

School District Resources Simplified

All School Funds for 2013-14 = \$3,829,965,508

Construction Funds + Operating Funds
(\$255,687,925 – 7%) + (\$3,574,277,583 – 93%)

Construction Funds = \$255,687,925

Bond Fund + Special Building Fund + Qualified Capital Purpose Undertaking Fund (QCPUF)
(\$177,896,730 – 70%) + (\$48,195,425 – 19%) + (\$29,595,770 – 12%)

Operating Funds = \$3,574,277,583

Student Fees Fund + School Lunch Fund + Activities Fund + General Fund
(\$3,880,572 – 0%) + (\$154,911,528 – 4%) + (\$83,709,914 – 2%) + (\$3,331,775,569 – 93%)

* “Other Revenues” referenced in this presentation may include interest on balances, rental fees, donations, grants, etc.

* This presentation excludes all non-revenue receipts (bond proceeds, loans, fund transfers, property sales, etc.)

Construction Funds = \$491,137,139

Bond Fund Revenues = \$177,896,730

Property Taxes + Homestead Exemption + Property Tax Credit + Other Revenues
(\$165,808,043 – 93%) + (\$3,418,325 – 2%) + (\$4,455,589 – 3%) + (\$4,214,773 – 2%)

- Voter approved property tax funding source to pay principal and interest and other related costs for capital construction bonds

Special Building Fund Revenues = \$48,195,425

Property Taxes + Homestead Exemption + Property Tax Credit + Federal Funds + Other Revenues
(\$36,497,311 – 76%) + (\$438,868 – 1%) + (\$1,493,915 – 3%) + (\$4,105,420 – 9%) + (\$5,659,911 – 12%)

- Voter approval not required
- Levy is limited to \$0.14 per \$100 of taxable value and must fit within the broader \$1.05 levy limit along with the general fund levy
- Used to acquire or improve sites and/or to erect, alter, or improve buildings

Qualified Capital Purpose Undertaking Fund Revenues = \$29,595,770

Property Taxes + Homestead Exemption + Property Tax Credit + Federal Funds + Other Revenues
(\$25,995,889 – 88%) + (\$635,547 – 2%) + (\$716,215 – 2%) + (\$1,079,957 – 4%) + (\$1,168,162 – 4%)

- Not required to have voter approval or fit under the \$1.05 levy limit, but is limited to a total of \$0.052
- Funds were originally authorized for a limited duration by LB 624 in 1983 for asbestos removal, and may now be used for:
 - Removal of environmental hazards – LB 1073 (1988) – Maximum of 10 years for each project
 - Expanded from asbestos removal and limited to \$0.035, limit increased to \$0.052 by LB 706 (1989)
 - Reduction or elimination of accessibility barriers – LB 1001 (1992) – Maximum of 10 years for each project
 - Modifications due to life safety code violations – LB 540 (2003) – Maximum of 10 years for each project
 - Indoor air quality projects or mold abatement and prevention – LB 540 (2003) – Maximum of 10 years for each project
 - Repayment of qualified zone academy bonds – LB 240 (2001) – Maximum of 15 years for each project
 - Federal program subsidizing bonds issued for high poverty schools in designated empowerment zones
 - Used for rehabilitating or repairing the facility or providing equipment for a qualified zone academy
 - No new bonds are currently authorized by federal law
 - Repayment of American Recovery and Reinvestment Act of 2009 bonds – LB 545 (2009)
 - Federal program subsidizing bonds issued locally pursuant to the program
 - Used for land acquisition or facility construction, expansion, rehabilitation, modernization, renovation, or repair
 - Maximum term established by federal law or 30 years if no federal limit is established

Operating Funds = \$3,574,277,583

Student Fees Revenues = \$3,880,572

Student Fees + Interest
(\$3,879,718 – 100%) + (\$854 – 0%)

- Money may only be collected from students pursuant to the *Public Elementary and Secondary Student Fee Authorization Act*
 - The Act was passed as LB 1172 in 2002 and is fairly prescriptive in an attempt to respect the Constitution with regard to the provision of free instruction and the equal protection clause
- Article VII, section 1 of the Nebraska State Constitution provides:
The Legislature shall provide for the free instruction in the common schools of this state of all persons between the ages of five and twenty-one years. The Legislature may provide for the education of other persons in educational institutions owned and controlled by the state or a political subdivision thereof.

