Nonpartisan public policy and legal research
for the Nebraska Unicameral Legislature

INFORMATIONAL BRIEF

September 2026

How Nebraska Funds Its Public Schools: The TEEOSA Formula Explained

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Each spring, the Nebraska Department of Education sends every public school district in the state a set of numbers that will shape its budget for the coming year. Those numbers flow from the Tax Equity and Educational Opportunities Support Act (better known as TEEOSA), the formula Nebraska has used since 1990 to distribute state aid to its 245 K-12 school districts.[1] The formula determines how more than $1 billion in state support is divided each year, and it sits at the center of one of the Legislature's most persistent policy debates: how to pay for public schools while easing the burden on property taxpayers.

TEEOSA has a reputation for complexity. Its calculation involves dozens of interlocking components, annual data submissions from every district, and adjustments that reach back years.[2] In 2025, a newly created School Financing Review Commission began a comprehensive review of the school finance system, the latest chapter in a decades-long effort to refine how Nebraska funds its schools. This brief explains where TEEOSA came from, how the formula works, and the significant changes the Legislature has made to it in recent years.

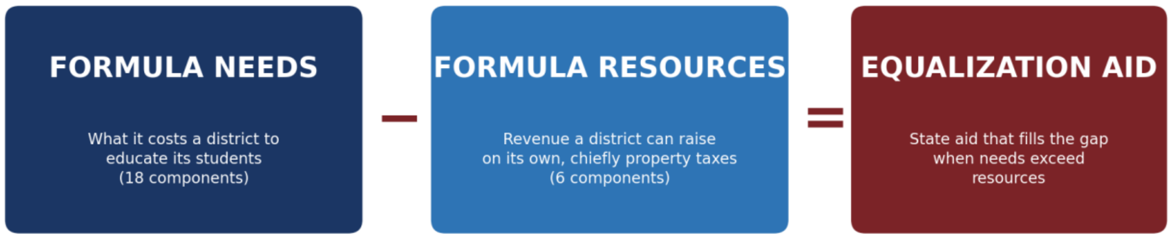
Where TEEOSA Came From

The Legislature created TEEOSA in 1990 with the passage of Legislative Bill 1059. The act responded to two related problems: Nebraska schools depended heavily on local property taxes, and per-student funding varied widely between property-wealthy and property-poor districts. LB 1059 dedicated a share of state income tax revenue to schools and established an equalization formula designed to narrow those disparities. The act's name reflects its dual mission: tax equity for taxpayers and schools, and equal educational opportunity for students.[3]

The Legislature intended TEEOSA to reduce both local property taxes and inequalities in per-student funding across districts, and although lawmakers have amended the act many times over three decades, its basic structure has not changed since passage.[4] TEEOSA is codified at Neb. Rev. Stat. §§ 79-1001 to 79-1033, and the Nebraska Department of Education (NDE) administers the calculation.[5]

The Basic Equation

At its core, TEEOSA rests on a single equation: a district's formula *needs* minus its formula *resources* equals its *equalization aid*. Needs represent what it costs a district to educate its students. Resources represent the revenue the district can raise on its own, chiefly local property taxes. When a district's needs exceed its resources, the state fills the gap with equalization aid. When a district's resources meet or exceed its needs, the district receives no equalization aid.



The Heart of the TEEOSA Formula

Source: Legislative Research Office illustration based on Neb. Rev. Stat. § 79-1008.01.

A simplified example illustrates the concept. Suppose District A has calculated needs of $20 million and can raise $15 million in resources; the formula directs $5 million in equalization aid to the district. Suppose District B has needs of $10 million but can raise $12 million; District B receives no equalization aid, because the formula concludes that the district can fund its own needs. For the 2025–26 school year, the formula compared 18 needs components against six resource components for each district, and equalization aid was then combined with several other aid types, such as foundation aid, to produce each district's total state aid.[6]

The process runs on a fixed annual calendar. Districts submit enrollment and financial data in the fall, and NDE certifies each district's state aid for the coming school year on or about March 1.[7] Districts then build their budgets (and set their property tax requests) around the certified figures.

