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

November 27, 2018

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

Dear Mr. O'Donnell;

As required by Nebraska Revised Statute 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 2018.

The attachments include reports presented to and reviewed by the Committee on July 23, 2018, and November 15, 2018. At each meeting the Committee determined there was no need to call the Legislature into special session to adjust tax rates.

The attachments also include the revenue volatility report required under Nebraska Revised Statute 50-419.02. Starting in 2016 and every two years thereafter, the Legislative Fiscal Analyst shall prepare this report to append to the Tax Rate Review Committee annual report.

Lastly, as required by 77-2715.01 (2) this report incorporates by reference the most recent tax expenditure report prepared by the Department of Revenue, as set forth by Nebraska Revised Statute 77-382. The most recent report can be found at the following web address:
http://www.revenue.nebraska.gov/research/tax_expenditure_rep/2018/contents.html

If you have any questions, please contact me at 402.471.0062.

Respectfully submitted on behalf of the Committee.

A handwritten signature in cursive script that reads "Tom Bergquist".

Tom Bergquist
Legislative Fiscal Analyst

Attachments.



TAX RATE REVIEW COMMITTEE

July 23, 2018

Required July Meeting Pursuant to Section 77-2715.01

Appropriations Committee Chair

Senator John Stinner

Executive Board Chair

Senator Dan Watermeier

Speaker of the Legislature

Senator Jim Scheer

Revenue Committee Vice-Chair

Senator Curt Friesen

Tax Commissioner

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 FY2017-18 were \$38.4 million above the forecast used at Sine Die of the 2018 Session which was the February 2018 forecast of the Nebraska Economic Forecast Advisory Board (NEFAB) less a \$1,398,002 reduction in FY18 cash fund transfers-in enacted in the 2018 Session.
2. Tax rate and base adjusted revenue growth for FY2017-18 actual receipts is 4.5% compared to the 3.8% growth calculated per the February 2018 forecast. Nominal (actual unadjusted) change from the prior year is +7.1%.

The difference is attributed to the adjustments including lower Nebraska Advantage Act (and LB775) sales tax refunds (\$13.8 million), Amazon.com sales tax (\$17.0 million), and higher General Fund transfers-in (\$61.2 million)

3. The projected General Fund financial status for the current biennium declines slightly with the projected ending balance going from \$692,114 above the minimum reserve to \$851,265 below the minimum reserve. Note that for the FY18/FY19 biennium, the minimum reserve is statutorily set at 2.5%, returning to 3% in the FY20/FY21 biennium.

This small decline was due to FY18 actual receipts being \$38.4 million above Sine Die forecast less \$37.0 transfer of revenues above certified to the Cash Reserve Fund, and reductions due to accounting adjustments (\$2.98 million).

4. The Cash Reserve Fund (CRF) is projected at an unobligated balance of \$333.5 million. This is \$37.1 million higher than estimated at Sine Die 2018. This is the \$37 million transfer of above certified revenues and \$115,729 higher than estimated balance in the Oral Health Training and Services Fund whose unexpended balance was transferred to the CRF.
5. The current status is based on the existing revenue forecast for FY2018-19. The NEFAB will not meet to evaluate this existing FY18-19 revenue forecasts until October. With the higher adjusted growth in FY17-18 actual receipts (4.5% vs 3.8% growth), the FY18-19 calculated growth is now 4.3% with the existing forecast compared to the Sine Die estimate of 4.9%.
6. The projected financial status for the following biennium, FY2019-20 and FY2020-21, now shows a variance from the minimum reserve of a positive \$93.8 million. This is slightly less than the Sine Die 2018 estimated \$95.4 million reflecting the carryover impact of the small reduction to the current biennium. No changes in either the projected revenues or appropriations.

Current General Fund Financial Status

(With FY2017-18 Actual Revenue & Expenditures)

	Actual FY2016-17	Actual FY2017-18	Current Yr FY2018-19	Upcoming FY2019-20	Biennium FY2020-21
1 BEGINNING BALANCE					
2 Beginning Cash Balance	531,652,199	247,728,174	453,601,627	225,727,081	247,196,646
3 Cash Reserve transfers-above certified prior yr	0	0	(61,995,773)	0	0
4 Unexpended FY17-18 obligations	0	0	(253,029,158)	0	0
5 Est lapse FY18 carryover obligations	0	0	0	0	0
6 Allocation for potential deficits	0	0	0	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	531,652,199	247,728,174	138,576,696	220,727,081	242,196,646
8 REVENUES					
9 Net Receipts (Actual and Sine Die Adjusted)	4,265,771,947	4,566,995,773	4,730,734,000	4,955,754,000	5,270,705,000
10 General Fund transfers-out	(217,100,000)	(233,470,000)	(230,300,000)	(232,500,000)	(232,500,000)
11 General Fund transfers-in	in actual	in forecast	in forecast	0	0
12 Cash Reserve transfers-legislative	0	225,000,000	48,000,000	0	0
13 Accounting adjustment	(3,165,210)	(2,980,037)	0	0	0
14 General Fund Net Revenues	4,045,506,737	4,555,545,736	4,548,434,000	4,723,254,000	5,038,205,000
15 APPROPRIATIONS					
16 Expenditures/Appropriations	4,329,430,762	4,349,672,283	4,456,283,615	4,456,283,615	4,456,283,615
17 Projected budget actions (2019 Session)	--	--	5,000,000	240,500,820	439,387,684
18 "A" Bills (2019 Session)	0	0	0	0	0
19 General Fund Appropriations	4,329,430,762	4,349,672,283	4,461,283,615	4,696,784,435	4,895,671,299
20 ENDING BALANCE					
21 \$ Ending balance (Financial Status as shown)	247,728,174	453,601,627	225,727,081	247,196,646	384,730,347
22 \$ Ending balance (at Min. Reserve 2.5% FY19 only)	--	--	226,578,345	--	290,888,915
23 Excess (shortfall) from Minimum Reserve	--	--	(851,264)	--	93,841,432
24 Biennial Reserve (%)	--	--	2.5%	--	4.0%
25 General Fund Budget					
26 Annual % Change	3.3%	-0.3%	1.3%	5.4%	4.2%
27 Two Year Average % Change	3.7%	--	0.5%	--	4.8%
28 General Fund Revenues:					
29 Adjusted Growth	0.3%	4.5%	4.3%	6.3%	6.5%
30 Two Year Average	0.3%	--	4.4%	--	6.4%
31 Five Year Average	3.7%	--	3.1%	--	4.4%
32 Structural Revenues vs Appropriations	(283,924,025)	(19,126,547)	39,150,385	26,469,565	142,533,701

CASH RESERVE FUND	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
Beginning Balance	730,655,108	680,655,108	339,990,065	333,549,124	333,549,124
Excess of certified forecasts (line 3 in Status)	0	0	61,995,773	0	0
To/from Gen Fund per current law	0	(225,000,000)	(48,000,000)	0	0
To Nebr Capital Construction Fund (NCCF)	0	(115,930,772)	(20,436,714)	0	0
To/From Oral Health Training and Services Fund	0	265,729	0	0	0
To Military Installation Infrastructure	0	0	0	0	0
To Transportation Infrastructure Fund	(50,000,000)	0	0	0	0
Ending Balance - Current Status	680,655,108	339,990,065	333,549,124	333,549,124	333,549,124

Changes in the Financial Status since Sine Die 2018

(millions of dollars)	FY18/FY19 Biennium	FY20/FY21 Biennium
1. Variance: Sine Die 2018 ----->	692,114	95,377,317
2. Carryover obligations from FY16-17	0	0
3. FY18 Actual vs Est General Fund Net Receipts	38,393,775	38,393,775
4. FY18 Actual vs Est Transfers-Out	0	0
5. FY18 Actual vs Est Transfers-In	0	0
6. FY18 Actual vs Est CRF transfers-automatic	(36,995,773)	(36,995,773)
7. FY18 Actual vs Est Accounting adjustment	(2,980,037)	(2,980,037)
8. Rounding on revenue numbers	67	67
9. Assumed lapse, FY17 unexpended		
10. Recalculate minimum reserve	38,586	46,079
11. Total \$ Change Since Sine Die	(1,543,378)	(1,535,885)
12. Current Financial Status ----->	(851,264)	93,841,433

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 21540 & 21541 Dept. of Revenue enforcement	(750,000)
Transfer-Out to Mutual Finance Assistance Fund, cash flow	(1,824,225)
Transfer-Out State Patrol drug purchases	(43,136)
All other accounting adjustments	(362,676)
Total Accounting adjustment	(2,980,037)

Lapse of Unexpended FY2017-18 Funds

Per the enacted appropriations bills, all unexpended appropriations from the first year of a biennium (FY17-18) are reappropriated to the second year of the biennium (FY18-19) 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.

FY2017-18 Actual General Fund Receipts

Table 1 compares the various forecasts with actual receipts for FY2017-18. Table 2 shows actual receipts and adjusted growth for FY2017-18 and the previous five years, Table 3 shows a chronology of the FY2017-18 forecasts and Table 4 provides historical revenues and adjusted growth rates.

Table 1 FY2017-18 Actual Receipts vs Forecast

	Cert July 2017 FY2017-18	Oct 2017 FY2017-18	Feb 2018 FY2017-18	Sine Die 2018 FY2017-18	Actual YTD FY2017-18	\$ Variance Cert July 2017	\$ Variance Oct 2017	\$ Variance Feb 2018	\$ Variance Sine Die 2018
<u>GROSS RECEIPTS</u>									
Sales and Use	2,266,014,000	2,247,092,000	2,244,440,000	2,244,440,000	2,227,862,718	(38,151,282)	(19,229,282)	(16,577,282)	(16,577,282)
Individual Income	2,872,770,000	2,748,762,000	2,781,775,000	2,781,775,000	2,811,053,259	(61,716,741)	62,291,259	29,278,259	29,278,259
Corporate Income	317,985,000	345,212,000	343,048,000	343,048,000	355,713,385	37,728,385	10,501,385	12,665,385	12,665,385
Miscellaneous	290,499,000	280,635,000	285,549,000	284,150,998	290,514,169	15,169	9,879,169	4,965,169	6,363,171
Total Gross Receipts	5,747,268,000	5,621,701,000	5,654,812,000	5,653,413,998	5,685,143,530	(62,124,470)	63,442,530	30,331,530	31,729,532
<u>REFUNDS & CREDITS</u>									
City Sales Tax	424,887,000	425,933,000	428,359,000	428,359,000	423,550,027	(1,336,973)	(2,382,973)	(4,808,973)	(4,808,973)
State Sales and Use	125,898,000	111,619,000	106,173,000	106,173,000	113,159,286	(12,738,714)	1,540,286	6,986,286	6,986,286
Sales tax to Highway Fun	78,223,000	77,915,000	77,993,000	77,993,000	76,676,926	(1,546,074)	(1,238,074)	(1,316,074)	(1,316,074)
CSI Turnback	12,006,000	11,625,000	11,915,000	11,915,000	11,739,120	(266,880)	114,120	(175,880)	(175,880)
Individual Income	447,770,000	438,762,000	451,775,000	451,775,000	450,457,324	2,687,324	11,695,324	(1,317,676)	(1,317,676)
Corporate Income	52,985,000	50,212,000	48,048,000	48,048,000	42,023,864	(10,961,136)	(8,188,136)	(6,024,136)	(6,024,136)
Miscellaneous	72,000	635,000	549,000	549,000	541,209	469,209	(93,791)	(7,791)	(7,791)
Total Refunds/Credits	1,141,841,000	1,116,701,000	1,124,812,000	1,124,812,000	1,118,147,757	(23,693,243)	1,446,757	(6,664,243)	(6,664,243)
<u>NET RECEIPTS</u>									
Sales and Use	1,625,000,000	1,620,000,000	1,620,000,000	1,620,000,000	1,602,737,358	(22,262,642)	(17,262,642)	(17,262,642)	(17,262,642)
Individual Income	2,425,000,000	2,310,000,000	2,330,000,000	2,330,000,000	2,360,595,935	(64,404,065)	50,595,935	30,595,935	30,595,935
Corporate Income	265,000,000	295,000,000	295,000,000	295,000,000	313,689,520	48,689,520	18,689,520	18,689,520	18,689,520
Miscellaneous	290,427,000	280,000,000	285,000,000	283,601,998	289,972,959	(454,041)	9,972,959	4,972,959	6,370,961
Total Net Receipts	4,605,427,000	4,505,000,000	4,530,000,000	4,528,601,998	4,566,995,773	(38,431,227)	61,995,773	36,995,773	38,393,775
<u>ADJUSTED GROWTH</u>									
Total GF Revenues	5.6%	3.3%	3.8%	3.8%	4.5%	na	na	na	na

