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Legislative Fiscal Office
PO Box 94604, State Capitol
Lincoln, NE 68509-4604

November 16, 2016

Mr. Patrick O'Donnell
Clerk of the Nebraska Legislature
Room 2018, State Capitol
Lincoln, NE 68509-4604

Dear Mr. O'Donnell;

As required by R.S. Supp. 2015, 77-2715.01(2), I am submitting to you at the direction of the Tax Rate Review Committee this letter and its attachments as the annual report of the Committee for 2016.

The attachments are reports reviewed by the Committee on July 25, 2016, and November 16, 2016. At each meeting the Committee determined there was no need to call the Legislature into special session to adjust tax rates.

Further, as required by law, this report incorporates by reference the most recent tax expenditure report prepared by the Department of Revenue, as set forth by R.S. Supp. 2014, 77-382. The most recent report may be accessed at the following web address: http://www.revenue.nebraska.gov/research/tax_esp_reports.html.

If you have any questions, please contact me at 402.471.0059.

Respectfully submitted on behalf of the Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Calvert".

Michael Calvert
Legislative Fiscal Analyst

Attachments

TAX RATE

REVIEW COMMITTEE

July 25, 2016

Required July Meeting Pursuant to Section 77-2715.01

Appropriations Committee Chair
Executive Board Chair
Speaker of the Legislature
Revenue Committee Chair
Tax Commissioner

Senator Heath Mello
Senator Bob Krist
Senator Galen Hadley
Senator Mike Gloor
Tony Fulton

Prepared by the Legislative Fiscal Office

Statutory Required Meetings

Section 77-2715.01 relates to the Legislature setting the sales and income tax rates and creates the Tax Rate Review Committee and its duties and responsibilities

“(1)(a) Commencing in 1987 the Legislature shall set the rates for the income tax imposed by section 77-2715 and the rate of the sales tax imposed by subsection (1) of section 77-2703. For taxable years beginning or deemed to begin before January 1, 2013, the rate of the income tax set by the Legislature shall be considered the primary rate for establishing the tax rate schedules used to compute the tax.

(b) The Legislature shall set the rates of the sales tax and income tax so that the estimated funds available plus estimated receipts from the sales, use, income, and franchise taxes will be not less than three percent nor more than seven percent in excess of the appropriations and express obligations for the biennium for which the appropriations are made. The purpose of this subdivision is to insure that there shall be maintained in the state treasury an adequate General Fund balance, considering cash flow, to meet the appropriations and express obligations of the state.

(c) For purposes of this section, express obligation shall mean an obligation which has fiscal impact identifiable by a sum certain or by an established percentage or other determinative factor or factors.

2) The Speaker of the Legislature and the chairpersons of the Legislature's Executive Board, Revenue Committee, and Appropriations Committee shall constitute a committee to be known as the Tax Rate Review Committee. The Tax Rate Review Committee shall meet with the Tax Commissioner within ten days after July 15 and November 15 of each year and shall determine whether the rates for sales tax and income tax should be changed. In making such determination the committee shall recalculate the requirements pursuant to the formula set forth in subsection (1) of this section, taking into consideration the appropriations and express obligations for any session, all miscellaneous claims, deficiency bills, and all emergency appropriations. The committee shall prepare an annual report of its determinations under this section. The committee shall submit such report electronically to the Legislature and shall append the tax expenditure report required under section 77-382.

In the event it is determined by a majority vote of the committee that the rates must be changed as a result of a regular or special session or as a result of a change in the Internal Revenue Code of 1986 and amendments thereto, other provisions of the laws of the United States relating to federal income taxes, and the rules and regulations issued under such laws, the committee shall petition the Governor to call a special session of the Legislature to make whatever rate changes may be necessary.”

Annual Report

LB962 enacted in the 2012 legislative session included a requirement that the Tax Rate Review Committee prepare an **annual** report of its determinations, submit such report electronically to the Legislature, and append the tax expenditure report required under section 77-382 to such annual report. As the Tax Rate Review Committee meets twice each year, for purposes of this provision the annual report will be prepared after the required November meeting.

Summary

1. Actual receipts for FY2015-16 were \$120.0 million below the forecast used at Sine Die of the 2016 Session which was the February 2016 forecast of the Nebraska Economic Forecast Advisory Board (NEFAB) plus \$8 million of revenue bills enacted in the 2016 Session. The \$95.0 million below forecast number from the Dept. of Revenue press release was the variance when compared to the **certified forecast** which was the October 2015 NEFAB forecast.

Tax rate and base adjusted revenue growth for FY2015-16 based on actual receipts is 0.3% compared to the 4.0% growth calculated per the February forecast. Nominal (actual) change from the prior year is .1%, less than \$3 million.

2. The projected General Fund financial status for the current biennium declines with the projected ending balance going from \$4.5 million **above** the minimum reserve to \$113.7 million **below** the minimum reserve. This \$118 million decline was virtually all related to the below forecast FY15-16 revenues.
3. The Cash Reserve Fund is projected at an unobligated balance of \$617.2 million taking into consideration transfers that are authorized for the State Capitol HVAC to FY2022-23. This is \$17 million less than the estimate at Sine Die 2016 which had included a potential \$17 million automatic transfer as the forecast at that time was \$17 million above the certified.
4. The current status is based on the existing revenue forecast for FY2016-17. The NEFAB will not meet to evaluate this existing FY16-17 revenue forecast until October. With the lower adjusted growth in FY15-16 actual receipts (+.3% vs 4.0% growth), the FY16-17 calculated growth is now 7.4% with the existing forecast compared to the Sine Die estimate of 4.0%
5. The projected financial status for the following biennium, FY2017-18 and FY2018-19, now shows a variance from the minimum reserve of a negative \$352.7 million compared to the Sine Die estimated shortfall of \$234 million. This revised shortfall figure only reflects the decline in the FY2015-16 revenues and does not yet reflect any potential changes in the FY17, FY18, or FY19 revenue numbers in light of the lower FY15-16 base.

Current General Fund Financial Status

(With FY2015-16 Actual Revenue & Expenditures)

	Actual FY2014-15	Actual FY2015-16	Current Year FY2016-17	Following FY2017-18	Biennium FY2018-19
<u>BEGINNING BALANCE</u>					
1 Beginning Cash Balance	673,683,437	732,273,130	531,652,199	150,658,346	37,078,822
2 Cash Reserve transfers-above certified prior yr	(96,721,232)	(84,599,532)	0	0	0
3 Unexpended FY15-16 obligations	0	0	(314,441,016)	0	0
4 Est lapse FY16 carryover obligations	0	0	0	0	0
5 Allocation for potential deficits	0	0	(5,000,000)	(5,000,000)	(5,000,000)
6 Unobligated Beginning Balance	576,962,205	647,673,598	212,211,183	145,658,346	32,078,822
<u>REVENUES</u>					
7 Net Receipts (Actual and Sine Die Adjusted)	4,305,099,326	4,307,981,275	4,567,238,000	4,738,297,000	4,932,539,000
8 General Fund transfers-out	(188,350,000)	(222,400,000)	(217,100,000)	(236,800,000)	(236,800,000)
9 General Fund transfers-in	in actual	in forecast	in forecast	0	0
10 Cash Reserve transfers-legislative	67,701,112	0	0	0	0
11 Accounting adjustment	1,264,795	(5,952,928)	0	0	0
12 General Fund Net Revenues	4,185,715,233	4,079,628,347	4,350,138,000	4,501,497,000	4,695,739,000
<u>APPROPRIATIONS</u>					
13 Expenditures/Appropriations	4,030,404,308	4,195,649,746	4,411,690,837	4,411,690,837	4,411,690,837
14 Projected budget actions (2016 Session)	--	--	--	198,385,687	396,566,717
15 "A" Bills (2016 Session)	0	0	0	0	0
16 General Fund Appropriations	4,030,404,308	4,195,649,746	4,411,690,837	4,610,076,524	4,808,257,554
<u>ENDING BALANCE</u>					
17 Dollar ending balance (Financial Status as shown)	732,273,130	531,652,199	150,658,346	37,078,822	(80,439,732)
18 Dollar ending balance (at Minimum Reserve)	--	--	264,391,455	--	272,268,767
19 Excess (shortfall) from Minimum Reserve	--	--	(113,733,109)	--	(352,708,499)
20 Biennial Reserve (%)	--	--	1.7%	--	-0.9%
<u>General Fund Budget</u>					
21 Annual % Change	7.0%	4.0%	3.3%	4.5%	4.3%
22 Two Year Average % Change	6.3%	--	3.7%	--	4.4%
<u>General Fund Revenues:</u>					
23 Adjusted Growth	6.2%	0.3%	7.4%	4.5%	4.5%
24 Two Year Average	4.7%	--	3.8%	--	4.5%
25 <u>Structural Revenues vs Appropriations</u>	87,609,813	(116,021,399)	(61,552,837)	(108,579,524)	(112,518,554)

CASH RESERVE FUND	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19
Beginning Balance	719,065,306	727,835,426	730,655,108	637,639,649	637,639,649
Excess of certified forecasts (line 3 in Status)	96,721,232	84,599,532	0	0	0
To/from Gen Fund per current law	(67,701,112)	0	0	0	0
To Nebr Capital Construction Fund (NCCF)	(14,500,000)	(60,079,850)	(43,015,459)	0	(20,436,714)
From State Patrol Cash Fund (ERROR)	(250,000)	0	0	0	0
To Republican River Compact Litigation Contingency F	(5,500,000)	0	0	0	0
To Oral Health Training and Services Fund	0	(8,000,000)	0	0	0
To Military Installation Infrastructure	0	(13,700,000)	0	0	0
To Transportation Infrastructure Fund	0	0	(50,000,000)	0	0
Ending Balance - Current Status	727,835,426	730,655,108	637,639,649	637,639,649	617,202,935

Changes in the Financial Status since Sine Die 2016

(millions of dollars)	FY16/FY17 Biennium	FY18/FY19 Biennium
1. Variance: Sine Die 2016 ----->	4,522,070	(234,452,166)
2. Carryover obligations from FY14-15	39,630	39,630
3. FY16 Actual vs Est General Fund Net Receipts	(120,018,725)	(120,018,725)
4. FY16 Actual vs Est Transfers-Out	0	0
5. FY16 Actual vs Est CRF transfers-automatic	17,000,000	17,000,000
6. FY16 Actual vs Est Accounting adjustment	(5,952,928)	(5,952,928)
7. Assumed lapse, FY16 unexpended	0	0
8. Impact of change in withholding (indexing)	(12,872,000)	(12,872,000)
9. Recalculate 3% minimum reserve	3,548,844	3,547,690
10. Total \$ Change Since Sine Die	(118,255,178)	(118,256,333)
11. Current Financial Status ----->	(113,733,109)	(352,708,499)

Accounting Adjustments:

Some of the "accounting adjustments" are transfers-out that are authorized in statute but not in specific amounts such as legislatively enacted transfers or occur on a deficit basis like the Dept. of Revenue tax enforcement transfer per tax amnesty legislation.

Transfer-Out Fund 21190 Convention Center Support	in refunds
Transfer-Out Fund 21195 Sports Arena Support	in refunds
Transfer-Out Fund 21540 & 21541 Dept of Revenue enforcement	(750,000)
Transfer-Out to Mutual Finance Assistance Fund, cash flow	(1,845,950)
Transfer-Out State Patrol drug purchases	(50,132)
All other accounting adjustments	(3,306,846)
Total Accounting adjustment	(5,952,928)

Lapse of Unexpended FY2015-16 Funds

Per the enacted appropriations bills, all unexpended appropriations from the first year of a biennium (FY15-16) are reappropriated to the second year of the biennium (FY16-17) except in a few certain instances. As encumbrances have not been certified in these instances, there are no assumed lapsed appropriations at this time. In any event the amount would likely be relatively small.

FY2015-16 Actual General Fund Receipts

Table 1 compares the various forecasts with actual receipts for FY2015-16. Table 2 shows actual receipts and adjusted growth for FY2015-16 and the previous five years, Table 3 shows a chronology of the FY2015-16 forecasts and Table 4 provides historical revenues and adjusted growth rates.

FY2015-16 actual receipts were \$120.0 million below the Sine Die estimates (February 2016 NEFAB forecast plus 2016 bills enacted) and \$95.0 million below the recertified forecast from October 2015.

Table 1 FY2015-16 Actual Receipts vs Forecast

	Cert July 2015 FY2015-16	Oct 2015 FY2015-16	Feb 2016 FY2015-16	Sine Die 2016 FY2015-16	Actual YTD FY2015-16	\$ Variance Cert July 2015	\$ Variance Oct 2015	\$ Variance Feb 2016	\$ Variance Sine Die 2016
GROSS RECEIPTS									
Sales and Use	2,203,857,000	2,144,065,000	2,130,255,000	2,130,255,000	2,094,468,144	(109,388,856)	(49,596,856)	(35,786,856)	(35,786,856)
Individual Income	2,697,418,000	2,706,356,000	2,725,613,000	2,725,613,000	2,641,879,625	(55,538,375)	(64,476,375)	(83,733,375)	(83,733,375)
Corporate Income	362,804,000	358,398,000	371,775,000	371,775,000	355,255,463	(7,548,537)	(3,142,537)	(16,519,537)	(16,519,537)
Miscellaneous	232,048,000	218,064,000	220,119,000	228,119,000	251,287,376	19,239,376	33,223,376	31,168,376	23,168,376
Total Gross Receipts	5,496,127,000	5,426,883,000	5,447,762,000	5,455,762,000	5,342,890,609	(153,236,391)	(83,992,391)	(104,871,391)	(112,871,391)
REFUNDS & CREDITS									
City Sales Tax	386,609,000	389,259,000	391,184,000	391,184,000	393,267,290	6,658,290	4,008,290	2,083,290	2,083,290
State Sales and Use	116,410,000	106,672,000	101,049,000	101,049,000	90,711,946	(25,698,054)	(15,960,054)	(10,337,054)	(10,337,054)
Sales tax to Highway Funds	77,319,000	74,096,000	73,699,000	73,699,000	73,155,324	(4,163,676)	(940,676)	(543,676)	(543,676)
CSI Turnback	9,246,000	9,038,000	9,323,000	9,323,000	9,310,274	64,274	272,274	(12,726)	(12,726)
Individual Income	398,947,000	406,356,000	405,613,000	405,613,000	420,790,809	21,843,809	14,434,809	15,177,809	15,177,809
Corporate Income	33,680,000	38,398,000	46,775,000	46,775,000	47,585,769	13,905,769	9,187,769	810,769	810,769
Miscellaneous	60,000	64,000	119,000	119,000	87,922	27,922	23,922	(31,078)	(31,078)
Total Refunds/Credits	1,022,271,000	1,023,883,000	1,027,762,000	1,027,762,000	1,034,909,334	12,638,334	11,026,334	7,147,334	7,147,334
NET RECEIPTS									
Sales and Use	1,614,273,000	1,565,000,000	1,555,000,000	1,555,000,000	1,528,023,310	(86,249,690)	(36,976,690)	(26,976,690)	(26,976,690)
Individual Income	2,298,471,000	2,300,000,000	2,320,000,000	2,320,000,000	2,221,088,817	(77,382,183)	(78,911,183)	(98,911,183)	(98,911,183)
Corporate Income	329,124,000	320,000,000	325,000,000	325,000,000	307,669,694	(21,454,306)	(12,330,306)	(17,330,306)	(17,330,306)
Miscellaneous	231,988,000	218,000,000	220,000,000	228,000,000	251,199,455	19,211,455	33,199,455	31,199,455	23,199,455
Total Net Receipts	4,473,856,000	4,403,000,000	4,420,000,000	4,428,000,000	4,307,981,275	(165,874,725)	(95,018,725)	(112,018,725)	(120,018,725)
ADJUSTED GROWTH									
Sales/Use	7.5%	4.4%	2.5%	2.5%	0.9%	na	na	na	na
Ind Income	5.3%	5.3%	5.9%	5.9%	1.3%	na	na	na	na
Corp Income	-3.3%	-5.8%	-3.1%	-3.1%	-9.1%	na	na	na	na
Misc Receipts	2.6%	-5.6%	8.9%	8.9%	3.9%	na	na	na	na
Total GF Revenues	5.3%	3.6%	4.0%	4.0%	0.3%	na	na	na	na

