

# KEARNEY PUBLIC SCHOOLS

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Opposition Letter

LB 974

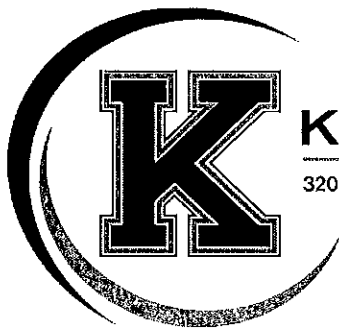
January 22, 2020

Chair Linehan and Members of the Revenue Committee:

Kearney Public Schools is a member of the Greater Nebraska Schools Association (GNSA) which is comprised of 25 equalized school districts representing 222,000 of the 323,000 (69%) students in Nebraska. Our organization collectively represents the educational interests of 72% of all low-income students, 91% of all ELL students, and 70% of all Special Education students in Nebraska. Our district is a unique blend of commercial, residential, and (unlike our peer schools) agricultural land, with 27% of our overall valuation coming from agricultural land resources. While we recognize the annual struggle to create legislation to reduce property taxes for all Nebraska taxpayers, we have significant concerns about the loss of revenue and the limited taxing authority we would have to meet the challenges our growing student population.

For a variety of specific reasons outlined below, Kearney Public Schools is in **opposition** of LB 974 as it is currently written:

1. The bill would bring a projected \$405 million into the TEEOSA formula over the next three years with an estimated cost of \$535 million of costs. Without any new revenue tied to the package, we believe significant budget cuts would occur when the state has \$130 million less in educational funding available.
2. Equalization aid will be reduced in this package as foundation aid will be tied to revenue growth. Equalization aid was established for districts with high-need students to balance the efforts to meet the challenges of educating these students.
3. While we empathize with the challenges facing our colleagues in rural districts, we recognize that reducing agricultural land valuations from 75% to 55% in two years will not impact those rural districts as many of those school systems have significant ability to adjust their tax levy up while staying at or under the proposed \$1.06 lid. Those districts will not have to reduce their budgets and they will get an added benefit of foundation aid. Meanwhile, Kearney Public Schools will not only lose a significant amount of valuation in agricultural land, we will also lose additional valuation by reducing the commercial/residential property to 85%. In effect, we will receive two negative consequences in this proposed legislation given the significant loss in valuation and would inevitably face immediate, significant budget cuts in meeting our students' needs.



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4. With 85% of our budget tied to personnel costs, we will have to eliminate a great number of staff members driving up the unemployment rate in one of Nebraska's most thriving cities. All of these outcomes will occur in a district that currently has the 6<sup>th</sup> lowest per-pupil expenditure rate in Nebraska—a district that works exhaustively to efficiently use our tax resources responsibly and without increases to our taxpayers.
5. As noted previously, 85% of our costs are tied to personnel. In order to attract and retain the best staff possible, we have to maintain competitive salary and fringe benefit packages. The first six months of the 2019 CPI was 1%. The CPI spending limitations in this legislation would negatively impact our ability to address necessary levels of compensation.
6. Kearney Public Schools is highly dependent on the averaging adjustment. Approximately \$1 million or 12.5% of our state aid comes from this one item. Elimination of this further penalizes fiscally prudent school districts while also rewarding higher spending districts.
7. As mentioned, the large portion of this bill centers around the idea of supporting a tax reduction for Ag producers. In reality, the bulk of Nebraska school districts, which are almost completely funded by Ag land, will not lose any revenue in their tax asking. Their tax requests will not decrease as those districts will simply adjust their levy to a new figure or level necessary to get the same tax asking. Ag producers will be frustrated with the advertised tax relief only to find out their taxes did not decrease when the tax asking increases due to rising personnel costs and a small foundation aid based on their student enrollment which does not offset these costs. School districts like Kearney who have worked to stay under the tax lid will be penalized to either have a tax-levy override or a loss of staff.

It is our belief that the committee should again consider new revenue streams through sales and income taxes to offset the overreliance on property taxes. With additional revenue added to the TEEOSA formula, the state could provide additional equalization aid to the state's largest districts thereby reducing the need for local taxes to meet budgets.

In conclusion, we support the Legislature's continued efforts to examine solutions to address the overreliance on property taxes, but stand in firm opposition of what LB 974 will create for serving the needs of our students and the negative impact on our school district and community—one of the few growing districts and cities in Nebraska!

Respectfully,

Dr. Kent Edwards

Superintendent, Kearney Public Schools