	Cert July 2017 FY2017-18	Oct 2017 FY2017-18	Feb 2018 FY2017-18	Sine Die 2018 FY2017-18	Actual YTD FY2017-18	\$ Variance Cert July 2017	\$ Variance Oct 2017	\$ Variance Feb 2018	\$ Variance Sine Die 2018
<u>TOTAL BY MONTH</u>									
July	275,532,000	267,910,000	267,910,000	267,910,000	267,909,749	(7,622,251)	(251)	(251)	(251)
August	415,430,000	405,007,000	405,007,000	405,007,000	405,007,342	(10,422,658)	342	342	342
September	457,972,000	456,056,000	456,056,000	456,056,000	456,056,442	(1,915,558)	442	442	442
October	249,975,000	244,584,000	244,584,000	244,584,000	244,584,930	(5,390,070)	930	930	930
November	382,224,000	377,702,000	375,540,000	375,540,000	375,539,555	(6,684,445)	(2,162,445)	(445)	(445)
December	379,509,000	378,083,000	414,748,000	414,748,000	414,747,893	35,238,893	36,664,893	(107)	(107)
January	405,024,000	379,049,000	421,101,000	421,101,000	421,100,753	16,076,753	42,051,753	(247)	(247)
February	283,189,000	291,346,000	296,461,000	296,461,000	296,461,256	13,272,256	5,115,256	256	256
March	330,769,000	337,468,000	310,614,000	310,614,000	305,529,563	(25,239,437)	(31,938,437)	(5,084,437)	(5,084,437)
April	550,959,000	503,317,000	494,729,000	494,729,000	514,218,591	(36,740,409)	10,901,591	19,489,591	19,489,591
May	410,401,000	409,436,000	396,870,000	396,870,000	392,124,524	(18,276,476)	(17,311,476)	(4,745,476)	(4,745,476)
June	464,443,000	455,042,000	446,380,000	444,981,998	473,715,175	9,272,175	18,673,175	27,335,175	28,733,177
Total GF Revenues	4,605,427,000	4,505,000,000	4,530,000,000	4,528,601,998	4,566,995,773	(38,431,227)	61,995,773	36,995,773	38,393,775

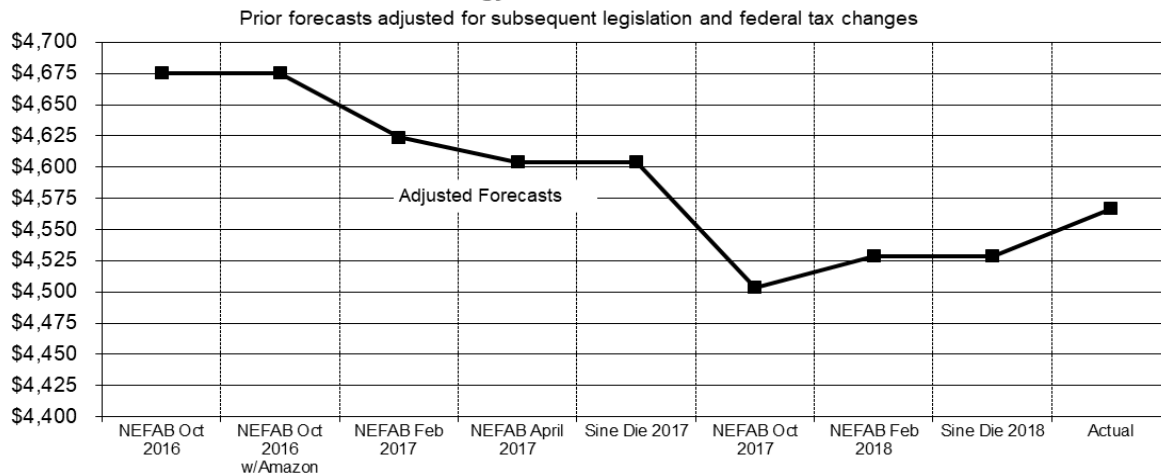
Table 2 Actual Receipts and Adjusted Growth

	Actual FY2012-13	Actual FY2013-14	Actual FY2014-15	Actual FY2015-16	Actual FY2016-17	Actual FY2017-18
<u>GROSS RECEIPTS</u>						
Sales and Use	1,944,467,714	2,040,600,845	2,077,971,811	2,094,468,144	2,171,815,346	2,227,862,718
Individual Income	2,492,601,926	2,418,603,017	2,585,182,066	2,641,879,626	2,658,320,142	2,811,053,259
Corporate Income	318,145,131	338,342,475	377,110,289	355,255,463	317,877,308	355,713,385
Miscellaneous	200,072,864	225,324,574	217,791,194	251,287,376	228,108,875	290,514,168
Total Gross Receipts	4,955,287,635	5,022,870,911	5,258,055,360	5,342,890,608	5,376,121,671	5,685,143,530
<u>REFUNDS & CREDITS</u>						
City Sales Tax	339,311,365	359,731,013	373,538,071	393,267,290	410,163,428	423,550,028
State Sales and Use	130,213,708	96,256,946	86,725,977	90,711,947	129,249,901	113,159,286
Sales tax to Highway Fund	0	59,819,123	73,742,441	73,155,323	74,054,661	76,676,926
CSI Turnback	0	0	8,543,052	9,310,274	9,958,507	11,739,120
Individual Income	390,689,885	35,784,413	379,718,163	420,790,809	433,480,089	450,457,324
Corporate Income	42,582,141	31,751,448	30,632,911	47,585,769	53,437,595	42,023,864
Miscellaneous	131,926	60,028	52,664	87,922	5,543	541,209
Total Refunds/Credits	902,929,025	905,462,679	952,953,279	1,034,909,334	1,110,349,724	1,118,147,757
<u>NET RECEIPTS</u>						
Sales and Use	1,474,942,641	1,524,793,763	1,535,422,270	1,528,023,310	1,548,388,849	1,602,737,358
Individual Income	2,101,912,041	2,060,758,896	2,205,463,903	2,221,088,817	2,224,840,053	2,360,595,935
Corporate Income	275,562,990	306,591,027	346,477,378	307,669,694	264,439,713	313,689,521
Miscellaneous	199,940,938	225,264,546	217,738,529	251,199,454	228,103,332	289,972,959
Total Net Receipts	4,052,358,610	4,117,408,232	4,305,102,080	4,307,981,275	4,265,771,947	4,566,995,773
<u>ADJUSTED GROWTH</u>						
Sales/Use	5.2%	5.1%	2.5%	0.9%	1.7%	1.6%
Ind Income	8.6%	3.0%	8.3%	1.3%	1.1%	5.9%
Corp Income	9.0%	11.0%	13.8%	-9.1%	-11.8%	17.6%
Misc Receipts	6.1%	2.6%	1.1%	3.9%	0.2%	-6.5%
Total GF Revenues	7.2%	4.4%	6.2%	0.3%	0.3%	4.5%

Table 3 Chronology of FY2017-18 Revenue Forecasts

	FY2017-18 Revenue Forecasts (Thousands of \$)					Change Due to:			
	Sales/Use	Individual	Corporate	Misc	Total	Forecast	Bills	Other	Total
Board Est-October 2016	1,640,000	2,445,000	270,000	183,000	4,538,000				
Board Est-Oct 2016 (with Amazon.com)	1,668,218	2,445,000	270,000	183,000	4,566,218	0	0	28,218	28,218
Board Est-February 2017	1,645,000	2,425,000	265,000	180,000	4,515,000	(51,218)	0	0	(51,218)
Board Est-April 2017	1,625,000	2,425,000	265,000	180,000	4,495,000	(20,000)	0	0	(20,000)
Sine Die-2017 Session	1,625,000	2,425,000	265,000	290,427	4,605,427	0	110,427	0	110,427
Board Est-October 2017	1,620,000	2,310,000	295,000	280,000	4,505,000	(100,427)	0	0	(100,427)
Board Est-Feb 2018 (baseline)	1,620,000	2,330,000	295,000	285,000	4,530,000	25,000	0	0	25,000
Sine Die-2018 Session	1,620,000	2,330,000	295,000	283,602	4,528,602	(0)	(1,398)	0	(1,398)
Actual Receipts FY2017-18	1,602,737	2,360,596	313,690	289,973	4,566,996	38,394	0	0	38,394
Change from first NEFAB forecast to actual	(37,263)	(84,404)	43,690	106,973	28,996	(108,251)	109,029	28,218	28,996

Chronology of FY2017-18 Forecasts



Chronology of FY2016-17 Forecasts

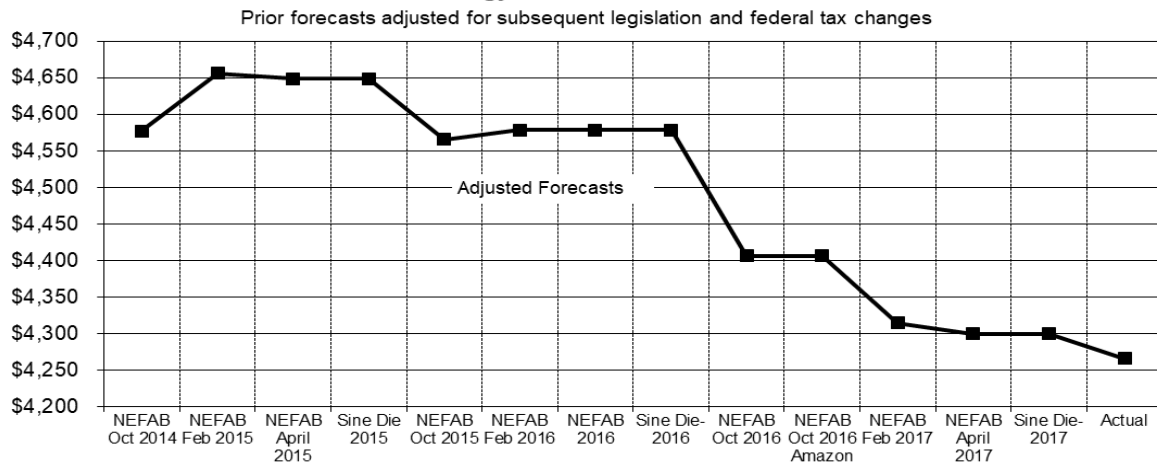
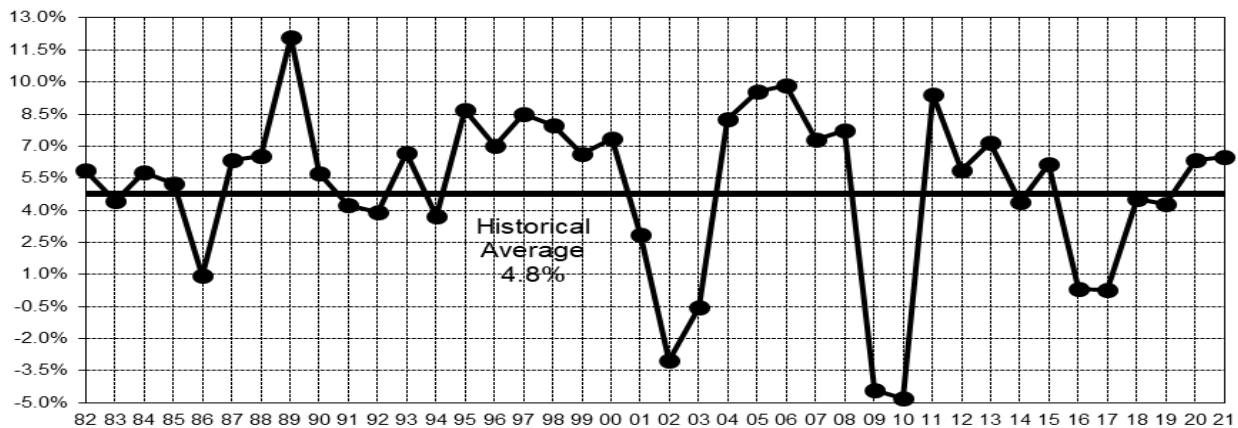


Table 4 Historical and Projected Revenues

	Sales	Individual	Corporate	Miscellaneous	Total	Adjusted Growth
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 Actual	1,548,388,849	2,224,840,053	264,439,713	228,103,332	4,265,771,947	0.3%
FY 2017-18 Actual	1,602,737,358	2,360,595,935	313,689,521	289,972,959	4,566,995,773	4.5%
FY 2018-19 NEFAB (Feb+bills)	1,685,000,000	2,471,000,000	308,000,000	266,734,000	4,730,734,000	4.3%
FY 2019-20 LFO Prelim	1,778,000,000	2,653,654,000	338,000,000	186,100,000	4,955,754,000	6.3%
FY 2020-21 LFO Prelim	1,871,930,000	2,863,675,000	354,000,000	181,100,000	5,270,705,000	6.5%
AVERAGE GROWTH (adjusted)						
Five Yr Financial Status (FY17 to FY21 Status)	4.1%	5.3%	2.9%	0.8%	4.5%	
Above Average Years (23)	5.6%	9.1%	11.8%	3.5%	7.3%	
Below Average Years (13)	1.5%	2.2%	-4.6%	0.0%	1.2%	
Historical Average (36 yrs)	4.1%	6.1%	5.8%	0.7%	4.8%	

