



HOLDREGE PUBLIC SCHOOLS

March 2017

An Equal Opportunity Agency

PROPERTY TAX OUTLOOK

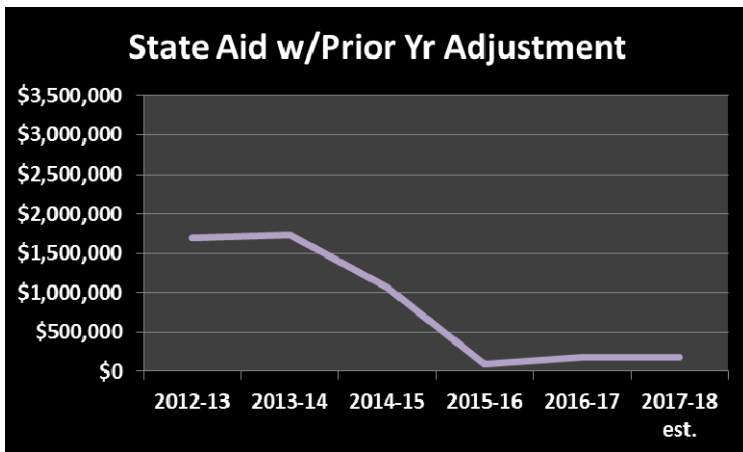


Todd Hilyard
Superintendent

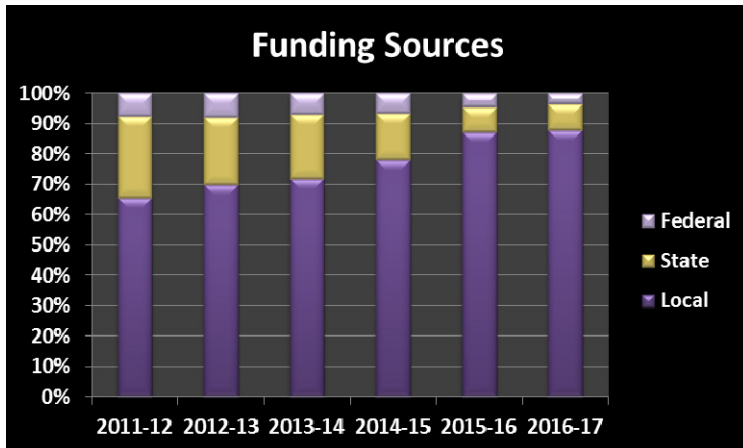
How is property tax relief coming to Holdrege, Nebraska?

The HPS Board of Education and Administration place a high priority on providing property tax relief to our patrons. In order to accomplish meaningful property tax relief, the Nebraska Legislature needs to find ways to increase state funding for education. Here are some numbers to analyze.

A Look at the 2016-17 School Year

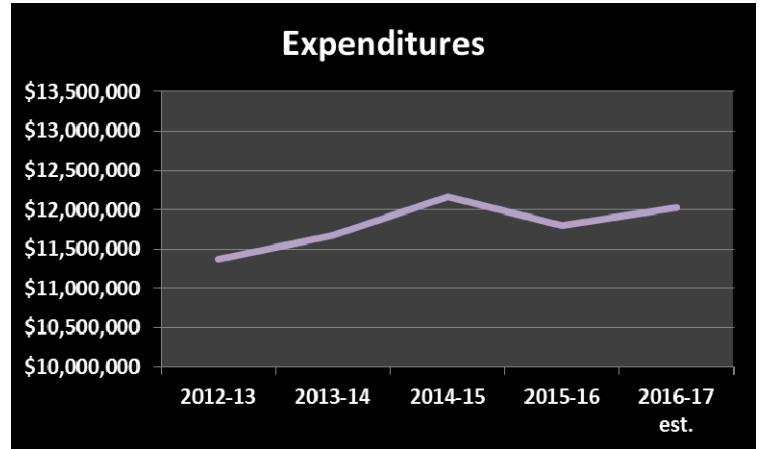


This year Holdrege Public Schools had a state aid amount of \$183,822. As a reference, during the 2010-11 school year, HPS received \$3,181,630 in state aid.



Currently, the state is contributing 8.8% of our total funding, while our local patrons are contributing 87.9% and federal funding is at 3.3%.