	Cert July 2015 FY2015-16	Oct 2015 FY2015-16	Feb 2016 FY2015-16	Sine Die 2016 FY2015-16	Actual YTD FY2015-16	\$ Variance Cert July 2015	\$ Variance Oct 2015	\$ Variance Feb 2016	\$ Variance Sine Die 2016
TOTAL BY MONTH									
July	248,038,000	250,936,000	250,937,000	250,937,000	250,936,331	2,898,331	331	(669)	(669)
August	374,948,000	385,187,000	385,187,000	385,187,000	385,186,834	10,238,834	(166)	(166)	(166)
September	467,007,000	440,847,000	440,845,000	440,845,000	440,846,015	(26,160,985)	(985)	1,015	1,015
October	245,969,000	225,230,000	225,230,000	225,230,000	225,230,579	(20,738,421)	579	579	579
November	359,520,000	365,282,000	369,732,000	369,732,000	369,731,822	10,211,822	4,449,822	(178)	(178)
December	388,935,000	383,439,000	368,719,000	368,719,000	368,719,470	(20,215,530)	(14,719,530)	470	470
January	374,872,000	366,176,000	371,698,000	371,698,000	371,697,375	(3,174,625)	5,521,375	(625)	(625)
February	290,522,000	277,419,000	279,051,000	279,051,000	279,050,673	(11,471,327)	1,631,673	(327)	(327)
March	363,283,000	342,571,000	365,918,000	365,918,000	327,084,257	(36,198,743)	(15,486,743)	(38,833,743)	(38,833,743)
April	543,587,000	548,908,000	547,073,000	547,073,000	496,364,631	(47,222,369)	(52,543,369)	(50,708,369)	(50,708,369)
May	375,616,000	378,609,000	370,763,000	370,763,000	378,942,906	3,326,906	333,906	8,179,906	8,179,906
June	441,559,000	438,396,000	444,847,000	452,847,000	414,190,381	(27,368,619)	(24,205,619)	(30,656,619)	(38,656,619)
Total GF Revenues	4,473,856,000	4,403,000,000	4,420,000,000	4,428,000,000	4,307,981,275	(165,874,725)	(95,018,725)	(112,018,725)	(120,018,725)

Table 2 Actual Receipts and Adjusted Growth

	Actual FY2010-11	Actual FY2011-12	Actual FY2012-13	Actual FY2013-14	Actual FY2014-15	Actual FY2015-16
<u>GROSS RECEIPTS</u>						
Sales and Use	1,762,331,823	1,853,017,046	1,944,467,714	2,040,600,845	2,077,971,811	2,094,468,144
Individual Income	2,071,513,011	2,179,319,782	2,492,601,926	2,418,603,017	2,585,182,066	2,641,879,626
Corporate Income	220,565,785	262,094,785	318,145,131	338,342,475	377,110,289	355,255,463
Miscellaneous	236,766,768	201,889,679	200,072,864	225,324,574	217,791,194	251,287,376
Total Gross Receipts	4,291,177,387	4,496,321,292	4,955,287,635	5,022,870,911	5,258,055,360	5,342,890,609
<u>REFUNDS & CREDITS</u>						
City Sales Tax	307,421,792	329,186,366	339,311,365	359,731,013	373,538,071	393,267,290
State Sales and Use	82,125,998	86,921,307	130,213,708	96,256,946	86,725,977	90,711,947
Sales tax to Highway Funds	0	0	0	59,819,123	73,742,441	73,155,323
CSI Turnback	transfer-out	transfer-out	transfer-out	transfer-out	8,543,052	9,310,274
Individual Income	336,304,411	356,435,528	390,689,885	35,784,413	379,718,163	420,790,809
Corporate Income	65,620,819	27,828,548	42,582,141	31,751,448	30,632,911	47,585,769
Miscellaneous	49,275	60,763	131,926	60,028	52,664	87,922
Total Refunds/Credits	791,522,296	800,432,512	902,929,025	905,462,679	952,953,279	1,034,909,334
<u>NET RECEIPTS</u>						
Sales and Use	1,372,784,033	1,436,909,373	1,474,942,641	1,524,793,763	1,535,422,270	1,528,023,310
Individual Income	1,735,208,600	1,822,884,254	2,101,912,041	2,060,758,896	2,205,463,903	2,221,088,817
Corporate Income	154,944,966	234,266,237	275,562,990	306,591,027	346,477,378	307,669,694
Miscellaneous	236,717,493	201,828,916	199,940,938	225,264,546	217,738,529	251,199,454
Total Net Receipts	3,499,655,092	3,695,888,780	4,052,358,610	4,117,408,232	4,305,102,080	4,307,981,275
<u>ADJUSTED GROWTH</u>						
Sales/Use	5.7%	4.9%	5.2%	5.1%	2.5%	0.9%
Ind Income	13.8%	5.0%	8.6%	3.0%	8.3%	1.3%
Corp Income	3.9%	30.9%	9.0%	11.0%	13.8%	-9.1%
Misc Receipts	3.0%	-6.4%	6.1%	2.6%	1.1%	3.9%
Total GF Revenues	9.4%	5.8%	7.2%	4.4%	6.2%	0.3%

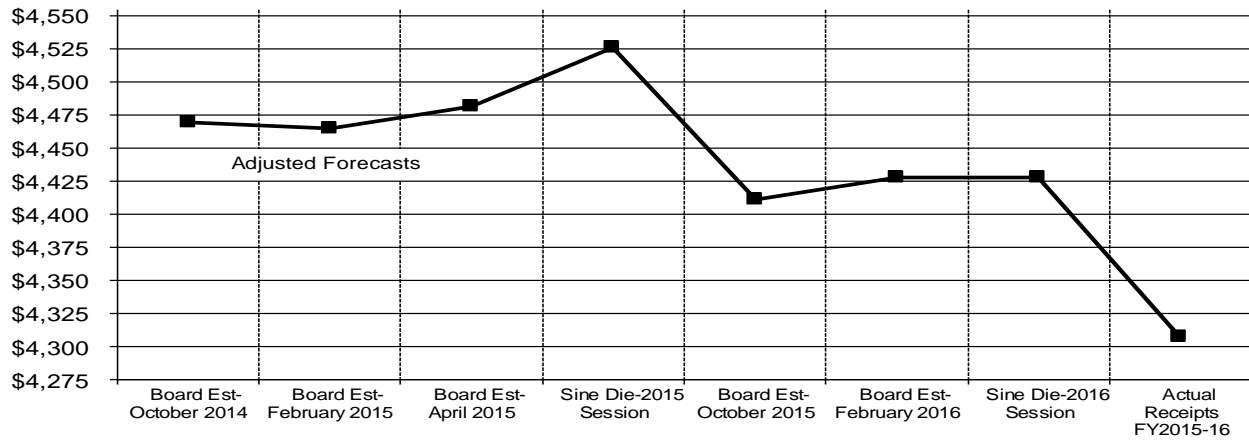
	Actual FY2010-11	Actual FY2011-12	Actual FY2012-13	Actual FY2013-14	Actual FY2014-15	Actual FY2015-16
<u>TOTAL BY MONTH</u>						
July	179,591,989	200,410,336	221,623,977	231,361,095	241,017,843	250,936,331
August	321,595,200	328,095,462	334,866,833	341,465,610	354,034,166	385,186,834
September	340,792,100	352,198,248	393,941,658	426,483,667	463,293,528	440,846,015
October	191,162,664	222,675,821	228,084,028	230,928,322	222,458,009	225,230,579
November	294,317,381	304,541,302	315,022,112	327,105,697	342,333,466	369,731,822
December	297,308,646	315,752,839	363,239,068	348,464,354	400,121,553	368,719,470
January	289,870,265	332,895,309	350,993,211	363,606,001	348,079,334	371,697,375
February	213,827,526	227,923,183	216,047,077	258,546,817	284,440,044	279,050,673
March	267,811,221	294,885,808	273,456,199	350,418,319	346,282,987	327,084,257
April	404,453,871	427,308,325	625,588,045	482,691,430	534,565,192	496,364,631
May	340,367,174	337,561,396	339,136,046	332,936,184	348,011,694	378,942,906
June	358,557,057	351,640,752	390,360,355	423,400,735	420,464,264	414,190,381
Total GF Revenues	3,499,655,092	3,695,888,781	4,052,358,610	4,117,408,232	4,305,102,080	4,307,981,275

Table 3 Chronology of FY2015-16 Revenue Forecasts

	FY2015-16 Revenue Forecasts (Thousands of \$)					Change Due to:			
	Sales/Use	Individual	Corporate	Misc	Total	Forecast	Fed Law	Bills	Total
Board Est-October 2014	1,640,000	2,268,000	320,000	190,000	4,418,000				
Board Est-February 2015	1,615,000	2,285,000	330,000	183,000	4,413,000	(5,000)	0	0	(5,000)
Board Est-April 2015	1,615,000	2,300,000	330,000	185,000	4,430,000	17,000	0	0	17,000
Sine Die-2015 Session	1,614,273	2,298,471	329,124	231,988	4,473,856	43,856	0	0	43,856
Board Est-October 2015	1,565,000	2,300,000	320,000	218,000	4,403,000	(114,712)	0	43,856	(70,856)
Board Est-February 2016	1,555,000	2,320,000	325,000	220,000	4,420,000	17,000	0	0	17,000
Sine Die-2016 Session	1,555,000	2,320,000	325,000	228,000	4,428,000	0	0	8,000	8,000
Actual Receipts FY2015-16	1,528,023	2,221,089	307,670	251,199	4,307,981	(120,019)	0	0	(120,019)
Change from first NEFAB forecast to actual	(111,977)	(46,911)	(12,330)	61,199	(110,019)	(161,875)	0	51,856	(110,019)

Chronology of FY2015-16 Forecasts

Prior forecasts adjusted for subsequent legislation and federal tax changes



Chronology of FY2014-15 Forecasts

Adjusted for legislation and federal tax changes

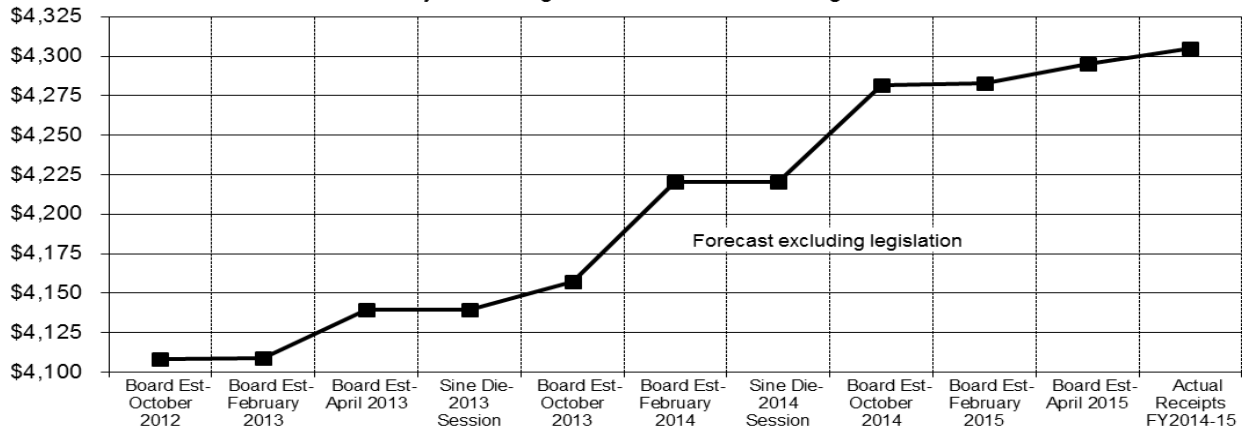
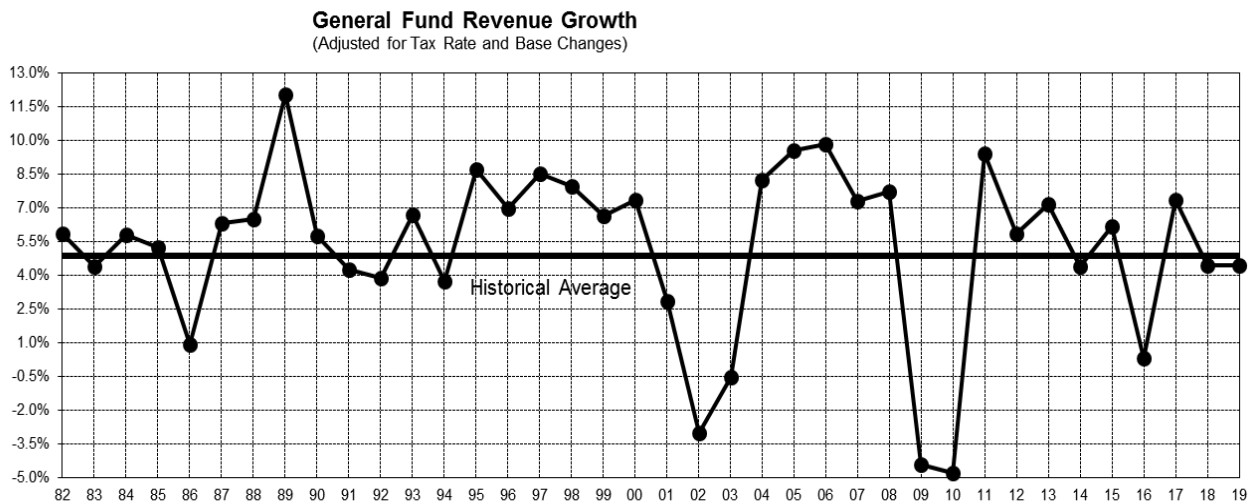


