**For Release Week of July 1, 2024**

***All Things Nebraska***

*By Paul Hammel, Retired Senior Reporter for Nebraska Examiner*

**Latest trial balloon from Pillen on property taxes calls for**

**state takeover of funding**

Back in the day, a small, “trial balloon” would be sent aloft to discern wind speed and direction before a balloon carrying people was launched.

Folks were rightly concerned about rising into the heavens blindly, without knowing if a catastrophic whirlwind was aloft.

Right now, we’re seeing plenty of trial balloons sent aloft by Gov. Jim Pillen to determine if a plan to dramatically reduce local property taxes might have a shot at success during his special session, scheduled to start July 25.

As we recall, one of his first trial balloons on this oft-debated issue was pretty quickly shot down – to hike state sales taxes by 2 cents (to a nationally high 7.5 cents). The idea was to shift the cost of local, K-12 education off local property taxes and onto state sales tax.

Now comes an equally innovative (and some would say “radical”) trial balloon – shifting the entire cost of local education to the state, instead of relying, in large part, on local property taxes.

According to reporting by Martha Stoddard of the Omaha World-Herald, that would result in a 60% decrease in local property taxes by removing K-12 schools from the slate of things funded by property taxes (a list that now includes counties, cities, natural resources districts and the like).

Something, of course, would have to give at the state level to finance such a $1.6 billion plus shift in taxes.

Pillen has offered some interesting trial balloons on that, such as a “two-tiered” sales tax system, in which some items, such as inputs for businesses and agriculture, would be taxed at a lower rate, presumably 2%, while other goods and services would be taxed at a high rate, maybe 5%.

**For Release Week of July 1, 2024 – Page 2**

  One state senator, Dave Murman, a Glenvil farmer, told Stoddard that such a tax plan wouldn’t be a “shift” but a “rebalancing,” which is a pretty generous effort at putting lipstick on a pig.

But most Nebraskans know a tax increase when they see one, and if they’re paying more sales taxes on a candy bar or a new car, that’s a tax hike.

The latest trial balloon from our farmer/governor, the state takeover of funding local schools, comes with a lot of unanswered questions.

Who, under that system, would decide a local school’s budget?

It certainly would not be the locally elected school board – those folks that might just live down the street or road and know exactly the needs of your local school. So who would it be? A state school board? The governor’s office?

Who would decide teacher salaries? Some panel in Lincoln? Or a board that meets in your local town?

And what about school consolidation, a very touchy subject in rural areas?

Might the state, when funds are tight and need to be cut (and we’re overdue for one of those periods), tell local schools that “we only have so much money, so it’s best if you merged with the school district next door.”

For years, the mantra at the State Capitol has been that Nebraska has too many local governments – too many counties, too many school districts. If only there were fewer counties and school districts, the thinking goes, things would be more efficient, and cost fewer dollars.

But efforts to force mergers, or give incentives to consolidate haven’t gained much traction in the past.

Nebraskans like their local control. They like knowing whom to call if the streets didn’t get cleared of snow or the muddy lane didn’t get enough gravel – and like knowing they can vote that person out of office if they didn’t get a response.

(A buddy recently remarked that “Nebraskans hate government but have 93 counties. How do you explain that?” See above.)

**For Release Week of July 1, 2024 – Page 3**

Pillen’s latest trial balloon, to have the state fund local schools, would be a huge change.

It would also be a departure from how other recent governors have tried to chip away at the state’s high property taxes, instead of taking a sledgehammer to make a big change in funding state and local government.

But Pillen is bringing the wood to this issue. He’s promised a 40% reduction in local property taxes (really 20%, because there’s been a 20% reduction already) and pledged to call special sessions until Christmas to get it done. The first session, he announced last week, will begin July 25 in Lincoln.

But talkin’ and doin’ are two different things, and getting enough senators – most assuredly 33 of the 49 – to agree on one plan, particularly a major change like state funding of local schools, seems like the longest of shots.

This governor seems very willing to launch trial balloons, but my guess is that he needs to keep launching.

-- 30 --

*Paul Hammel has covered the Nebraska state government and the state for decades. He retired in April as senior contributor with the Nebraska Examiner. He was previously with the Omaha World-Herald, Lincoln Journal Star and Omaha Sun. A native of Ralston, Nebraska, he loves traveling and writing about the state.*