Despite the loss in state aid, HPS continues to maintain a top-notch quality education for our students. The HPS Board and Administration remain very diligent in keeping expenses as low as possible, **averaging a 1.6% increase in annual General Fund expenditures over the past 10 years**, while at the same time maximizing resources as



much as possible by applying for grants and federal funding. We have seen a substantial savings since consolidating three elementary buildings into one new elementary building. Last year we spent 3% less in General Fund expenditures than the previous year.

As part of our continuous curriculum improvement process and review cycle, we purchased new curriculum materials, as well as new Chromebooks for the one-to-one computer program for implementation in 2016-17. We addressed curriculum purchases this spring for implementation in 2017-18 in the areas of art, music, drama, speech, and language arts.

During the summer of 2016 the district invested a significant amount of money to upgrade the mechanical and HVAC equipment at Holdrege Middle School. This has allowed us to have dependable equipment that operates much more efficiently than ever before thereby saving a substantial amount of taxpayer money in repair costs and utility bills. We are making some much needed improvements at the High School, including areas of, remodeling bathrooms, improving exterior lighting, portions of new carpet, updating mechanical and HVAC equipment, as well as many other minor projects. We also continue to do what we can to update our vehicle fleet. Our major purchase this year, a 2018 bus that should be delivered this summer, replaces a 2000 bus that was in need of around \$80,000 in repairs.

We have done all of this while adding a little bit to a cash reserve, which is essential given the uncertainty of certain pieces of legislation. Some quick numbers to ponder:

- HPS 2016-17 state aid is \$183,822; which is \$2,997,808 less than it was in 2010-11; for a decrease of 95% in six years.
- HPS 2016-17 valuation is \$1,141,401,938; which is \$537,259,976 higher than it was in 2010-11; for an increase of 88% over six years.

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- HPS 2016-17 General Fund property tax request is \$10,957,458 which is \$4,684,173 more than it was in 2010-11; an increase of 74% over six years. This increase is due to the **significant** loss of state aid over the past six years, increased personnel costs, and the need to increase cash reserves.

Previewing the 2017-18 School Year

This is the time of year we begin to update projections and plan ahead for our 2017-18 budget, which begins on September 1st. The Legislature has delayed the certification of state aid until June 1, 2017 due to shortfalls in the State budget. If there are no changes to the state aid formula, early estimates show that we would receive \$176,968 a decrease of \$6,670 from last year. Next year, as the state aid remains very low, the estimated State funding of our district will remain around 9%, while our local patrons' estimated funding will be at 88% and federal funding at 3%.

With reduced funding from the state, we have very limited resources available to us to maintain the high quality education we provide our students. We can try to flat-line our spending by delaying needed improvements at the High School, not updating our aging vehicle fleet, getting by with the technology we have, and not adding to our cash reserve. But then what? Do we need to look at cutting programs and staff?

Why are property tax levies in neighboring districts lower than HPS?

I've been asked a few times over the years why taxes on farm ground within the boundaries of Holdrege Public Schools are higher than in other neighboring school districts. It all comes down to money generated per student needed to educate those students. Each school district is unique. We have great school districts in the area, and every district's financial situation is different. For comparison purposes, let's look at some important financial information at some of our local districts.

As shown in the table focusing on general fund at the bottom of the next page, when taking into account each district's valuation and the number of students, HPS actually has the **lowest** amount of taxes per student in the group, even though it has the highest general fund levy. ***HPS is educating students at an amount significantly lower than the other districts listed on a per student basis. (See chart on the last page)***

Funding Facts

- 69% (170 out of 245) of Nebraska's school districts do not receive any equalization aid from the State of Nebraska.

- Local property taxes make up 49.33% of Nebraska public school districts' revenue.
- State sources of funding make up 38.04% of Nebraska public school districts' revenue.
- In 2016-17, local property taxes accounted for 87.9% of HPS revenue, while state aid accounted for just 8.8%.

Simply put, this shows once again, the over-reliance that Nebraska schools (and particularly HPS) have on local property taxes.

From the news...

In early November, we presented at a tax symposium in York with Mike Lucas, superintendent of York Public Schools. Not surprisingly, there was considerable frustration expressed by the local agricultural landowners who – like many farmers and ranchers across Nebraska have seen their property taxes skyrocket in recent years. We have seen the data regarding these increases and are sympathetic.