School Lunch Revenues = \$154,911,528

Sales + Federal Funds + State Funds + Other Revenues
(\$65,825,939 – 42%) + (\$85,105,825 – 55%) + (\$1,186,421 – 1%) + (\$2,793,343 – 2%)

Activities Fund Revenues = \$83,709,914

Activities Receipts + Other Revenues
(\$76,876,298 – 92%) + (\$6,833,616 – 8%)

General Fund Revenues = \$3,331,775,569

Property Taxes + State Funds + Motor Vehicle Taxes + Federal Funds + Other Revenues
(\$1,671,935,217 – 50%) + (\$1,249,332,234 – 37%) + (\$137,460,257 – 4%) + (\$203,652,372 – 6%) + (\$69,395,489 – 2%)

General Fund Property Taxes = \$1,671,935,217

- Property taxes have traditionally been the primary source of funding for school districts
- The levy rate to be applied to the taxable valuation is determined after the school district has set its budget and other available resources have been subtracted from the anticipated expenditures to determine the property tax asking
 - A maximum budget, with some exclusions, is calculated for each district based on a 2.5% basic allowable growth rate
- School districts are generally limited to a maximum levy of \$1.05 per \$100 of taxable valuation for the combination of special building fund and general fund levies
 - Levy limits were adopted pursuant to LB 1114 (1996) for all political subdivisions
 - The original provisions limited the school district levies to \$1.10 until 2001-02 and \$1.00 thereafter
 - The levy limit of \$1.00 was in place for the 2001-02 school fiscal year only, and was then increased to the current \$1.05
- To coincide with the implementation of levy limits, LB 806 (1997) set the local effort rate in the equalization formula based on the new state imposed levy limits and required the state to provide the necessary funding to allow school districts to spend their calculated needs without exceeding the levy limits
 - The prior method appropriated the funds generated by the tax increases contained in LB 1059 (1990) plus \$133 million (the amount of the appropriation for state aid prior to LB 1059) and allowed the local effort rate to float to the level necessary to fund the calculated needs
- LB 806 (1997) also provided for a minimum levy adjustment in the TEEOSA formula, set at \$0.10 below the maximum levy
 - School districts are able to levy below the minimum levy, but receive a reduction in state aid
 - Senators were concerned about districts using state aid only to lower their levies and not to equalize educational opportunities
- The averaging adjustment is another component of the formula that provides more aid for levies that are higher than specified thresholds
- Exceptions to the maximum levy include amounts for:
 - Voter approved levy overrides
 - Early termination agreements
 - Special building fund and sinking fund projects commenced prior to April 1, 1996
- Other currently authorized education related levies include:
 - Educational service units – \$0.015
 - Learning communities – \$0.02
 - Community colleges - \$0.1125

General Fund State Funds = \$1,249,332,234

Prop. Tax Credits + Homestead + Apportionment + Special Education + TEEOSA + Other
(\$50,423,571 – 4%)+(\$30,404,075 – 2%)+(\$44,045,964 – 4%)+(\$196,804,024 – 16%)+(\$906,598,834 – 73%)+(\$21,055,766 – 2%)

Property Tax Credits = \$50,423,571

- Distributed to political subdivisions proportionally based on property taxes levied

Homestead Exemptions = \$30,404,075

- Distributed proportionally based on the property taxes levied on qualifying homesteads

Apportionment = \$44,045,964

- Funds generated from school land leases, state fines and licenses, and the investment of funds in the permanent school fund
- Distributed to school districts proportionally based on children ages of 5 to 18 residing in the district

Special Education = \$196,804,024

- Distributed proportionally based on approved special education costs beyond the cost of regular education (excess cost)

Tax Equity and Educational Opportunities Support Act (TEEOSA) = \$906,598,834

Net Option + Rebate + Retirement Aid + Teacher Ed Aid + Instruct. Time Aid + Equalization Aid + Other
(\$58,545,300 – 6%)+(\$43,744,517 – 5%)+(\$15,000,000 – 2%)+(\$15,000,000 – 2%)+(\$10,000,000 – 1%)+(\$764,291,514 – 84%)+ (\$17,503 – 0%)

- TEEOSA Aid for the 2014-15 School Fiscal Year was \$932,971,842 and is \$973,036,625 for 2015-16
- TEEOSA originated with LB 1059 (1990) with the primary purposes of providing additional state support to school districts and equalizing tax effort and educational opportunities
- LB 1059 (1990) contained 20% increases in individual income tax rates and sales tax rates to fund the Act
- A referendum vote of the public to repeal LB 1059 was unsuccessful

(TEEOSA) = \$906,598,834

Net Option Funding = \$58,545,300

- Net Option Funding provides resources for the additional students being educated by the district due to the Enrollment Option Program
- Net Option Funding = (students optioning into the district – students optioning out of the district) x statewide average basic funding
 - The statewide average basic funding for 2013-14 was \$8,282 and is \$8,932 for 2015-16