Table 4 Historical and Projected Revenues

	Sales	Individual	Corporate	Miscellaneous	Total	Adjusted Growth
FY 1995-96 Actual	711,008,684	846,550,249	126,801,468	152,380,385	1,836,740,786	7.0%
FY 1996-97 Actual	755,907,807	944,117,130	137,337,967	172,241,113	2,009,604,017	8.5%
FY 1997-98 Actual	803,805,374	981,643,795	142,150,133	177,852,119	2,105,451,422	8.0%
FY 1998-99 Actual	744,650,752	1,078,522,994	135,033,658	165,661,901	2,123,869,305	6.7%
FY 1999-00 Actual	900,427,469	1,180,363,301	140,021,942	183,111,959	2,403,924,670	7.4%
FY 2000-01 Actual	905,023,176	1,233,363,553	138,040,082	180,435,044	2,456,861,855	2.9%
FY 2001-02 Actual	918,889,782	1,159,810,647	107,628,074	179,180,246	2,365,508,749	-3.0%
FY 2002-03 Actual	1,028,931,065	1,129,421,651	111,597,406	186,449,714	2,456,399,836	-0.5%
FY 2003-04 Actual	1,114,374,321	1,249,890,025	167,429,431	187,033,230	2,718,727,007	8.3%
FY 2004-05 Actual	1,231,011,089	1,400,076,680	198,380,442	207,726,086	3,037,194,297	9.5%
FY 2005-06 Actual	1,263,678,691	1,545,338,061	262,295,456	280,875,316	3,352,187,524	9.9%
FY 2006-07 Actual	1,303,826,416	1,650,895,394	213,027,010	240,582,953	3,408,331,773	7.3%
FY 2007-08 Actual	1,321,867,139	1,726,145,405	232,851,654	225,298,373	3,506,162,571	7.7%
FY 2008-09 Actual	1,326,161,017	1,600,418,236	198,483,786	232,405,148	3,357,468,187	-4.4%
FY 2009-10 Actual	1,289,796,877	1,514,830,114	154,332,137	245,720,545	3,204,679,673	-4.8%
FY 2010-11 Actual	1,372,784,033	1,735,208,600	154,944,966	236,717,493	3,499,655,092	9.4%
FY 2011-12 Actual	1,436,909,373	1,822,884,254	234,266,238	201,828,916	3,695,888,781	5.9%
FY 2012-13 Actual	1,474,942,641	2,101,912,041	275,562,990	199,940,938	4,052,358,610	7.2%
FY 2013-14 Actual	1,524,793,763	2,060,758,896	306,591,027	225,264,546	4,117,408,232	4.4%
FY 2014-15 Actual	1,535,419,516	2,205,463,903	346,477,378	217,738,529	4,305,099,326	6.2%
FY 2015-16 Actual	1,528,023,310	2,221,088,817	307,669,694	251,199,454	4,307,981,275	0.3%
FY 2016-17 NEFAB (Feb+bill+WH)	1,607,111,000	2,427,203,000	310,000,000	222,924,000	4,567,238,000	7.4%
FY 2017-18 LFO Prelim	1,692,417,000	2,541,322,000	318,988,000	185,570,000	4,738,297,000	4.5%
FY 2018-19 LFO Prelim	1,780,851,000	2,649,130,000	323,988,000	178,570,000	4,932,539,000	4.5%
AVERAGE GROWTH (adjusted)						
Five Yr Financial Status (FY15 to FY19 Status)	3.8%	5.7%	2.0%	1.4%	4.52%	
Above Average Years (23)	5.6%	9.1%	11.8%	3.5%	7.3%	
Below Average Years (12)	1.5%	2.0%	-5.8%	0.5%	1.0%	
Historical Average (35 yrs)	4.2%	6.5%	4.6%	1.0%	4.9%	



Cash Reserve Fund

	Beginning Balance	Direct Deposit and Interest	Automatic Transfers (1)	Legislative Transfers (2)		Cash Flow	Ending Balance	EB as % of revenues
				Gen Fund	Other Funds			
FY1983-84	0	37,046,760	na	0	0	0	37,046,760	4.7%
FY1984-85	37,046,760	(1,472,551)	na	0	0	0	35,574,209	4.5%
FY1985-86	35,574,209	227,855	na	(13,500,000)	0	0	22,302,064	2.7%
FY1986-87	22,302,064	1,428,021	na	0	0	0	23,730,085	2.7%
FY1987-88	23,730,085	1,654,844	na	0	(7,700,000)	0	17,684,929	1.7%
FY1988-89	17,684,929	139,000	na	32,600,000	0	0	50,423,929	4.4%
FY1989-90	50,423,929	113,114	na	(10,500,000)	0	0	40,037,043	3.5%
FY1990-91	40,037,043	0	na	(8,100,000)	0	0	31,937,043	2.3%
FY1991-92	31,937,043	0	na	(5,000,000)	0	0	26,937,043	1.8%
FY1992-93	26,937,043	0	na	(9,500,000)	0	0	17,437,043	1.1%
FY1993-94	17,437,043	0	3,063,462	7,250,000	0	0	27,750,505	1.7%
FY1994-95	27,750,505	0	(8,518,701)	7,250,000	(6,000,000)	0	20,481,804	1.2%
FY1995-96	20,481,804	0	(20,481,804)	18,189,565	0	0	18,189,565	1.0%
FY1996-97	18,189,565	0	19,740,786	3,032,333	0	0	40,962,684	2.0%
FY1997-98	40,962,684	0	91,621,018	0	0	0	132,583,702	6.3%
FY1998-99	132,583,702	0	111,616,422	(96,500,000)	(2,000,000)	0	145,700,124	6.9%
FY1999-00	145,700,124	0	20,959,305	3,500,000	(28,000,000)	0	142,159,429	5.9%
FY2000-01	142,159,429	0	77,576,670	(24,500,000)	(25,000,000)	0	170,236,099	6.9%
FY2001-02	170,236,099	0	0	(59,800,000)	(370,000)	0	110,066,099	4.7%
FY2002-03	110,066,099	66,476,446	0	(87,400,000)	0	(30,000,000)	59,142,545	2.4%
FY2003-04	59,142,545	59,463,461	0	(61,191,862)	(385,807)	30,000,000	87,028,337	3.2%
FY2004-05	87,028,337	8,170,556	108,727,007	(26,000,000)	(758,180)	0	177,167,720	5.8%
FY2005-06	177,167,720	0	261,715,297	0	(165,266,227)	0	273,616,790	8.2%
FY2006-07	273,616,790	0	259,929,524	(15,674,107)	(1,784,416)	0	516,087,791	15.1%
FY2007-08	516,087,791	0	191,436,773	(60,177,767)	(101,801,000)	0	545,545,797	15.6%
FY2008-09	545,545,797	0	116,976,571	(54,990,505)	(29,340,000)	0	578,191,863	17.2%
FY2009-10	578,191,863	0	0	(105,000,000)	(5,990,237)	0	467,201,626	14.6%
FY2010-11	467,201,626	0	0	(154,000,000)	0	0	313,201,626	8.9%
FY2011-12	313,201,626	8,422,528	145,155,092	(37,000,000)	3,560,802	(4,461,676)	428,878,372	11.6%
FY2012-13	428,878,372	0	104,789,781	(78,000,000)	(76,008,427)	4,461,676	384,121,402	9.5%
FY2013-14	384,121,402	0	285,292,610	49,400,000	251,294	0	719,065,306	17.5%
FY2014-15	719,065,306	0	96,721,232	(67,701,112)	(20,250,000)	0	727,835,426	16.9%
FY2015-16	727,835,426	0	84,599,532	0	(81,779,850)	0	730,655,108	17.0%
FY2016-17 Est	730,655,108	0	0	0	(93,015,459)	0	637,639,649	14.0%
FY2017-18 Est	637,639,649	0	0	0	0	0	637,639,649	13.5%
FY2018-19 Est	637,639,649	0	0	0	(20,436,714)	0	617,202,935	12.5%

(1) Automatic transfers reflect the prior year variance from forecast. For example the \$84.6 million transfer in FY15-16 actually reflects FY14-15 "excess" receipts compared to the certified forecast. Prior to FY95-96 the transfers occurred in all cases. After FY95-96 transfers only occurred if receipts were above forecast.

(2) Legislative transfers are enacted by legislation and include transfers to the General Fund or other funds.

Projected Budget – FY18/FY19 Following Biennium

For the “following biennium” (FY2017-18 and FY2018-19), the budget numbers reflect the annualized impact of the current budget actions plus an estimate of future year increases in entitlement programs, salary and health insurance increases, and other funding requirements that are normally not optional. It is an estimate based on “current law”, i.e. an estimate of future obligations with no change to underlying law that creates the obligation.

Table 5 Projected Budget Increases-Following Biennium
(includes on-going impact of 2016 budget actions)

<i>Dollar Changes from FY17 Base Year</i>	Annual % Change			Projected Increases	
	FY18	FY19	2 Yr Avg	FY2017-18	FY2018-19
FY2016-17 Base Appropriation				4,411,690,837	4,411,690,837
Aid to K-12 Schools (TEEOSA GF only)	5.5%	5.7%	5.6%	51,984,195	109,013,364
Special Education	2.5%	2.5%	2.5%	5,551,578	11,241,945
Community Colleges	3.5%	3.5%	3.5%	3,528,991	7,181,496
Homestead Exemption	3.1%	3.0%	3.0%	2,213,550	4,455,407
Aid to ESU's	2.5%	2.5%	2.5%	351,294	711,370
Medicaid	5.5%	5.5%	5.5%	46,764,264	96,100,562
Public Assistance	6.0%	6.0%	6.0%	6,485,644	13,360,427
Children's Health Insurance (SCHIP)	9.8%	9.4%	9.6%	629,222	1,293,051
Child Welfare Aid	6.0%	6.0%	6.0%	8,728,956	17,175,085
Developmental Disability aid	4.0%	4.0%	4.0%	6,026,719	12,294,507
Behavioral Health aid	2.5%	2.5%	2.5%	1,846,119	3,738,391
Employee Salaries	2.5%	2.5%	2.5%	26,259,026	53,174,527
Employee Health Insurance	10.0%	10.0%	10.0%	16,432,488	34,508,225
Operations increase	2.0%	2.0%	2.0%	5,790,778	11,697,373
Justice Reinvestment Act (LB605-2015)	--	--	--	4,536,736	7,850,305
Inmate per diem costs	3.0%	3.0%	3.0%	1,935,038	3,928,127
Juvenile Services reform	5.4%	5.0%	5.2%	703,176	1,427,447
Construction	--	--	reaffirm only	9,529,333	8,727,526
All Other			na	(911,420)	(1,312,418)
Total General Fund Increases (Biennial Basis)	4.4%	4.2%	4.3%	198,385,687	396,566,717
Projected Appropriation per Financial Status				4,610,076,524	4,808,257,554

About 27% the total projected budget increase in the next biennium is TEEOSA school aid as projected under the current statute. General Funds for TEEOSA school aid is projected to increase by 5.5% in FY18 and 5.7% in FY19

Another 24% of the projected increase is in Medicaid with an average growth of 5.5% per year. This reflects projected growth of 3.0% per year for population, client eligibility and utilization and 2.5% per year for provider rates.

Another 22% of the projected increase is for employee salary and health insurance increases, 2.5% per year for salaries and 10% per year for health insurance. This is applied to the University of Nebraska and State Colleges as well as state agencies.

AID TO LOCAL GOVERNMENTS

TEEOSA State Aid to Schools - The numbers shown here for FY18 and FY19 are Legislative Fiscal Office estimates used at Sine Die 2016. They are derived based on the same methodology utilized for the fall meeting required under current law for the proposed biennial budget. They are based on the TEEOSA aid formula as amended in the 2016 legislative session. The estimates reflect a growth in overall school aid of 5.5% in FY18 and 5.7% in FY19

Special Education - Increases for FY18 and FY19 reflect a 2.5% per year increase. Although statute allows for a growth up to 10% the 2.5% is equal to the basic allowable growth rate under the K-12 school spending limitation and TEEOSA calculations.

Aid to Community Colleges - A 3.5% per year annual increase is included for the following biennium budget reflecting increased state aid to support operations budget increases. This increase amounts to about a \$3.5 million per year increase.

Homestead Exemption - A 3% per year annual increase is included for the following biennium budget reflecting some level of inflationary increases.

Aid to ESU's - The amount of aid to ESU's is based on funding of a certain level of core services and technology infrastructure. Growth in aid is set at the same rate as the basic allowable growth rate under the K-12 school spending limitation (2.5% per year).

AID TO INDIVIDUALS

Medicaid - For the following biennium, the average growth is 5.5% per year. This reflects projected growth of 3.0% per year for population client eligibility and utilization and 2.5% per year for provider rates. This estimate also assumes no change from the FFY17 FMAP of 51.85%.

Public Assistance and Child Welfare - A basic growth rate of 6.0% per year is utilized for the various Public Assistance programs for the following biennium. This reflects projected growth of 3% per year for population client eligibility and utilization and 2.5% per year for provider rates, and 6% for child care rates.

Children's Health Insurance (SCHIP) - For the following biennium, a 9% per year increase is used. The large increase reflects a base growth of 5.5% (the same as Medicaid) plus additional General Funds to pick up the 5.5% percent increase in the fixed \$5 million amount allocated from the Health Care Cash Fund. The large percent growth but relatively modest dollar amount is due to the fact that the General Fund base is very low due to the expanded federal match rate (23%) from the Affordable Care Act (ACA). This ACA enhanced match rate expires Sept 2019 (end of FFY2019) but won't have an effect until FY2019-20.

Developmental Disability Aid - A 4% per year increase is included. This provides the equivalent of 2.5% per year for rate equity similar to the employee salary assumption and 1.5% for clients transitioning from K-12 programs. As this projected budget assumes no expanded programs, nothing is assumed for funding of the waiting list.

Behavioral Health Aid - This area includes substance abuse and mental health aid. The increases in the following biennium reflect a 2.5% increase to reflect some annual increase in provider rates.

AGENCY OPERATIONS / CONSTRUCTION

Employee Salary Increases - Although salary increases will be the result of bargaining, some level of increase is factored in more for illustration than planning purposes. A 2.5% per year

increase is included which approximates inflation and the current biennium funding.

Employee Health Insurance - For planning purposes, a 10% per year increase in health insurance is included for the following biennium. Because rates have been flat for the past several years due to coverage and program changes and drawing down fund balances, this higher growth is utilized to anticipate a potential hike in rates.

