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# PLATTE CHAT

## **Funding Issues, High Property Taxes Place Pressure on Rural Schools**

By Jessica Strutzel  
Platte Institute

Eighty-seven percent of the school districts in Nebraska are categorized as rural.<sup>[1]</sup> The schools in these districts generally serve small populations and do not have access to the same amount of technology or resources as urban schools. Despite this, rural schools have higher high school graduation rates, a higher percentage of students who participate in extracurricular activities, and higher levels of parent involvement.<sup>[2]</sup> Rural schools in Nebraska generate a greater percentage of high school graduates who are ready for college or the work force than do urban schools. On the surface, smaller schools in rural school districts may seem too expensive. However, small rural schools' relatively higher costs are outweighed by their greater positive economic and social impact.

Adopted in 1997, LB 806 established the current state funding formula for schools in Nebraska. This formula penalizes rural schools while rewarding urban schools. According to this formula, the state provides aid based on the number of students enrolled in the school. This hurts small schools, which require higher expenditures per student, and places an extremely high property tax burden on rural areas. This

strongly believes in the importance of citizens participating in the public dialogue on issues important to Nebraska. Writing a letter to the editor is an outstanding way to partake in the discussion and have your voice heard by thousands of people. To make the process easier, the Platte Institute has assembled a list of links which allow you to submit a letter to the editor to nearly all Nebraska newspapers. Simply [CLICK HERE](#) for a listing of the newspapers and follow the appropriate link to submit your letter.

## Contact Us

If you would like to contact someone at the Platte Institute, you are always welcome to give us a call, drop us an email or stop by the office. Our telephone number is 402.452.3737. We are located at 10050 Regency Circle – Suite 120 – in Omaha. Below is a list of staff email address:

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problem is compounded because rural schools receive less state aid than urban schools. "When considering state aid figures for the two school years in question (1997-1998 and 1999-2000), 90 school systems have 10 percent or more less state aid funding for 1999-2000 than received in 1997-1998. These systems will receive nearly \$15 million less in state aid in 1999-2000 than received prior to LB 806, a 29 percent decrease."[\[3\]](#)

In 2002, the property tax burden in relation to income for Blaine County was 24.35%, while in Douglas County it was only 3.02%.[\[4\]](#) LB 1114 put caps on the amount of property taxes to be used for school revenue; however, small school districts still have higher levies than larger school districts. Local sources provide 53 percent of funding for schools in Nebraska. Of this 53 percent, 88 percent consists of property taxes. In comparison, local funding in Iowa only makes up 33 percent of school funding.[\[5\]](#) The chart below shows the property tax burden in the 10 counties with the highest income per capita and the 10 counties at the bottom.[\[6\]](#)

### County Per Capita Income (2002) Property Tax Burden (2002)

#### Top ten counties by per capita income and their respective property tax burden

Douglas	\$36,765	3.02%
Dundy	\$30,454	6.55%
Lancaster	\$30,192	3.35%
Cuming	\$30,082	4.12%
Washington	\$29,616	3.98%
Phelps	\$28,920	4.53%
Cass	\$28,802	4.09%
Fillmore	\$28,068	6.07%
Kearney	\$27,892	5.51%
Sarpy	\$27,638	3.60%
<b>Average</b>	<b>\$33,053</b>	<b>3.28%</b>

#### Bottom ten counties by per capita income and their

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### respective property tax burden

Keya Paha	\$18,132	11.18%
Boyd	\$18,095	6.28%
Hitchcock	\$17,405	7.27%
Hayes	\$16,880	12.11%
Sioux	\$15,663	11.63%
McPherson	\$12,647	18.23%
Arthur	\$12,238	21.08%
Grant	\$12,040	19.91%
Blaine	\$10,655	24.35%
Loup	\$9,281	15.92%
<b>Average</b>	<b>\$15,796</b>	<b>10.62%</b>

Smaller schools serve as centers for small communities and have lower student-to-teacher ratios.<sup>[7]</sup> Rural schools have higher graduation rates, due to a large extent to the extra individual attention each student receives. "Funk et al. (1999) indicated that dropouts are three times more likely to be unemployed, two and a half times more likely to receive welfare benefits, and over three times more likely to be in prison than high school graduates with no college. Therefore, 'small schools help increase the number of economically productive adults and cut government costs.' (The Rural School and Community Trust, 2004)."<sup>[8]</sup> Rural schools in Nebraska have smaller percentages of dropouts, whereby contributing to the welfare and economic vitality of the state for the future. Using graduation data from 1998, the chart below shows the number of dropouts in schools in rural counties in Nebraska in comparison to Omaha and Lincoln schools.<sup>[9]</sup>