Calculating Needs

Basic Funding

The largest needs component is basic funding, which estimates the general cost of operating a district. Rather than assigning a fixed dollar amount per student, TEEOSA compares each district to a group of similarly sized districts (generally the 10 districts just larger and the 10 just smaller, measured by formula students) and derives the district's basic funding from the comparison group's general fund spending. In 2025–26, statewide average basic funding was $11,581.49 per formula student.[8]

Allowances, Adjustments, and Corrections

Beyond basic funding, the formula adds allowances that recognize the higher costs some districts face. The poverty allowance provides additional funding for students from low-income households, and the limited English proficiency allowance does the same for English learners. Other allowances address transportation, summer school, special receipts (including special education), small elementary sites, distance education, and learning community programs. The formula also applies adjustments (for districts opening new schools or experiencing rapid student growth, for example) and corrections that reconcile earlier estimates with actual data. The table below summarizes the major components on each side of the equation.

Formula Needs (selected components)	Formula Resources
• Basic funding (comparison-group cost of operations) • Poverty allowance • Limited English proficiency allowance • Transportation allowance • Special receipts allowance (includes special education) • Summer school, focus school, elementary site, and distance education allowances • Community achievement plan allowance • Adjustments (new school, student growth, system averaging) • Corrections that reconcile prior-year estimates with actual data	• Local effort yield (property tax capacity at the $1.00 local effort rate) • Net option funding • Allocated income tax funds • Other actual receipts (fines, certain federal and state receipts) • Community achievement plan aid • A portion of foundation aid (60% beginning in 2025–26)

Source: Nebraska Department of Education, 2025/26 State Aid Certification, TEEOSA Document.

Calculating Resources

On the other side of the equation, the formula counts the revenue a district is expected to raise. The dominant resource is the local effort yield: the amount a district would collect if it taxed the property within its boundaries at the local effort rate of $1.00 per $100 of adjusted valuation. For this calculation, real property is valued at 96% of actual value and agricultural land at 72%.[9] More importantly, the local effort yield measures taxing capacity rather than actual collections; the formula assumes a district could levy at that rate whether or not it does.

Local effort yield accounts for the large majority of formula resources, just under 80% in a recent legislative audit.[10] The remaining resource components include net option funding, which follows students who transfer between districts under the enrollment option program; allocated income tax funds; other actual receipts, such as fines and certain federal dollars; community achievement plan aid; and a portion of foundation aid, discussed below.

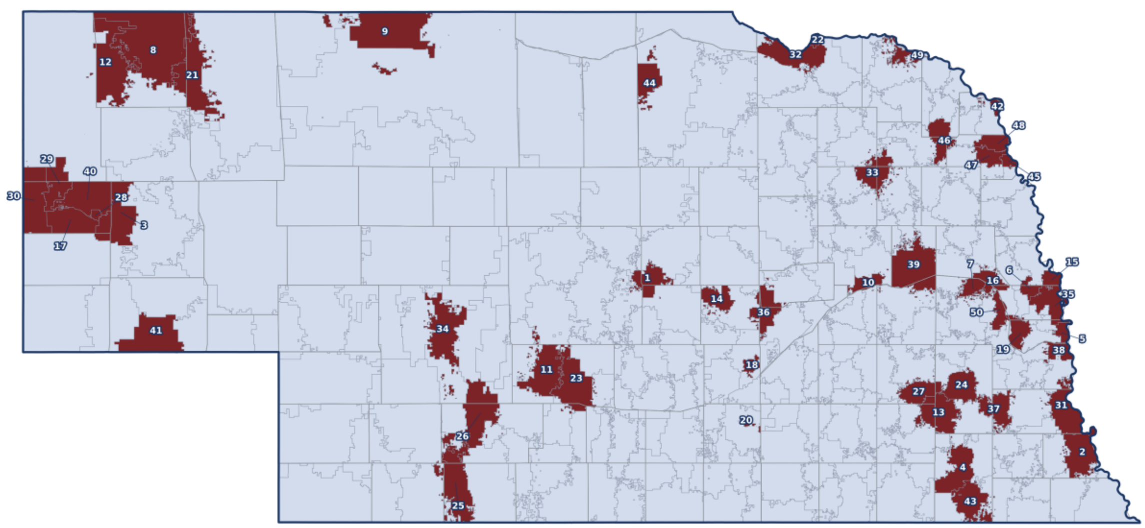
Why Most Districts Receive No Equalization Aid