Operations Inflation - Included in the projected status is a general 2% increase in agency non-personnel operating costs. Although not provided as an across the board increase, this amount historically covers increases in utility costs at state and higher education facilities as well as food and other inflationary cost increases at 24/7 state facilities such as veterans homes, BSDC, and correctional facilities

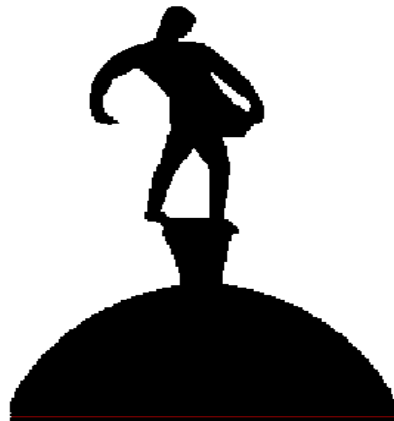
Inmate Per Diem Costs - While some costs at the Dept. of Correctional Services such as staffing are “fixed” within a range of inmate population, some costs change directly with each inmate. This includes items such as food, clothing, and medical care. A 3% per year increase is included to reflect both inflationary costs and an increase in the number of inmates.

Justice Reinvestment Act (LB605-2015) - In the 2015 session, the Legislature enacted LB 605 to begin addressing overcrowding in the correctional system. LB 605 expands the use of probation in lieu of incarceration, ensures that more people receive supervision upon release from prison, and bolsters parole supervision practices to reduce recidivism. Costs are projected to increase over the following two years as more offenders are applicable to the bill provisions.

<u>Estimated GF Costs – LB 605</u>	<u>FY2015-16</u>	<u>FY2016-17</u>	<u>FY2017-18</u>	<u>FY2018-19</u>
Probation (Field)	475,592	2,959,038	4,544,636	5,501,962
Probation (Reporting Centers)	769,373	1,785,628	2,521,759	2,997,807
Probation (Administration)	427,435	1,053,813	1,531,990	1,735,210
Probation (Offender Program Expenses)	664,500	3,721,740	5,162,351	6,411,390
Court Administration	308,328	422,651	718,870	1,146,806
Subtotal - Courts	2,645,228	9,942,870	14,479,606	17,793,175
Corrections (net)*	(882,182)	(5,603,284)	(5,603,284)	(5,603,284)
Crime Commission	0	600,109	600,109	600,109
Total General Funds	1,763,046	4,939,695	9,476,431	12,790,000

Capital Construction - General Fund dollars included in the projected budget for the following biennium for capital construction reflect reaffirmations only based on the enacted FY16/FY17 biennial budget. These are dollar amounts needed to complete funding of previously approved projects. The \$9 million increase reflects new funding for the State Capitol HVAC system replacement. This project was funded with a large appropriation in FY14-15 which was carried forward to cover costs for the current biennium.

Tax Rate Review Committee November 2016



***Required November Meeting
Pursuant to Section 77-2715.01***

**Appropriations Committee Chair
Executive Board Chair
Speaker of the Legislature
Revenue Committee Chair
Tax Commissioner**

**Senator Heath Mello
Senator Bob Krist
Senator Galen Hadley
Senator Mike Gloor
Tony Fulton**

**Prepared by the Legislative Fiscal Office
November 16, 2016**

Summary

This report includes a current projected General Fund Financial Status for the upcoming FY2017-18 and FY2018-19 Biennial Budget. This biennium had been shown as the “out years” in previous financial status. For planning purposes, this report also incorporates a new estimated financial status for the “out years” bringing in the FY2019-20 and FY2020-21 biennium. Assumptions for construction of the status for the upcoming biennium and estimates for the following biennium are discussed individually later in this report

These estimates are based on (1) current law, (2) October Forecast Board projections for FY17, FY18 and FY19, (3) revenue projections for the following biennium using the “historical average” methodology, and (4) an initial pre-session assessment of General Fund appropriations under current law using both agency requests and historical trends.

Projected Shortfall

The projected financial status shows an ending balance \$895.2 million ***below*** the minimum reserve for the upcoming FY17-18 / FY18-19 biennial budget. In the absence of any budget actions to rebalance the FY17/FY19 biennium, this projected “shortfall” grows to \$1.2 billion million in the following biennium, FY19-20 / FY20-21 biennium.

This projected shortfall is the cumulative impact of a large negative imbalance between on-going revenues and appropriations in FY17, FY18 and FY19. This large negative gap was started when FY16 actual receipts were \$120 million below the last forecast and resulted in a revenue growth of only .3%. This negative gap continued to grow into the next three years with the October forecasts which yielded below average revenue growth coming after the very low growth in FY16.

One bit of good news is the negative structural operating gap shrinks significantly in the “out years” when the historical average methodology yields revenue growth of roughly 6% per year and the projected spending growth averages 4%.

Revenue Growth

Revenue growth (adjusted for rate and base changes) continues to be below average for the upcoming biennium. Revenue estimates for FY2016-17, FY2017-18, and FY2018-19 are the October 2016 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Revenue growth implied by these current forecasts is 3.4% in FY16-17, 4.0% in FY17-18 and 4.6% in FY18-19. Note that the 3.4% growth in FY16-17 comes after a 0.3% growth in FY2015-16,

For the “following biennium”, revenue growth is calculated at 6% per year using the historical average methodology. The target growth is the historical average of 4.9% but adjusted down to 4.7% to exclude growth that is now negated by indexing of the income tax brackets. These calculated amounts are at the low end of preliminary, unofficial estimates prepared by the Nebraska Dept. of Revenue (NDR) and Legislative Fiscal Office (LFO) using IHS Economics and Moody’s forecasting information.

Spending Growth

For purposes of this report, projected spending growth is not derived based on what results in a balanced budget but is our best estimate of the costs of maintaining existing programs and services. These estimates reflect a basic continuation budget, including only those increases related either to entitlement programs, legislative intent, or costs to implement previously enacted legislative actions

and reflect existing statute and policies. This then provides a benchmark from which policy makers can examine the changes to statute and policy choices that are necessary to then actually balance the budget.

In many cases, the projected increases for the upcoming biennial budget (FY2017-18 and FY2018-19) reflect agency requests for the items shown while estimated increases for the following biennium (FY2019-20 and FY2020-21) are based on historical trends. No new or expanded programs are included. *In many cases, rationales for the FY18 and FY19 requests are incomplete as these requests are currently under analysis.*

Overall the projected budget results in a budget growth of 4.5% in FY2017-18 and 3.6% in FY2018-19, a 4.1% two year average. To some extent, this reflects relatively modest growth in Medicaid and other DHHS aid programs which collectively average a 4.5% increase per year over the biennium. The large increase for defined benefit retirement programs in FY18 accounts for the equivalent of .5% of the higher first year growth in appropriations.

With respect to Correctional Services, this projected budget includes no new monies related to prison population and reform other than a reallocation of funding for housing inmates in county jails which was set to expire at the end of this biennium. When funded, this program was considered one-time as longer term solutions were to be addressed as part of the prison population reform.

	Projected Increase to FY17 Base Year	FY2017-18	FY2018-19	Two Yr total	% of Total
1	TEEOSA Aid to Schools (General Funds only)	50,004,326	108,502,039	158,506,365	28.0%
2	Medicaid (other than FMAP)	50,857,871	88,689,157	139,547,028	24.6%
3	General Increase (University+Colleges)	25,638,375	52,915,513	78,553,888	13.9%
4	Salaries+Health Insurance (Agencies)	18,182,962	37,173,379	55,356,341	9.8%
5	Retirement, K-12 School / Judges / Patrol	16,753,696	18,069,657	34,823,353	6.2%
6	Child Welfare aid (other than FMAP)	11,654,744	14,852,921	26,507,665	4.7%
7	Capital Construction (reaffirmations only)	9,529,333	8,727,526	18,256,859	3.2%
8	Developmental Disability aid (other than FMAP)	5,765,976	11,460,861	17,226,837	3.0%
9	Special Education	5,551,578	11,241,945	16,793,523	3.0%
10	Public Assistance (other than FMAP)	7,828,059	8,549,009	16,377,068	2.9%
11	LB 605 Justice Reinvestment Act (Courts)	4,420,235	7,412,851	11,833,086	2.1%
12	Community Colleges	3,528,991	7,181,496	10,710,487	1.9%
13	Staffing, programs, equipment (Corrections)	4,607,147	4,607,147	9,214,294	1.6%
14	Homestead Exemption	2,285,000	4,385,000	6,670,000	1.2%
15	Specific Items (University)	3,000,000	3,000,000	6,000,000	1.1%
16	Behavioral health aid (other than FMAP)	1,676,895	3,187,329	4,864,224	0.9%
17	Juvenile probation costs under LB561 (Courts)	703,176	1,427,447	2,130,623	0.4%
18	Childrens Health Insurance (other than FMAP & ACA)	452,867	846,752	1,299,619	0.2%
19	Operating inflation+DAS rates (State Agencies)	474,302	588,756	1,063,058	0.2%
20	Aid to ESU's	351,294	711,370	1,062,664	0.2%
21	Federal Medicaid Match rate (op & aid)	(14,708,604)	(18,484,328)	(33,192,932)	-5.9%
22	Use of county jail housing (Corrections)	(4,607,147)	(4,607,147)	(9,214,294)	-1.6%
23	Personal Property Tax Relief Act	(3,600,000)	(2,600,000)	(6,200,000)	-1.1%
24	Interstate Water Litigation (Attorney General)	(921,500)	(921,500)	(1,843,000)	-0.3%
25	Aging programs, annualize LB320	0	(603,912)	(603,912)	-0.1%
26	All Other	275,893	169,278	445,171	0.1%
27	Total	199,705,469	366,482,546	566,188,015	100.0%

Cash Reserve Fund

A bright spot in the financial status is the fact that the unobligated ending balance in the Cash Reserve Fund is projected at \$617 million.

A key question during the upcoming biennial budget process is what balance should be retained in the Cash Reserve Fund and how much can or should be utilized to address the projected budget shortfall.

FY2016-17 Deficits

Requests for FY2016-17 supplemental General Funds (aka deficits) total \$18.4 million. The largest is \$7.8 million for Nebraska Families Collaborative in child welfare and \$9.9 million in Medicaid for prescription drug clawback and Medicare Part B premiums. A complete listing of deficits is included in Appendix C (page 23).

Projected General Fund Financial Status

	Current Year FY2016-17	Upcoming Biennium FY2017-18 FY2018-19		Following Biennium FY2019-20 FY2020-21	
1 BEGINNING BALANCE					
2 Beginning Cash Balance	531,652,199	(34,941,456)	(350,137,762)	(640,111,145)	(829,664,591)
3 Cash Reserve transfers-automatic	0	0	0	0	0
4 Carryover obligations from FY16	(314,441,016)	0	0	0	0
5 Lapse FY16 reappropriations	0	0	0	0	0
6 Allocation for potential deficits	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	217,211,183	(39,941,456)	(355,137,762)	(645,111,145)	(834,664,591)
8 REVENUES & TRANSFERS					
9 Net Receipts (Oct 2016 NEFAB+hist avg)	4,395,000,000	4,538,000,000	4,730,000,000	5,030,000,000	5,330,000,000
10 General Fund transfers-out	(217,100,000)	(236,800,000)	(236,800,000)	(236,800,000)	(236,800,000)
11 General Fund transfers-in	0	0	0	0	0
12 Cash Reserve transfers (current law)	0	0	0	0	0
13 2017 Cash Reserve transfers	0	0	0	0	0
14 2017 General Fund transfers-out	0	0	0	0	0
15 2017 General Fund transfers-in	0	0	0	0	0
16 2017 Revenue Bills	0	0	0	0	0
17 General Fund Net Revenues	4,177,900,000	4,301,200,000	4,493,200,000	4,793,200,000	5,093,200,000
18 APPROPRIATIONS					
19 Appropriations (2015 Session)	4,411,690,837	4,411,690,837	4,411,690,837	4,411,690,837	4,411,690,837
20 2017 Mainline Budget Adjustments	18,361,802	199,705,469	366,482,546	366,482,546	366,482,546
21 Projected budget increase, following biennium	--	0	0	199,580,064	391,414,748
21 2017 State Claims	0	0	0	0	0
22 2017 "A" Bills	0	0	0	0	0
23 General Fund Appropriations	4,430,052,639	4,611,396,306	4,778,173,383	4,977,753,446	5,169,588,131
24 ENDING BALANCE					
25 Dollar ending balance (per Financial Status)	(34,941,456)	(350,137,762)	(640,111,145)	(829,664,591)	(911,052,722)
26 Dollar ending balance (at Minimum Reserve)			255,129,861		269,309,384
27 Excess (shortfall) from Minimum Reserve			(895,241,005)		(1,180,362,106)
28 Biennial Reserve (%)			-6.8%		-9.0%
General Fund Appropriations					
29 Annual % Change - Appropriations (w/o deficits)	3.3%	4.5%	3.6%	4.2%	3.9%
30 Two Year Average	3.7%	--	4.1%	--	4.0%
General Fund Revenues					
31 Est. Revenue Growth (rate/base adjusted)	3.4%	4.0%	4.6%	5.9%	6.0%
32 Two Year Average	1.9%	--	4.3%	--	6.0%
33 Five Year Average	4.3%	--	3.7%	--	4.7%
34 <u>On-Going Revenues vs Appropriations</u>	(252,152,639)	(310,196,306)	(284,973,383)	(184,553,446)	(76,388,131)

CASH RESERVE FUND	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
Beginning Balance	730,655,108	637,639,649	637,639,649	630,479,237	630,479,237
Excess of certified forecasts (line 3 in Status)	0	0	0	0	0
To/from Gen Fund per current law	0	0	0	0	0
To Nebr Capital Construction Fund (NCCF)	(43,015,459)	0	(7,160,412)	0	(13,276,302)
To Transportation Infrastructure Fund	(50,000,000)	0	0	0	0
2017 - To General Fund	0	0	0	0	0
Projected Unobligated Ending Balance	637,639,649	637,639,649	630,479,237	630,479,237	617,202,935

Chronology of Projected Financial Status

(millions of dollars)	FY16 / FY17 Biennium	FY18/FY19 Biennium	FY20/FY21 Biennium
Variance from Minimum Reserve: Sine Die 2016 Session	4.5	(234.5)	na
1 FY16 Actual vs Est. General Fund Net Receipts	(120.0)	(120.0)	--
2 FY16 Actual vs Est. CRF transfers-automatic	17.0	17.0	--
3 FY16 Actual vs Est. Accounting adjustment	(6.0)	(6.0)	--
4 NDR change in withholding, impact of (indexing	(12.9)	(12.9)	--
5 Change in Minimum Reserve	3.5	3.5	--
Variance from Minimum Reserve: TRR July 2016	(113.7)	(352.7)	na
6 Revenue Forecasts (revised / original Oct 2016)	(172.2)	(575.1)	--
7 "Above certified" FY16 forecast to CRF	0.0	0.0	--
8 Change in Minimum Reserve	5.0	16.7	--
Variance from Minimum Reserve: NEFAB Oct 2016	(281.0)	(911.1)	na
9. Deficit requests vs \$5M	(13.4)	(13.4)	--
10. Revised estimate of FY18/FY19 projected budget (2 yr total)	0.0	28.8	--
11. Change in Minimum Reserve	0.0	.4	--
Variance from Minimum Reserve: TRR November 2016	(294.3)	(895.3)	(1,180.4)

