUND. Since before Nebraska statehood, property taxes have seemed a sore issue. Voters prohibited the state from levying separate property taxes in 1966. In 2025, according to the NE Dept. of Revenue, over $3 billion in local property taxes funded K-12 public education. Local school property taxes totaled over $2.9 billion of a $5.3 billion total in property taxes collected statewide in 2025. 42% of the entire state budget now educates students from kiddiegarden through college. NE public schools receive about $5 billion in total revenue each year, including federal and state aid plus state dollars meant to offset local property taxes through tax credits. School districts consume from 56% to 60% of our property taxes paid. In the last decades, our funding formula has become outdated and increasingly failed to reduce property tax burdens on school district residents, especially those in rural areas. Currently, NE ranks 3rd in the nation for the proportion of total K-12 public school revenues it derives from local revenue sources, behind only New Hampshire and the District of Columbia.

STATE AID SOLUTION. The current state aid solution has degenerated; 2/3rds of NE school districts are almost fully dependent on property taxes to fund schools and receive no equalization aid from the state. To lower the amount of local property taxes on citizens, our legislature is increasing the amount of funding from the state to local school districts. State senators adopted band-aid solutions by increasing individual property tax credits to partially offset increases in taxes for property owners. During the 108th session (2023-2024), the Legislature with Gov. Jim Pillen greatly increased NE public school funding, the largest state investment in K-12 education since state aid to education appeared in 1990. The same session created the Education Future Fund and improved programs for teacher recruitment and retention costing $10 million. These programs allocated $250,000 for teacher career readiness, $500,000 for student teachers, and $1 million for teacher apprenticeships. This $1 billion future fund is separate and in addition to the General Fund and Cash Reserve Fund funding. The Legislature intended to appropriate an additional $250 million to the Education Future Fund in the following years, which the Legislature accomplished in 2024 and 2025. This additional state aid to public schools included $1,500 for every student in K-12 public schools and doubled reimbursements to 80% for school district special education costs. Before these changes, the state reimbursed school districts for only about 42% of such costs. This boost represents an annual increase of $328 million. The new funding is in addition to the $1.6 billion the state provided before 2023. Also, $2.5 million for extraordinary special education costs, $3.8 million for NE Dept. of Education Innovation Grants, $1.8 million for excellence in teaching grants, $5.3 million to increase career and technical education, $500,000 for dyslexia programs, $2 million for targeted reading instruction, and $2.5 million for computer science and technology training. In addition, the Legislature appropriated $525,000 for critical response mapping and investments in school safety infrastructure. According to the NE Dept. of Education Annual Finance Report on school funding, the state contributed almost $2 billion to our public schools in FY 2023-2024. The total state contribution for FY 2024-2025 totaled more than $2 billion. During the 2024 special session, the Legislature front-loaded a $750 million property tax credit previously claimed as a credit toward income taxes owed. It sent $750 million directly to school districts for property tax reduction. With this addition, the state is contributing $2.75 billion to pre-K-12 public education. These increases represent a doubling of state aid over the past 10 years.



School District	2022-2023 Millage Rate	2023-2024 Millage Rate*	2023-2024 Taxes
Allegheny-Clarion Valley	78.92	79.90	$1,125
Butler Area*	104.03	106.53	$1,500
Freeport Area	164.75	170.30	$2,398
Karns City Area	98.050	98.050	$1,381
Knoch	94.275	94.275	$1,327
Mars Area	101.376	105.526	$1,486
Moniteau	93.88	97.38	$1,371
Seneca Valley	130.45	133	$1,873
Slippery Rock Area*	102.25	105.5	$1,485

