

Big Trouble for Small Schools II

(An analysis of state aid to Nebraska schools through school year 2000/01)

Abstract

An analysis of certified state aid to school systems comparing school years 1997-1998 and the proposed certified state aid for 2000-2001 reveals that 38 school systems have lost 10 percent or more of their state aid funding and have consistently lost at least that amount in state aid every year, since the enactment of LB 806. This study is a follow up to the original *Big Trouble for Small Schools*, published by the Center for Rural Affairs and Nebraska Alliance for Rural Education in 1999. These systems represent 8,400 students. Combined, these systems will receive \$9.17 million less in state aid in the 2000/01 school year than was received in the 1997/98 school year. These systems are small in size, with a mean enrollment of 220.

Methodology

Amounts of state aid for each system in Nebraska as certified by the Nebraska Department of Education were compared for school years 1997-1998 and 2000-01. The base year of 1997-1998 was prior to LB 806, Tax Equity and Educational Opportunities Support Act, the current school finance formula. LB 806 was adopted during the 1997 session of the Nebraska Legislature.

In December 1997, the Center for Rural Affairs issued a report entitled *Affects of LB 1114 and LB 806 on School Funding for 1998-99*. The report found that 64 school systems were losing 10 percent or more of their state aid under LB 806 and LB 1114. In October 1999, the Center for Rural Affairs did a follow up study entitled *Big Trouble for Small Schools* which extended the time frame to 1997-98 through 1999-2000. That report found 90 systems losing 10 percent or more of their state aid funding. This report updates the 1999 report based on a third year of experience under the current method of public school finance and examines the effects over the three year period.

All data concerning state aid and enrollment is from the Nebraska Department of Education.

Findings

When considering the state aid funding proposed for the school year 2000-01, Nebraska's schools received \$32.7 million less state aid than in school year 1999-00. When calculating the differences in state aid awarded, 42 new school systems were added to the list of schools with a 10 percent or more decrease, bringing the total to 111 (some systems had fallen off of the list).

The analysis revealed that 38 school systems lost 10 percent or more in state aid in each year of the three year period. These systems represent 8,400 students with a mean

enrollment of 220. These systems lost more than \$9.17 million in state aid over the years in question (1997-1999 to 2000-01), a 53 percent decrease.

As with past reports on LB 806 and LB 1114, it has been shown that there are clear losers and winners. Since the first report was released, the losers have almost doubled in numbers, growing from 64 systems to 111 systems. But the finance system is making certain school system consistent "losers". These 38 schools have much in common, characteristics that have been defined as quality.

Small. These systems combine for 8,400 students and have a mean enrollment of 220. The median K-12 system enrollment is 212, or an average of 17 students per grade. Schools are often classified by their activity class, (A through D2), based on enrollment. **Table 1 shows** where money was lost in respect to activity class.

Table 1		
Activity Class	Percent of Systems Losing 10%+ Aid (2000/01)	Percent of Systems with a loss of Aid in each of the school years (1997/98 to 2000/01)
A	0%	0%
B	2.7%	0%
C-1	12.7%	5.6%
C-2	23.6%	8.3%
D-1	20.9%	36.1%
D-2	37.2%	50%

Note: Two school systems – Trumbull and Guide Rock– do not have high schools, and thus are not considered in dividing the systems among activity class. Percentages are based on 110 school systems and 36 systems respectively.

Rural. Nebraska has 47 counties considered "completely rural" under the United States Department of Agriculture BEALE Code Classification. The list of 38 school systems include 17 of these counties containing 19 school systems. The map attached hereto shows the location of each of the 38 school systems, with a legend that indicates systems by county. The remaining 19 systems are in counties that by any measure would be considered rural.

Well-performing. The report *Small Schools, Big Results* of the Nebraska Alliance for Rural Education found that high school completion rates in Nebraska were highest for smaller schools. An analysis of the data used for that report finds that from school years 1991-1992 to 1994-1995, the median high school completion rate for these 38 systems was 95 percent (compared to the statewide average of 85 percent).

