



NE Legislative Planning Committee

School Finance in Nebraska

Prof. Craig S Maher



My Background

- Served as Research Director for Wisconsin Taxpayers Alliance
- Held Elective Office (and won reelection)
- Appointed to Governor's Task Force on Milwaukee County Finance
- Director, NE State and Local Finance Lab
- On OPS Bond Advisory Board



Focus of Presentation

1. Constitutional requirements
2. Funding
3. Future challenges



NE Constitution

- “Legislature shall provide for the free instruction in the common schools in the state.”



Examples of Other States

- Article 6, Section 6 of the Kansas constitution: “make *suitable provision* for finance of the educational interests of the state.”
- The Wisconsin Constitution provides in Article X, Section 3, that “The legislature shall provide by law for the establishment of district schools, which shall be as *nearly uniform as practicable*....”



What Does Language Mean?

- Very difficult to challenge school funding in NE
- State Legislature has much more discretion in the manner that it chooses to fund K-12 education in NE

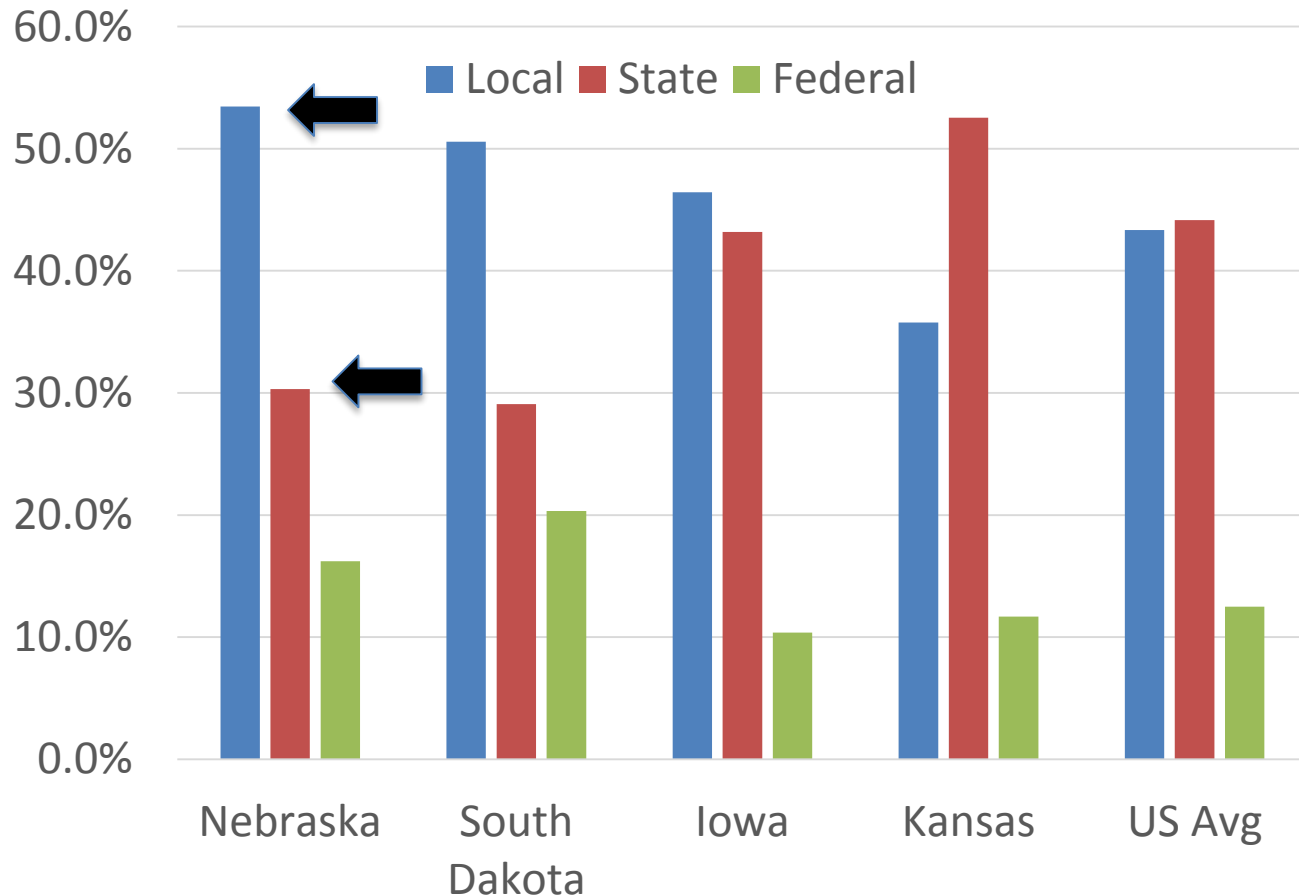


Revenue Composition



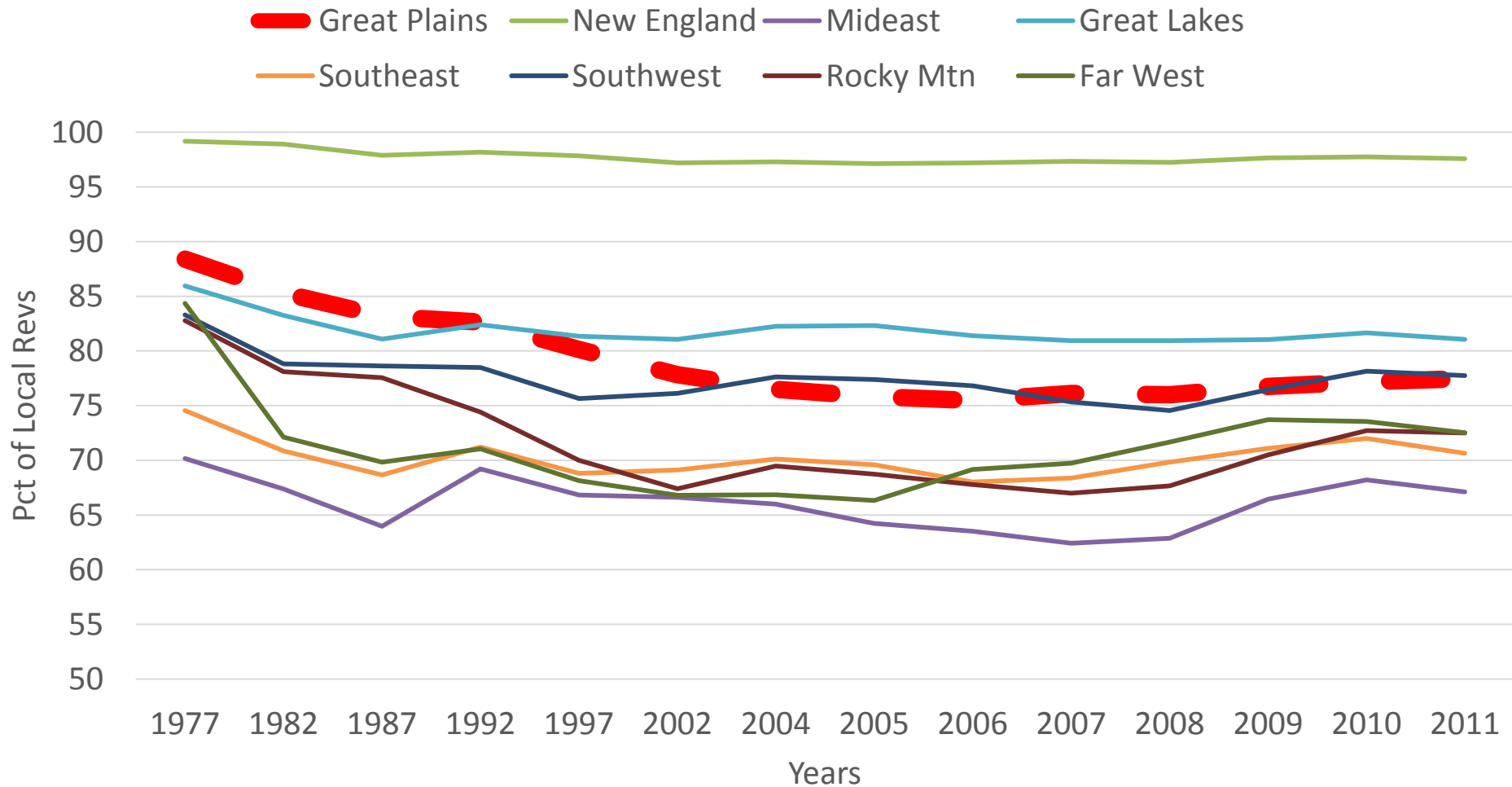
K-12 Total Revenues: FY 2011

- Greater dependence on property taxes
- Federal aid accounts for about 15 percent
- Less state aid as a proportion of total revenues
 - Most similar to SD
 - Compare state aid to IA, KS and national average