A FAILED SOLUTION. The state increased spending on K-12 public schools, hoping for relief. Yet, school districts increased property taxes by $85 million. 188 of 244 NE school districts overrode a legislatively imposed soft cap of 3% in property tax increases.[1] We continue to seek answers about why our property taxes continue to increase and why school districts need more tax dollars. NE suffers a higher per capita school property tax burden than other states. Over-reliance on property tax has resulted in disparities in property tax rates and created inequitable educational fiscal resources for students. NE public schools receive much revenue from other sources also. Public power district sales tax revenue, fines and license fees, non-resident high school tuition receipts, transportation receipts, interest on investments, other miscellaneous local receipts, not including receipts from private foundations, individuals, associations, or charitable organizations, special education receipts, receipts from the state for wards of the court/wards of the state, all receipts from the temporary school fund, receipts from the Insurance Tax Fund, motor vehicle license fee receipts, Help

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[1] Christian Barnard, Nebraska's K-12 education funding system lacks transparency, relies too heavily on property taxes, Sept. 9, 2022.

Education Lead to Prosperity Act funds, other miscellaneous state receipts, impact aid receipts to the extent allowed by federal law, and all other non-categorical federal receipts. Caps on taxing are not slowing the growth of school property taxes. School districts may exceed allowable growth rates by an additional 1% by a 75% majority vote of the school board or by any amount of approval by voters at a special election, which occurs regularly. In 2023, 82 of 244 school districts reported collecting less in property taxes, meaning that 162 school districts, about 66%, overrode the 3% loose cap, which required an approval from each school board. Exceptions to the spending growth limitations abound.
(1) New or expanded programs or services mandated by changes in state or federal law;
(2) District projected enrollment increases for the next school year, in which case the Dept. will compute additional allowable growth capacity;
(3) Construction, expansion, or alterations of school district buildings that cause an increase in building operation and maintenance costs;
(4) Additional special education students enrolled in a district for the ensuing school year that will result in an increase in expenditures for special education; and
(5) The extent to which the terms of a long-term collective union bargaining contract exceed the district applicable allowable growth rate. The basic allowable growth rate is 4%.[2]
There exist exclusions to the maximum tax levy limitation called levy exclusions that allow a school district to levy more than the maximum levy of $1.05 per $100 valuation. These exclusions as follows: Special Building Fund Projects Started, Judgments Not Covered by Liability Insurance, Lease-Purchase Contracts, and Bonded Indebtedness Approved According to Law and Secured by a Levy on Property. When these exclusions factored in, the total levy can rise higher than $1.05. A local district also can hold an election to exceed the levy limitation. The ballot from the election must state

the maximum levy and the duration of the levy. There is no limit on the cash balance carried forward from one budget year to the next, allowing districts to hoard appropriations. Considering the Legislature has doubled its financial commitment to public education, it is difficult to understand public school whining about underfinancing, especially because school taxing authority remained constant while state aid has doubled. Schools can still levy up to $1.05 per $100 valuation for their General Fund, an additional 3c for safety improvements, access 13% of their General Fund for their building fund, and ask their constituents for a levy override, which many schools have done. They can also ask taxpayers for bonding authority to improve infrastructure. Public schools still have every taxing privilege available that they had previously.

NO TAX RELIEF. Taxpayers still hit annually with higher school tax bills demand a reduction. Conservative state senators suggested a portion of the schools taxing authority should disappear, considering the state significant new investments in public education. Public school leaders asked that the Legislature trust them, felt insulted at the request, and continue to raise our school property taxes. Their lobbyists fight and kill every legislative bill to control school property tax increases.

NTF SOLUTION. State senators should show fiscal spine and place a hard cap on public school property taxing and spending, with no loopholes or exceptions. Caps would allow districts to tax and spend no higher than the Midwest CPI plus a growth factor. In return, senators should eliminate unfunded and underfunded mandates on school districts and eliminate unnecessary curricula requirements like multi-cultural and sex education courses. Doing so would offer budgetary relief to all NE school districts. Using the content above, lobby your state senator to formulate legislation immediately for the next legislative session. Email **netaxpayers@gmail.com** for state senator contact information and join our NTF *Education Watch Project.*

[2] A website maintained by Nebraska Council of School Administrators.