Efficient. *Small Schools, Big Results*, using a cost-per-graduate measure of expenditures and economic "efficiency," found that high schools of 300-599 students had the lowest expenditures per pupil likely to graduate, \$5,790. These 38 school systems have an average annual expenditure per pupil likely to graduate \$7,226, \$1,436 more than the most "efficient" school size. When considering the social costs of not graduating, these differences are virtually eliminated. By further comparison, the largest schools in the state (those with over 1,000 high school students) had an average annual expenditure per pupil likely to graduate of \$6,397, \$829 per pupil more than the 38 systems that are losing aid every year.

In danger. Many of these systems may be on the verge of unification, consolidation, or dissolution. At this time, two school systems that are included in this report will be unified or consolidated after the 1999-2000 school year. At least one system is looking into unification or consolidation in the next few years. Nebraska's limit on property taxes will likely speed up the school district mergers because of the limit it places on school's revenue, a limit that becomes more severe in the next year.

Policy Implications

It is clear from the results of the Center's past three studies regarding LB 806 and LB 1114 that rural districts are being hurt by the school finance formula. The public policy bias appears to work against those small school systems located near other similar systems, generally in areas of relatively dense populations. This policy impact, and the direct consolidation incentives contained in the school finance formula, creates a powerful economic incentive for school systems to consider alternative structures such as consolidation or unification.

This economic incentive becomes more powerful when considering the effects of the LB 1114 property tax lids. Despite the lids enacted pursuant to LB 1114 and the additional state aid to education appropriated by the Legislature, recent data show property taxes in Nebraska – especially on agricultural land – remain among the highest in the nation. The continued heavy reliance upon property taxes for school financing in rural areas is particularly distressing in times such as now when commodity prices and farm income remain low. Yet, the over \$9 million lost in state aid since 1997-1998 to these 38 systems can be addressed in limited ways – increased property taxes, either through increased valuations or levy limit overrides; severe cuts in educational budgets; school closure; or unification or consolidation. All in all, not attractive options to rural Nebraskans, and options that threaten both the equity and adequacy of education for Nebraska's small schools.

Public policy that pressures small schools into consolidation through underfunding and incentives is counter-productive. As school get larger, educational results generally worsen. The academic, social and communal advantages of smaller schools are lost. It makes little sense for the best interest of communities and the society to adopt public policy that worsens the achievement and outcomes of our schools and students.

To maintain well performing, efficient, community-based schools, and to prevent a worsening of Nebraska’s educational achievement and outcomes, the Nebraska Legislature should consider the following:

- The state aid distribution formula should reinstate a system of cost groupings based on school size and should incorporate the actual cost of providing an adequate education for each district rather than average expenditures based primarily on the largest systems in the state.
- The state aid distribution formula should include factors that can be shown to impact the cost of providing an adequate education to all students, including number of students, distance, construction costs, school readiness, learning ability, and other special education needs.
- The state aid distribution formula should incorporate the local capacity of a schools system’s property owners to pay the levied property taxes and not base funding solely on the taxable property wealth of the system.
- The Nebraska school finance system should promote resource stability and predictability.
- The Nebraska school finance system and state education policy should support the achievement of high level educational outcomes and recognize that community-based schools, whether in small or large systems, are the best option for meeting the educational goals of the community and the educational standards of the state.