Because the local effort yield rises with property valuations, districts with substantial property wealth relative to enrollment, including many rural districts containing large amounts of agricultural land, often show resources that exceed their needs. The result is one of TEEOSA's most debated features: most Nebraska districts receive no equalization aid at all. In the 2025–26 school year, only 50 districts received equalization aid.[11] Those equalized districts, however, include the state's largest school systems, Omaha Public Schools, Lincoln Public Schools, and Grand Island Public Schools, to name a few, which combined, enrolled more than 55.6% of Nebraska's public-school students, according to the Nebraska Department of Education.[12]

> *In 2025–26, 50 of Nebraska's 245 school districts received equalization aid. Those districts included the state's largest systems with a fall enrollment of 171,541 (K-12) students out of 308,549 or 55.6% of Nebraska's public-school students.* ***Source: Nebraska Department of Education***

Equalized vs. Unequalized School Districts, 2025-26

All 50 Nebraska districts receiving TEEOSA equalization aid, numbered and keyed below



Equalized school districts, by map number

Receives equalization aid
50 of 245 districts

No equalization aid
195 of 245 districts

What this shows

A district receives TEEOSA equalization aid only when its formula needs exceed the resources it can raise locally. In 2025–26, 50 of the 245 districts qualified — the largest urban systems plus many small rural districts. County lines are gray; district boundaries are a finer line.

1. Arcadia
2. Auburn
3. Bayard
4. Beatrice
5. Bellevue
6. Bennington
7. Cedar Bluffs
8. Chadron
9. Cody-Kilgore
10. Columbus
11. Cozad
12. Crawford
13. Crete
14. Elba
15. Fort Calhoun
16. Fremont
17. Gering
18. Grand Island
19. Gretna
20. Hastings
21. Hay Springs
22. Isanti Community School
23. Lexington
24. Lincoln
25. McCook
26. Medicine Valley
27. Milford
28. Minatare
29. Mitchell
30. Morrill
31. Nebraska City
32. Niobrara
33. Norfolk
34. North Platte
35. Omaha
36. Palmer
37. Palmyra OR-1
38. Plattsmouth
39. Schuyler
40. Scottsbluff
41. Sidney
42. South Sioux City
43. Southern Dist. 1
44. Stuart
45. Umo N Ho N Nation
46. Wakefield
47. Walthill
48. Winnebago
49. Wynot
50. Yutan

Source: Nebraska Dept. of Education, 2025/26 State Aid Certification (Doc. A1, State Aid Calculated by System), certified Feb. 2025. Equalized = equalization aid greater than $0. Boundaries: U.S. Census Bureau TIGER/Line 2022 unified school districts.

For districts outside the equalization formula, TEEOSA historically provided very little direct state support beyond allocated income tax funds. That dynamic (concentrated state investment in a minority of districts, and continued property tax reliance elsewhere) set the stage for the most significant changes to school funding since the formula's creation.