NOTES:

Item 6	Revised Revenue Forecasts:	
	Revised NEFAB forecast for FY16-17	\$172.2 million
	Original NEFAB forecasts vs LFO Prelim for FY17-18	200.3 million
	Original NEFAB forecasts vs LFO Prelim for Y18-19	202.5 million
	Three Year Total	575.1 million

Item 10 Revised Estimated Spending versus Planning Numbers (millions of dollars)

<u>Item</u>	<u>FY17-18</u>	<u>FY18-19</u>	<u>Total</u>
Education - Revised TEEOSA estimates (Oct 2016 Joint Meeting)	2.0	0.5	2.5
Revenue - Personal Property Tax Relief Act (est vs request)	4.0	3.8	7.8
Retirement - defined benefit plans	(16.8)	(18.1)	(34.8)
Corrections - Inmate per diem costs (3% vs request)	1.9	3.9	5.9
DHHS - FMAP	14.7	18.5	33.2
DHHS - Medicaid (eligibility, utilization, specific items)	(8.3)	(1.5)	(9.8)
DHHS - Child Welfare (eligibility, utilization, specific items)	(3.7)	0.7	(3.0)
DHHS - Public Assistance (eligibility, utilization, specific items)	2.5	5.1	7.6
DHHS - Provider rates (2.5% vs 2%, eligibility, utilization, specific items)	1.5	11.2	12.7
Corrections - Retain/reallocate inmate county jail program funds	(4.6)	(4.6)	(9.2)
Operations cost increases (est to 24/7 facility request)	5.0	10.0	15.0
Revised estimate of budget increases, all other	0.4	0.6	0.9
Total	(1.3)	30.1	28.8

Cash Reserve Fund

The Cash Reserve Fund (CRF) is not included as part of the "General Fund Reserve" (which is the ending General Fund balance for a biennium) and was created in statute as a separate and distinct fund to cover cash flow needs within a month or several month period. The Cash Reserve Fund also serves as a "rainy day fund" in that revenues in excess of a "certified forecast" are transferred from the General Fund to the Cash Reserve fund at the end of a fiscal year. As the certified forecast is generally the revenue estimate at Sine Die when the budget is finalized, these transfers sequester revenues in excess of that which is needed to balance the budget.

The Cash Reserve Fund unobligated balance is projected at \$617 million based on current forecasts and actions taken in the 2016 and prior legislative sessions.

Table 1 Cash Reserve Fund

	Actual FY2016-17	Estimated FY2017-18	Estimated FY2018-19	Estimated FY2019-20	Estimated FY20-21
Beginning Balance	730,655,108	637,639,649	637,639,649	630,479,237	630,479,237
Excess of certified forecasts	0	0	0	0	0
To General Fund per current law	0	0	0	0	0
To Nebr Capital Construction Fund (NCCF)	(43,015,459)	0	(7,160,412)	0	(13,276,302)
To Transportation Infrastructure Fund	(50,000,000)	0	0	0	0
2017 - To General Fund	0	0	0	0	0
Ending Balance	637,639,649	637,639,649	630,479,237	630,479,237	617,202,935

When created, the initial purpose of Cash Reserve Fund (CRF) was to set aside money as a "safety net" for the General Fund, sustaining the ability of the General Fund to pay bills when balances would otherwise be insufficient for day to day cash flow. In addition to cash flow another major purpose of the CRF was added later; protection against forecast errors and periods of low year over year revenue growth. Monies are accumulated in the CRF when receipts exceed certified forecast levels and are then available to offset instances when receipts are below forecasts.

The level of "protection" or in other words the level of funds to retain in the Cash Reserve fund, can be derived by looking at historical variances derived by comparing forecasts at Sine Die of the legislative session when the budget was enacted and actual receipts which are known anywhere from 13 to 15 months later (See Appendix A). Over the 30 year period the average negative variance is -4.3% clustered in groups of 3 to 4 years. For simplicity, using a 4% negative variance clustered for four consecutive years would require a balance equal to about 16% of annual net receipts. Applied to the average forecast from FY16 to FY19 the target balance would be \$746 million.

Another factor to keep in mind is the need for supplemental funds during a budget down period. One recent illustration is the latest budget shortfall which occurred during the 2008 through -2011 legislative sessions. During that time a total of \$986 million of one-time funds were utilized to balance the budget in addition to the various budget cuts that were made. The largest amount of these one-time funds, \$653.8 million, came from the federal government through several ARRA programs (FMAP, General and Education stabilization) followed by Cash Reserve Fund transfers (\$259 million) and extraordinary cash fund lapses (\$73.2 million). While this was a time of unprecedented revenue declines, it illustrates the cumulative impact of multiple year shortfalls.

IT SHOULD BE NOTED THAT THE DISCUSSION IN THE PREVIOUS PARAGRAPHS PERTAIN TO THE LEVEL OF THE CASH RESERVE FUND AT ITS PEAK AFTER THE PART OF THE CYCLE WITH POSITIVE REVENUE GROWTH AND POSITIVE VARIANCES FROM FORECAST. AS WE

TURN INTO THE NEGATIVE PART OF THIS CYCLE, THE QUESTION IS HOW MUCH OF THE CASH RESERVE FUND CAN OR SHOULD BE UTILIZED TO ADDRESS THE PROJECTED BUDGET SHORTFALL.

Excess of Certified Forecasts

Shown on line 3 of the Financial Status, revenues in excess of "certified" forecasts are required by statute to be transferred from the General Fund to the Cash Reserve Fund. These would take place in July of the fiscal year following completion of that year.

FY2015-16 actual receipts were well below the certified forecast thus no transfers in FY2016-17. Also the current forecast for FY2016-17 is below the July certified.

Transfers-To & From General Fund

Unlike the automatic transfers that occur after the close of the fiscal year and are statutorily required, other transfers can take place as specifically enacted by the Legislature.

No transfers to the General Fund are currently authorized for the five year status.

Transfers To & From Other Funds

In the 2013 session, LB 200 provided for a \$43,015,459 transfer from the Cash Reserve Fund to the Nebraska Capital Construction Fund (NCCF) sometime between July 1, 2013 and June 30, 2017 at the discretion of the Budget Administrator for construction of a new Central Nebraska Veterans Home to replace the existing facilities. Originally this transfer was shown in FY13-14, however it has been shifted to FY16-17 since the actual transfer has not yet been made.

In the 2015 session, the enacted budget called for a \$28.2 million of transfers to the NCCF for the State Capitol HVAC project. This included \$7,804,292 in FY2015-16, and future transfers of \$7,160,412 in FY2018-19, \$9,492,568 in FY2020-21, and \$3,783,734 in FY2022-23

In the 2016 session, LB 960 provided for a \$50 million transfer to a newly created Transportation Infrastructure Bank Fund

Table 2 Cash Reserve Fund – Historical Balances

Fiscal Yr	Beginning Balance	Direct Deposit and Interest	Automatic Transfers	Legislative Transfers	Cash Flow	Ending Balance	Balance as % of revenue
FY1983-84	0	37,046,760	na	0	0	37,046,760	4.7%
FY1984-85	37,046,760	(1,472,551)	na	0	0	35,574,209	4.5%
FY1985-86	35,574,209	227,855	na	(13,500,000)	0	22,302,064	2.7%
FY1986-87	22,302,064	1,428,021	na	0	0	23,730,085	2.7%
FY1987-88	23,730,085	1,654,844	na	(7,700,000)	0	17,684,929	1.7%
FY1988-89	17,684,929	139,000	na	32,600,000	0	50,423,929	4.4%
FY1989-90	50,423,929	113,114	na	(10,500,000)	0	40,037,043	3.5%
FY1990-91	40,037,043	0	na	(8,100,000)	0	31,937,043	2.3%
FY1991-92	31,937,043	0	na	(5,000,000)	0	26,937,043	1.8%
FY1992-93	26,937,043	0	na	(9,500,000)	0	17,437,043	1.1%
FY1993-94	17,437,043	0	3,063,462	7,250,000	0	27,750,505	1.7%
FY1994-95	27,750,505	0	(8,518,701)	1,250,000	0	20,481,804	1.2%
FY1995-96	20,481,804	0	(20,481,804)	18,189,565	0	18,189,565	1.0%
FY1996-97	18,189,565	0	19,740,786	3,032,333	0	40,962,684	2.0%
FY1997-98	40,962,684	0	91,621,018	0	0	132,583,702	6.3%

Fiscal Yr	Beginning Balance	Direct Deposit and Interest	Automatic Transfers	Legislative Transfers	Cash Flow	Ending Balance	Balance as % of revenue
FY1998-99	132,583,702	0	111,616,422	(98,500,000)	0	145,700,124	6.9%
FY1999-00	145,700,124	0	20,959,305	(24,500,000)	0	142,159,429	5.9%
FY2000-01	142,159,429	0	77,576,670	(49,500,000)	0	170,236,099	6.9%
FY2001-02	170,236,099	0	0	(60,170,000)	0	110,066,099	4.7%
FY2002-03	110,066,099	66,476,446	0	(87,400,000)	(30,000,000)	59,142,545	2.4%
FY2003-04	59,142,545	59,463,461	0	(61,577,669)	30,000,000	87,028,337	3.2%
FY2004-05	87,028,337	8,170,556	108,727,007	(26,758,180)	0	177,167,720	5.8%
FY2005-06	177,167,720	0	261,715,297	(165,266,227)	0	273,616,790	8.2%
FY2006-07	273,616,790	0	259,929,524	(17,458,523)	0	516,087,791	15.1%
FY2007-08	516,087,791	0	191,436,773	(161,978,767)	0	545,545,797	15.6%
FY2008-09	545,545,797	0	116,976,571	(84,330,505)	0	578,191,863	17.2%
FY2009-10	578,191,863	0	0	(110,990,237)	0	467,201,626	14.6%
FY2010-11	467,201,626	0	0	(154,000,000)	0	313,201,626	8.9%
FY2011-12	313,201,626	8,422,528	145,155,092	(33,439,198)	(4,461,676)	428,878,372	11.6%
FY2012-13	428,878,372	0	104,789,781	(154,008,427)	4,461,676	384,121,402	9.5%
FY2013-14	384,121,402	0	285,292,610	49,651,294	0	719,065,306	17.5%
FY2014-15	719,065,306	0	96,721,232	(87,951,112)	0	727,835,426	16.9%
FY2015-16	727,835,426	0	84,599,532	(81,779,850)	0	730,655,108	17.0%
FY2016-17 Est	730,655,108	0	0	(93,015,459)	0	637,639,649	14.5%
FY2017-18 Est	637,639,649	0	0	0	0	637,639,649	14.1%
FY2018-19 Est	637,639,649	0	0	(7,160,412)	0	630,479,237	13.3%
FY2019-20 Est	630,479,237	0	0	0	0	630,479,237	12.5%
FY2020-21 Est	630,479,237	0	0	(13,276,302)	0	617,202,935	11.6%

General Fund Revenues

General Fund Revenue Forecasts

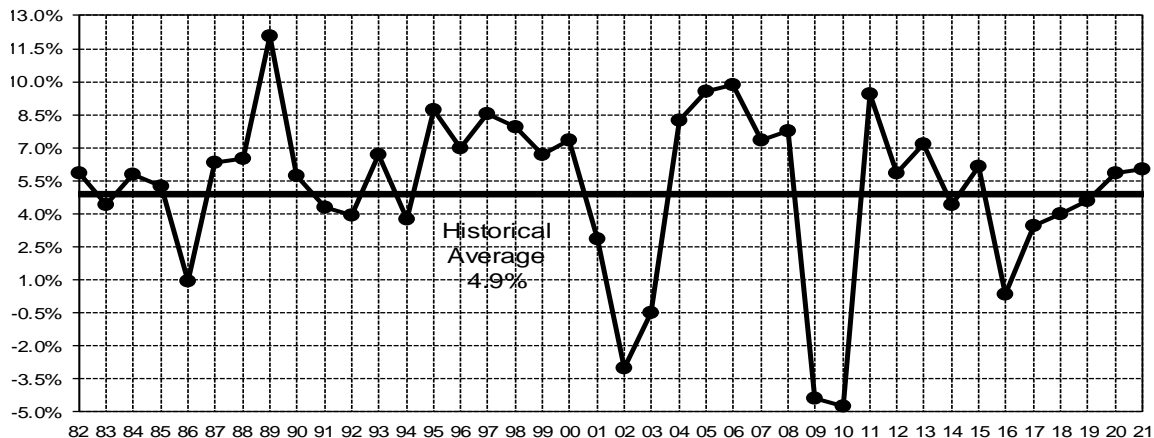
Current Biennium (FY2016-17, FY2017-18 and FY2018-19)

Revenue estimates for FY2016-17, FY2017-18 and FY2018-19 are the October 2016 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Rate and base adjusted revenue growth implied by the forecasts for the FY18/FY19 biennium average 4.3% (4.0% in FY17-18 and 4.6% in FY18-19). When including the 3.4% growth in the FY16-17 forecast, there is an average growth of 4.0% over the three years that affect the financial status for the upcoming biennium. This reflects growth below the 4.9% historical 35 year average.

Table 3 General Fund Revenue Forecasts

	NEFAB FY2016-17	NEFAB FY2017-18	NEFAB FY2018-19	LFO Prelim FY2019-20	LFO Prelim FY2020-21
Actual/Forecast					
Sales and Use Tax	1,585,000,000	1,640,000,000	1,700,000,000	1,790,000,000	1,890,000,000
Individual Income Tax	2,345,000,000	2,445,000,000	2,575,000,000	2,740,000,000	2,915,000,000
Corporate Income Tax	245,000,000	270,000,000	280,000,000	305,000,000	340,000,000
Miscellaneous receipts	220,000,000	183,000,000	175,000,000	195,000,000	185,000,000
Totals	4,395,000,000	4,538,000,000	4,730,000,000	5,030,000,000	5,330,000,000
Adjusted Growth					
Sales and Use Tax	4.1%	3.4%	3.5%	4.9%	5.2%
Individual Income Tax	6.5%	4.1%	5.7%	6.4%	6.4%
Corporate Income Tax	-17.6%	9.8%	3.6%	8.2%	10.5%
Miscellaneous receipts	-1.6%	-0.2%	2.7%	4.0%	1.5%
Total	3.4%	4.0%	4.6%	5.9%	6.0%
Five Yr Average	4.3%	--	3.7%	--	4.7%

General Fund Revenue Growth
(Adjusted for Tax Rate and Base Changes)



Following Biennium (FY2020 and FY2021)

The NEFAB does not make official forecasts for the following biennium or what's commonly referred to as the "out years". Although different methodologies could be utilized, the revenue estimates used for the following biennium (FY19-20 and FY20-21) are derived by the Legislative Fiscal Office (LFO) using a "capped" historical average methodology. This "smoothing" technique derives "out year" revenue estimates by calculating the level of revenues that would yield a five year average growth (FY17 to FY21) roughly equal to the 34 year historical average (4.9%) less .25% which is the projected impact of indexing the tax brackets as enacted in 20104 (LB987).. Inherent in this methodology is the concept that within any five-year period, below average revenue growth in some years will be offset by above average growth in others and is visually seen in the line graph of historical adjusted revenue growth.