10% or more loss in state aid every year since 1997/1998			
School System	\$ Decrease 97/98-00/01	% Decrease	99/00 K-12 Enrollment
Monroe Public	\$360,353.29	104%	109
Clarks Public	\$248,359.74	100%	128
Centennial Public	\$111,130.26	94%	686
McCool Junction Public	\$249,280.52	92%	147
Trumbull Public	\$221,440.06	91%	57
Brady Public	\$133,032.17	83%	128
Exeter Public	\$171,003.02	83%	216
SE Nebraska Consolidated	\$454,515.10	79%	244
Elgin Public	\$158,519.82	78%	211
South Platte Public	\$196,481.02	77%	246
St Edward Public	\$381,597.39	70%	231
Nemaha Valley Public	\$481,331.32	65%	242
Silver Creek Public	\$183,142.26	63%	173
Dorchester Public	\$325,037.18	60%	236
Ewing Public	\$374,902.53	54%	177
Milligan Public	\$234,445.31	54%	133
Table Rock-Steinauer	\$221,600.32	53%	98
Hildreth Public	\$183,264.78	51%	142
Diller Community	\$221,957.50	49%	140

Guide Rock Public	\$113,370.67	47%	31
Syracuse-Dunbar-Avoca	\$421,381.13	45%	627
Chester-Hubbell-Byron	\$173,480.26	44%	136
Nelson Public	\$229,653.91	44%	185
Coleridge Public	\$353,188.87	42%	227
Leyton Public	\$63,172.14	42%	254
Sterling Public	\$246,924.98	40%	229
Republican Valley	\$446,414.63	39%	302
Leigh Community	\$296,055.46	38%	287
Howells Public	\$200,980.59	36%	232
Beemer Public	\$186,166.95	33%	170
Stuart Public	\$278,568.51	32%	215
Allen Consolidated	\$216,085.58	31%	221
Wausa Public	\$149,019.10	30%	212
Clay Center Public	\$193,746.65	29%	260
Bancroft-Rosalie Community	\$191,904.85	28%	301
Elba Public	\$185,442.89	27%	162
Stanton Community	\$375,073.79	25%	462
Lynch Public	\$120,690.10	24%	117
Total	\$9,352,714.65		
Average	\$246,124.07		220
Median	\$221,600.32		212

The Class of 2000/01 Big Trouble			
School System	\$ Decrease 97/98-00/01	% Decrease	99/00 K-12 Enrollment
Davenport Community	\$47,984.53	156%	103
Mullen Public	\$36,021.29	141%	185
Monroe Public	\$360,353.29	104%	109
Clarks Public	\$248,359.74	100%	128
Wheeler Central Public	\$21,788.54	100%	141
Axtell Public	\$96,164.68	94%	324
Centennial Public	\$111,130.26	94%	686
McCool Junction Public	\$249,280.52	92%	144
Trumbull Public	\$221,440.06	91%	57
Brady Public	\$133,032.17	83%	128
Exeter Public	\$171,003.02	83%	216
Dodge Public	\$188,935.61	82%	175
SE Nebraska Consolidated	\$454,515.10	79%	244
Stromsburg Public	\$245,014.98	79%	309
Bruning Public	\$190,416.99	78%	147
Elgin Public	\$158,519.82	78%	211
South Platte Public	\$196,481.02	77%	246