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



Cash Reserve Fund

	Beginning	Direct Deposit and Interest	Automatic Transfers (1)	Legislative Transfers (2)		Cash Flow	Ending Balance	EB as % of revenues
	Balance			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	730,655,108	0	0	0	(50,000,000)	0	680,655,108	16.0%
FY2017-18	680,655,108	265,729	0	(225,000,000)	(115,930,772)	0	339,990,065	7.4%
FY2018-19 Est	339,990,065	0	61,995,773	(48,000,000)	(20,436,714)	0	333,549,124	7.1%
FY2019-20 Est	333,549,124	0	0	0	0	0	333,549,124	6.7%
FY2020-21 Est	333,549,124	0	0	0	0	0	333,549,124	6.3%

(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 – FY20/FY21 Following Biennium

For the “following biennium” (FY2019-20 and FY2020-21), 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 2018 budget actions)

<i>Dollar Changes from FY19 Base Year</i>	Annual % Change			Projected Increases	
	FY20	FY21	2 Yr Avg	FY2019-20	FY2020-21
FY2018-19 Base Appropriation				4,456,283,615	4,456,283,615
Aid to K-12 Schools (TEEOSA GF only)	7.3%	7.6%	7.4%	70,854,621	149,905,285
Special Education	2.5%	2.5%	2.5%	5,663,165	11,467,908
Community Colleges	3.5%	3.5%	3.5%	3,476,521	7,074,719
Homestead Exemption	2.9%	2.9%	2.9%	2,430,000	4,932,900
Personal Property Tax Relief Act	3.4%	3.4%	3.4%	486,000	986,580
Aid to ESU's	2.5%	2.5%	2.5%	340,755	690,029
Medicaid	4.4%	4.4%	4.4%	37,657,801	77,010,204
Children's Health Insurance (SCHIP)	346.5%	28.1%	187.3%	21,404,399	29,141,997
Child Welfare Aid	3.8%	3.8%	3.8%	7,473,028	15,282,343
Developmental Disability aid	5.3%	4.3%	4.8%	7,975,799	14,739,190
Public Assistance	3.9%	3.8%	3.9%	3,667,793	7,463,958
Behavioral Health aid	2.5%	2.5%	2.5%	1,806,081	3,657,315
Employee Salaries - State Agencies	3.3%	2.5%	2.9%	15,363,479	27,565,628
Employee Health Insurance - State Agencies	6.1%	6.1%	6.1%	5,568,003	11,470,086
University/Colleges increased funding	3.8%	3.7%	3.8%	23,804,096	48,379,907
Operations increase - State Agencies	2.0%	2.0%	2.0%	2,970,803	6,001,022
Justice Reinvestment Act (LB605-2015)	--	--	specific	1,571,931	1,571,931
Juvenile Services - Courts	2.5%	2.5%	2.5%	1,350,000	2,733,750
DHHS Fund shifts, other increases			calculated	1,650,000	1,650,000
Inmate per diem costs (Corrections)	3.0%	3.0%	3.0%	1,384,455	2,810,443
Staffing / population costs / medical (Corrections)	--	--	specific	5,006,066	5,006,066
Retirement (defined benefit plans)	--	--	specific	932,000	2,596,000
Construction	--	--	reaffirm only	16,996,488	6,296,838
All Other	--	--	--	667,536	953,586
Total General Fund Increases (Biennial Basis)	5.4%	4.2%	4.8%	240,500,820	439,387,684
Projected Appropriation per Financial Status				4,696,784,435	4,895,671,299

About 32% of 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 7.3% in FY20 and 7.6% in FY21. About half of the large increase in both years is the result of expiration of temporary changes included in LB 409 and the TEEOSA formula returning to its original form.

Another 19% of the projected increase is for employee salary and health insurance increases, 2.5% per year for salaries and 6% per year for health insurance. This is applied to the University of Nebraska and State Colleges as well as state agencies.

Another 17% of the projected increase is in Medicaid with an average growth of 4.5% per year. This reflects projected growth of 2.0% per year for population, client eligibility and utilization and 2.5% per year for provider rates. No change in the federal FMAP is assumed.

AID TO LOCAL GOVERNMENTS

State Aid to Schools (TEOSA) The numbers shown here for FY20 and FY21 are Legislative Fiscal Office estimates *used at Sine Die 2018* and are based on the same methodology utilized for the November estimates required under current law for the proposed biennial budget but with Fiscal Office assumptions and should be considered Fiscal Office estimates. The estimates reflect a growth in overall school aid of 7.3% in FY20 and 7.6% in FY21. About half of the large increase in both years is the result of expiration of temporary changes enacted in LB 409 (2017) and the TEEOSA formula returning to its original form.

Special Education: Increases for FY20 and FY21 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 4.5% per year. This reflects projected growth of 2.0% per year for population client eligibility and utilization and 2.5% per year for provider rates. This estimate also assumes no change in the federal match rate.

Public Assistance A basic growth rate of 3.5% per year is utilized for the various Public Assistance programs for the following biennium. This reflects no growth for population client eligibility and utilization and 2.5% per year for provider rates and 5% for child care rates.

Child Welfare A basic growth rate of approx.. 4.0% per year is utilized for the various Child Welfare programs for the following biennium. This reflects a 1.5% per year growth for population client eligibility and utilization and 2.5% per year for provider rates.

Children's Health Insurance (SCHIP) For the following biennium, a 4.5% per year increase is used which is the same as Medicaid. However, the large increase is attributed to the federal match rate. The Affordable Care Act (ACA) included a provision that increased the regular SCHIP match rate by 23 percentage points for FFY2015 to FFY2019. This provision expires during the following biennium requiring an increase of \$20 million in FY19-20 and an additional \$6 million (annualize at a full \$26 million level) in FY20-21.

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. Increases in the number of clients is from the fiscal note on LB333 which temporarily suspended the service entitlement for graduates in FY18 and FY19. In the LB333 fiscal note, DHHS indicated an estimated 224 individuals will be eligible for the entitlement in FY20. About 150 people will be new graduates turning age 21 in that fiscal year. DHHS recently had a legal interpretation that the state entitlement to services should also apply for high school graduates who move to Nebraska from other states. This has not been the case in the past. DHHS indicates there are 74 individuals who meet this criteria. Assuming 224 individuals are eligible for the entitlement for graduates in FY2019-20, the estimated general fund fiscal impact will be \$4,273,565.

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. Also in FY19-20 funds are included to annualize the January 1, 2019 1.5% salary increase. This equates to a .75% increase.

Employee Health Insurance For planning purposes, a 6% per year increase in health insurance is included for the following biennium, similar to the prior biennium.

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, etc...

Juvenile Justice services As part of the juvenile justice reform, funding for juvenile services was shifted from DHHS to the courts. Much of these funds are to purchase services from outside vendors. The projected budget includes a 2.5% for provider rate increases similar to DHHS providers.

Justice Reinvestment Act. The \$1,571,931 increase shown in FY19-20 fully funds the last year of the justice reinvestment act as laid out in the fiscal note for LB605-2015.

One time use of cash/federal funds – DHHS In the 2017 session a select file amendment reduced General Fund appropriations by \$2.8 million in the DHHS administrative program. This consisted of \$1.1 million which was transferred to the Dept of Veterans Affairs related to the shift of the veterans' homes while the other \$1.65 million reduction shifted costs from General funds to cash and federal. This was considered a one-time shift so the \$1.65 million General Funds is restored starting in FY20.

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 cover for these cost increases.

DCS Protective Services Staffing In FY18 and FY19 the 2017 enacted funding was below the agency request and Governors recommendation. The budget as enacted phased-in the additional staff over three years recognizing the current issue of vacancies and high turnover and providing more time to address those issues in existing staffing levels prior to adding larger numbers of additional staff. This \$5,066,000 funds the additional 80 staff in FY2019-20.

Defined Benefit Retirement Plans The increase in funding for the defined benefit retirement plans for FY20 and FY21 are based on the Cavanaugh Macdonald actuary presentation to the Retirement Committee in November 2016. This includes a slight increase in additional state contribution amounts for the Judges and Patrol plans plus an increase in the 2% of pay contribution in the school plan.

Capital Construction General Fund dollars included for the following biennium for capital construction reflect reaffirmations only based on the FY18/FY19 biennial budget. The large FY19-20 increase reflects shift of the State Capitol HVAC project funding from NCCF to General Funds.

Tax Rate Review Committee November 2018



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

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

**Senator Jim Scheer
Senator Dan Watermeier
Senator John Stinner
Senator Curt Friesen
Tony Fulton**

**Prepared by the Legislative Fiscal Office
November 15, 2018**

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Summary

This report includes a current projected General Fund Financial Status for the upcoming FY2019-20 and FY2020-21 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 FY2021-22 and FY2022-23 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 FY2018-19, FY2019-20 and FY2020-21, (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 \$95.1 million ***below*** the minimum reserve for the upcoming FY19-20 / FY20-21 biennial budget. Note that for the upcoming biennium the minimum reserve is restored to the 3.0% level after being at 2.5% the last biennium for budget balancing purposes.

This projected shortfall reflects a slight imbalance between two year average revenue growth of 3.1% and a 3.9% two year average increase in appropriations based on the projected continuation budget.

Revenue Growth

Revenue growth (adjusted for rate and base changes) continues to be below average for the upcoming biennium. Revenue estimates for FY2018-19, FY2019-20, and FY2020-21 are the October 2018 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Revenue growth implied by these current forecasts is 5.5% in FY18-19 but a slowdown in the upcoming biennium where the forecasts translate to rate and base adjusted growth of 3.3% in FY19-20 and 2.8% in FY20-21

For the “following biennium”, revenue growth is calculated at 5% per year using the historical average methodology. The target growth is the historical average of 4.75% but adjusted down to 4.3% to exclude growth that is now negated by indexing of the income tax brackets and other components. These calculated amounts are still at the higher 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 (FY2019-20 and FY2020-21) reflect agency requests for the items shown while estimated increases for the following biennium

(FY21-22 and FY2022-23) are based on historical trends. No new or expanded programs in the agency requests are included. *In many cases, rationales for the FY20 and FY21 requests are incomplete as these requests are currently under analysis.*

Overall the projected budget results in a budget growth of 4.5% in FY2019-20 and 3.2% in FY2020-21, a 3.9% two year average. To some extent, this reflects relatively modest growth in Medicaid and other DHHS aid programs which collectively average a 3.9% increase per year over the biennium. However, this includes increases due to the passage of the Medicaid expansion initiative and a 2.5% provider rate increase partially offset by a significant savings due to a higher Medicaid match rate (FMAP). TEEOSA aid has a higher growth in FY19-20 of 7% but almost 80% of that increase is attributed to the expiration of two formula changes enacted two years ago to lower aid the previous biennium.

	Projected Increase to FY19 Base Year	FY2019-20	FY2020-21	Two Yr total	% of Total
1	TEEOSA Aid to Schools (General Funds only)	68,030,866	103,817,247	171,848,113	31.3%
2	Provider rates, DHHS aid programs	39,515,294	70,741,448	110,256,742	20.1%
3	Medicaid (other than FMAP, provider rates, expansion)	22,161,456	38,694,746	60,856,202	11.1%
4	Salaries & Health Insurance (University+Colleges)	21,237,141	47,032,348	68,269,489	12.4%
5	Salaries & Health Insurance (Agencies)	19,811,924	37,736,682	57,548,606	10.5%
6	Medicaid expansion (net)	14,834,263	33,241,503	48,075,766	8.8%
7	Childrens Health Insurance (SCHIP) (special FMAP expires)	7,502,718	18,370,981	25,873,699	4.7%
8	Capital Construction	16,996,488	6,296,838	23,293,326	4.2%
9	Special Education	5,663,165	11,467,908	17,131,073	3.1%
10	Operating inflation+DAS rates (State Agencies)	6,616,783	7,975,719	14,592,502	2.7%
11	Community Colleges	3,450,156	7,021,067	10,471,223	1.9%
12	Staffing, programs, equipment (Corrections)	4,146,901	4,763,596	8,910,497	1.6%
13	Homestead Exemption	2,304,090	5,328,233	7,632,323	1.4%
14	Juvenile justice, increased costs (Courts)	1,350,000	2,733,750	4,083,750	0.7%
15	Retirement, K-12 School / Judges / Patrol	1,301,829	2,551,829	3,853,658	0.7%
16	Justice Reinvestment Act (Courts)	1,168,373	1,176,051	2,344,424	0.4%
17	Aid to ESU's	340,755	690,029	1,030,784	0.2%
18	Annualize LB 259 competency determinations (Courts)	359,493	367,831	727,324	0.1%
19	Personal Property Tax Relief Act	0	155,529	155,529	0.0%
18	Federal Medicaid Match rate (FMAP, op & aid)	(37,627,953)	(50,170,606)	(87,798,559)	-16.0%
19	Funds shifts (DHHS)	(954,885)	(1,273,181)	(2,228,066)	-0.4%
20	All Other	778,485	1,096,778	1,875,263	0.3%
21	Total	198,987,342	349,816,326	548,803,668	100.0%
22	Annual Percent Change	4.5%	3.2%	3.9%	

Cash Reserve Fund

In this financial status the unobligated ending balance in the Cash Reserve Fund (CRF) is projected at \$402.8 million. This is higher than the \$296.4 million estimate at the end of the last session. At that time, the forecast for FY17-18 would have generated a \$25 million transfer to the CRF. FY17-18 actual receipts exceeded the forecast and a total of \$62 million was actually transferred. Also the Forecast Board raised the FY18-19 forecast by \$69.3 million. As the FY18-19 forecast has already been certified, by law this amount above certified would be transferred to the CRF.