The "capped" provision of this methodology means that the derived growth needed in the out-years to achieve the historical average cannot be higher than the "above average" growth years nor lower than the "below average" growth years. Over the past 35 years, there were 12 years in which revenue growth was "below average" (1.0% average) and 23 years in which revenue growth was above average (7.3% average).

Because the revenue growth in the NEFAB forecasts is below average, the revenue growth needed to yield a 4.7% five year average is 6.0% in both FY19-20 and FY20-21.

Alternative methods are also available for purposes of deriving revenue estimates for the following biennium. In addition to the historical average methodology used in the financial status, both the Nebraska Dept of Revenue (NDR) and Legislative Fiscal Office (LFO) have calculated revenue estimates for these two "out years" using the same models and input from HIS Economics (previously Global Insight) and Moody's, the national forecasting services used as input into the tax forecast models. While these forecasts work well for the 1 to 3 year forecasts, when extended further they have a tendency to flatten out and follow the 3 year trend into the 4th and 5th year. In other words, they have difficulty picking up changes in the trend. The historical average methodology has been used since 1991 and the "smoothing" technique used for the most part relies on the trend changes.

As shown in Table 4, the preliminary estimates for the two "out years" arrived at using the historical average concept (as used in the Financial Status) are somewhat higher but not dramatically different.

Table 4 Comparison of "Out Year" Forecasts

Based on Oct 2016 Revenue Forecasts	Current Status	Average IHS Economics	Average All Forecasts	High Est LFO-Moodys	Low Est NDR IHS
<u>Dollar Forecast (thousands)</u>					
FY2019-20 Prelim	5,030,000	5,010,215	5,024,408	5,038,601	5,010,215
FY2020-21 Prelim	5,330,000	5,237,047	5,242,442	5,247,837	5,237,047
<u>Calculated Growth (adjusted)</u>					
FY2019-20 Prelim	5.9%	4.3%	4.3%	4.3%	4.3%
FY2020-21 Prelim	6.0%	4.7%	4.5%	4.3%	4.7%
Two Year Average	6.0%	4.7%	4.8%	4.9%	4.7%
Five Year Average	4.8%	4.4%	4.4%	4.5%	4.4%
<u>\$ Difference from Status</u>					
FY2019-20 Prelim	0	(19,785)	(5,592)	8,601	(19,785)
FY2020-21 Prelim	0	(92,953)	(87,558)	(82,163)	(92,953)
Cumulative Total	0	(112,738)	(93,150)	(73,562)	(112,738)

General Fund Transfers-Out

This area tabulates funds that are transferred from the General Fund to another fund within the state treasury. These items have the same effect as an appropriation in that they reduce available funds, but are not expended as such and thus are shown under the revenue category (see line 10 on the Financial Status on page 4).

Table 5 - General Fund Transfers Out

Excludes CRF Transfers	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
Property Tax Credit Fund	(202,000,000)	(222,000,000)	(222,000,000)	(222,000,000)	(222,000,000)
Water Resources Cash Fund	(3,300,000)	(3,300,000)	(3,300,000)	0	0
Cultural Preservation Endowment Fund	(750,000)	(500,000)	(500,000)	(500,000)	(500,000)
Water Sustainability Fund	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)
<i>Total-General Fund Transfers-Out</i>	(217,100,000)	(236,800,000)	(236,800,000)	(233,500,000)	(233,500,000)

Property Tax Credit Cash Fund

Under this program transfers are made to the Property Tax Credit Cash Fund at the discretion of the Legislature. Based on the amount of funds available, monies are then allocated to counties by the ratio of the real property valuation in the county to the real property valuation in the state. Counties then allocate funds as credit to each tax payer again based on their proportionate value. Enacted in 2007, the amount available for credits was \$105 million in FY07-08, and \$115 million in FY08-09 through FY13-14. During the 2014 session, the FY14-15 amount was increased to \$140 million. In the 2015 session, the credit was increased by \$64 million increase to a total of \$204 million.

In the 2016 session, LB 958 made several changes dealing with the Property Tax Credit Act. Previously the property tax credit was distributed based on 100% of the taxable value of real property. Under LB 958, the credit is distributed using “credit allocation valuation” which is 120% of agricultural and horticultural land taxable value and 100% for all other real property except agricultural and horticultural land. This change would shift \$20 million of the property tax credit amounts from residential, commercial and industrial, and public service sectors to agriculture so to hold these other sectors harmless, LB958 provided language that the credit amount should be increased by \$20 million to a total of \$224 million.

Note that the General Fund transfer amounts shown are all \$2 million less than the credit amount. This is because the credit amount is funded through these General Fund transfers plus an estimated \$2 million from any interest that will be earned on the fund balance from the time of transfer to the time of reimbursement payments to the counties, and credits calculated but unpaid relating to properties receiving homestead exemptions.

Water Resources Cash Fund

These transfers were originally enacted by LB 701 (2007) for the purpose of (1) aiding compliance efforts regarding the reduction of consumptive uses of water dealing with those natural resources districts which are deemed over or fully appropriated or are bound by an interstate compact or decree; and (2) for a statewide assessment of short- and long-term water management activities and funding needs that are statutorily required. The bill included transfers of \$2.7 million in both FY07-08 and FY08-09 and intent language for a \$2,700,000 General Fund transfer to occur annually from FY2009-10 through FY2018-19. LB229 enacted during the 2011 Session increased this transfer amount from \$2.7 million to \$3.3 million per year with no change in the FY2018-19 sunset. Under this current

language the transfers are deleted starting in FY2019-20.

Nebraska Cultural Preservation Endowment Fund

The Cultural Preservation Endowment Fund was originally created in 1998 with a transfer of \$5 million from the General Fund. LB 1165 (2008) provided for an additional \$5 million for the endowment fund through a \$1 million transfer from the Cash Reserve Fund and another \$4 million from the General Fund provided over a series of years. After multiple alterations of the fiscal year transfers, the final transfers, which averaged \$500,000 were scheduled to expire at the end of FY2016-17. LB957 (2016) extends the transfers at \$500,000 per year starting in FY2017-18 through FY2026-27.

Water Sustainability Fund

This fund was created through LB906 passed in the 2014 session. Monies for the fund came from General Fund transfers; \$21,000,000 in FY2014-15. Of this transfer, \$10,000,000 is considered one-time as it was financed by a like transfer from the Cash Reserve Fund to the General Fund. Intent language was include that \$11,000,000 General Funds be transferred to the Water Sustainability Fund in each fiscal year beginning in FY2015-16.

General Fund Transfers In

Cash funds are funds which contain earmarked revenue sources and monies in those funds can only be used for the purposes authorized by statute. In many instances (since the 2009 special session) an authorized use of monies in a cash fund is transfers to the General Fund at the discretion of the Legislature. For accounting purposes, these are shown as “Transfers in” and are included as revenues. The transfers shown below for FY2016-17 were enacted in the 2015 and 2016 sessions and already incorporated into the “Net Receipts” figures of the NEFAB forecasts

At the present time, current law does not provide for any transfers in FY2017-18 and FY2018-19 and as such the revenue forecasts do not include any transfers.

Table 6 General Fund Transfers In

	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
Securities Act Cash Fund	31,000,000	0	0	0	0
Tobacco Products Admin Cash Fund	10,000,000	0	0	0	0
Dept of Insurance Cash Fund	8,250,000	0	0	0	0
Dept of Motor Vehicles Ignition Interlock Fund	200,000	0	0	0	0
Severance Tax Admin Cash Fund	150,000	0	0	0	0
Job Training Cash Fund	250,000	0	0	0	0
<i>Total General Fund Transfers-In</i>	48,850,000	0	0	0	0

General Fund Appropriations

Table 7 reflects General Fund totals for the projected budget based on the increases noted in Table 8. These increases are a "best guess" estimate of budget changes for the upcoming biennial budget and the following biennium. A narrative description of the assumptions used in arriving at these numbers follows Table 8. A summary breakdown of the projected budget is included in Appendix B.

These estimates reflect a basic continuation budget, including only those increases related either to entitlement programs, legislative intent, or costs to implement previously enacted legislative actions and reflect existing statute and policies. This then provides a benchmark from which policy makers can examine the changes to statute and policy choices that are necessary to then actually balance the budget..

In many cases, the projected increases for the upcoming biennial budget (FY17-18 and FY18-19) reflect agency requests for the items shown while estimated increases for the following biennium (FY19-20 and FY20-21) are based on historical trends.

Note that in most cases, rationales for the FY2017-18 and FY2018-19 requests are not available as these requests are currently under analysis.

Overall the projected budget results in a budget growth of 4.5% in FY2017-18 and 3.6% in FY2018-19, a 4.1% two year average

Table 7 Projected General Fund Budget

	Current Year FY2016-17	Upcoming Biennial Budget		Est for Following Biennium	
		FY2017-18	FY2018-19	FY2019-20	FY2020-21
Projected Budget					
Agency Operations	1,580,659,703	1,649,186,842	1,700,495,084	1,755,124,761	1,811,914,896
State Aid to Ind/Other	1,398,520,670	1,462,048,478	1,507,018,459	1,591,871,012	1,665,112,849
State Aid to Local Govt	1,410,271,464	1,468,392,653	1,539,693,314	1,600,523,788	1,663,963,362
Construction	22,239,000	31,768,333	30,966,526	30,233,885	28,597,025
Total (w/o deficits)	4,411,690,837	4,611,396,306	4,778,173,383	4,977,753,446	5,169,588,131
Dollar Change					
Operations	--	68,527,139	51,308,242	54,629,677	56,790,135
State Aid to Ind/Other	--	63,527,808	44,969,981	84,852,553	73,241,836
State Aid to Local Govt	--	58,121,189	71,300,661	60,830,474	63,439,574
Construction	--	9,529,333	(801,807)	(732,641)	(1,636,860)
Total (w/o deficits)	--	199,705,469	166,777,077	199,580,064	191,834,685
Percent Change					
Agency Operations	--	4.3%	3.1%	3.2%	3.2%
State Aid to Ind/Other	--	4.5%	3.1%	5.6%	4.6%
State Aid to Local Govt	--	4.1%	4.9%	4.0%	4.0%
Construction	--	42.8%	-2.5%	-2.4%	-5.4%
Total (w/o deficits)	--	4.5%	3.6%	4.2%	3.9%

Table 8 - Projected Continuation Budget Increase - Dollar Change over Prior Year

Change over Prior Year	Projected Growth		Upcoming Biennial Budget		Est for Following Biennium	
	FY17-18	FY18-19	FY2017-18	FY2018-19	FY2019-20	FY2020-21
<u>Aid to Local Governments</u>						
Aid to K-12 Schools (TEEOSA GF only)	5.3%	5.8%	50,004,326	58,497,713	48,031,426	50,268,661
Special Education	2.5%	2.5%	5,551,578	5,690,367	5,832,627	5,978,442
Community Colleges	3.5%	3.5%	3,528,991	3,652,505	3,780,343	3,912,655
Homestead Exemption	3.2%	2.8%	2,285,000	2,100,000	2,307,000	2,376,210
Personal Property Tax Relief Act	-18.4%	6.3%	(3,600,000)	1,000,000	510,000	525,300
Aid to ESU's	2.5%	2.5%	351,294	360,076	369,078	378,305
Other (Aid-Local)	5.3%	5.8%	0	0	0	0
<u>Aid to Individuals / Other</u>						
Medicaid	4.6%	3.9%	38,846,087	34,828,843	41,577,042	43,448,009
Public Assistance	7.2%	0.6%	7,828,059	720,950	5,832,154	6,123,761
Child Welfare Aid	7.3%	1.9%	11,654,744	3,198,177	7,721,137	7,310,707
Developmental Disability aid	2.3%	3.3%	3,513,952	5,047,429	6,369,174	6,623,941
Behavioral Health aid	2.3%	2.0%	1,676,895	1,510,434	1,925,802	1,973,948
Childrens Health Insurance (SCHIP)	0.1%	4.2%	8,071	268,060	21,427,244	7,761,470
Aging Demonstration (LB320-2015)	--	--	0	(603,912)	0	0
Other (Aid-Ind)	4.6%	3.9%	0	0	0	0
<u>State Agency Operations</u>						
Employee Salaries (agencies)	2.5%	2.5%	11,556,736	11,834,092	12,141,507	12,445,044
Employee Health Insurance (agencies)	8.0%	8.0%	6,626,226	7,156,325	7,728,832	8,347,138
University/Colleges increased funding	est amt	est amt	25,638,375	27,277,138	26,275,748	27,317,879
Operations increase (all agencies)	est amt	est amt	474,302	114,454	5,802,554	5,918,605
Annualize Justice Reinvestment Act (Courts)	est amt	est amt	4,420,235	2,992,616	0	0
Juvenile services (Courts)	est amt	est amt	703,176	724,271	745,999	768,379
Inmate per diem costs (Corrections)	est amt	est amt	0	0	1,935,038	1,993,089
Staffing / population costs (Corrections)	est amt	est amt	4,607,147	0	0	0
Temporary housing, county jails (Corrections)	est amt	est amt	(4,607,147)	0	0	0
Global Center per to \$5M (University)	est amt	est amt	3,000,000	0	0	0
Retirement (Schools, Patrol, Judges)	est amt	est amt	16,753,696	1,315,961	0	0
Other (Oper)	est amt	est amt	(645,607)	(106,615)	0	0
<u>Capital Construction</u>						
	Reaff	Reaff	9,529,333	(801,807)	(732,641)	(1,636,860)
<u>Total General Fund-Annual Increase</u>			199,705,469	366,482,546	199,580,064	191,834,685
Biennial Basis			199,705,469	366,482,546	199,580,064	191,834,685

* Included in the salary and health insurance numbers

Aid to Local Governments

State Aid to Schools (TEEOSA)

The agency request basically reflected the 2016 Sine Die TEEOSA estimates for FY18 and FY19 which called for increased TEEOSA aid of \$52 million in FY17-18 and \$110 million in FY18-19. These numbers have been revised in the Fall 2016 statutory required meeting of the Dept. of Education, Legislative Fiscal Office, and DAS Budget Office. At that meeting, spending and valuation assumptions yielded a total TEEOSA number of \$1.030 billion for FY2017-18 and \$1.089 billion for FY2017-18, very close to the Sine Die estimate.