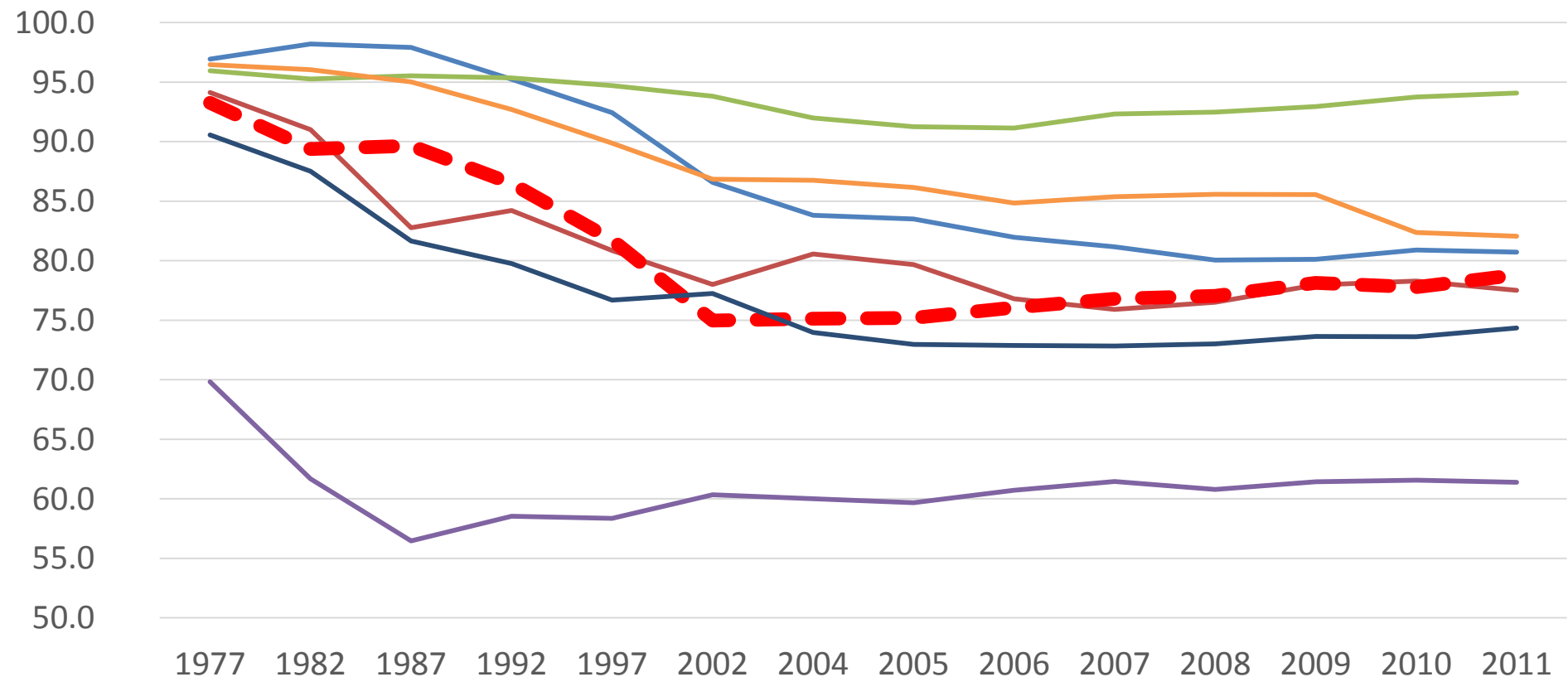
Regional Patterns in Property Taxes





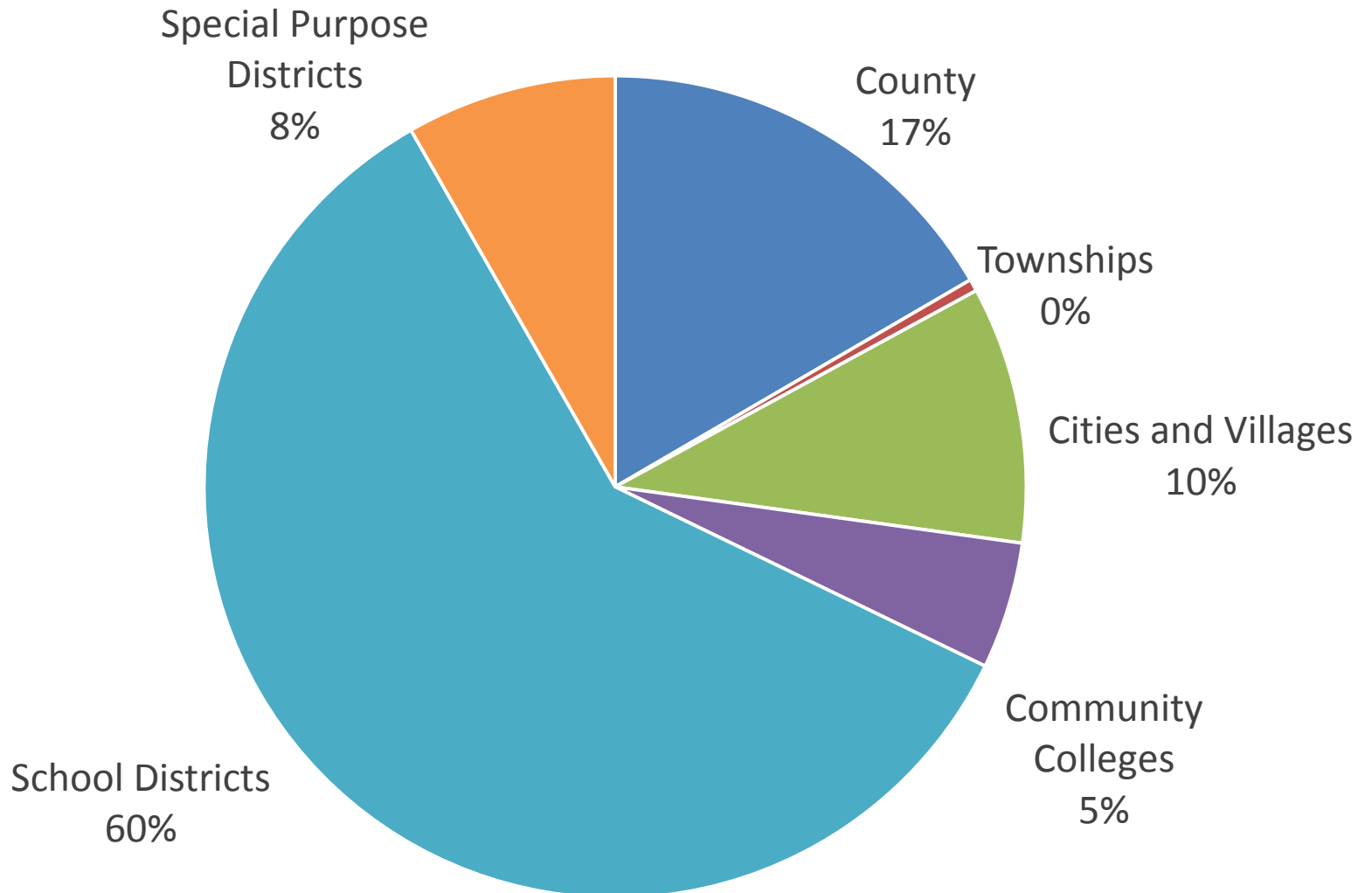
Patterns in Local Property Taxes in Great Plains States