We were encouraged to see that the landowners' frustration wasn't directed at York's schools. The landowners in attendance understood that like other school districts across the state, York's school district has kept spending increases to a minimum, and provides an important service.

But as property valuation in York and many other rural communities has increased, state aid to schools in these same communities has fallen. Significantly. As a result, local property taxpayers are left to pick up increasing larger shares of the public school bill. This is how our K-12 education funding formula works in Nebraska. And so, over time, as agricultural land valuation growth has outpaced that of residential and commercial property, more and more of the cost of K-12 funding has fallen on agricultural land owners. And now that commodity prices are down, our agricultural producers feel the pinch even more.

While it was encouraging that the audience at the York symposium wasn't blaming their local schools, there was a lot of animosity toward the urban schools, who receive the majority of state funding for K-12 because they don't have as much property value from which to raise revenue. Truth be told, however, the state K-12 funding formula isn't working that well for urban districts either.

What urban school district leaders will tell you is that they are at or above their state-set property tax levy limit of \$1.05, while many rural school districts have significantly lower rates.

They will tell you they have growing enrollment, and growing needs. They will tell you that state aid isn't predictable or stable, creating budgeting uncertainty that property-rich districts don't have to worry about.

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Our K-12 funding formula in Nebraska is complex and more than a quarter century old. While tweaks have been made along the way, the level of frustration about the formula from both rural and urban districts signifies that it is time for a new formula.

In the upcoming legislative session, we expect to see many proposed changes to our K-12 funding formula. We are likely to see a variety of proposals that would send state aid to those districts that are heavily reliant on property taxes to support their local schools. While this would help reduce property taxes for agricultural land owners, it would likely mean funding cuts for growing urban districts, who are at their property tax levy limits. The consequence of such a change would mean larger class sizes, older text books, and crumbling school buildings for two-thirds of Nebraska's public school children.

Nebraska's public schools are among the best in the country and they contribute to an educated workforce, which in turn leads to more and higher paying jobs. It is too important to the future of our state to put public education in the crosshairs of a rural-urban battle, particularly in a year when resources will be scarce as the Legislature grapples with falling revenues, and uncertainty about federal funding of K-12 education. For this reason, we believe the best path forward is a study of our education funding system that results in a formula that works for all of Nebraska.

~Renee Fry, Director of the Open Sky Policy Institute
 Editorial from the Grand Island Independent
 "State K-12 Funding Formula Not Working"

Closing Thoughts

We have a system that is in need of reform, and we need more state funding for public education. Legislators continually have intentions to lower taxes, but the end result has historically shifted taxes from the state level to the local taxpayers.

We fully understand that an effort to increase state funding for education, while decreasing reliance on property taxes, would require additional revenue generated from sales and/or income taxes. Primary consideration may be given to the elimination of exemptions. Regardless of the approach, expansion of Nebraska's tax base is absolutely necessary in order to see a lower reliance on property taxes.

Again, despite the loss in state aid, Holdrege Public Schools continually maintains a top-notch quality education for our students while emphasizing efficiency in expenditures. We are thankful for a very supportive community that is truly invested in empowering all of our students for success and achieving our mission to prepare students to be lifelong learners and productive, responsible citizens by providing a quality education in cooperation with family and community.

**Todd Hilyard
 Superintendent**

HOLDREGE AREA SCHOOL DISTRICT INFORMATION

School District	General Fund Levy Per \$100 of Valuation 2016-17	Valuation 2016-17	# of students 2016-17	Taxes Generated Per Student 2016-17	Adjusted General Fund Operating Expenditures Per Formula Student 2015-16
Holdrege	0.9600	\$1,141,401,938	1,134	\$9,663	\$9,322
Minden	0.6082	\$1,415,050,332	812	\$10,599	\$10,434
Elm Creek	0.8257	\$406,551,785	361	\$9,299	\$11,141
Alma	0.9499	\$354,289,858	322	\$10,452	\$11,312
Axtell	0.4597	\$589,952,964	258	\$10,512	\$11,967
Bertrand	0.4760	\$620,201,504	274	\$10,774	\$12,522
Loomis	0.4404	\$536,768,348	218	\$10,844	\$15,856
Wilcox-Hildreth	0.5650	\$816,243,980	214	\$21,550	\$19,051