TEEOSA Summary	All Funds FY2016-17	All Funds FY2017-18	All Funds FY2018-19	All Funds FY2019-20	All Funds FY2020-21
School Disbursements	3.81%	3.35%	4.24%	4.0%	4.0%
Property Valuations (assessed)	10.4%	4.65%	3.48%	3.5%	3.5%
Property Valuations (used in formula)	0.2%	23.4%	3.8%	3.9%	3.9%
Factor to adjust for "unused" LER yield	68.70%	80.58%	80.85%	81.15%	81.45%
Cost Growth Factor	5.00%	5.00%	5.00%	5.00%	5.00%
Local Effort Rate	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Total Formula Need	3,337,058,200	3,460,690,115	3,608,157,108	3,752,483,220	3,902,582,549
Effective Yield from Local Effort Rate	1,565,258,400	1,931,523,386	2,005,282,257	2,083,166,537	2,164,047,815
Net Option Funding	60,059,609	100,483,701	104,743,386	108,933,122	113,290,447
Allocated Income Tax	42,230,208	42,230,480	43,708,547	45,238,346	46,821,688
Other Actual Receipts	478,458,825	498,751,981	513,114,695	527,722,487	542,774,198
Minimum Levy Adjustment	302,817,529	0	0	0	0
Community Achievement Plan Aid	--	5,931,606	6,183,057	6,430,380	6,687,595
Total Formula Resources	2,448,824,571	2,578,921,155	2,673,031,943	2,771,490,872	2,873,621,743
Calculated Equalization Aid	888,233,630	881,768,960	935,125,165	980,992,348	1,028,960,806
Net Option Funding	60,059,609	100,483,701	104,743,386	108,933,122	113,290,447
Allocated Income Tax	42,230,208	42,230,480	43,708,547	45,238,346	46,821,688
Non Equalized Levy Adjustment	(6,274,412)	0	0	0	0
Community Achievement Plan Aid	--	5,931,606	6,183,057	6,430,380	6,687,595
Learning Community, impact on equalization aid	(4,936,066)	0	0	0	0
TEEOSA State Aid	979,153,581	1,030,414,748	1,089,760,156	1,141,594,196	1,195,760,536
State General Funds	952,478,203	1,002,157,907	1,060,655,620	1,108,687,046	1,158,955,707
Insurance Premium Tax (w/o deficit)	27,159,388	28,256,841	29,104,536	32,907,150	36,804,828
Total TEEOSA Aid	979,312,969	1,030,414,748	1,089,760,156	1,141,594,196	1,195,760,536
Change Over Prior Year					
Total Aid \$ Change	6,276,343	51,101,779	59,345,408	51,834,040	54,166,340
Total Aid % Change	0.6%	5.2%	5.8%	4.8%	4.7%
Gen Fund \$ Change	5,613,919	50,004,326	58,497,713	48,031,426	50,268,661
Gen Fund % Change	0.6%	5.3%	5.8%	4.5%	4.5%

Chronology of TEEOSA Estimates	All Funds FY2016-17	All Funds FY2017-18	All Funds FY2018-19	All Funds FY2019-20	All Funds FY2020-21
Sine Die 2016	979,312,969	1,028,952,149	1,089,677,277	0	0
Calculation changes when updating new data years	0	(32,942)	(209,453)	na	na
Adjustments to LB1067 calculations	0	462,754	470,706	na	na
Valuation, 2016 actual from 5.29% to 4.65% DPAT certified	0	(4,042,065)	(4,458,658)	na	na
Valuation; 2017 (4.0% to 3.48% DPAT est)	0	0	1,364,805	na	na
Spending growth: FY17 4.0% to 4.24% (first budget to budget)	0	0	(2,273,615)	na	na
Student Growth Adjustment	0	(1,898,728)	(2,036,125)	na	na
New School Adjustment	0	7,429,908	7,559,342	na	na
Adjustment for 2014-15 AFR change	0	(890,449)	(956,071)	na	na
Update Community Achievement plan calculation, inflate	0	134,480	310,355	na	na
All Other	0	299,641	311,593	na	na
Change - Oct 2016 Joint Meeting	0	1,462,599	82,879	na	na
October 2016 Joint Meeting	979,312,969	1,030,414,747	1,089,760,156	1,141,594,196	1,195,760,536

Special Education

The agency request included a 10% increase for both FY17-18 and FY18-19 which is the maximum authorized by statute. Statute provides for a 10% cap on increases in Special Education reimbursement starting in FY14-15 as amended by LB974-2014. The previous cap was 5%. The projection for FY18 and FY19 includes a 2.5% per year increase which is the basic allowable growth rate for those two school years for school districts.

Aid to ESU's

The amount of aid to ESU's is based on funding of a certain level of core services and technology infrastructure. Growth in aid is included at the same rate as the basic allowable growth rate under the K-12 school spending limitation (2.5% per year). The agency request included a percentage growth amount based on the allowable growth rate plus the percentage growth in fall membership for member districts, approximately 3.4% per year increase.

Homestead Exemption

This program is projected to increase by 3.2% in FY18 and 2.8% in FY19. This includes a small amount for annualizing the impact LB683-2016 amounting to \$38,100 in FY18 and \$43,600 in FY19.

Personal Property Tax Relief Act

LB 259 enacted in the 2015 session, adopted the Personal Property Tax Relief Act. The bill provides for an exemption from the property tax on the first \$10,000 of valuation of tangible personal property in each tax district in which a personal property tax return is required to be filed. On or before November 30 of each year, each county treasurer shall certify to the Tax Commissioner the total locally-assessed tax revenue lost to all taxing subdivisions within the county due to the exemption provided for in LB 259. The state then reimburses each county, and subsequently each subdivision, for funds lost due to the exemption for both the locally-assessed taxes and the centrally assessed companies. The reimbursement shall be made in two equal installments on the last business days of February and June.

The original appropriation for the program occurs in FY2016-17 at \$19.6 million. Based on information currently available, it appears the program cost will be closer to \$15 million. The agency request (and projected budget) for FY18 and FY19 reduces the FY17 base by \$4.6 million to reflect the \$15 million level and then provides a \$1 million increase each year for increased costs.

Aid to Community Colleges

A 3.5% per year annual increase is included for the following biennium budget reflecting increased state aid to support operations budget increases. This increase amounts to about a \$3.5 million per year increase.

Aid to Individuals/Other

Medicaid

For the upcoming biennium, the projected budget is based on the agency request plus a 2% increase in provider rates not included in the request. Also included are annualizing the cost of two deficit items. The continued funding levels were not included in the agency FY18/FY19 request but on-going

funding was acknowledged as part of the deficit request.

Overall increase in General Funds is 4.6% in FY17-18 which includes \$16.4 million for eligibility and utilization increases, \$7.9 million for six specific issues, and \$9.4 million for annualizing the two deficits. There is also included a \$12 million reduction related to an increase in the federal match rate. Though the agency request did not include any increase in provider rates, this projected budget includes a 2% per year increase.

Mediciad	Previous Biennium		Biennial Budget	
	FY2015-16	FY2016-17	FY2017-18	FY2018-19
Base Year appropriation	777,723,897	777,723,897	850,259,344	850,259,344
Base Adjustment	(22,000,000)	(22,000,000)	0	0
Federal match rate (FMAP)	27,468,499	32,099,018	(12,011,784)	(15,014,227)
Utilization	21,434,884	44,203,043	16,415,087	32,054,276
Cost Increases / Provider Rates	14,617,514	29,851,568	17,043,949	34,773,270
Balancing Incentive Program	(2,629,187)	(2,629,187)	0	0
Hepatitis C and Other Medication Impacts	1,800,000	1,800,000	0	0
Physical Health Managed Care Expansion	0	(89,576)	0	0
LB 72 Rreimburse liens, inheritance tax petitions	(21,258)	(21,258)	0	0
LB 243 Create a pilot project, family finding services	9,871	16,216	0	0
LB 366 Change personal needs allowance, Medicaid	347,687	421,802	0	0
LB 500 Medicaid plan, multisystemic therapy	0	425,405	0	0
2016 - Shift GF from SPED to Early Intervention LB276	0	2,526,847	0	0
2016 - Higher FFY2017 FMAP - Medicaid	0	(3,823,431)	0	0
2016 - base reduction, excess funds to child welfare	0	(10,000,000)	0	0
2016 - MIPS operations, shift ffrom Prog 348 to Prog 033	0	(245,000)	0	0
Hepatitis C	0	0	1,535,100	1,529,295
Medication Assisted Treatment	0	0	879,122	925,570
Nutrition Services	0	0	720,160	752,853
Specialized Services	0	0	2,735,007	2,789,707
Therapeutic Foster Care	0	0	2,090,592	2,142,856
Medicare Part B Premiums Increase (annualize deficit)	0	0	4,281,417	6,801,587
Clawback (annualize deficit)	0	0	5,157,437	6,919,743
Total – New Appropriation	818,751,907	861,800,928	889,105,431	923,934,274
Annual \$ Change (excluding deficits)	41,028,010	31,507,437	38,846,087	34,828,843
Annual % Change (excluding deficits)	5.3%	3.8%	4.6%	3.9%

Children’s Health Insurance (SCHIP)

For the upcoming biennium, the projected budget is based on the agency request for eligibility and utilization increases and an increase in the basic federal match rate (FMAP). This projected budget includes a 2% per year increase in provider rates which was not included in the agency request.

While the increase in the upcoming biennium is modest, there is a sizable increase in the following biennium. The 23% ACA enhanced match rate expires Sept 2019 (end of FFY2019). On a state FY basis, this adds 17.25% to FY19-20 (\$20 million) and an additional 5.75% to FY20-21 (\$6 million).

Public Assistance

For the upcoming biennium, the agency requested no change in funding for this program in either FY18 or FY19. The request includes no increase for eligibility, utilization, or rate increases.

The projected budget includes no changes in eligibility or utilization but does include a 2% per year increase in provider rates. The projected budget also assumes a 10% increase in FY16-17 for child care rates in anticipation of some change related to the market place study.

Child Welfare

Like Public Assistance for the upcoming biennium, the agency request includes no increase for eligibility, utilization, or rate increases.

The projected budget also assumed no change in eligibility or utilization but does include a 2% provider rate increase.

The projected budget also includes \$7.8 million each year to annualize the deficit for child welfare. This supplemental deficit request is to cover additional costs incurred by Nebraska Families Collaborative (NFC) due to a projected increase in the number of youth served by NFC during SFY 2017. This amount was not included in the FY18/FY19 and the deficit request for FY17 did not reference this as being an on-going additional cost. However at this point in time, it's unclear how this higher FY17 level would not carry over into the new biennium so the amounts are carried forward subject to further review and analysis.

Developmental Disability Aid

Funding for developmental disability aid increases by 2.3% in FY17-18 and 3.3% in FY18-19. This includes \$1.4 million in FY18 and an additional \$1.2 million in FY19 for clients transitioning from K-12 programs and a \$2.3 million reduction in FY18 due to a higher FMAP. Although the DHHS request did not include any increased funding for rate equity, this projected budget includes a 2.5% per year rate equity increase the same as utilized for state employee salary increases. This projected budget also does not include any additional funds related to reducing the waiting list.

Behavioral Health Aid

This area includes substance abuse and mental health aid. Similar to Public Assistance and Child Welfare, the agency request includes no increase for eligibility, utilization, or rate increases.

Items not included in the agency request but which are in this projected budget include a 2% per year increase in provider rates and a \$200,000 base restoration related to the one-time shift of funds from aid to operations for the systems of care plan study (LB911-2016).

State Agency Operations

Employee Salary Increases

At the present time there has been no collective bargaining agreement. Therefore this projected budget simply includes the same 2.5% annual increase that had been utilized last session. For purposes here this was applied to bargaining and non-bargaining employees.

Employee Health Insurance

At the present time insurance rates and cost increases for FY2017-18 and FY2018-19 are unknown although the DAS budget instructions included an 8% per year increase. For state agencies this projected status includes an 8% per year increase as noted in the budget instructions..

Supreme Court

In the 2015 session, the Legislature enacted LB 605 to begin addressing overcrowding in the correctional system. LB 605 expands the use of probation in lieu of incarceration, ensures that more people receive supervision upon release from prison, and bolsters parole supervision practices to reduce recidivism. Costs are projected to increase over the following two years as more offenders are applicable to the bill provisions. The amount included in the projected budget is based on the following chart associated with the LB605 fiscal note excluding additional judges which would require statutory changes.

<u>Estimated GF Costs – LB 605</u>	<u>FY2015-16</u>	<u>FY2016-17</u>	<u>FY2017-18</u>	<u>FY2018-19</u>
Probation (Field)	475,592	2,959,038	4,544,636	5,501,962
Probation (Reporting Centers)	769,373	1,785,628	2,521,759	2,997,807
Probation (Administration)	427,435	1,053,813	1,531,990	1,735,210
Probation (Offender Program Expenses)	664,500	3,721,740	5,162,351	6,411,390
Court Administration	308,328	422,651	718,870	1,146,806
Subtotal - Courts	2,645,228	9,942,870	14,479,606	17,793,175
Corrections (net)*	(882,182)	(5,603,284)	(5,603,284)	(5,603,284)
Crime Commission	0	600,109	600,109	600,109
Total General Funds	1,763,046	4,939,695	9,476,431	12,790,000
Increase over FY17 base (excluding judges)			4,420,235	7,412,851

As part of the LB561 juvenile justice system changes, about \$24 million of funds were shifted from child welfare aid to the courts budget. When this funding/programs were under DHHS, some level of utilization and price adjustments were historically provided. The second item is a 3% per year increase in this area based on the \$24 million level.

Dept. of Correctional Services

Most of the request from the Dept. of Correctional Services did not fall under the category of continuation budget items as it largely related to additional staffing. However, this projected budget includes a reallocation of monies originally scheduled to expire relating to the temporary use of county jail facilities. This allowed for funding the first three priority areas and partial funding of the protective services and construction staffing issue.

The agency request and projected budget do not include any increased funding for inmate operations and health care per diem costs or utilities. However, there also are no reductions based on the annualized funding of LB605 Justice Reinvestment Act which expands the use of probation in lieu of incarceration.

The projected budget shown here also does not include any salary enhancements other than the general 2.5% per year increase built into all budgets.