Iowa Kansas Minnesota Missouri
Nebraska North Dakota South Dakota



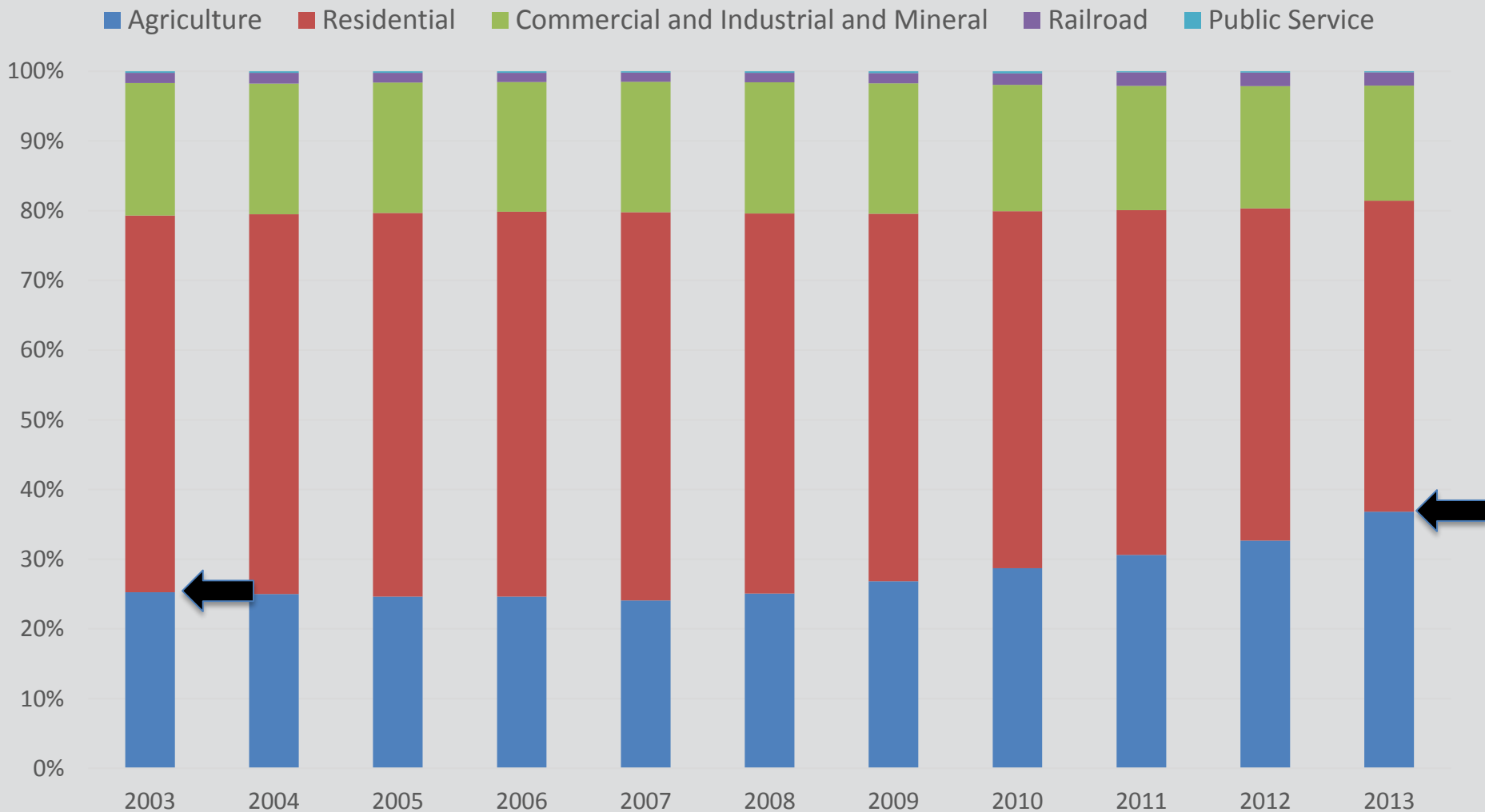


2013 Levies by Type of Local Government in NE





Real Property Value by Class in NE





State General Revenues Per Capita, Regional Comparison: 2010-2011

	State General Revenues Per Capita	National Rank
United States	\$3,406.15	
North Dakota	\$7,223.19	2
Wyoming	\$6,443.78	3
Minnesota	\$4,419.46	10
Iowa	\$3,607.38	20
Kansas	\$3,500.34	25
Nebraska	\$3,250.17	32
Colorado	\$2,903.73	41
South Dakota	\$2,726.31	44
Missouri	\$2,507.54	46

Source: U.S. Census Bureau, Government Finance Statistics and July 11, 2011 population estimates;
prepared by UNO Center for Public Affairs Research, November 2013



Local General Revenues Per Capita, Regional Comparison: 2010-2011

	Local General Revenues Per Capita	National Rank
United States	\$2,906.08	
Wyoming	\$4,530.16	3
Colorado	\$3,753.13	5
Nebraska	\$3,071.03	10
Iowa	\$2,933.55	12
Kansas	\$2,902.89	14
Minnesota	\$2,727.25	19
Missouri	\$2,449.27	30
South Dakota	\$2,309.72	34
North Dakota	\$2,193.02	39

Note: General revenue from own sources

Source: U.S. Census Bureau, Government Finance Statistics and July 11, 2011 population estimates;
prepared by UNO Center for Public Affairs Research, November 2013



Revenue in Summary

- NE is heavily reliant on property taxes to fund K-12 education
- Agricultural property values have outpaced other forms of valuation through the past decade
- Pros
 - Stable revenue; local control
- Cons
 - Political reaction; variation in funding across districts; difficult to fund capital projects



Constitutional Requirements in NE

- “Taxes should be levied by *valuation uniformly* and proportionately upon all real property and franchises as defined by the Legislature except as otherwise provided in or permitted by this Constitution”
- “... the legislature may provide that *agricultural land* and horticultural land, as defined by the Legislature, shall constitute a distinct class of property for purposes of taxation and may provide for a *different method of taxation...*”



Challenges

- Currently, more political in nature
 - People don't like property taxes and want relief so look to the state
 - Conversely, most people prefer local control
 - Can't have both
- Future is much more service-oriented and complicated