County	Number of Dropouts	Percent of State Total	Number of Graduates	Graduate to Dropout Ratio
<b>Rural</b> (Least populated half of Nebraska Counties)	142	3.6%	2,209	15.6:1
<b>Lancaster</b> (Lincoln, NE)	688	17.5%	2,235	3.2:1
<b>Douglas</b> (Omaha, NE)	1,632	41.5%	4,532	2.8:1

Without a change in the state aid formula, rural schools will eventually be forced to consolidate. The consolidation process will rob Nebraskans of the better education opportunities that small schools provide. It is logical that a school with very few students and located near another school should consolidate with that school. However, massive consolidations of school districts, and the resulting mergers of schools, would be detrimental. It would result in students being overlooked and fewer students graduating from high school. In addition, many students would have long commutes, and it would cause separation from local communities and reduce parent involvement.[\[10\]](#)

In 2005, Nebraska forced the consolidation of Class I school districts. Mike Nolles, the parent of a student who had previously attended a one-room school, stated in an NPR interview, "I don't know that we've seen an improvement in the quality of education. We haven't with our daughter." According to the interview, "The parents used to mow the school's lawn and fix broken water mains. There was a robust PTA, and parents were aggressive fundraisers. Now, the district administrators are 25 miles away, and parents like Nolles feel disconnected."[\[11\]](#)

The continued underfunding of small rural schools will lead to massive consolidations of school districts and mergers of schools. This will have many negative consequences on the students and parents involved. It will also negatively affect the economic state of Nebraska by leading to lower high school graduation rates. Small schools have proven their value to students, parents, and communities in Nebraska. In return, they should receive fair funding from the state to support equal education opportunities. The state should reward rural school districts for their performance, not decrease their funding until, to the detriment of the students, they are forced to consolidate. Instead, the state continues to reward larger urban school districts by funneling money into a system that does not produce results. Why is the state increasing investment in a poorly performing product when it could support the numerous societal benefits produced by rural school districts in Nebraska?

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[1] "National Center for Research on Rural Education." University of Nebraska Lincoln. 2009. <<http://research.unl.edu/stories/factsheets/Sheridan-RuralEdfactsheet-FNL.pdf>>.

[2] Brand, Madeleine. "Parents Battle Over School Mergers." NPR. 19 September 2008. <<http://www.npr.org/templates/transcript/transcript.php?storyId=94807845>>.

[3] Big Trouble for Small Schools I (An analysis of state aid to Nebraska schools). Center for Rural Affairs. <[http://www.cfra.org/files/Big\\_Trouble\\_1.pdf](http://www.cfra.org/files/Big_Trouble_1.pdf)>.

[4] "Digging Deeper in Shallow Pockets II: Examining Property Tax Burden Disparity among Nebraska Residents." Center for Rural Affairs. [http://www.cfra.org/files/digging\\_deeper\\_2.pdf](http://www.cfra.org/files/digging_deeper_2.pdf).

[5] "Education Policy in Nebraska: Looking Ahead. By the People Citizen Deliberations." 2005. Kearney, Nebraska. <<http://cdd.stanford.edu/docs/2005/btp-cities/nebraska.pdf>>.

[6] "Digging Deeper in Shallow Pockets II: Examining Property Tax Burden Disparity among Nebraska Residents." Center for Rural Affairs. [http://www.cfra.org/files/digging\\_deeper\\_2.pdf](http://www.cfra.org/files/digging_deeper_2.pdf).

[7] Bard, Joe, Dr. Clark E. Gardener and Dr. Regi L. Wieland. "Rural School District Consolidation." Academic Leadership: The Online Journal. 12 February 2007. <[http://www.academicleadership.org/empirical\\_research/Rural\\_School\\_District\\_Consolidation.shtml](http://www.academicleadership.org/empirical_research/Rural_School_District_Consolidation.shtml)>.

[8] "Rural School District Consolidation."

[9] Preston, Kim. "Rural Schools." Center for Rural Affairs. <[http://www.cfra.org/resources/rural\\_schools](http://www.cfra.org/resources/rural_schools)>.

[\[10\]](#) Bard, Joe.

[\[11\]](#) "Parents Battle Over School Mergers."

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