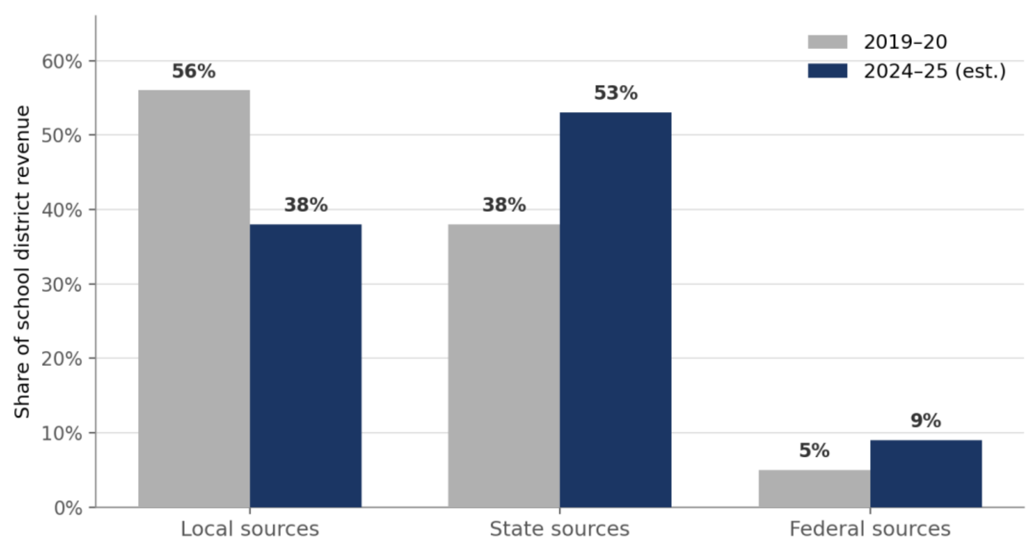
Recent Changes: Foundation Aid, Special Education, and the Education Future Fund

In 2023, the Legislature passed LB 583, described by supporters as the largest increase in state support for schools since TEEOSA's creation. The bill established foundation aid of $1,500 per student, guaranteeing that every district receives per-student state support regardless of its equalization status, and it committed the state, in combination with federal funds, to reimbursing 80% of districts' allowable special education costs, roughly doubling the prior share of an approximately 40%.[13]

Foundation aid interacts with the equalization formula. For the first two school years, a district's foundation aid counted fully as a formula resource, meaning equalized districts saw an offsetting reduction in equalization aid. Beginning with the 2025–26 school year, only 60% of foundation aid counts as a resource, allowing equalized districts to retain a net $600 per student in new funding.[14]

To pay for these commitments, the 2023 budget package created the Education Future Fund. By statute the fund is directed to first fully fund equalization aid, followed by special education reimbursement and then foundation aid, among other purposes.[15] Foundation aid draws roughly $113 million from the fund each year, while special education reimbursements grew from $227 million in the fund's first year to a projected $291 million in 2026–27.[16]

These changes have shifted the overall balance of school funding in Nebraska. In 2019–20, local sources supplied approximately 56% of school district revenue and state sources approximately 38%, the federal government supplied 5%. Estimates for 2024–25 indicate those shares have reversed positions, with the state providing nearly 53% and local sources 38%, the federal government supplied the remaining 9%.[17]



A Flipped Funding Picture: Shares of Nebraska School District Revenue

*Source: School Financing Review Commission, Abbreviated Annual Report (Nebraska Department of Education, February 2026). (*The sum of the 2019-20 Funding Amount Totals 99%, with 1% Attributable to Other)*

A Formula Under Review

TEEOSA's fourth decade finds the formula under continued scrutiny. The School Financing Review Commission, which began meeting in August 2025, is examining the school finance system and is expected to develop annual policy objectives, detailed proposals, and financial modeling for the Legislature's consideration, through an annual report due December 1st.[18] Some officials have called for replacing the formula entirely, arguing that it is too complex and reaches too few districts;

others emphasize that equalization remains the state's primary tool for directing aid where local resources fall short. Both perspectives are represented in the commission's ongoing work.

Questions also surround the Education Future Fund's long-term sustainability. Lawmakers reduced transfers into the fund to $242 million from the original amount of $250 million for FY2025-26[19] amid state budget pressures, and reporting based on state projections indicates the fund could be depleted within roughly five years absent additional revenue.[20]

The formula's complexity itself remains part of the debate. In late 2025, NDE identified a miscalculation in the poverty allowance that produced overpayments to three districts, including $30.5 million to Omaha Public Schools, while other equalized districts received less than they should have.[21] The department is correcting the error through the 2026–27 aid certification, an approach the State Auditor has questioned.[22]

Whether the Legislature refines TEEOSA or replaces it, the questions the formula was built to answer in 1990 remain the same: what it costs to educate a Nebraska student, how much of that cost local taxpayers should bear, and how the state should treat districts whose circumstances differ widely.