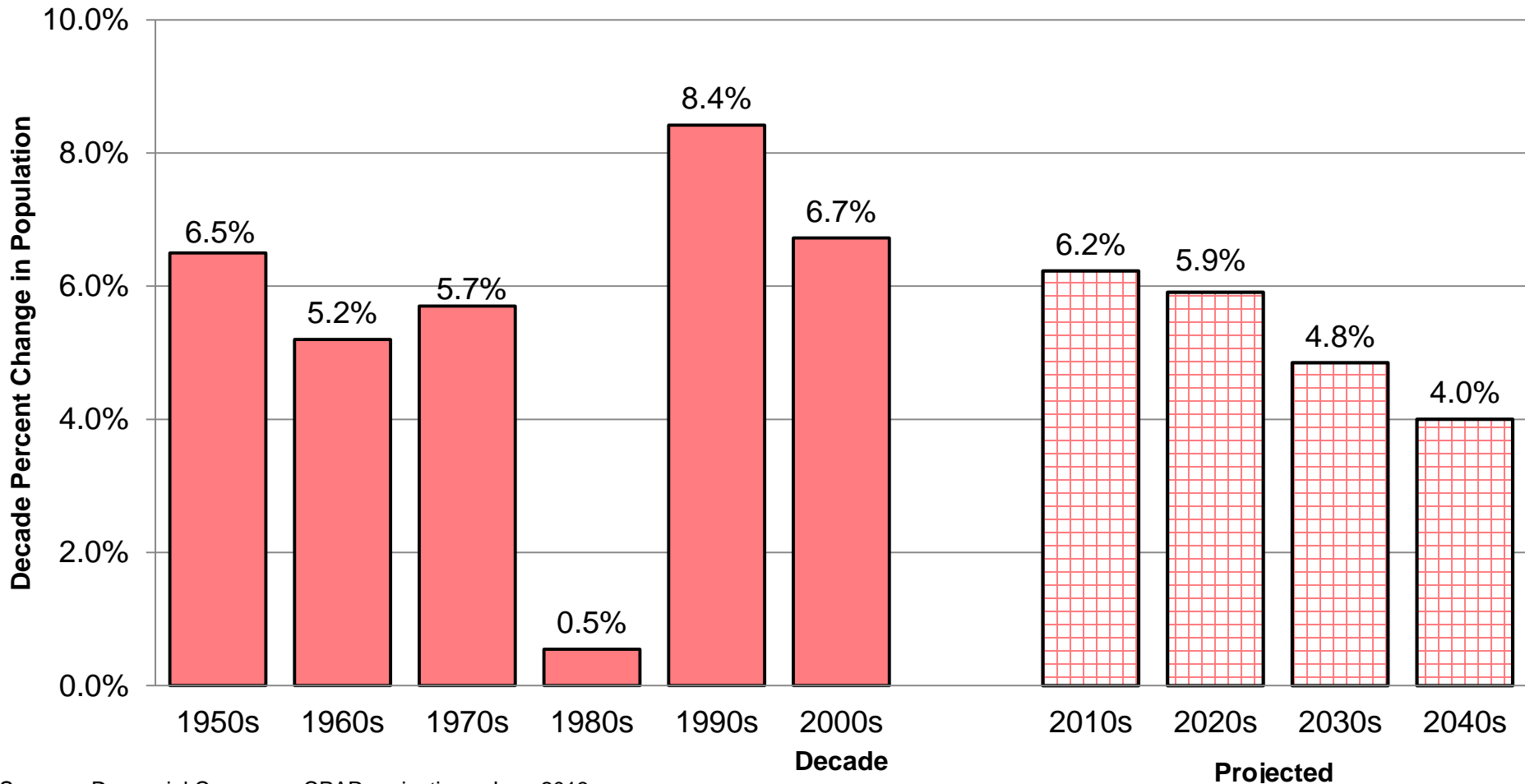


You Have Seen These Demographic
Forecasts from UNO Center for Public
Affairs Research



CPAR's Projections Predict Slowing Population Growth

Decade Percent Change in Nebraska Population: 1950 to 2010 with 2010 to 2050 Projection

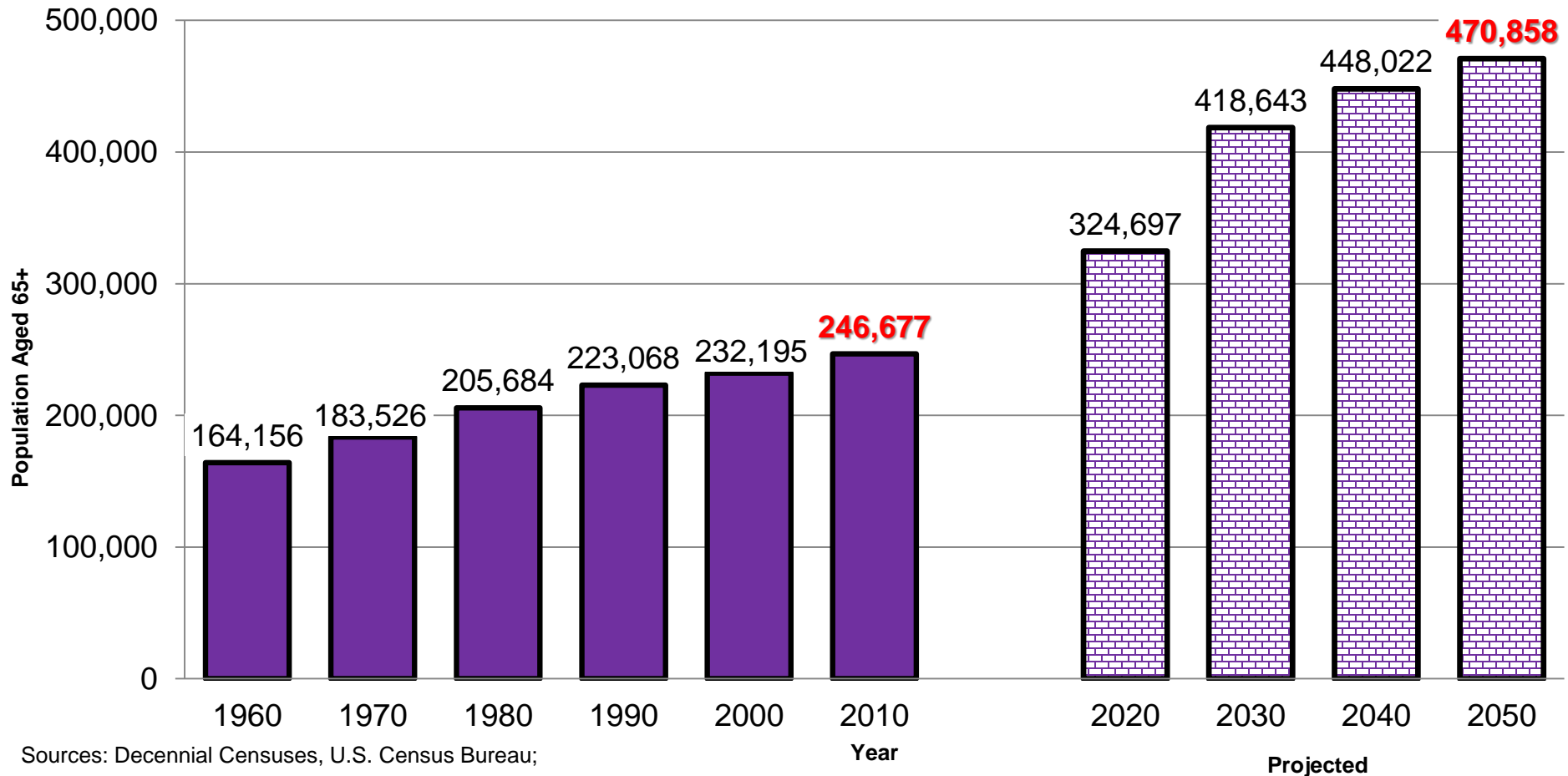




What kind of raw numbers are we talking about?