FY2018-19 Deficits

As of this point in time, requests for FY2018-19 supplemental General Funds (aka deficits) actually show a reduction of \$1.8 million mostly due to lower General Funds needed for TEEOSA due to higher insurance tax premiums. However, it's also not unusual to receive deficit requests into January or even February. A complete listing of deficits is included in Appendix C (page 24).

Medicaid Expansion

Initiative 427 was a proposal to expand the Medicaid program to cover childless adults, 19 to 64 years of age, under the provisions of the Affordable Care Act (ACA). This ballot initiative was similar to several bills that have been proposed over the past six years. This initiative was adopted on November 6, 2018 and is therefore included in this projected budget. Because of the short time between this report and its passage, these numbers should be considered as preliminary and still under review.

The gross expansion costs are based on the Dept. of Health and Human Services analysis of the petition dated September 21, 2018. In their report, DHHS stated that their estimates were built upon analyses of the past legislative proposes and the experience of other states that have opted into the ACA Medicaid Expansion.

The estimated savings are estimates of the Legislative Fiscal Office which are higher than those included in the DHHS report

The folloiwng is a summary of the General Fund costs included in the projected budget. More detail can be found on page 19.

	<u>FY2019-20*</u>	<u>FY2020-21</u>	<u>FY2021-22</u>	<u>FY2022-23</u>
Expansion costs	21,402,182	51,526,208	64,977,511	67,536,008
Offsetting savings	(6,567,919)	(18,284,705)	(26,101,892)	(26,101,892)
Net General Fund Costs	14,834,263	33,241,503	38,875,619	41,434,116
Additional Enrollees	57,592	70,882	88,602	89,223
Match Rate	90.0%	90.0%	90.0%	90.0%
Per Member Per Month Cost	\$489.59	\$495.26	\$500.91	\$516.69

* Assumes January 1, 2020 start date

Wayfair Ruling

The Supreme Court of the United States ruled on June 21, 2018, that states can tax sales by out-of-state businesses. Prior to the Supreme Court ruling in *South Dakota v. Wayfair, Inc.*, states could tax sales by businesses with a physical presence in the state, but not those by businesses with no physical presence. In *Wayfair*, the Supreme Court found this physical presence rule to be “unsound and incorrect.” It determined the “economic and virtual contacts” between a state and a business to be a sufficient trigger for nexus, the connection between a business and a state that allows a state to tax a business’s transactions.

On July 27, 2018, the Department of Revenue announced that following the Supreme Court ruling in *South Dakota v. Wayfair* under current statutes certain remote sellers now have a sales tax collection responsibility on sales made to customers in Nebraska and would start collecting that tax starting January 1, 2019. For this reason, to account for the collection of taxes on these remote sellers additional sales tax amounts were added to the LFO baseline forecasts and are included in subsequent Forecast Board forecasts,.

Based on assumptions that can be found on page10, on a fiscal year basis sales tax attributed to the *Wayfair* ruling and included in the current forecasts, amount to \$9 million in FY2018-19, \$26 million in FY2019-20 and \$30 million in FY2020-21

Projected General Fund Financial Status

	Current Yr FY2018-19	Upcoming Biennium FY2019-20 FY2020-21		Following Biennium FY2021-22 FY2022-23		
1 BEGINNING BALANCE						
2	Beginning Cash Balance	453,601,627	301,786,148	229,749,190	186,149,246	216,135,751
3	Cash Reserve transfers-automatic	(61,995,773)	(69,266,000)	0	0	0
4	Carryover obligations from FY18	(253,029,158)	0	0	0	0
5	Lapse FY19 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	138,576,696	227,520,148	224,749,190	181,149,246	211,135,751
8 REVENUES & TRANSFERS						
9	Net Receipts (Oct 2018 NEFAB + hist avg)	4,800,000,000	4,890,000,000	5,000,000,000	5,286,000,000	5,544,000,000
10	General Fund transfers-out (current law)	(230,300,000)	(232,500,000)	(232,500,000)	(232,500,000)	(232,500,000)
11	General Fund transfers-in (current law)	in forecast	0	0	0	0
12	Cash Reserve transfers (current law)	48,000,000	0	0	0	0
13	2019 Cash Reserve transfers (new)	0	0	0	0	0
14	2019 Revenue Bills	0	0	0	0	0
15	General Fund Net Revenues	4,617,700,000	4,657,500,000	4,767,500,000	5,053,500,000	5,311,500,000
16 APPROPRIATIONS						
17	Expenditures / Appropriations (2018 Session)	4,456,283,615	4,456,283,615	4,456,283,615	4,456,283,615	4,456,283,615
18	2019 Mainline Budget Adjustments	(1,793,067)	198,987,343	349,816,329	349,816,329	349,816,329
19	Projected budget increase, following biennium	0	0	0	212,413,551	420,433,623
20	2019 State Claims	0	0	0	0	0
20	2019 "A" Bills	0	0	0	0	0
21	General Fund Appropriations	4,454,490,548	4,655,270,958	4,806,099,944	5,018,513,495	5,226,533,567
22 ENDING BALANCE						
23	\$ Ending balance (per Financial Status)	301,786,148	229,749,190	186,149,246	216,135,751	296,102,184
24	\$ Ending balance (at Min. Reserve 3.0%)			281,286,995		307,315,027
25	Excess (shortfall) from Minimum Reserve			(95,137,749)		(11,212,843)
26	Biennial Reserve (%)			2.0%		2.9%
General Fund Appropriations						
27	Annual % Change - Appropriations (w/o deficits)	1.3%	4.5%	3.2%	4.4%	4.1%
28	Two Year Average	0.5%	--	3.9%	--	4.3%
General Fund Revenues						
29	Est. Revenue Growth (rate/base adjusted)	5.5%	3.3%	2.8%	5.0%	5.0%
30	Two Year Average	5.0%	--	3.1%	--	5.0%
31	Five Year Average	3.3%	--	3.4%	--	4.3%
32	On-Going Revenues vs Appropriations	113,416,385	2,229,042	(38,599,944)	34,986,505	84,966,433

CASH RESERVE FUND	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Beginning Balance	339,990,065	333,549,124	402,815,124	402,815,124	402,815,124
Excess of certified forecasts (line 3 in Status)	61,995,773	69,266,000	0	0	0
To/from Gen Fund per current law	(48,000,000)	0	0	0	0
To Nebr Capital Construction Fund (NCCF)	(20,436,714)	0	0	0	0
2019 Session - Transfers to/from General Fund	0	0	0	0	0
Projected Unobligated Ending Balance	333,549,124	402,815,124	402,815,124	402,815,124	402,815,124

Chronology of Projected Financial Status

(millions of dollars)	FY18 / FY19 Biennium	FY20/FY21 Biennium	FY22/FY23 Biennium
Variance from Minimum Reserve: Sine Die 2018 Session	0.7	94.5	na
1 FY18 Actual vs Est. General Fund Net Receipts	38.4	38.4	--
2 FY18 Actual vs Est. CRF transfers-automatic	(37.0)	(37.0)	--
3 FY16 Actual vs Est. Accounting adjustment	(3.0)	(3.0)	--
Variance from Minimum Reserve: TRR July 2018	(0.8)	(93.8)	na
4. Revenue Forecasts (revised Oct 2018)	69.3	(267.2)	(267.2)
5. "Above certified" FY18-19 forecast to CRF	(69.3)	(69.3)	(69.3)
6. Change in Minimum Reserve	0.0	9.8	--
Variance from Minimum Reserve: NEFAB Oct 2018	(0.8)	(232.8)	na
7. Deficit requests vs \$5M	0.0	3.2	--
8. Revised estimate of FY20/FY21 projected budget (2 yr total)	0.0	131.7	--
9. Change in Minimum Reserve	0.0	3.4	--
Variance from Minimum Reserve: TRR November 2018	(0.8)	(95.1)	(11.2)

NOTES:

Item 4 Revised Revenue Forecasts:

Revised NEFAB forecast for FY18-19	\$69.3 million
Original NEFAB forecasts vs LFO Prelim for FY19-20	(65.8) million
Original NEFAB forecasts vs LFO Prelim for FY20-21	(270.7) million
Three Year Total	(267.2) million

Item 8 Revised Estimated Spending versus Planning Numbers (millions of dollars)

Because this shows the impact on available funds, positive numbers mean lower appropriations and negative amounts mean increased appropriations.

Item	FY19-20	FY20-21	Total
Education - Revised TEEOSA aid estimates (Oct 2016 Joint Meeting)	2.8	46.1	49.0
Corrections - Inmate per diem costs (3% vs request)	1.4	2.8	4.2
DHHS - FMAP	37.6	50.2	87.8
DHHS - SCHIP Enhanced 23% FMAP Reduction	12.5	7.6	20.2
DHHS - SCHIP (eligibility, utilization)	0.6	1.4	2.1
DHHS - Medicaid (eligibility, utilization)	0.4	2.9	3.4
DHHS - Child Welfare (eligibility, utilization)	3.8	7.8	11.7
DHHS - Medicaid expansion (net)	(14.8)	(33.2)	(48.0)
DHHS - Develop Disability (eligibility, utilization)	4.2	7.0	11.3
DHHS - Provider rates (2.5% vs request, DD and BH)	(3.8)	2.4	(1.3)
DHHS - Medicaid (clawback)	(5.6)	(6.9)	(12.4)
All - Salary increase (updated base, stay at 2.5% per year)	(2.9)	(5.2)	(8.0)
All - Health Insurance increase (6.0% to varies)	6.5	7.8	14.4
All - CIO Rate & Service Charges	(2.5)	(3.7)	(6.2)
All - DAS Charges & Inflation	0.0	0.0	0.0
Revised estimate of budget increases, all other	1.1	2.5	3.6
Total	41.5	89.6	131.7

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.

At the end of the 2018 legislative session, the unobligated balance was projected at \$296.4. The current estimate is \$402.8 million. This increase is attributed to (a) the actual transfer of \$62 million attributed to FY2017-18 actual receipts being above certified forecast and (b) an estimated \$69.3 million transfer related to the current NEFAB forecast for FY2018-19 being above the July certified amount.

Table 1 Cash Reserve Fund

	Estimated FY2018-19	Estimated FY2019-20	Estimated FY2020-21	Estimated FY2021-22	Estimated FY2022-23
Beginning Balance	339,990,065	333,549,124	402,815,124	402,815,124	402,815,124
Excess of certified forecasts (line 3 in Status)	61,995,773	69,266,000	0	0	0
To/from Gen Fund per current law	(48,000,000)	0	0	0	0
To Nebr Capital Construction Fund (NCCF)	(20,436,714)	0	0	0	0
Ending Balance	333,549,124	402,815,124	402,815,124	402,815,124	402,815,124

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.

Actual receipts for FY17-18 (\$4,566,995,773) were \$61,995,773 above the certified forecast of \$4,505,000,000 which is the transfer number shown in the FY2018-19 column.

The NEFAB forecast for FY2018-19 as revised in October 2018 is \$4,890,000,000 which is \$69,266,000 above the certified forecast of \$4,730,734,000. By law this amount above the certified forecast would be transferred to the Cash Reserve Fund. However, this is only an estimated number at this time.

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. In the 2017 Session, the Legislature transferred a total of \$173 million to the General Fund to assist in balancing the budget and to help replenish the reserve to the statutory minimum level.

Transfers To & From Other Funds

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. During the 2017

session the total transfer amount didn't change but the cash flow of the transfers was changed to \$10,005,129 in FY2018-19 and \$10,431,585 in FY2020-21. In the 2018 session, the FY2020-21 transfer was moved to FY2018-19 providing a total of \$20,436,714.