Allocated Income Taxes (Rebate) = \$43,744,517

- Allocated Income Tax (Rebate) distributes a percentage of individual income taxes back to the school district where the taxpayer resides
- The allocation percentage = $(\$102,289,817 - \text{Net Option Funding}) / \text{statewide individual income taxes}$
 - Originally the allocation percentage was 20%, which was equal to the income tax increase associated with the Act
 - Income tax and option funding growth were outpacing sales tax growth, making it difficult to accomplish equalization
 - The current cap equal to the 1992-93 Rebate (\$102,289,817) was placed on the combination of Rebate and Net Option in LB 806 (1997)

Retirement Aid = \$15,000,000

- Retirement Aid was temporary funding to assist with increases in district contributions to retirement necessitated by the recession
- The final year for Retirement Aid was 2013-14

Teacher Education Aid = \$15,000,000

- Teacher Education Aid provides half of the Teacher Education Allowance as direct aid to all qualifying districts
- The teacher education allowance recognizes the additional costs for teachers with advanced degrees in the equalization formula
- The allowance is being phased out and the final year is 2015-16

Instructional Time Aid = \$10,000,000

- Instructional Time Aid provides half of the Instructional Time Allowance as direct aid to all qualifying districts
- The instructional time allowance recognizes the additional costs for providing extra instructional time in the equalization formula
- The allowance is being phased out and the final year is 2015-16

Equalization Aid = \$764,291,514

The intent of equalization aid is meant to cover the needs of school districts that cannot be met by other resources

$$\text{Equalization Aid} = \text{Needs} - \text{Resources}$$

Needs

- Needs are based on historical averages for similarly sized districts taking into account other student factors and inflation

Resources

Yield from LER + Other Receipts + Minimum Levy Adjustment + Income Tax Rebate + Net Option Funding
+ Teacher Education Aid & Instructional Time Aid (ending with 2015-16) + Minimum Levy Adjustment - Property Tax Refunds

- Yield from Local Effort Rate (LER) is used to account for property tax capacity in the formula
 - LER is set at a rate \$0.05 below the \$1.05 maximum levy
 - Adjusted Valuation for the formula is set at 96% of actual value for residential and commercial and 72% for agricultural land
 - Yield from LER is the LER (\$1.00/\$100) applied to the adjusted valuation for the district
- Other Receipts include receipts from public power district sales taxes, fines and license fees, tuition, transportation, interest, special education, state wards, educational lands and funds, motor vehicles, non-categorical federal funds, and other specified sources that are counted as resources in the formula
- Minimum Levy Adjustment is calculated for school districts that have a general fund levy below \$0.95 and equals the difference between the actual levy and the minimum levy, applied to the adjusted valuation, and the adjustment is added to the resource calculation and subtracted from district's allocated income tax (rebate)
- Property Tax Refunds paid by a district are subtracted from the district's resources
 - The refunds are generally made in response to court orders lowering the valuations used for tax purposes in prior tax years

* Note: Equalization aid accounted for only 61% of all state funds received by school districts in 2013-14

Budget Growth Limitations

In addition to levy limits and aid, budget growth limitations have been part of property tax relief efforts

- The base limitation rate for all political subdivisions is currently 2.5%
 - The original legislation and current provisions recognize that annual adjustments may be required to reflect changes in the prices for products and services used by the political subdivisions
 - During recent recessions, the Legislature adjusted the base limitation rate for school districts to slow school spending growth and the resulting state aid requirements
 - The base limitation rate for other political subdivisions has remained constant
 - Spending by other political subdivisions does not affect state funding responsibilities
- For school districts, the base limitation rate is used to calculate a maximum budget, not including special education and other exclusions
 - For all other political subdivisions, the base limitation rate is used to limit revenue growth
- The maximum budget for each school district is the greater of:
 - The prior year budget grown by the base limitation rate, also known as the basic allowable growth rate; or
 - This is the limit that tends to restrain growth for districts that spend more than their peers
 - The prior year budget grown by the amount of the student growth adjustment for districts that qualify; or
 - This option only applies to a few rapidly growing districts
 - 110% of the calculated formula need for the district
 - This is the limit that tends to restrain growth for districts that spend at or below the average of their peers
- The base limitation rate corresponding to the appropriate school fiscal year is used to inflate two year old school district spending data for use in the calculation of school district needs
- Current exceptions to the budget limitations for school districts generally include:
 - Special education & Special grants
 - Infrastructure damaged by natural disasters & New or reopened qualifying elementary sites
 - Reorganization related support grants, retirement incentive plans, and staff development assistance
 - Judgements, but not those paid by liability insurance or orders from the CIR
 - Voluntary termination agreements & Retirement contribution increases
 - Transitioning from Early Childhood Education grants
 - Funds received from other education entities receiving distance education courses
 - Voter approval to exceed the lid

The End

(Was that so bad?)

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