About +80,000 growth of age 65+ in next two decades versus +15,000 in the 2000s

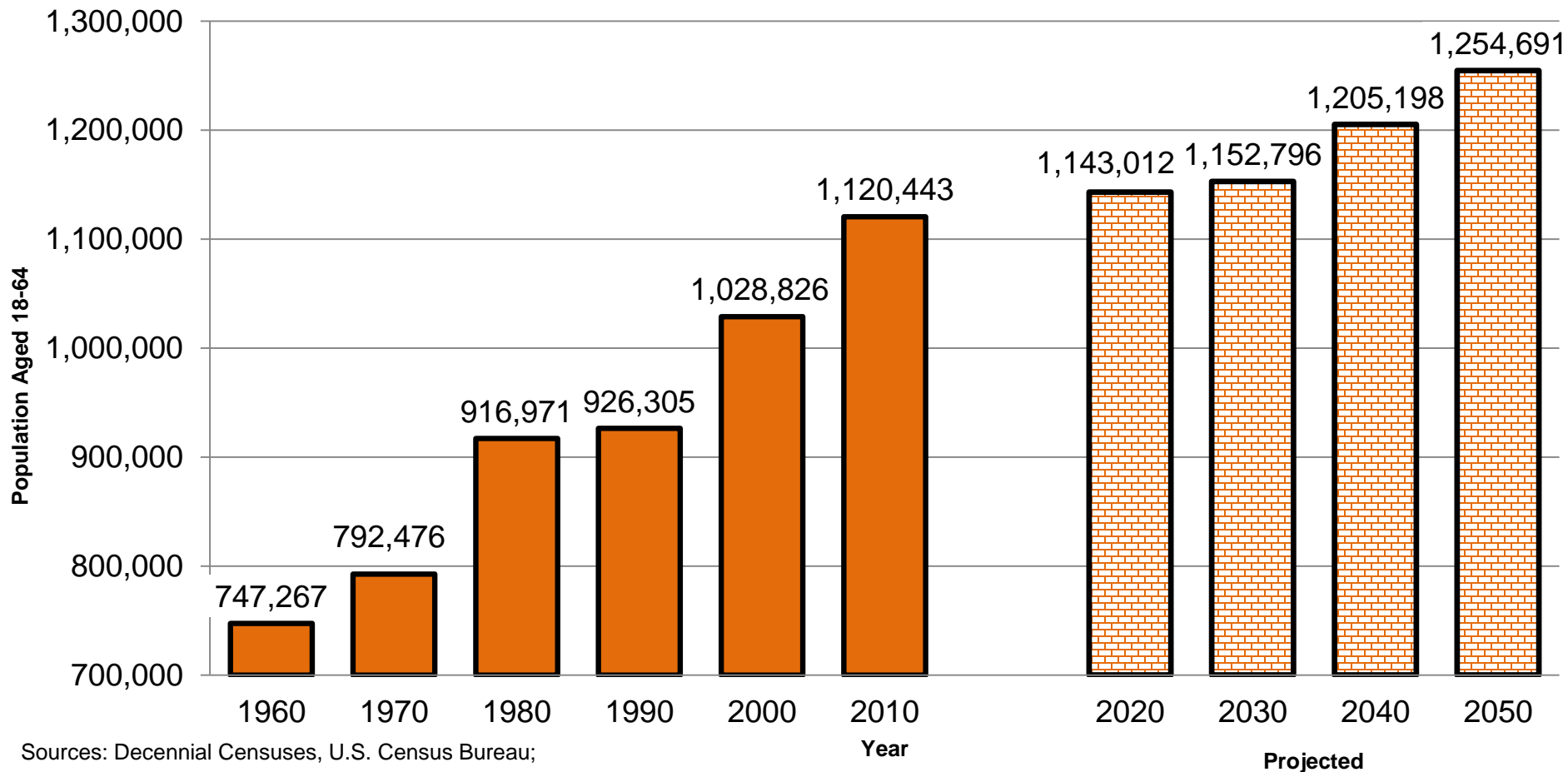
Nebraska Population Aged 65 and Older: 1960 to 2010 and 2020 to 2050 Projection





Next 2 Decades have Little Change in Working Age Population
as Baby Boomers Age Out of this Group