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%
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	730,655,108	0	0	(50,000,000)	0	680,655,108	16.0%
FY2017-18	680,655,108	150,000	0	(340, 930,772)	0	339,874,336	7.4%
FY2018-19 Est	339,874,336	0	61,995,773	(68,436,714)	0	333,549,124	6.9%
FY2019-20 Est	333,549,124	0	69,266,0000	0	0	402,815,124	8.2%
FY2020-21 Est	402,815,124	0	0	0	0	402,815,124	8.1%

General Fund Revenues

General Fund Revenue Forecasts

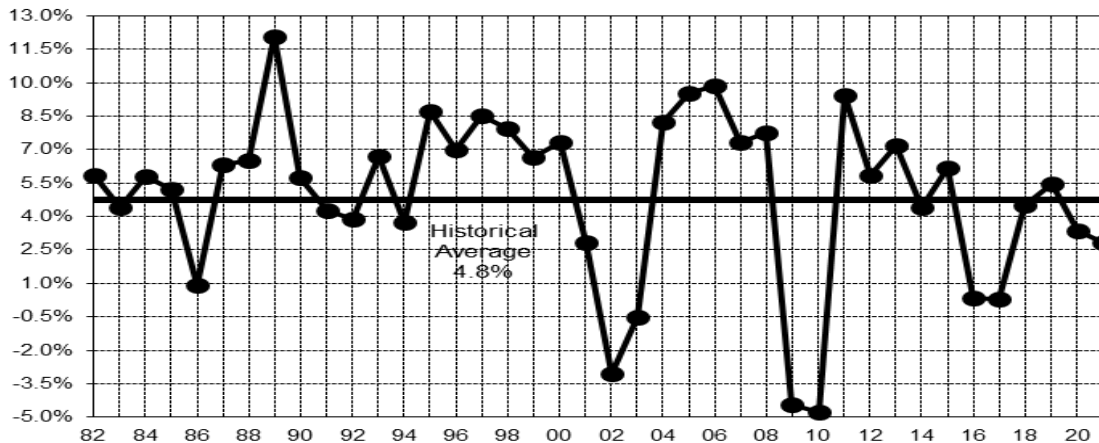
Revenue estimates for FY2018-19, FY2019-20 and FY2020-21 are the October 2018 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Rate and base adjusted revenue growth implied by the forecasts for the FY20/FY21 biennium average 3.1% (3.3% in FY19-20 and 2.8% in FY20-21). When including the 5.5% growth in the FY18-19 forecast, there is an average growth of 3.9% over the three years that affect the financial status for the upcoming biennium. This reflects growth below the 4.8% historical 37 year average.

Note that these revenue forecasts include the impact of the Wayfair ruling related to remote sellers. A more complete explanation can be found on page 10.

Table 3 General Fund Revenue Forecasts

	NEFAB FY2018-19	NEFAB FY2019-20	NEFAB FY2020-21	LFO Prelim FY2021-22	LFO Prelim FY2022-23
Actual/Forecast					
Sales and Use Tax	1,700,000,000	1,780,000,000	1,805,000,000	1,887,000,000	1,957,000,000
Individual Income Tax	2,495,000,000	2,600,000,000	2,700,000,000	2,872,000,000	3,054,000,000
Corporate Income Tax	335,000,000	320,000,000	320,000,000	337,000,000	354,000,000
Miscellaneous receipts	270,000,000	190,000,000	175,000,000	190,000,000	179,000,000
Total Forecast	4,800,000,000	4,890,000,000	5,000,000,000	5,286,000,000	5,544,000,000
Adjusted Growth					
Sales and Use Tax	5.1%	4.0%	2.1%	3.5%	3.5%
Individual Income Tax	6.0%	4.3%	3.8%	6.3%	6.3%
Corporate Income Tax	4.1%	-7.0%	1.2%	5.1%	4.8%
Miscellaneous receipts	4.6%	4.2%	-1.2%	1.2%	1.0%
Total GF Receipts	5.5%	3.3%	2.8%	5.0%	5.0%
Two Yr Average	5.0%	--	3.1%	--	5.0%
Five Yr Average	3.4%	--	3.4%	--	4.3%

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



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 (FY21-22 and FY22-23) 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 (FY19 to FY23) roughly equal to the 37 year historical average (4.7%) 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 37 years, there were 14 years in which revenue growth was "below average" (1.2% 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 4.3% five year average is 5.0% in both FY21-22 and FY22-23.

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 2018 Revenue Forecasts	Current Status	Average IHS Economics	Average All Forecasts	High Est LFO-Moody's	Low Est NDR IHS
<u>Dollar Forecast (thousands)</u>					
FY2021-22 Prelim	5,286,000	5,203,581	5,178,816	5,330,971	5,128,922
FY2022-23 Prelim	5,544,000	5,401,026	5,381,355	5,557,093	5,319,179
<u>Calculated Growth (adjusted)</u>					
FY2021-22 Prelim	5.0%	3.4%	2.9%	5.9%	2.0%
FY2022-23 Prelim	5.0%	4.3%	4.4%	4.7%	4.2%
Two Year Average	5.0%	3.9%	3.7%	5.3%	3.1%
Five Year Average	4.3%	3.9%	3.8%	4.4%	3.6%
<u>\$ Difference from Status</u>					
FY2021-22 Prelim	0	(82,419)	(107,185)	44,971	(157,078)
FY2022-23 Prelim	0	(142,975)	(162,646)	13,093	(224,821)
Cumulative Total	0	(225,394)	(269,830)	58,064	(381,899)

Impact of South Dakota v. Wayfair Ruling

The Supreme Court of the United States ruled on June 21, 2018, that states can tax sales by out-of-state businesses. Prior to the Supreme Court ruling in *South Dakota v. Wayfair, Inc.*, states could tax sales by businesses with a physical presence in the state, but not those by businesses with no physical presence. In *Wayfair*, the Supreme Court found this physical presence rule to be “unsound and incorrect.” It determined the “economic and virtual contacts” between a state and a business to be a sufficient trigger for nexus, the connection between a business and a state that allows a state to tax a business’s transactions.

On July 27, 2018, the Department of Revenue announced that following the Supreme Court ruling in *South Dakota v. Wayfair* under current statutes certain remote sellers now have a sales tax collection responsibility on sales made to customers in Nebraska and would start collecting that tax starting January 1, 2019. For this reason, additional sales tax amounts were added to the LFO baseline forecasts and subsequent Forecast Board forecasts, to account for the collection of taxes on these remote sellers.

The projected amounts were based on the latest fiscal note on LB 44 considered in the 2018 session, which related to collection of sales tax from remote sellers (online retailer without a physical presence in our state). The estimate of additional sales tax revenues under that bill was a range from \$30-\$40 million.

For estimation purposes, it was assumed annual potential revenues of \$30 million in FY2018-19, \$35 million in FY2019-20 and \$40 million in FY2020-21. These numbers are all within the LB44 range and recognize inflation plus compliance improvements over time. The calculation of the adjustment amounts further assumed:

- (1) Of the total potential sales tax revenue, 50% would be attributed to marketplace providers and 50% to direct sales and
- (2) Only half of the sales tax related to marketplace providers would be remitted due to some potential collection issues, and
- (3) FY2018-19 will reflect only five months of revenues because of the January 1, 2019 operative date, only five months of revenue will be received in FY2018-19 versus a full twelve months in FY2019-20 and FY2020-21.

Based on these assumptions, on a fiscal year basis, sales tax attributed to the *Wayfair* ruling and included in the current forecasts, amount to \$9 million in FY2018-19, \$26 million in FY2019-20 and \$30 million in FY2020-21

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	Actual	Upcoming Biennial Budget		Following Biennium	
	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Property Tax Credit Fund	(221,000,000)	(221,000,000)	(221,000,000)	(221,000,000)	(221,000,000)
Water Resources Cash Fund	(3,300,000)	0	0	0	0
Cultural Preservation Endowment Fund	0	(500,000)	(500,000)	(500,000)	(500,000)
Water Sustainability Fund	(6,000,000)	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)
Victim's Compensation Fund	0	0	0	0	0
<i>General Fund Transfers-Out</i>	<i>(230,300,000)</i>	<i>(232,500,000)</i>	<i>(232,500,000)</i>	<i>(232,500,000)</i>	<i>(232,500,000)</i>

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 \$3 million less than the credit amount. This is because the credit amount is funded through these General Fund transfers plus 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). 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.

Historically there have been transfers from three main sources; Securities Act Cash Fund, Tobacco Products Admin Cash Fund, and the Dept. of Insurance Cash Fund. In the 2017 and 2018 session's transfers from these traditional sources amounted \$54.2 million in FY18-19. Because of the significant budget shortfall, cash funds from non-traditional sources were also transferred to the General Fund. Overall, in FY18-19 the non-traditional transfers from 47 different funds amounted to \$44.8 million. This included \$7.5 million from the Roads Operations Fund, \$10 million from the Medicaid Intergovernmental Transfer Trust Fund (related to the Health Care Cash Fund), and \$4.5 million from the Game & Parks Capital Maintenance Fund.

The transfers shown below for FY2018-19 were enacted in the 2017 and 2018 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 FY2019-20 and FY2020-21 and as such the revenue forecasts do not include any transfers.

Table 6 General Fund Transfers In

	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Securities Act Cash Fund	32,000,000	0	0	0	0
Tobacco Products Admin Cash Fund	13,000,000	0	0	0	0
Dept of Insurance Cash Fund	9,250,000	0	0	0	0
Medicaid Intergovernmental Transfer Trust Fund	10,000,000	0	0	0	0
Roads Operations Cash Fund	7,500,000	0	0	0	0
Game & Parks Capital Maintenance Fund	4,500,000	0	0	0	0
State Building Renewal Assessment Fund	2,900,000	0	0	0	0
Affordable Housing Trust Fund	2,250,000	0	0	0	0
Game & Parks Capital Maintenance Fund	4,000,000	0	0	0	0
Workers Comp Court Cash Fund (shift to FY19)	1,500,000	0	0	0	0
State Visitors Promotion Fund	1,000,000	0	0	0	0
DHHS Cash Fund	2,570,000	0	0	0	0
State Settlement Fund	1,006,639	0	0	0	0
Other cash funds (24 different funds)	7,613,294	0	0	0	0
Total General Fund Transfers-In	98,589,933	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 (FY2019-20 and FY2020-21) reflect agency requests for the items shown while estimated increases for the following biennium (FY2021-22 and FY2022-23) are based on historical trends.

Note that in most cases, rationales for the FY2019-20 and FY2020-21 requests are not available as these requests are currently under analysis.

Overall the projected budget results in a budget growth of 4.5% in FY2019-20 and 3.2% in FY2020-21, a 3.9% two year average

Table 7 Projected General Fund Budget

	Current Year FY2018-19	Upcoming Biennial Budget FY2019-20 FY2020-21		Est for Following Biennium FY2021-22 FY2022-23	
Projected Budget					
Agency Operations	1,583,458,863	1,639,831,931	1,688,476,459	1,738,928,895	1,791,019,814
State Aid to Ind/Other	1,415,580,493	1,461,409,248	1,525,602,375	1,602,971,812	1,672,814,951
State Aid to Local Govt	1,435,505,259	1,515,294,291	1,563,985,272	1,649,066,419	1,735,338,939
Construction	21,739,000	38,735,488	28,035,838	27,546,369	27,359,863
Total (w/o deficits)	4,456,283,615	4,655,270,958	4,806,099,944	5,018,513,495	5,226,533,567
Dollar Change					
Operations	--	56,373,068	48,644,528	50,452,436	52,090,919
State Aid to Ind/Other	--	45,828,755	64,193,127	77,369,437	69,843,139
State Aid to Local Govt	--	79,789,032	48,690,981	85,081,147	86,272,520
Construction	--	16,996,488	(10,699,650)	(489,469)	(186,506)
Total (w/o deficits)	--	198,987,343	150,828,986	212,413,551	208,020,072
Percent Change					
Agency Operations	--	3.6%	3.0%	3.0%	3.0%
State Aid to Ind/Other	--	3.2%	4.4%	5.1%	4.4%
State Aid to Local Govt	--	5.6%	3.2%	5.4%	5.2%
Construction	--	78.2%	-27.6%	-1.7%	-0.7%
Total (w/o deficits)	--	4.5%	3.2%	4.4%	4.1%

