

**October 21, 2009**

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# PLATTE CHAT

## **K-12, Higher Education are Ripe for Budget Cuts in Special Session**

When state legislators gather for a special session next month to address Nebraska's revenue shortfall, no stone will go unturned in the pursuit of budget cuts. We applaud Nebraska Governor Dave Heineman for the decision to not take anything off the table during these difficult times.

While it may not be fair to characterize the cuts made earlier this spring by our legislature as "easy," those steps to narrow the budget shortfall certainly must be considered a cakewalk in comparison to the depth and impact of the slices which will need to be made in November.

That said, approximately six months ago, the Platte Institute conducted a press conference at the state capitol rotunda to release the study, "Nebraska's Spending Habits: Are We Frugal or Frivolous?" In the study, authored by Dr.

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.

Ernie Goss of Creighton University, recommendations were made to reduce state spending in several key areas.

These recommendations were meant as a way to help Nebraska spend its money more like its neighboring states. The study found that in 2007, if state and local governments in Nebraska had adjusted their spending to match that of its neighbors, overall savings would have been \$1.97 billion.

Clearly, there is still room for more budget cuts and the special session is an appropriate time to revisit the recommendations of that study as our lawmakers get set to debate and implement over-due spending reductions.

### **Higher Education**

Simply put, Nebraska needs to reduce its appropriations per full-time equivalent (FTE) student. According to the study, Nebraska appropriates \$7,000 per FTE while the regional average is \$5,600. Nebraska needs to reduce its appropriations to more closely match its neighbors.

At the same time, tuition per FTE needs to rise to the regional average as well. The study states that reducing the appropriations and raising the tuition to meet the regional averages would save Nebraska approximately \$104 million annually. Part of the spending savings could also be used to establish a loan

fund.

Heavily state-subsidized tuition translates into greater direct financial aid for everyone, regardless of need. A high share of Nebraska's poorer residents won't make it to college but must subsidize higher income families via their income and sales taxes. A more equitable and efficient solution would be to charge higher tuition and provide greater financial aid to the truly needy.

### **K-12 Education**

Nebraska's K-12 system is top-heavy. As stated in the study, Nebraska spends 7.5% of its K-12 money on administration. No other state which borders Nebraska spends more than 5.6% on administration. This needs to change.

One of the strongest recommendations to reduce K-12 spending was to follow the lead of other states and implement a "65-cent solution." This would require that 65 cents of every dollar spent on K-12 education went directly into the classroom. Research indicated that if Nebraska made this transition, the state would be able to increase its spending on instruction from \$1.096 billion to \$1.133 while at the same time reducing overall K-12 spending by \$37.1 million a year.

Nebraskans certainly place a high level of importance on the education of their children. This recommendation would allow state

lawmakers the opportunity to save money while at the same time increasing classroom funding - are rare win-win opportunity during budget-cutting times.

### **Public Welfare**

If Nebraska had spent the same percent of its Gross State Product (GSP) on public welfare as did the six states on its boundaries, it would have saved \$253 million in 2007. The study goes on to state that the top economic performing states spend a smaller share of their GSP on public welfare (2.4 percent) than the bottom performing states (3.1) percent.

In 1993, Nebraska was spending 2.33 percent of its GSP on public welfare. That amount jumped to 2.81 percent in 2006, which is a significant shift toward higher cost, lower growth states.

### **Highways**

Nebraskans could have saved nearly \$110 million in 2007 if the state had spent only the percentage of its GSP in 2007 on highways that its adjoining states did. From 1993 to 2006, Nebraska saw a 57 percent increase in its highway spending on a per capita basis. That's a faster rate of increase than bordering states (54 percent).

Nebraska should evaluate the privatization of roads and highways where appropriate. Likewise where appropriate, Nebraska should

investigate the privatization of newly constructed bridges in the state.

The task at hand for our legislature in this special session is indeed difficult, but not impossible, as these recommendations show.

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