Cedar Bluffs Public	\$408,554.53	72%	295
Chase County Public	\$249,556.32	71%	226
Kenesaw Public	\$193,239.76	70%	269
St Edward Public	\$381,597.39	70%	231
Cedar Rapids Public	\$182,495.07	69%	221
Nemaha Valley Public	\$481,331.32	65%	242
Silver Creek Public	\$183,142.26	63%	173
Silver Lake Public	\$99,521.60	62%	261
Dorchester Public	\$325,037.18	60%	236
Wood River Rural High	\$255,356.94	60%	265
Lawrence Public	\$182,286.35	57%	104
Anselmo-Merna Public	\$324,355.66	55%	295
East Butler Public	\$131,507.11	54%	357
Ewing Public	\$374,902.53	54%	177
Milligan Public	\$234,445.31	54%	133
Table Rock-Steinauer	\$221,600.32	53%	98
Johnson-Brock Public	\$140,795.33	52%	245
Hildreth Public	\$183,264.78	51%	142
Diller Community	\$221,957.50	49%	140
Arthur County High	\$46,087.97	47%	50
Guide Rock Public	\$113,370.67	47%	31
Shelby Public	\$194,652.86	47%	304
Waterloo Public	\$291,244.71	46%	246
Syracuse-Dunbar-Avoca	\$421,381.13	45%	627
Wolbach Public	\$181,661.68	45%	117
Chester-Hubbell-Byron	\$173,480.26	44%	136
Crofton Public	\$507,811.54	44%	392
Nelson Public	\$229,653.91	44%	185
Coleridge Public	\$353,188.87	42%	227
Leyton Public	\$63,172.14	42%	254
Deschler Public	\$155,724.69	41%	269
Sterling Public	\$246,924.98	40%	229
Republican Valley	\$446,414.63	39%	302
Leigh Community	\$296,055.46	38%	287
West Point Public	\$97,989.17	38%	633
Petersburg Public	\$91,284.26	37%	152
Howells Public	\$200,980.59	36%	232
Osceola Public	\$101,782.94	35%	307
Prague Public	\$114,835.83	35%	159
Albion Public	\$341,031.68	34%	635
Bloomfield Community	\$286,253.56	34%	381
Clarkson Public	\$192,059.22	34%	228
Lyons-Decatur Northeast	\$340,221.06	34%	432
Newman Grove Public	\$186,249.75	34%	309
Beemer Public	\$186,166.95	33%	170
Litchfield Public	\$108,902.39	33%	138
Odell Public	\$220,063.89	33%	206
Elkhorn Public	\$1,267,048.60	32%	2673
Stuart Public	\$278,568.51	32%	215
West Holt Rural High	\$103,708.88	32%	187
Allen Consolidated	\$216,085.58	31%	221
South Sarpy Dist 46	\$381,933.37	31%	1146

Pleasanton Public	\$201,438.37	30%	247
Wausa Public	\$149,019.10	30%	212
Clay Center Public	\$193,746.65	29%	260
Palmyra Dist OR 1	\$238,955.19	29%	467
Pender Public	\$279,775.99	29%	407
Wahoo Public	\$272,128.35	29%	813
Bancroft-Rosalie Community	\$191,904.85	28%	301
Elba Public	\$185,442.89	27%	162
Morrill Public	\$464,038.86	27%	522
Winside Public	\$311,502.07	27%	312
Genoa Public	\$213,526.74	26%	336
Sioux County High	\$19,266.36	25%	47
Stanton Community	\$375,073.79	25%	462
Bennington Public	\$368,551.69	24%	569
Lynch Public	\$120,690.10	24%	117
Newcastle Public	\$144,444.12	23%	192
Dawson-Verdon Public	\$117,547.44	22%	189
Logan View Public	\$269,377.05	22%	655
Greeley Public	\$93,179.37	21%	150
Osmond Public	\$127,463.40	21%	264
Schuyler Central High	\$476,895.92	21%	419
Wynot Public	\$113,449.63	21%	186
Maxwell Public	\$125,326.81	20%	258
Lodgepole Public	\$49,355.60	19%	162
Loup County Public	\$32,465.34	19%	116
Alma Public	\$185,294.44	18%	396
Arcadia Public	\$77,263.48	18%	128
Bertrand Public	\$12,631.98	18%	324
Scribner-Snyder Community	\$69,931.17	18%	358
Randolph Public	\$198,933.12	17%	448
Spalding Public	\$45,181.28	17%	133
Centura Public	\$178,688.07	16%	579
Tri County Public	\$77,149.88	15%	571
Elm Creek Public	\$112,763.00	14%	349
Chambers Public	\$60,025.94	13%	193
Rushville High	\$119,484.39	12%	129
Seward Public	\$160,951.64	12%	1374
Wilcox Public	\$3,503.06	12%	225
Hampton Public	\$16,722.26	11%	170
Spencer-Naper Public	\$120,535.71	11%	270
David City Public	\$33,061.90	10%	608