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

Change over Prior Year	Projected Growth		Upcoming Biennial Budget		Est for Following Biennium	
	FY19-20	FY20-21	FY2019-20	FY2020-21	FY2021-22	FY2022-23
<u>Aid to Local Governments</u>						
Aid to K-12 Schools (TEEOSA GF only)	7.0%	3.4%	68,030,866	35,786,381	71,963,873	72,774,788
Special Education	2.5%	2.5%	5,663,165	5,804,743	5,949,862	6,098,609
Community Colleges	3.5%	3.5%	3,450,156	3,570,911	3,695,893	3,825,249
Homestead Exemption	2.7%	3.5%	2,304,090	3,024,143	2,682,847	2,763,332
Personal Property Tax Relief Act	0.0%	1.1%	0	155,529	430,666	443,586
Aid to ESU's	2.5%	2.5%	340,755	349,274	358,006	366,956
Other (Aid-Local)	--	--	0	0	0	0
<u>Aid to Individuals / Other</u>						
Medicaid	3.6%	3.2%	30,609,649	54,498,301	55,385,164	46,972,257
Public Assistance	2.9%	3.8%	2,767,793	2,896,165	3,523,030	3,646,336
Child Welfare Aid	2.0%	2.4%	3,998,753	4,740,755	9,261,490	9,678,257
Developmental Disability aid	0.6%	-1.1%	852,677	(1,718,234)	5,976,555	6,215,618
Behavioral Health aid	0.7%	0.0%	493,301	(7,600,000)	1,619,147	1,659,625
Children's Health Insurance (SCHIP)	116.9%	85.6%	7,220,339	11,483,367	1,344,680	1,405,191
Aging Programs	2.7%	2.6%	261,243	267,773	259,370	265,854
Other (Aid-Ind)	--	--	(375,000)	(375,000)	0	0
<u>State Agency Operations</u>						
Employee Salaries (agencies)	2.5%	2.5%	16,944,042	13,257,929	13,823,110	14,168,688
Employee Health Insurance (agencies)	3.2%	5.1%	2,867,883	4,666,828	5,782,483	6,129,431
University/Colleges increased funding	3.4%	4.0%	21,237,141	25,795,207	24,933,576	25,740,330
Operations increase (all agencies)	2.0%	2.0%	6,616,783	366,516	3,110,469	3,172,678
Annualize Justice Reinvestment Act (Courts)	est amt	est amt	1,168,373	7,678	0	0
Juvenile services (Courts)	2.5%	2.5%	1,350,000	1,383,750	1,418,344	1,453,802
Inmate per diem costs (Corrections)	0.0%	0.0%	0	0	1,384,455	1,425,989
Staffing / population costs (Corrections)	est amt	est amt	4,146,901	616,695	0	0
Fund source shifts (DHHS))	est amt	est amt	(954,885)	(318,296)	0	0
Retirement (Schools, Patrol, Judges)	est amt	est amt	1,301,829	1,250,000	0	0
Other (Oper)	est amt	est amt	1,695,001	1,618,221	0	0
<u>Capital Construction</u>						
	Reaff	Reaff	16,996,488	(10,699,650)	(489,469)	(186,506)
<u>Total General Fund-Annual Increase</u>			198,987,343	150,828,986	212,413,551	208,020,072
Biennial Basis			178,831,595	349,816,329	197,212,642	420,433,623

* Included in the salary and health insurance numbers

Aid to Local Governments

State Aid to Schools (TEEOSA)

The agency request basically reflected the 2018 Sine Die TEEOSA estimates for FY20 and FY21 which called for increased TEEOSA aid of \$70.8 million in FY19-20 and \$149.5 million in FY20-21.

These numbers have been revised in the Fall 2018 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 \$1.069 billion for FY2019-20 and \$1.106 billion for FY2020-21.

TEEOSA Summary	All Funds FY2018-19	All Funds FY2019-20	All Funds FY2020-21	All Funds FY2021-22	All Funds FY2022-23
School Disbursements	3.38%	3.54%	2.800%	4.0%	4.0%
Property Valuations (assessed)	2.88%	1.92%	2.16%	1.71%	1.84%
Property Valuations (used in formula)	4.0%	4.7%	4.5%	2.9%	3.0%
Adjusted to Assessed Valuation Ratio	100.70%	100.75%	100.78%	100.78%	100.78%
Cost Growth Factor	3.00%	4.00%	5.00%	5.00%	5.00%
Local Effort Rate	\$1.0203	\$1.000	\$1.000	\$1.000	\$1.000
Total Formula Need	3,535,590,990	3,672,726,508	3,815,389,521	3,968,005,101	4,126,725,306
Effective Yield from Local Effort Rate	2,032,079,444	2,085,964,723	2,179,103,299	2,242,456,052	2,310,288,388
Net Option Funding	102,541,643	110,960,916	114,192,287	118,759,978	123,510,377
Allocated Income Tax	42,333,888	44,873,921	47,566,356	49,469,010	51,447,771
Other Actual Receipts	504,003,571	517,222,944	530,461,000	547,347,455	564,762,722
Community Achievement Plan Aid	6,197,049	6,216,535	6,390,636	6,646,261	6,912,112
Total Formula Resources	2,687,155,595	2,765,239,039	2,877,713,578	2,964,678,756	3,056,921,370
Calculated Equalization Aid	848,435,395	907,487,469	937,675,943	1,003,326,345	1,069,803,936
Net Option Funding	102,541,643	110,960,916	114,192,287	118,759,978	123,510,377
Allocated Income Tax	42,333,888	44,873,921	47,566,356	49,469,010	51,447,771
Community Achievement Plan Aid	6,197,049	6,216,535	6,390,636	6,646,261	6,912,112
Transition Aid	906,222	0	0	0	0
TEEOSA State Aid	1,000,414,197	1,069,538,841	1,105,825,222	1,178,201,595	1,251,674,196
State General Funds	974,507,975	1,042,538,841	1,078,325,222	1,150,289,095	1,223,063,883
Insurance Premium Tax (w/o deficit)	25,000,000	27,000,000	27,500,000	27,912,500	28,610,313
Lottery funds, reorg incentives, transition aid	906,222	0	0	0	0
Total TEEOSA Aid	1,000,414,197	1,069,538,841	1,105,825,222	1,178,201,595	1,251,674,196
Dollar Change from prior year - Total	1,672,443	69,124,644	36,286,381	72,376,373	73,472,601
Percent Change from prior year - Total	0.2%	6.9%	3.4%	6.5%	6.2%
Dollar Change from prior year - GF	841,542	68,030,866	35,786,381	71,963,873	72,774,788
Percent Change from prior year - GF	0.1%	7.0%	3.4%	6.7%	6.3%

Most of the growth in TEEOSA aid over the next biennium is attributed to the expiration of two formula changes enacted two years ago to lower aid at that time; increasing the local effort rate and lowering the allowable growth rate which lowered the cost growth factor to 3% and then 4%. As can be seen in the following table, the data elements in the formula actually resulted in lower state aid especially in

FY2020-21 primarily due to higher valuation growth for residential and commercial/industrial properties coupled with a 2.8% spending growth.

<u>Components of TEEOSA Growth</u>	<u>FY2019-20</u>	<u>FY2020-21</u>
LER back to \$1.00 from \$1.023	29,923,611	32,217,417
Cost Growth factor from 3% to 4% then original 5%	25,113,399	53,078,725
All Other data elements	14,087,633	(49,009,763)
Total Change in TEEOSA Aid	69,124,643	36,286,380

This table simply provides a chronology of the changes to the TEEOSA estimate since Sine Die.

<u>Chronology of TEEOSA Estimates</u>	<u>All Funds FY2018-19</u>	<u>All Funds FY2019-20</u>	<u>All Funds FY2020-21</u>	<u>All Funds FY2021-22</u>	<u>All Funds FY2022-23</u>
NDE Jan 2018 & Sine Die 2018	1,000,414,197	1,070,062,595	1,149,613,260	na	na
Calculation changes when updating new data years	0	131	585,451	na	na
Valuation, 2018 from 1.92% DPAT Est to 1.69% DPAT certified	0	(1,653,745)	(1,792,161)	na	na
Valuation; 2019 (3.5% est to 2.16% DPAT est)	0	0	(9,474,682)	na	na
Spending growth: FY19 4.0% to 2.80% (first budget to budget)	0	0	(33,944,549)	na	na
Income tax (TY2017 +6.0%, TY2018 +4% vsersus 3.5% each yr)	0	204,696	423,251	na	na
Student Growth Adjustment (to NDE)	0	(2,113,466)	(2,202,870)	na	na
New School Adjustment (to NDE)	0	(1,906,924)	(2,111,603)	na	na
Lower SPED Allowance due to lower MIPS	0	61,984	82,243	na	na
Stabilize to FY18-19 recert NEEDS	0	1,119,146	704,303	na	na
Adjust "Other Receipts" (Lowered MIPS by \$5 million)	0	3,764,423	3,942,579	na	na
Adjust Insurance Premium to FY18 actual and NDI estimates	0	0	0	na	na
Total Change - Oct 2018 Joint Meeting	0	(523,754)	(43,788,040)	na	na
October 2018 Joint Meeting	1,000,414,197	1,069,538,840	1,105,825,220	1,178,201,595	1,251,674,196

Special Education

The agency request included a 10% increase for both FY19-20 and FY20-21 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 FY20 and FY21 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 3.6% per year increase.

Homestead Exemption

This program is projected to increase by 2.7% in FY20 and 3.5% in FY19 based on Dept of Revenue best estimate at this time. This could possibly change when final data for FY18-19 is available..

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.

Because agricultural personal property valuation has been relatively flat, the agency request (and projected budget) for FY20 remains at the FY19 baseline level with a 1.1% increase in FY21.

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 for eligibility and utilization increases and increase in clawback amounts. Also included is a 2.5% increase in provider rates which were not included in the agency request.

Overall increase in General Funds is 3.6% in FY19-20 which includes \$16.5 million for eligibility and utilization increases, \$5.6 million for clawback increases, and \$21.2 million for provider rates. This is offset by a \$29.8 million reduction in General Funds due to an increase in the federal Medicaid match rate (FMAP).

Also included is a net increase of \$17 million related to the Medicaid expansion initiative which passed November 6, 2018. This first year is just a half year and the impact ramps up in future years. A more detailed review can be found on page 19.

Each year the Federal Medical Assistance Percentage (FMAP) rate changes based on a federal formula based on state personal income and per capita data. The result of these changes are adjustments to the federal government's share of coverage for Medicaid expenses, which in turn impacts the GF for payment of Medicaid services. The final published FMAP for FFY2019 is relatively flat, only increasing by .03% from 52.55% in FFY2018 to 52.58% in FFY2019. The estimated FMAP rate released by FFIS in March of 2018 estimates that Nebraska will see a 1.22% increase in FMAP for FFY2020 to 53.80% for Medicaid. While DHHS request was based on this 53.80% FMAP from March 2018 estimate, subsequent calculations result in an actual FFY2020 match rate of 54.72%. Therefore, the DHHS requested adjustments for the FMAP change have been adjusted accordingly.

This projected status does not include a \$16 million request for a health insurance provider fee in FY20-21. Nebraska (and other states paid tax liabilities for the tax years of 2013 and 2014 prior to a moratorium on this tax effective for the tax years of 2015 and 2016. That moratorium expired for tax year 2017 but the Continuing Resolution passed January 22, 2018 reinstated a moratorium on this tax for calendar year 2018 only. At this time, it's unclear whether the moratorium will be extended.

Medicaid	Previous Biennium		Biennial Budget	
	FY2017-18	FY2018-19	FY2019-20	FY2020-21
Base Year appropriation	850,259,344	850,259,344	849,628,184	849,628,184
Federal match rate (FMAP)	(12,716,384)	(29,492,945)	(29,788,498)	(39,717,998)
Utilization	17,029,722	34,427,687	16,565,074	31,841,006
Cost Increases / Provider Rates	(24,215,008)	(24,215,009)	21,230,276	42,460,552
Increase base of PPS hospitals	2,600,000	2,600,000	0	0
Medicare Part B Premiums (annualize deficit)	5,761,146	5,539,296	0	0
Federal Clawback Increase (annualize defici)	4,399,059	8,228,279	0	0
Fiscal agent for home care	(819,185)	(819,185)	0	0
Terminate the Telligen Contract	(119,648)	(119,648)	0	0
Reduce aid to cover cost of financial auditor contract	(220,000)	(290,000)	0	0
Managed Care Savings, Episodes of Care	(6,114,252)	(6,114,252)	0	0
Increased Medicaid Drug Rebates	(2,300,000)	(2,300,000)	0	0
Rural Health Clinics	(76,160)	(76,160)	0	0
Cap the maximum payment for adult dental at \$750.	(403,374)	(403,374)	0	0
LB 268 Change notification provisions, Medicaid	0	(384,000)	0	0
Clawback (Phased-Down State Contribution)	0	0	5,596,382	6,853,740
Medicaid expansion - new eligibles and woodwork	0	0	19,826,774	49,269,837
Medicaid expansion - savings, pregnant women	0	0	(2,452,021)	(4,904,042)
Medicaid expansion - savings, women with cancer	0	0	(368,338)	(695,145)
Total – New Appropriation	833,065,260	836,840,033	880,237,833	934,736,134
Annual \$ Change (excluding deficits)	(17,194,084)	16,562,924	30,609,649	54,498,301
Annual % Change (excluding deficits)	-2.0%	2.0%	3.6%	6.2%

Children’s Health Insurance (SCHIP)

For the upcoming biennium, the projected budget includes no increase in eligibility and utilization (based on the agency request) and a reduction due to an increase in the basic federal match rate (FMAP). This projected budget includes a 2.5% per year increase in provider rates which was not included in the agency request.

There is a large increase due to the expiration of the enhanced Federal match rate. The Affordable Care Act included an additional 23% enhanced match rate which was added to the basic match rate. In the ACA this was to expire Sept 2019 (end of FFY2019). The SCHIP extension bill passed in January 2018 extended the enhanced FMAP to FFY2020 only, at a 11.5% rate. Additional General Funds to replace the expired enhanced FMAP amount to \$7.5 million in FY19-20 and \$18.4 million in FY20-21.

