



ELKHORN

PUBLIC SCHOOLS

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January 21, 2020

Senator Linehan
District 39
Room 1305, NE Capitol Building
PO Box 94604
Lincoln, NE 68509

Dear Senator Linehan and members of the Revenue Committee:

The Elkhorn Public Schools District submits this letter in opposition to LB 974. We request that this letter be made a part of the public record. Although we have concerns with many of the provisions of the bill, we will focus in this letter on just two aspects: 1) Equalization Aid is an important concept within the funding of Nebraska's K-12 education and, 2) sustainable, adequate combined state and local funding is imperative to provide for the educational needs of each student.

Elkhorn Public Schools supports the prioritization of equalization aid. Over the years since TEEOSA was first enacted, the District has experienced times when we've been equalized and times when we've been non-equalized. We understand and support the important of the State assisting districts when local resources don't provide enough funds to cover the needs of students.

LB 974 provides foundation aid, based on specific percentages of state revenues, to all school districts regardless of their needs and resources. We are concerned that the funding levels for foundation aid may detract from the funding for the concept of Needs – Resources = Equalization Aid (state assistance). In years of growing state revenues, the resulting increase in funding for foundation aid may make it appear to some that K-12 funding has received a generous increase and any further increase in funding for equalization aid is unwarranted/unnecessary. In tight budget years or years of decreased state revenues the required percentage of state revenues to be allocated to foundation aid may result in pressure to not increase funding for equalization aid, or even decrease funding for equalization aid, in order to balance K-12 funding levels with other state program funding needs.

As the legislature has heard for years, stability in funding for education is important. For a district like Elkhorn, persistent growth puts pressure on both our facilities and general fund budget. Our District will open a 12th elementary and a 3rd high school this August. One year later, in the fall of 2021, we will open a 5th middle school. We count on a combination of state funding and access to increasing local valuation to provide for the educational needs of a continually growing student population. We are not aware if any modeling has been done to illustrate the impact beginning in 2023-2024 when additional restrictions are placed on both the local resources from property taxes considered in the TEEOSA calculation as well as on the actual property taxes that a district may request. We believe this provision will result in an even greater reliance on state funding for all district but especially growing districts with increasing needs.

It is our understanding that in 2020-2021 at least a portion of the increased state funding needed for the provisions in LB 974 will come from recent state revenues received beyond projections. History shows almost annual legislative intervention to “tweak” the funding requirements of TEEOSA as part of balancing the budget. How will the State manage to provide the proposed additional funding within LB 974 without proposing new revenues sources? Consideration needs to be given to what will happen once any current “revenue surplus” has been exhausted. Once property values are reduced per LB 974 for both property tax levy setting as well as TEEOSA calculation purposes, it is unlikely that future legislatures will be willing to restore current taxable and TEEOSA valuation levels in tight budget years. Although the bill provides that school districts can vote to generate additional taxes up to 75% of any reduction in State Aid due to annual legislative changes to TEEOSA, given that the two main sources of funding education in Nebraska are State Aid and property taxes, we are concerned that in future years the combined state and local funds under the bill will provide less funding for our increasing student body needs than under the current funding mechanism.

We understand that the State needs to address the property tax concerns raised by citizens. However, we have concerns that the provisions of LB974 will be detrimental to providing for educational needs across the State and within Elkhorn, a growing school district. We encourage the Committee to prioritize the concept of Equalization Aid and ensure the sustainability of adequate state and local funding to educate Nebraska students to allow them to succeed in a world filled with increasing challenges.

Sincerely,



Bary Habrock
Superintendent



Pam Roth
Chief Financial Officer