

Public School Funding Omaha

Introduction

Since the fall of 2004, OTOC has examined issues of public school finance. Concerns about the growing income gap along socio-economic lines (see map) led to questions about strategies to keep this trend from increasing. Access to a quality education is an essential strategy to combat inequity. When the map was overlaid with school district boundaries, the pattern of polarization seemed even more troublesome. Updated census data indicates the problem has become worse in the 5 years since the 2000 census. In the midst of OTOC’s research (June 2005) the Omaha Public Schools proposed that the Nebraska law mandating “One City One School District” be enforced in Omaha. **OTOC has not endorsed “One City One School District,” but seeks a strategy to provide a common commitment to provide a quality education to all in Omaha and Nebraska.**

Public School Funding Formula for Nebraska

$$\begin{array}{ccccccc} \text{NEED} & & \text{[minus]} & & \text{LOCAL RESOURCES} & = & \text{STATE AID} \\ \text{(formula weighted students)} & & & & \text{(property taxes and fees)} & & \text{(when need is greater than resources)} \end{array}$$

Step 1 - Determining the NEED

State aid funds for public education are allocated according to a complex formula which is based on a political calculation that defines the “**FUNDS NEEDED**” to educate the students who attend each district. This formula has several controversial components to it.

The NEED is based on a weighted count of students and then multiplied by a dollar amount determined by the legislature to be the base cost of educating a student in Nebraska. Two political decisions are involved.

- * First, how much more do you weight a student who is from a lower-income family, or who doesn’t speak English, or who is disabled?
- * Secondly, what is the base amount needed to educate a child in Nebraska (currently \$5,666)? In years when Nebraska has a tight budget, the legislature and governor have compensated by decreasing the definition of the NEED (shortchanging kids by \$396.9 million between 1999-2005).

Need is defined by a formula that counts students in each district and adds special weight for kids in poverty, English language learners and those receiving special education.

School District Demographics Impacting State-Aid Calculations

School District	Eligible for Free/Reduced meals	English Language Learners	Receiving Special Education
Omaha	55.15%	12.08%	14.49%
Elkhorn	8.16%	1.31%	14.17%
Millard	7.76%	0.70%	13.29%
Ralston	28.94%	4.53%	14.43%
Westside	17.61%	2.19%	10.44%
State Average	33.93%	5.59%	15.03%

Information from Nebraska Department of Education

Step 2 - Determining Local Resources

Nebraska’s public school funding formula places a heavy reliance on **LOCAL PROPERTY TAX**. According to state law this tax is the primary source of funding for public schools. Each school district sets its own tax rate on the property that exists within its boundaries. **The first factor of equity is to compare how much property wealth per resident public school student exists in each district.**

District	Property Wealth	# Resident Students	Property Wealth per Student
Elkhorn	\$1.5 Billion	3,896	\$399,963
Millard	\$1.69 Billion	19,675	\$354,044
OPS	\$15.0 Billion	48,143	\$314,387
Ralston	\$1.3 Billion	2,834	\$469,564
Westside	\$2.8 Billion	4,209	\$678,658
Total	\$27.5 Billion	78,757	\$350,173

Captured Income Tax Receipts – Part of the State Funding Formula allows each district to “capture” a percentage of the income tax that is paid by the residents of the district. Below is a chart of the income tax per residential student in each of the districts:

District	Income Tax Captured	Income Tax Captured per Resident Student
Elkhorn	\$701,676	\$180
Millard	\$4,950,570	\$251
OPS	\$8,449,679	\$175
Ralston	\$536,686	\$189
Westside	\$1,755,163	\$417
Total	\$16,393,774	\$208

Information from Nebraska Department of Education

Income tax receipts are considered part of the “local resources” in the state funding formula and therefore reduce the amount of state aid in districts that are “equalized”.

Step 3- State Aid per district to “Equalize funding” and fund students that choose or “option” into a district different than their own

School District	Actual Student Counts (ADM*)	Equalization Aid by Formula	State Aid Option Funding (net)	Total State Aid Per Student
Elkhorn	3,691	\$2,303,705	0	\$624
Millard	20,371	\$36,534,782	1,760,829	\$1879
OPS	46,549	\$136,334,909	0	\$2928
Ralston	3,112	\$5,419,067	1,739,477	\$2300
Westside	5,887	0	8,983,076	\$1525

Information from Nebraska Department of Education 2004/2005 school year

*ADM is average daily membership or the actual number of students counted in district last Friday in Sept. each year

District Spending per pupil including State Aid

School District	Cost per pupil
Elkhorn	\$7,002.45
Millard	\$7,021.89
OPS	\$7,617.34
Ralston	\$7,214.90
Westside	\$8,218.93

Information from Nebraska Department of Education

What About Federal Funds?

By Federal law, additional federal funding is not allowed to be a part of the state aid calculation. Federal funds are meant to improve resources in school districts that are already organized and funded in an equitable manner by the state. That is why the Nebraska Department of Education does not include them in the state-aid formula. The federal subsidies are to be in addition to the state's financial obligation. The concern is that states could intentionally organize and fund education with the expectation the federal government would make up the difference.