

Legislature - First Session - 2019

Introducer's Statement of Intent

LB695

Chairperson: Senator Mike Groene

Committee: Education

Date of Hearing: February 12, 2019

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB695 has two goals. 1) Provide long-term property tax relief for all Nebraskans. 2) Stabilize the Tax Equity and Educational Opportunities Support Act (TEEOSA) formula's proportional funding of state income, sales and local property taxes, plus make the formula reflect the reality of real-life economic factors. Specific changes are as follows:

- Foundation Aid: LB695 establishes a stabilizing factor in the amount of state aid given to each school district by using a base per student funding amount. It dedicates 25% of the State's prior year's total income taxes (both individual and corporate) plus sales tax revenues to be distributed equally to school districts on a per K-12 student basis. Foundation aid will replace the income tax rebate.
- Property Tax Relief: LB695 lowers the max levy from 1.05 to .95; therefore, the local effort rate used in the formula will be lowered from 1.00 to .90.
- Local Property Valuation: LB695 slows growth of the local effort yield from property taxes by creating a base year yield in the 2020-21 school year. In subsequent school years, growth will be limited by new construction growth and the most recent available year's Consumer Price Index (CPI) calculated inflation rate.
- School Financial Needs: LB695 uses economic data to adjust needs growth. Instead of the present 2.5% allowable growth rate factor, in the future the inflation rate will be used and not be allowed to go below 0% or above 2.5%.
- Averaging Adjustment: LB695 eliminates the averaging adjustment, an irregular funding mechanism that gives preference to larger enrollment districts. The effect of eliminating the adjustment on schools presently receiving it will not cause a decrease of aid to them due to the need's stabilization provision of TEEOSA.
- Net Option Funding: LB695 changes the payment for net option students and has the foundation aid follows the option student.
- Hold Harmless: LB695 uses the Property Tax Credit Fund (PTCF) for the seed money to start the changeover to foundation aid. To keep local property taxpayers whole, LB695 provides a hold harmless provision for the first year of implementation.

Principal Introducer: _____

Senator Mike Groene