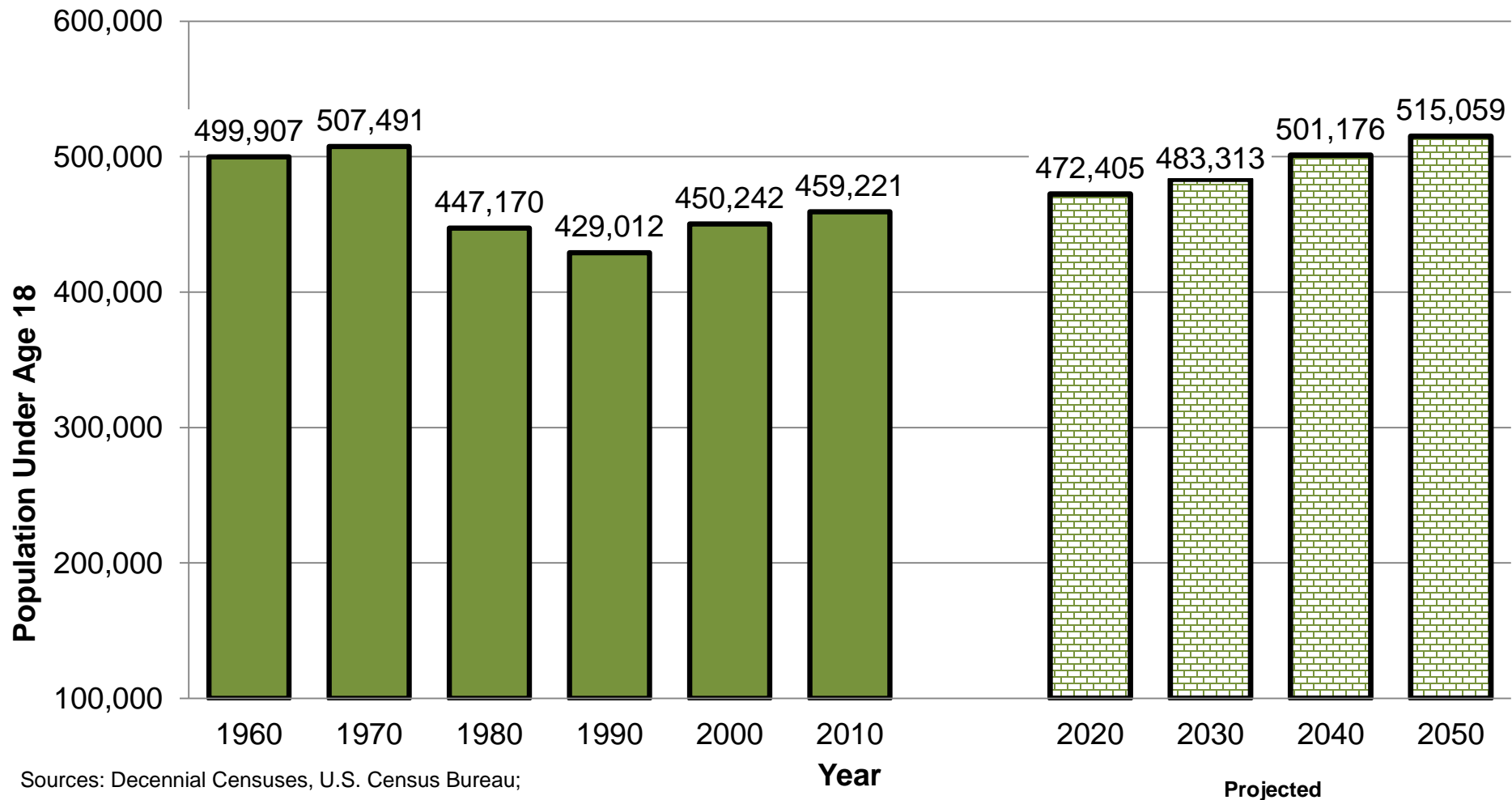
**Nebraska Population Aged 18-64: 1960 to 2010 and
2020 to 2050 Projection**





Slow but Steady Growth for Children under Age 18

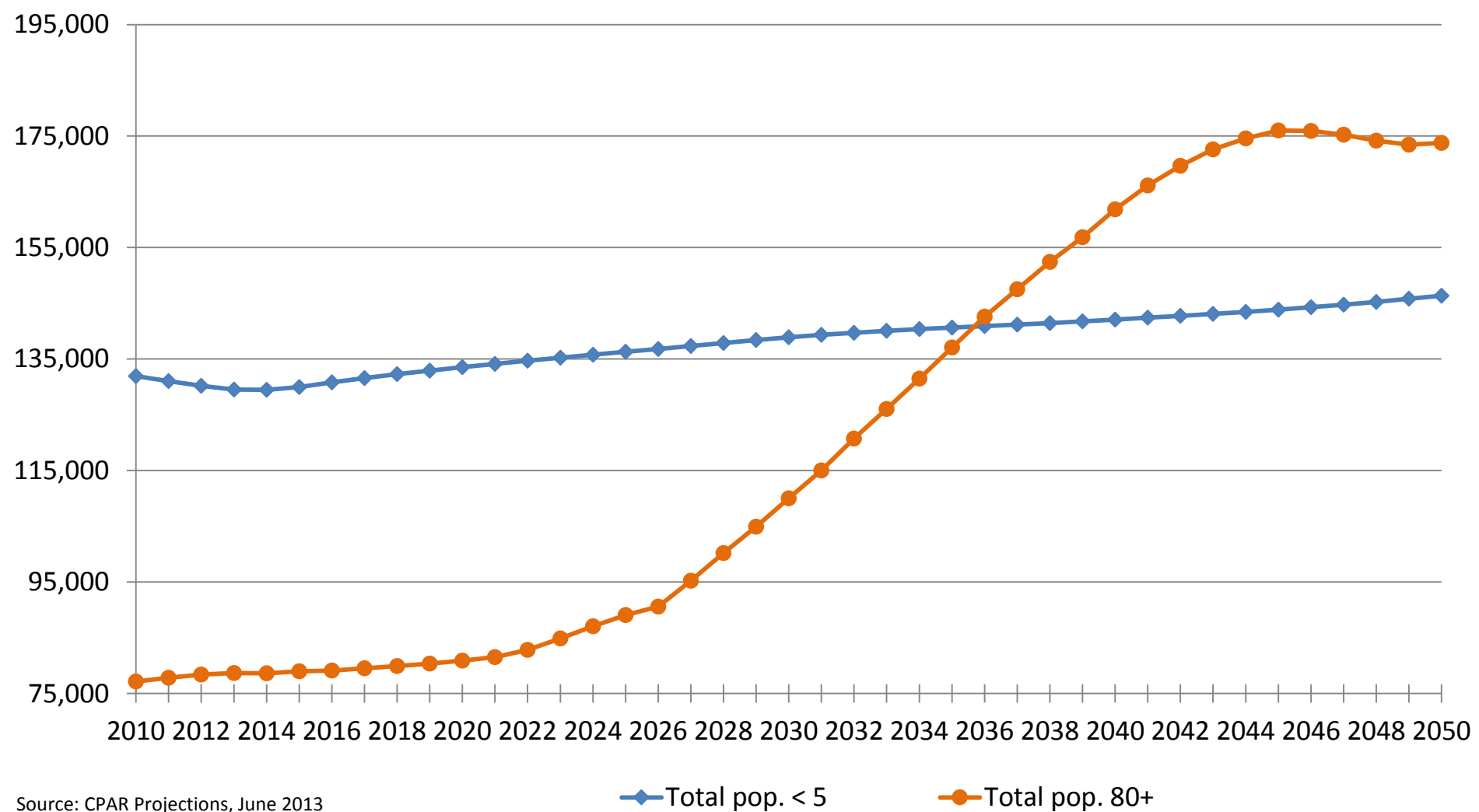
Nebraska Population Under Age 18: 1960 to 2010 and 2020 to 2050 Projection