Public Assistance

For the upcoming biennium, the agency requested no change in funding for this program in either FY19-20 or FY20-21 other than transferring therapeutic foster care funds to the Medicaid program. The request includes no increase for eligibility, utilization, or rate increases.

The projected budget includes no changes in eligibility or utilization but does include 5% per year increase in child care rates and a 2.5% per year increase in other provider rates.

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 2.5% provider rate increase.

Developmental Disability Aid

Funding for developmental disability aid increases by only 0.6% in FY19-20 and -1.1% in FY20-21. This includes funding a rate increase in FY20 (roughly 4% \$5.9 million) related to a revised rate/reimbursement model offset by an increase in the federal Medicaid match rate (-\$5.0 million).

The Division of Developmental Disabilities is currently working with an actuarial firm to study the rates for Medicaid DD Home and Community-Based Services (HCBS) Waivers. The study produced a revised rate/reimbursement model based on the actual costs to provide the services. Implementation of this model would increase the cost of these services to the state by approximately 6.6%. This issue would provide partial funding to implement this rate model. CMS expectation is that states conduct rate studies every five years and, if necessary, rebase rates. Nebraska last performed a rebase study in 2011. The rate methodology from the 2011 study was implemented in July 2014.

The agency request and this projected budget does not include any additional funds for clients transitioning from K-12 programs or 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 or utilization.

The agency did request \$2.9 million in FY2019-20 for a cost model rate increase. This is roughly a 4% increase. With no additional funds in the second year, it relates to a 2% average.

In the second year there is an actual decline in the amount as a \$10 million cost savings is included related to the estimated impact of Medicaid expansion.

Medicaid Expansion

Initiative 427 was a proposal to expand the Medicaid program to cover childless adults, 19 to 64 years of age, under the provisions of the Affordable Care Act (ACA). This ballot initiative was similar to several bills that have been proposed over the past six years.

This initiative was adopted on November 6, 2018 and is therefore included in this projected budget. Because of the short time between this report and its passage, these numbers should be considered as preliminary and still under review. The following table summarizes the estimated gross costs of the expansion and several areas which should experience savings due to the new coverage.

The gross expansion costs are based on the Dept of Health and Human Services analysis of the petition. In their report, DHHS stated that their estimates were built upon analyses of the past legislative proposals and the experience of other states that have opted into the ACA Medicaid Expansion.

The estimated savings are estimates of the Legislative Fiscal Office which are higher than include in the DHHS report, thus the final net cost impact shown in the following table is less than the DHHS report of September 21, 2018.

Medicaid Expansion Costs		FY2019-20*	FY2020-21	FY2021-22	FY2022-23
Gross Expansion Costs					
Additional Enrollees		57,592	70,882	88,602	89,223
Match Rate		90.0%	90.0%	90.0%	90.0%
Per Member Per Month Cost		\$489.59	\$495.26	\$500.91	\$516.69
New Eligibles and Woodwork (aid)					
General	-	19,826,774	49,269,837	62,416,513	64,833,312
Federal	-	149,351,013	371,139,560	470,170,776	488,376,023
Total	-	169,177,787	420,409,397	532,587,289	553,209,335
Administrative Costs					
General	-	1,575,408	2,256,371	2,560,998	2,702,696
Federal	-	3,012,304	2,736,371	3,040,998	3,182,696
Total	-	4,587,712	4,992,742	5,601,996	5,885,392
General	Gross Total	21,402,182	51,526,208	64,977,511	67,536,008
Federal	Gross Total	152,363,317	373,875,931	473,211,774	491,558,719
Total	Gross Total	173,765,499	425,402,139	538,189,285	559,094,727
General Fund Offsets & Savings					
State Disability		(900,000)	(1,800,000)	(1,800,000)	(1,800,000)
AIDS Drugs		(375,000)	(750,000)	(750,000)	(750,000)
Behavioral Health		(2,400,000)	(10,000,000)	(18,000,000)	(18,000,000)
Pregnant Women		(2,452,021)	(4,904,042)	(4,757,819)	(4,757,819)
Women with Cancer		(368,338)	(695,145)	(666,006)	(666,006)
CHIP 599		(9,060)	(8,518)	(1,067)	(1,067)
Subtotal - HHS Savings		(6,504,419)	(18,157,705)	(25,974,892)	(25,974,892)
Subtotal - Corrections		(63,500)	(127,000)	(127,000)	(127,000)
General	Savings Total	(6,567,919)	(18,284,705)	(26,101,892)	(26,101,892)
Federal	Savings Total	0	0	0	0
Total	Savings Total	(6,567,919)	(18,284,705)	(26,101,892)	(26,101,892)
Net Expansion Costs					
General	Net Total	14,834,263	33,241,503	38,875,619	41,434,116
Federal	Net Total	152,363,317	373,875,931	473,211,774	491,558,719
Total	Net Total	167,197,580	407,117,434	512,087,393	532,992,835
Total	Net Total	14,834,263	33,241,503	38,875,619	41,434,116
LFO General Fund Estimates					
Gross expansion costs		21,402,182	51,526,208	64,977,511	67,536,008
Offsetting savings		(6,567,919)	(18,284,705)	(26,101,892)	(26,101,892)
Net GF Costs		14,834,263	33,241,503	38,875,619	41,434,116
DHHS General Fund Estimates (9/21/18 report)					
Gross expansion costs		21,402,182	51,526,208	64,977,511	67,536,008
Offsetting savings		(2,976,668)	(6,823,336)	(8,027,003)	(8,187,542)
Net GF Costs		18,425,514	44,702,872	56,950,508	59,348,466

State Agency Operations

Employee Salary Increases

Although the budget instruction included a 2% per year increase as a “placeholder”, 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 FY2019-20 and FY2020-21 are unknown. However the DAS budget instructions included a 3.3% increase in FY19-20 and an additional 5.2% increase in FY20-21. For state agencies this projected status includes those increases as noted in the budget instructions. Increases were projected to be higher for the University (+3.2% FY20 and +8.2% FY21) and State Colleges (+7.6% each year).

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 projected budget for FY19-20 includes \$1,168,373 as the last year of the five year phase-in for additional probation and court staff.

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 2.5% per year increase for rate increases in this area based on the \$24 million level.

Dept. of Correctional Services

In 2017 the Governor recommended staffing increases funded over two years of the FY18 / FY19 biennial budget. The Legislature enacted the same staffing increases but phased-in over a three year period. The FY2019-20 request and projected budget basically includes those additional staff.

Description	Agency Request		TRR Nov 2018 Meeting	
	FY2019-20	FY2020-21	FY2019-20	FY2020-219
Health Services	1,346,927	97,425	1,346,927	97,425
Cash Fund Appropriation	(4,200,000)	0	0	0
Facility Staffing	231,995	236,625	231,995	236,625
Information Technology - Kronos Upgrade	83,333	41,667	0	0
Information Technology - Shift to CIO	(351,759)	(351,759)	(351,759)	(351,759)
Information Technology Rate Changes	1,449,606	1,461,558	1,449,606	1,461,558
Inmate Programming	250,000	250,000	250,000	250,000
Power Plant	450,000	450,000	450,000	450,000
Rate Changes	482,154	482,154	482,154	482,154
Staffing Analysis	1,867,979	3,729,546	1,867,979	3,729,546
Medicaid expansion - savings	0	0	(63,500)	(127,000)
Salary enhancements above the 2.5%	0	0	0	0
Inmate per diem costs	0	0	0	0
Total - Issues	1,610,235	6,397,216	5,663,402	6,228,549

The agency request and projected budget do not include any increased funding for inmate per diem costs or salary enhancements other than the general 2.5% per year increase built into all budgets.

University of Nebraska and State Colleges

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 (7.6% per year) and University of Nebraska (3.2% FY20 and 8.2% FY21).

Defined Benefit Retirement Plans

The agency request for FY20 and FY21 reflects a modest increase in state support for the defined benefit retirement systems. Overall the increase amounts to \$1.3 million in FY19-20 and \$2.5 million in FY20-21. The agency requested amounts are estimates from the actuaries as to what the funding needs might be. Final funding needs will be communicated in November 2018 following completion of the actuarial experience study and valuations.

Description	Agency Request		TRR Nov 2018 Meeting	
	FY2019-20	FY2020-21	FY2019-20	FY2020-21
2% of Salary-State Schools	1,160,622	1,660,622	1,160,622	1,660,622
2% of Salary-Class V Schools- Omaha	139,424	389,424	139,424	389,424
Omaha Service Annuity Contribution	(218,169)	(193,169)	(218,169)	(193,169)
Additional Contribution Requirement-Judges Plan	57,387	232,387	57,387	232,387
Additional Contribution Requirement-State Patrol	162,565	462,565	162,565	462,565
Total - Issues	1,301,829	2,551,829	1,301,829	2,551,829

Operations Inflation

The projected budget does not include any general inflationary increases for agency operating budgets. The largest increases in operating costs for the FY20/FY21 biennium related to DAS rate charges in a variety of agencies. At a statewide level, these amounted to about a \$3.2 million increase.

Capital Construction

General Fund dollars included in the projected budget for capital construction reflect reaffirmations only. These are dollar amounts needed to complete funding of projects approved in previous legislative sessions. Nothing is included for new projects in FY19-20 or FY20-21. The large increase in FY19-20 relates to the State Capitol HVAC project funding shifting from Nebraska Capital Construction Fund (NCCF) to General Funds.

Appendix A

Projected Budget – November 2018 TRR Meeting

	w/o Deficits FY2018-19	Nov 2018 TRR Estimte		Change over Prior Yr		Change over Prior Yr		2 Yr Avg % Change
		Total FY2019-20	Total FY2020-21	FY19-20 (w/o deficits)		FY20-21 (w/o deficits)		
				\$	%	\$	%	
Agency Operations								
University & State /Colleges	626,366,678	647,628,653	673,423,860	21,261,975	3.4%	25,795,207	4.0%	3.7%
Health & Human Services	236,687,805	247,331,903	253,477,697	10,644,098	4.5%	6,145,794	2.5%	3.5%
Correctional Services	211,920,240	222,262,930	226,880,553	10,342,690	4.9%	4,617,623	2.1%	3.5%
Courts	187,043,520	193,179,056	197,381,169	6,135,536	3.3%	4,202,113	2.2%	2.7%
State Patrol	60,309,294	62,257,889	64,496,177	1,948,595	3.2%	2,238,288	3.6%	3.4%
Retirement Board	52,698,171	54,000,000	55,250,000	1,301,829	2.5%	1,250,000	2.3%	2.4%
Revenue	26,728,444	27,452,281	28,316,612	723,837	2.7%	864,331	3.1%	2.9%
Other 40 Agencies	181,704,711	185,719,218	189,250,388	4,014,507	2.2%	3,531,170	1.9%	2.1%
Total-GF Operations	1,583,458,863	1,639,831,930	1,688,476,456	56,373,067	3.6%	48,644,526	3.0%	3.3%
State Aid to Individuals/Others								
Medicaid	849,628,184	880,237,833	934,736,134	30,609,649	3.6%	54,498,301	6.2%	4.9%
Child Welfare Aid	197,071,388	201,070,141	205,810,896	3,998,753	2.0%	4,740,755	2.4%	2.2%
Public Assistance	94,994,043	97,761,836	100,658,001	2,767,793	2.9%	2,896,165	3.0%	2.9%
Developmental disabilities aid	150,279,443	151,132,120	149,413,886	852,677	0.6%	(1,718,234)	-1.1%	-0.3%
Behavioral Health aid	71,872,571	72,365,872	64,765,872	493,301	0.7%	(7,600,000)	-10.5%	-5.1%
Childrens Health Insurance (SCHIP)	6,178,073	13,398,412	24,881,779	7,220,339	116.9%	11,483,367	85.7%	100.7%
Aging Programs	9,845,789	10,107,032	10,374,805	261,243	2.7%	267,773	2.6%	2.7%
Higher Ed Student Aid programs	7,539,030	7,539,030	7,539,030	0	0.0%	0	0.0%	0.0%
Public Health Aid	6,151,907	5,776,907	5,401,907	(375,000)	-6.1%	(375,000)	-6.5%	-6.3%
Business Innovation Act	6,020,352	6,020,352	6,020,352	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	10,216,653	10,216,653	10,216,653	0	0.0%	0	0.0%	0.0%
Total-GF Aid to Individuals/Other	1,415,580,493	1,461,409,248	1,525,602,375	45,828,755	3.2%	64,193,127	4.4%	3.8%
State Aid to Local Govts								
State Aid to SBUools (TEEOSA)	974,507,975	1,042,538,841	1,078,325,222	68,030,866	7.0%	35,786,381	3.4%	5.2%
Special Education	226,526,585	232,189,750	237,994,493	5,663,165	2.5%	5,804,743	2.5%	2.5%
Property Tax Credit Transfer				--	--	--	--	--
Aid to Community Colleges	98,575,874	102,026,030	105,596,941	3,450,156	3.5%	3,570,911	3.5%	3.5%
Homestead Exemption	84,100,000	86,404,090	89,428,233	2,304,090	2.7%	3,024,143	3.5%	3.1%
Personal Property Tax Relief Act	14,200,000	14,200,000	14,355,529	0	--	155,529	100.0%	0.5%
Aid to ESU's	13,085,000	13,425,755	13,775,029	340,755	2.6%	349,274	2.6%	2.6%
High ability learner programs	2,202,384	2,202,384	2,202,384	0	0.0%	0	0.0%	0.0%
Early BUildhood programs	8,274,583	8,274,583	8,274,583	0	0.0%	0	0.0%	0.0%
Community Based Juvenile Services	6,048,000	6,048,000	6,048,000	0	0.0%	0	0.0%	0.0%
Resources Development Fund	3,014,712	3,014,712	3,014,712	0	0.0%	0	0.0%	0.0%
Other Aid to Local Govt	4,970,146	4,970,146	4,970,146	0	0.0%	0	0.0%	0.0%
Total-GF Aid to Local Govt	1,435,505,259	1,515,294,291	1,563,985,272	79,789,032	5.6%	48,690,981	3.2%	4.4%
Capital Construction	21,739,000	38,735,488	28,035,838	16,996,488	78.2%	(10,699,650)	-27.6%	13.6%
Total Appropriations	4,456,283,615	4,655,270,957	4,806,099,941	198,987,342	4.5%	150,828,984	3.2%	3.9%