<u>Description</u>	<u>Agency Request</u>		<u>TRR Nov 2014 Meeting</u>	
	<u>FY2017-18</u>	<u>FY2018-19</u>	<u>FY2017-18</u>	<u>FY2018-19</u>
Critical Under Resourced Issues (County Jail program)	(4,607,147)	(4,607,147)	(4,607,147)	(4,607,147)
Critical Under Resourced Issues	959,775	970,712	959,775	970,712
Information Technology and Radios	741,580	740,950	741,580	740,950
Education and cognitive programs (Evidence Based Practice)	574,223	691,667	574,223	691,667
Health Services and staffing	701,034	508,941	701,034	508,941
Protective Service and Construction Staffing	3,190,484	8,072,345	1,630,535	1,694,877
One Time Cash Appropriation Increase	(1,000,000)	0	0	0
Inmate per diem costs	0	0	0	0
Salary enhancements (\$ above 2.5%)	0	0	0	0
Subtotal - Issues	559,949	6,377,468	0	0
Salary increase	2,742,278	5,704,174	2,720,846	5,506,992
Health Insurance increase	1,550,281	3,224,582	1,518,568	3,158,621
Total Increases	4,852,508	15,306,224	4,239,414	8,665,613

University and State College General Increases

In the past several biennium, a general overall budget increase has been provided to the University of Nebraska and State Colleges. In the projected budget, these general increases are included at a level to cover estimates of salary and health insurance increased costs. For salary, a 2.5% increase was included similar to state agencies. For health insurance, in the absence of actual numbers, these calculations use the agency request for the State Colleges (8% per year) and University of Nebraska (10% per year).

The only other item included is a \$3 million increase in the University of Nebraska to provide a total of \$5,000,000 General Funds for the operation and maintenance of the Global Center for Advanced Interprofessional Learning at the University of Nebraska Medical Center. Intent language to fund at this level was included in LB956 enacted in 2016.

Defined Benefit Retirement Plans

The agency request for FY18 and FY19 reflects a substantial increase in state support for the defined benefit retirement systems. Overall the increase amounts to \$16.7 million in FY17-18 and \$18.1 million in FY18-19 based on existing law. The requested amounts are estimates from the actuaries as to what the funding needs might be. Final funding needs will be communicated in November 2016 following completion of the actuarial experience study and valuations.

	Base Yr	Biennial Budget		Increase - Biennial Basis	
	FY2016-17	FY2017-18	FY2018-19	FY2017-18	FY2018-19
2% of Salary - Omaha	6,660,783	6,927,214	6,937,871	266,431	277,088
Additional Contribution - Patrol	2,725,738	6,500,000	6,600,000	3,774,262	3,874,262
Additional Contribution - Schools	0	9,500,000	9,700,000	9,500,000	9,700,000
Additional Contribution - Judges	0	2,500,000	2,000,000	2,500,000	2,000,000
Omaha Service Annuity	997,118	1,037,003	1,038,598	39,885	41,480
2% of Salary for State Schools	36,919,600	37,592,718	39,096,427	673,118	2,176,827
Total	47,303,239	64,056,935	65,372,896	16,753,696	18,069,657

Operations Inflation

The FY18/FY19 agency budget requests included no requests for increased funding for inflationary operating increases at the DHHS 24 hour/7 days per week institutions or correctional facilities. For the FY18/FY19 biennium, the projected status includes a small amount for DAS rate charges in a variety of agencies.

Capital Construction

General Fund dollars included in the projected budget for capital construction reflect reaffirmations only based on the FY18/FY19 biennial budget. These are dollar amounts needed to complete funding of previously approved projects. Nothing is included for new projects in FY18 or FY19.

Appendix A

Historical Variance, Projected vs Actual General Fund Receipts

Millions of \$	Projected Sine Die	Actual Receipts	\$ Variance	% Variance	
				Negative	Positive
FY 1986-87	878.0	886.4	8.4		1.0%
FY 1987-88	924.3	1,016.3	92.0		10.0%
FY 1988-89	988.4	1,133.5	145.1		14.7%
FY 1989-90	1,110.9	1,152.7	41.8		3.8%
FY 1990-91	1,334.6	1,367.1	32.5		2.4%
FY 1991-92	1,493.2	1,490.4	(2.8)	-0.2%	
FY 1992-93	1,537.3	1,524.7	(12.6)	-0.8%	
FY 1993-94	1,662.5	1,653.7	(8.8)	-0.5%	
FY 1994-95	1,729.9	1,706.0	(23.9)	-1.4%	
FY 1995-96	1,834.3	1,836.7	2.4		0.1%
FY 1996-97	1,918.0	2,009.6	91.6		4.8%
FY 1997-98	1,993.8	2,105.4	111.6		5.6%
FY 1998-99	2,102.9	2,123.9	21.0		1.0%
FY 1999-00	2,326.3	2,403.9	77.6		3.3%
FY 2000-01	2,484.3	2,456.8	(27.5)	-1.1%	
FY 2001-02	2,646.0	2,365.5	(280.5)	-10.6%	
FY 2002-03	2,725.7	2,456.4	(269.3)	-9.9%	
FY 2003-04	2,732.0	2,718.7	(13.3)	-0.5%	
FY 2004-05	2,775.5	3,037.2	261.7		9.4%
FY 2005-06	3,092.3	3,352.2	259.9		8.4%
FY 2006-07	3,217.0	3,408.3	191.4		5.9%
FY 2007-08	3,389.2	3,506.1	116.9		3.5%
FY2008-09	3,531.7	3,357.5	(174.3)	-4.9%	
FY2009-10	3,446.7	3,204.7	(242.0)	-7.0%	
FY2010-11	3,422.2	3,499.7	77.4		2.3%
FY2011-12	3,591.1	3,695.9	104.8		2.9%
FY2012-13	3,767.1	4,052.4	285.3		7.6%
FY2013-14	4,020.7	4,117.40	96.7		2.4%
FY2014-15	4,220.5	4,305.1	84.6		2.0%
FY2015-16	4,481.9	4,308.0	(173.9)	-3.9%	
FY2016-17 est	4,580.1	4,395.0	(185.1)	-4.0%	
FY2017-18 est	4,738.3	4,538.0	(200.3)	-4.2%	
FY2018-19 est	4,932.5	4,730.0	(202.5)	-4.1%	
Avg Variance				-4.3%	4.5%

Appendix B

Projected Budget – November 2016 TRR Meeting

	w/o Deficits FY2016-17	Nov 2016 TRR Estimate		Change over Prior Yr		Change over Prior Yr		2 Yr Avg % Change
		Total FY2017-18	Total FY2018-19	FY17-18 (w/o deficits)		FY18-19 (w/o deficits)		
				\$	%	\$	%	
<u>Agency Operations</u>								
University/Colleges	635,472,980	664,111,355	691,388,493	28,638,375	4.5%	27,277,138	4.1%	4.3%
Health & Human Services System	262,140,415	267,680,805	273,047,307	5,540,390	2.1%	5,366,502	2.0%	2.1%
Correctional Services	204,158,501	208,397,915	212,824,114	4,239,414	2.1%	4,426,199	2.1%	2.1%
Courts	179,806,832	188,124,708	195,103,626	8,317,876	4.6%	6,978,918	3.7%	4.2%
State Patrol	60,113,441	61,473,491	62,984,975	1,360,050	2.3%	1,511,484	2.5%	2.4%
Revenue	27,551,068	28,290,879	28,908,937	739,811	2.7%	618,058	2.2%	2.4%
Retirement Board	47,303,239	64,056,935	65,372,896	16,753,696	35.4%	1,315,961	2.1%	17.6%
Other 40 Agencies	164,113,227	167,050,754	170,864,736	2,937,527	1.8%	3,813,982	2.3%	2.0%
Total-GF Operations	1,580,659,703	1,649,186,842	1,700,495,084	68,527,139	4.3%	51,308,242	3.1%	3.7%
<u>State Aid to Individuals/Others</u>								
Medicaid	850,259,344	889,105,431	923,934,274	38,846,087	4.6%	34,828,843	3.9%	4.2%
Child Welfare Aid	160,193,618	171,848,362	175,046,539	11,654,744	7.3%	3,198,177	1.9%	4.5%
Public Assistance	108,094,067	115,922,126	116,643,076	7,828,059	7.2%	720,950	0.6%	3.9%
Developmental disabilities aid	150,667,981	154,181,933	159,229,362	3,513,952	2.3%	5,047,429	3.3%	2.8%
Behavioral Health aid	73,844,769	75,521,664	77,032,098	1,676,895	2.3%	1,510,434	2.0%	2.1%
Childrens Health Insurance (SCHIP)	6,440,394	6,448,465	6,716,525	8,071	0.1%	268,060	4.2%	2.1%
Aging Programs	10,449,701	10,449,701	9,845,789	0	0.0%	(603,912)	-5.8%	-2.9%
Higher Ed Student Aid programs	7,853,156	7,853,156	7,853,156	0	0.0%	0	0.0%	0.0%
Public Health Aid	6,917,612	6,917,612	6,917,612	0	0.0%	0	0.0%	0.0%
Business Innovation Act	6,760,000	6,760,000	6,760,000	0	0.0%	0	0.0%	0.0%
Community health centers	5,783,060	5,783,060	5,783,060	0	0.0%	0	0.0%	0.0%
All Other Aid to Individuals/Other	11,256,968	11,256,968	11,256,968	0	0.0%	0	0.0%	0.0%
Total-GF Aid to Individuals/Other	1,398,520,670	1,462,048,478	1,507,018,459	63,527,808	4.5%	44,969,981	3.1%	3.8%
<u>State Aid to Local Govts</u>								
State Aid to Schools (TEEOSA)	952,153,581	1,002,157,907	1,060,655,620	50,004,326	5.3%	58,497,713	5.8%	5.5%
Special Education	222,063,117	227,614,695	233,305,062	5,551,578	2.5%	5,690,367	2.5%	2.5%
Property Tax Credit Transfer				--	--	--	--	--
Aid to Community Colleges	100,828,308	104,357,299	108,009,804	3,528,991	3.5%	3,652,505	3.5%	3.5%
Homestead Exemption	72,515,000	74,800,000	76,900,000	2,285,000	3.2%	2,100,000	2.8%	3.0%
Personal Property Tax Relief Act	19,600,000	16,000,000	17,000,000	(3,600,000)	--	1,000,000	100.0%	-6.9%
Aid to ESU's	14,051,761	14,403,055	14,763,131	351,294	2.5%	360,076	2.5%	2.5%
Early Childhood programs	8,770,164	8,770,164	8,770,164	0	0.0%	0	0.0%	0.0%
Community Based Juvenile Services	6,300,000	6,300,000	6,300,000	0	0.0%	0	0.0%	0.0%
Resources Development Fund	3,140,325	3,140,325	3,140,325	0	0.0%	0	0.0%	0.0%
Other Aid to Local Govt	8,506,246	8,506,246	8,506,246	0	0.0%	0	0.0%	0.0%
Total-GF Aid to Local Govt	1,410,271,464	1,468,392,653	1,539,693,314	58,121,189	4.1%	71,300,661	4.9%	4.5%
<u>Capital Construction</u>								
	22,239,000	31,768,333	30,966,526	9,529,333	42.8%	(801,807)	-2.5%	18.0%
<u>Total Appropriations</u>								
	4,411,690,837	4,611,396,306	4,778,173,383	199,705,469	4.5%	166,777,077	3.6%	4.1%

Appendix C FY2016-17 Deficit Requests (General Fund)

#	Agency	Issue	Fund	Type	\$ Amount
13	Education	Nebraska Career Connections	Gen	Oper	215,000
13	Education	TEEOSA Aid; revised Insurance Premium tax	Gen	Aid	0
14	PSC	Increase to Commissioners' expenses, new commissioner	Gen	Oper	9,758
16	Revenue	Homestead exemption deficit	Gen	Aid	0
16	Revenue	Personal Property Tax Relief Act deficit	Gen	Aid	0
25	DHHS	Medicare Prescription Drug Clawback in Medicaid	Gen	Aid	5,263,256
25	DHHS	Medicare Part B Premium Increase	Gen	Aid	4,646,288
25	DHHS	Nebraska Families Collaborative	Gen	Aid	7,803,559
35	Liquor Control	Retirement payouts (also \$47,688 PSL)	Gen	Oper	54,913
35	Liquor Control	Computer programming, new license type LB 1105 (2016)	Gen	Oper	5,000
50	State Colleges	Fed Fair Labor Standards Act regulations (also \$150,586 PSL)	Gen	Oper	206,752
54	Hist Society	Retirement payouts (also \$137,755 PSL)	Gen	Oper	157,276
65	DAS	State Claims (LB xxx)	Gen	Oper	0
Total		Operations	Gen	Oper	648,699
		State Aid	Gen	Aid	17,713,103
		Construction	Gen	Const	0
		Total General Fund Deficits	Gen	Total	18,361,802

Appendix D

Statutory Provisions - Tax Rate Review Committee

Statutory Required Meetings

Section 77-2715.01 relates to the Legislature setting the sales and income tax rates and creates the Tax Rate Review Committee and its duties and responsibilities

“(1)(a) Commencing in 1987 the Legislature shall set the rates for the income tax imposed by section 77-2715 and the rate of the sales tax imposed by subsection (1) of section 77-2703. For taxable years beginning or deemed to begin before January 1, 2013, the rate of the income tax set by the Legislature shall be considered the primary rate for establishing the tax rate schedules used to compute the tax.

(b) The Legislature shall set the rates of the sales tax and income tax so that the estimated funds available plus estimated receipts from the sales, use, income, and franchise taxes will be not less than three percent nor more than seven percent in excess of the appropriations and express obligations for the biennium for which the appropriations are made. The purpose of this subdivision is to insure that there shall be maintained in the state treasury an adequate General Fund balance, considering cash flow, to meet the appropriations and express obligations of the state.

(c) For purposes of this section, express obligation shall mean an obligation which has fiscal impact identifiable by a sum certain or by an established percentage or other determinative factor or factors.

2) The Speaker of the Legislature and the chairpersons of the Legislature's Executive Board, Revenue Committee, and Appropriations Committee shall constitute a committee to be known as the Tax Rate Review Committee. The Tax Rate Review Committee shall meet with the Tax Commissioner within ten days after July 15 and November 15 of each year and shall determine whether the rates for sales tax and income tax should be changed. In making such determination the committee shall recalculate the requirements pursuant to the formula set forth in subsection (1) of this section, taking into consideration the appropriations and express obligations for any session, all miscellaneous claims, deficiency bills, and all emergency appropriations. The committee shall prepare an annual report of its determinations under this section. The committee shall submit such report electronically to the Legislature and shall append the tax expenditure report required under section 77-382.

In the event it is determined by a majority vote of the committee that the rates must be changed as a result of a regular or special session or as a result of a change in the Internal Revenue Code of 1986 and amendments thereto, other provisions of the laws of the United States relating to federal income taxes, and the rules and regulations issued under such laws, the committee shall petition the Governor to call a special session of the Legislature to make whatever rate changes may be necessary.”

Annual Report

LB962 enacted in the 2012 legislative session included a new requirement that the Tax Rate Review Committee prepare an annual report of its determinations, submit such report electronically to the Legislature, and append the tax expenditure report required under section 77-382 to such annual report. As the Tax Rate Review Committee meets twice each year, for purposes of this provision the annual report will be prepared after the required November meeting