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January 22, 2020

Dear Chairperson Linehan and Members of the Revenue Committee:

We request that this letter be read into the record as opposition to Legislative Bill 974.

Thank you for the opportunity to be heard regarding Legislative Bill 974. LB974 attempts to address two issues, property tax relief and school spending. We understand the difficulty in achieving property tax relief in Nebraska. However, in the way LB974 attempts to tie school funding to property tax relief is untenable in several different ways.

First, we respectfully submit that school spending is not the problem. School spending increases have been averaging only 3.5% annually over the last decade, according to the Legislative Fiscal Office. Specifically, Millard Public Schools spending has only increased an average of 2.6% per year for the most recent ten year period available on the State's Annual Financial Reports (covering through 2017-18 -- see AFR line 01-2-20500-000). Millard has grown about 1,800 students over that same time period. The reduction of taxable value of properties will cost districts more revenue than we will receive in additional state aid (even assuming the increase of the maximum levy from \$1.05 to \$1.06), forcing us to reduce services to students.

Second, the funding necessary for LB974 is approximately \$535 million over the next three years and is purported to be paid from a projected surplus of \$405 million. In short, it requires significantly more spending by the state to fund this proposal over time without adequate new revenues. If state funds are less than necessary to fund this bill, which seems to be a near certainty, districts would only be allowed to make up 75% of that lesser state funding, again resulting in lesser services to students.

Third, this proposal diverts money away from equalized schools and to non-equalized schools. Most equalized schools are already at or near the maximum amount they can levy, while non-equalized schools are not. In addition, the cost per student is generally significantly less in larger equalized districts than it is in smaller non-equalized districts. This proposal would effectively reward inefficiency. The bill also eliminates the averaging adjustment, which corrects the artificial effects on low spending districts in the current funding formula. The elimination of the averaging adjustment, in combination with diverting money away from equalized districts, exacerbates the probable negative funding to the State's most efficient spending schools. While we recognize that smaller districts do not have the economies of scale to be as efficient as larger schools, we would respectfully request that efficiency not be punished by diverting funds away from larger schools.

Fourth, the bill imposes a new spending cap based on Consumer Price Index. There are already multiple spending caps that apply to schools. Imposing another one without evaluating the interaction between all caps is poor public policy. Another spending cap is not necessary. Also, the Consumer Price Index generally measures the inflationary rate for goods, while education is largely a service industry with costs driven by salaries. This makes the Consumer Price Index a poor match for the type of spending it purports to attempt to control.

Again, we recognize the difficulty of property tax reform, but we respectfully request that the Legislature look at options that do not have a negative impact on school spending, especially on equalized districts that already

provide the most cost efficient education to students in the State. Thank you for your consideration of this letter. We would welcome the opportunity to continue our discussions with you regarding Legislative Bill 974 and school funding.

Sincerely,

A handwritten signature in black ink, appearing to read "Chad M. Meisgeier". The signature is fluid and cursive, with a long horizontal stroke at the end.

Chad M. Meisgeier  
Chief Financial Officer  
Millard Public Schools  
402-715-8401