Please contact the Legislative Research Office in Room 1201 or at 402-471-2221 / lrd2@leg.ne.gov with any questions.

A note on data: Figures in this brief reflect the 2025–26 state aid certification and public reporting available as of July 2026, unless otherwise noted; the 2026–27 certification will change district-level amounts.

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[1] Nebraska Department of Education, School Finance & Organization Services; 2025/26 State Aid Calculated by System. https://www.education.ne.gov/wp-content/uploads/2025/02/2526SA_A1StateAidCalcBySystem.pdf

[2] Nebraska Department of Education School Finance & Organization Services. 2026/27 School District Budget Timeline. https://www.education.ne.gov/wp-content/uploads/2026/06/2627BudgetTimeline_June2026.pdf

[3] Nebraska Council of School Administrators. The TEEOSA. Nebraska School Finance & Organization. https://schoolfinance.ncsa.org/teeosa

[4] Nebraska Legislative Audit Office. (2022). Memorandum to the Legislative Performance Audit Committee: Tax Equity and Educational Opportunities Support Act. https://nebraskalegislature.gov/pdf/reports/audit/teeosa_2022.pdf

[5] Neb. Rev. Stat. §§ 79-1001 to 79-1033. https://nebraskalegislature.gov/laws/browse-chapters.php?chapter=79

[6] Nebraska Auditor of Public Accounts. (2026, February). Management letter: Nebraska Department of Education, July 1, 2024 through June 30, 2025. https://auditors.nebraska.gov/APA_Reports/2026/SA13-02062026-July_1_2024_through_June_30_2025_ACFR_Management_Letter.pdf

[7] Nebraska Department of Education. State aid. https://www.education.ne.gov/fos/state-aid/

[8] Nebraska Department of Education. (2025, February 27). 2025/26 state aid certification: TEEOSA document. https://www.education.ne.gov/wp-content/uploads/2025/02/2526SA_TEEOSADocument.pdf

[9] See supra note 7.

[10] See supra note 3.

[11] See supra note 1.

[12] Nebraska Department of Education, 2025/2026 Statistical Information for Public Schools. https://www.education.ne.gov/wp-content/uploads/2026/01/2526_StatInfo_rev01.26.26.pdf

[13] Laws Nebraska, LB583 (2023). https://www.nebraskalegislature.gov/FloorDocs/108/PDF/Slip/LB583.pdf

[14] See supra note 11.

[15] Neb. Rev. Stat. § 79-1021 (Education Future Fund). https://nebraskalegislature.gov/laws/statutes.php?statute=79-1021

[16] Nebraska Legislative Fiscal Office. (2025) State of Nebraska FY 2025-26 and 2026-27 Biennial Budget as enacted. Nebraska Legislature. https://nebraskalegislature.gov/pdf/reports/fiscal/2026budget_final.pdf

[17] School Financing Review Commission. (2026, February). Abbreviated annual report. Nebraska Department of Education. https://www.education.ne.gov/wp-content/uploads/2026/02/SFRC-Abbreviated-Report.pdf

[18] See supra note 16.

[19] See supra note 15.

[20] Nebraska Examiner. (2025, August). Nebraska's Education Future Fund on track to depletion within five years. https://nebraskaexaminer.com/2025/08/18/nebraskas-education-future-fund-on-track-to-depletion-within-five-years/

[21] Nebraska Public Media. (2025, December). Three Nebraska schools were overpaid in state funds. Others were shorted. https://nebraskapublicmedia.org/en/news/news-articles/three-nebraska-schools-were-overpaid-in-state-funds-others-were-shorted/

[22] Nebraska Public Media. (2026, May). State auditor questions decision to make Nebraska school districts repay state aid after miscalculation. https://nebraskapublicmedia.org/en/news/news-articles/state-auditor-questions-decision-to-make-nebraska-school-districts-repay-state-aid-after-miscalculation/