Changes in Action: Do we need more daycare or eldercare?

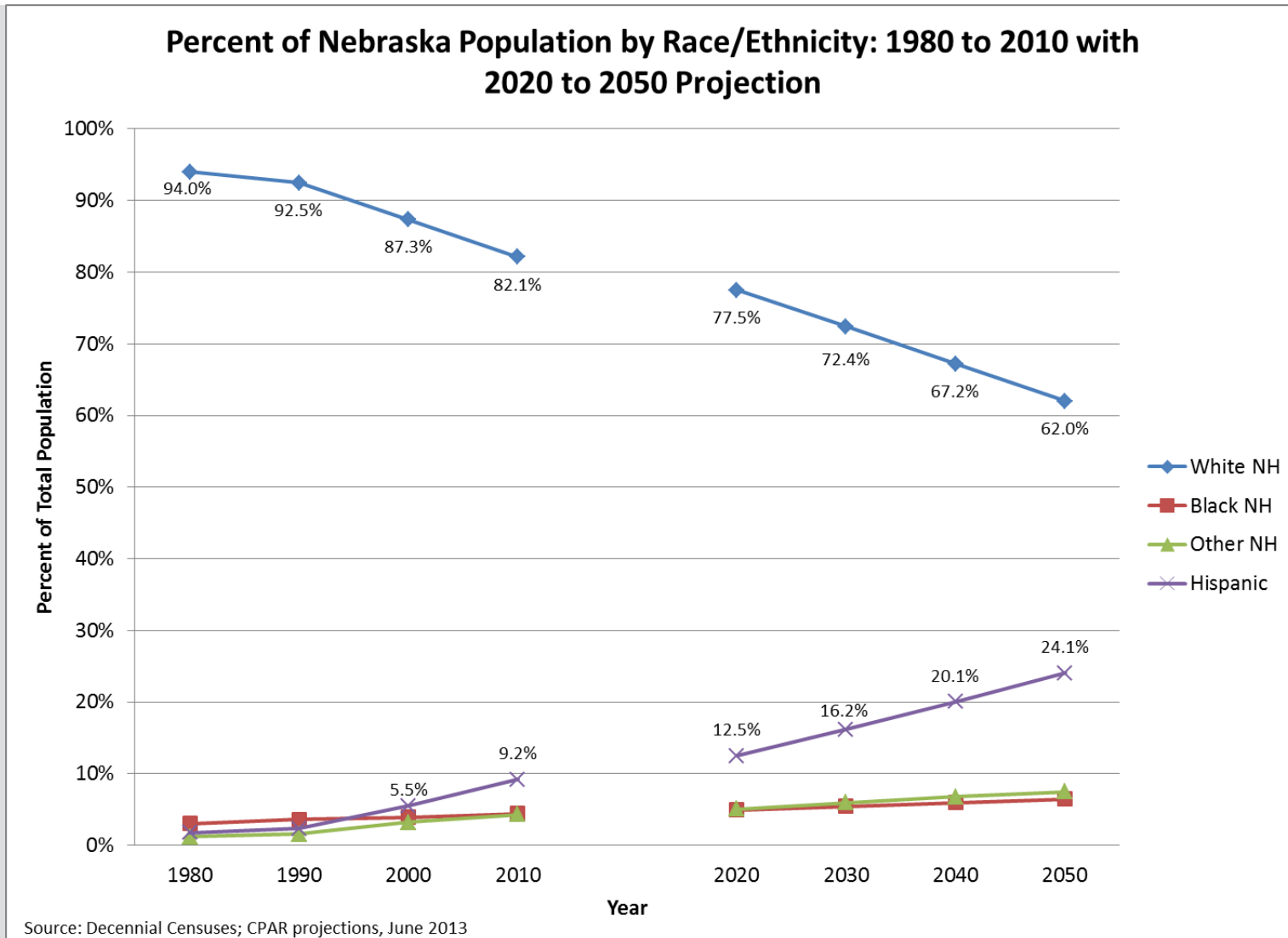
Projection of Nebraska Population for Select Age Groups: 2010 - 2050



Source: CPAR Projections, June 2013



White non-Hispanic Percent of the Population Declines, but NE not likely “majority minority” by 2050; NE about one-quarter Hispanic in 2050





What Does Future Hold?

- Stagnant overall population growth
- The future of the K-12 student population is slow and steady growth
- “Taxpaying” population being outpaced by those needing services: elderly and K-12
- The K-12 population composition will be changing
 - Hispanic populations where English as second language typically require additional school resources



Wrapping Things Up

- State constitution, unlike most states, offers limited direction on school funding
- Schools dependent on property taxes to a larger degree than many other states
- The state's changing demographic composition will put fiscal pressure on state



My 2-Cents

- Any fiscal decisions made in near future need to be done in such a way as to best prepare the State for meeting future needs with resources

Thank you

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