

# Nebraska State Legislature

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## **FOR IMMEDIATE RELEASE**

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### **SENATOR LINEHAN FILES LB 1106 AMENDMENT**

Lincoln, NE – March 25, 2020 – Today the Revenue Committee filed LB 1106 as amended by AM2870 and passed out of committee on March 10, 2020. LB1106 represents negotiations between the Revenue Committee, business interest and K-12 Public Schools over the last several months. Multiple changes outlined below have been incorporated into the proposal to address concerns brought to the Committee regarding LB 974. Information on how LB 1106 will affect each of Nebraska's 244 school districts is available on the Revenue Committee's website at <http://news.legislature.ne.gov/rev/>.

As our communities and families are reeling from the Coronavirus Pandemic, it is even more urgent we deliver property tax relief. Small businesses are worried about keeping their doors open, agricultural producers are dealing with plunging commodity prices, and homeowners are struggling to make mortgage payments. We have an obligation to deliver property tax relief.

LB 1106 will increase state funding by \$520 million for Nebraska's public schools while reducing each school district's reliance on property taxes. State funding increases will be stepped in over three years as property values for school taxing purposes decrease. LB 1106 does not provide more or less funding in the aggregate for school districts. It shifts the funding to state income and sales tax revenue and away from local property taxes. Both the Governor and the Chair of Appropriations have agreed that the funding for LB 1106 fits within the state budget.

LB 1106 will slow the growth in spending over the next three years from the historical statewide average of over 4% annual increases to more closely align with Nebraska taxpayer's ability to pay; nonetheless, public school per student spending will remain higher than in all of our surrounding states with the exception of Wyoming (U.S. Census Data). Nebraskans believe in a well-funded public-school system and LB 1106 ensures that is the case.

LB 1106 will also, for the first time, provide funding for every student in the state through foundation aid. The bill would replace the current system, in which many school districts and 35% of Nebraska public school students are almost completely reliant on local taxpayers. Foundation aid will be phased in over three years. In year one, foundation aid will equal 5% of state general revenues divided by the number of public school students, in year two 10%, and in year three and thereafter 15%. For the first time, there will be basic funding aid.

Basing foundation aid on general fund revenues protects equalization funding for the larger school districts. There has been concern voiced among equalized school districts that in case of falling state revenues equalization aid would be cut before foundation aid. That is not the case. Equalization aid will still be based on needs. LB 1106 does not change the needs outlined in the current TEEOSA formula. Consequently, needs will be addressed through equalization aid for larger more urban schools as they are now under current law. Under LB 1106 equalization aid will be funded, even if foundation aid were to remain static or fall due to state revenues being below projections.

Additions and changes to LB 1106 include:

1. Basic allowable growth rate will be set at 2.0%.
2. CPI plus real growth will be replaced with 2% plus real growth.
3. Option funding will be set at \$8,000 in year two versus \$6,730. In addition to option funding, option students will also receive foundation aid each year.
4. Budget authority for the first year will include a calculation based on 110% of a school's 2018-19 actual expenditures
5. Any building fund levy used for a project that has commenced will be grandfathered in.
6. School districts with a levy override will have access to the levy override for the five-year period of the levy override.
7. With a super majority of the school board districts may raise the district's levy if the Legislature fails to fund LB 1106 to recapture any shortage due to legislative action. This is a new levy exclusion.
8. Transition Aid will be available for 3 years for qualifying school districts to ensure a smooth transition away from property taxes to additional state aid.