Appendix B FY2018-19 Deficit Requests (General Fund)

#	Agency	Issue	Fund	Type	\$ Amount
13	Education	Reading Specialist (\$64,019 PSL)	Gen	Oper	100,042
13	Education	TEEOSA Aid; revised Insurance Premium tax	Gen	Aid	(1,901,294)
14	PSC	Commissioner Health Insurance	Gen	Oper	8,185
37	Workers Comp	Reduce cash fund transfer	Gen	Oper	0
Total		Operations	Gen	Oper	108,227
		State Aid	Gen	Aid	(1,901,294)
		Construction	Gen	Const	0
		Total General Fund Deficits	Gen	Total	(1,793,067)

Appendix C

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 (TRRC) 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. LB33 enacted in the 2015 legislative session also required the preparation of a volatility report (now section 50-419.02) and append that report to the TRRC 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

REVENUE VOLATILITY REPORT

Report Requirement

Nebraska Revised Statute 50-419.02.

Legislative Fiscal Analyst; revenue volatility report; contents

(1) On November 15, 2016, the Legislative Fiscal Analyst shall prepare and electronically submit a revenue volatility report to the Appropriations Committee of the Legislature. Every two years thereafter the Legislative Fiscal Analyst shall prepare a revenue volatility report to append to the annual report required under section 77-2715.01. The report shall also be posted on the Legislature's web site.

Introduction

Volatile is defined as “Characterized by or subject to rapid or unexpected change (a volatile market).” *Merriam-Webster.com. Merriam-Webster, nd. Web. 31 Oct. 2016.*

Examining revenue volatility as it pertains to Nebraska’s General Fund revenue stream conceivably could be approached several different ways, such as year over year change in relation to change in some other benchmark, such as change in personal income, wages and salaries or agricultural income—which would fundamentally be an examination of driver variables to a revenue forecasting effort.

Or another approach could attempt to disaggregate year over year change in revenue into other components such as changes driven by law (rate and base changes) at the state and federal level as distinguished from an assessment of natural growth due to economic (as noted above), and demographic (population) changes.

However, when viewing the statutory direction for this report, the focus is on assessing the role of the Cash Reserve fund to meet changing conditions for General Fund revenue and budget stability. Specifically, the law states (emphasis added):

“(2) The report shall:

- (a) Evaluate the tax base and the tax revenue volatility of revenue streams that provide funding for the state General Fund budget;
- b) Identify federal funding included in the state budget and any projected changes in the amount or value of federal funding or potential areas in which federal funding could be lost;

(c) Identify current and projected balances of the Cash Reserve Fund;

(d) Analyze the adequacy of current and projected balances of the Cash Reserve Fund in relation to the tax revenue volatility and the risk of a reduction in the amount or value of federal funding or potential areas in which federal funding could be lost;

(e) Include revenue projections for the ensuing two fiscal years included in the impending biennial budget; and

(f) Contain any other recommendations that the Legislative Fiscal Analyst determines are necessary.”

The emphasis on interaction with the Cash Reserve Fund thus becomes the focus of this report. What follows will address each of these items as set forth in the law.

Evaluate the tax base and the tax revenue volatility of revenue streams that provide funding for the state General Fund budget;

Volatility, in part, is defined as characteristic of rapid or unexpected change. In this case, unexpected change can be thought of as results at variance to expectations, and in this specific context, revenue results at variance to expectations (forecasts). Any variability can translate in to financial stress (revenue underperforms), or opportunity (revenue exceeds expectations).

Nebraska's state budget process has a useful benchmark in evaluating stress or opportunity—revenue estimates in place for the next fiscal year are defined as a “certified estimate” a determination of the Tax Commissioner and the Legislative Fiscal Analyst. The certified estimate is the sum of the most recent official forecast for the General Fund prior to the end of the legislative session, plus or minus legislation enacted, (state and federal) that would add or subtract to that forecast. Practically speaking, when budget decisions are made final during a session, revenue estimates used to balance are generated about 14 months prior to the end of the fiscal year. Since forecasts and the budget process is a multi-year exercise, any certified forecast is a baseline for subsequent years, and actual results drive periodic forecast revisions that flow forward into the next year or biennium providing the baseline for the next certification for a new fiscal year.

Table 1 displays revenue results for the years listed, as compared to “certified” or “budget based” estimates, actual net receipts and variances.

Most revealing is the clustering of errors, a series of underestimates, followed by a grouping of over estimates. These serial events correlation illustrate how year to year revenue forecasts tend to not rapidly adjust to inflection points (adjust to a changing trend), and perhaps, to some extent reflect a cyclical (business?) pattern. Though based on a limited number of observations, the consequence of the clustering and average errors of year ahead forecasts provide useful insights for assessing volatility in the state revenue stream.

In simplest terms, if average errors of years where revenue exceeds forecast are at or above 4% (the “Above Forecast” column) and likewise, negative errors have averaged around 4% (the “Below Forecast” column), it becomes clear that saving excesses in the former case could offset revenue shortages in the latter case. This -4% variability multiplied by the number of years in a below forecast revenue cycle could translate into a dollar amount for a desirable objective to reach ***as the state enters into the early stages of the revenue shortfall cycle.***

Since 1990-91 there have been two cycles of persistent negative forecast errors of four years and one cycle of less than two years which though shorter in time was deeper in terms of the percentage error in each of the two years. The last three fiscal years with actual data have all been negative forecast error.

The subsequent increasing of the current FY18-19 fiscal year forecast (and year to date revenue performance) suggests an end of a three year negative forecast error cycle and the

beginning of new cycle of above forecast results may be beginning—whether a short or long cycle remains to be seen.

Assuming the risk is a revenue decline averaging 4% per year, a Cash Reserve Fund balance of 12% to 16% of projected revenue is a desirable objective to reach assuming a three year (\$576 million, 12%) or four year (\$768 million, 16%) negative forecast cycle.

Note that these dollar amounts relate to the balance as the state enters into the early stages of the revenue shortfall cycle.

Additional tables for each of the four major tax types (net receipts) may be found in the appendix. Though each have their own respective patterns of error, generally there is congruence with the overall total net receipt pattern discussed in this section.

Table 1 Actual vs. Projected General Fund Revenues

Fiscal Year	Forecast	Actual	Variance from Forecast		Abs Value	Below	Above
	1 Yr Prior	Receipts	Dollar	Pct	of Error	Forecast	Forecast
FY86-87	878,121	886,354	8,233	0.94%	0.94%		0.94%
FY87-88	924,000	1,016,098	92,098	9.97%	9.97%		9.97%
FY88-89	988,437	1,133,447	145,010	14.67%	14.67%		14.67%
FY89-90	1,110,883	1,152,709	41,826	3.77%	3.77%		3.77%
FY90-91	1,334,600	1,367,078	32,478	2.43%	2.43%		2.43%
FY91-92	1,493,227	1,490,409	(2,818)	-0.19%	0.19%	-0.19%	
FY92-93	1,537,987	1,524,662	(13,325)	-0.87%	0.87%	-0.87%	
FY93-94	1,662,548	1,653,753	(8,795)	-0.53%	0.53%	-0.53%	
FY94-95	1,729,901	1,705,490	(24,411)	-1.41%	1.41%	-1.41%	
FY95-96	1,834,289	1,836,731	2,442	0.13%	0.13%		0.13%
FY96-97	1,917,984	2,009,604	91,620	4.78%	4.78%		4.78%
FY97-98	1,993,835	2,105,451	111,616	5.60%	5.60%		5.60%
FY98-99	2,102,910	2,123,837	20,927	1.00%	1.00%		1.00%
FY99-00	2,326,348	2,403,924	77,576	3.33%	3.33%		3.33%
FY00-01	2,480,701	2,456,862	(23,839)	-0.96%	0.96%	-0.96%	
FY01-02	2,631,848	2,365,509	(266,339)	-10.12%	10.12%	-10.12%	
FY02-03	2,723,377	2,456,400	(266,977)	-9.80%	9.80%	-9.80%	
FY03-04	2,731,975	2,718,726	(13,249)	-0.48%	0.48%	-0.48%	
FY04-05	2,775,479	3,037,194	261,715	9.43%	9.43%		9.43%
FY05-06	3,092,258	3,352,188	259,930	8.41%	8.41%		8.41%
FY06-07	3,216,895	3,408,331	191,436	5.95%	5.95%		5.95%
FY07-08	3,389,186	3,506,163	116,977	3.45%	3.45%		3.45%
FY08-09	3,531,746	3,357,468	(174,278)	-4.93%	4.93%	-4.93%	
FY09-10	3,446,675	3,204,680	(241,995)	-7.02%	7.02%	-7.02%	
FY10-11	3,421,459	3,499,655	78,196	2.29%	2.29%		2.29%
FY11-12	3,591,099	3,695,888	104,789	2.92%	2.92%		2.92%
FY12-13	3,767,066	4,052,358	285,292	7.57%	7.57%		7.57%
FY13-14	4,020,687	4,117,408	96,721	2.41%	2.41%		2.41%
FY14-15	4,220,500	4,305,100	84,600	2.00%	2.00%		2.00%
FY15-16	4,473,856	4,307,981	(165,875)	-3.71%	3.71%	-3.71%	
FY16-17	4,567,238	4,265,771	(301,467)	-6.60%	6.60%	-6.60%	
FY17-18	4,605,427	4,566,995	(38,432)	-0.83%	0.83%	-0.83%	
FY18-19 est	4,730,734	4,800,000	69,266	1.46%	1.46%		1.46%
Average (FY88 to FY18, 31 yr)				0.66%	4.44%	-4.3%	4.3%
Standard Deviation (FY88 to FY18, 31 yr)				5.58%	3.65%	3.5%	3.6%

Identify federal funding included in the state budget and any projected changes in the amount or value of federal funding or potential areas in which federal funding could be lost;

Table 2 summarizes federal fund expenditures since 2007-08 by functional categories and by agency/functional category description.

Each segment of the table is sorted from largest to smallest expenditure volume. By far, the largest function/agency is Human Resources/DHHS (Health and Human Services System), which primarily is comprised of Medicaid expenditures.

Medicaid is a state federal partnership whereas the fund mix between the two is largely driven by the FMAP, which is the calculated ration of cost share between a state and the federal government. The formula is driven by average personal income growth in a state in relation to other states, with the end result where, if a state's personal income performs better in relation to that of other states, then that state will see a decreasing cost share from the federal program. Though not the only driver of volatility, (medical cost factors, eligibility and participation rates are relevant), changes in the FMAP are very significant. Fortunately means exist to project such changes in advance of finalizing budgets, thus adjustments can usually be readily made.

Higher Education/University segments are primarily Pell Grants and direct grants for research. K-12 Education/Dept of Education are primarily pass through programs, flowing to local school districts. Disruptions in federal funding flows would be felt at that level.

Beyond the three largest categories size of federal flows according this expenditure framework drop off significantly. Note that federal funds flowing to the Department of Roads are classified as Cash Funds, since deposits are made to the state fund supporting Roads operations and construction, thus, under current law the connection to the General Fund is much more remote than some other federal funding flows.

The degree of connection to the General Fund budget thus would seem to be greatest with the Human Resources classification of federal funds, primarily Medicaid. The remainder, except for some of the smaller categories, would seem to be somewhat more remotely connected. The fundamental question would then seem to be, in the event of federal fund reductions, to what extent is the state obligated or inclined to pick up the additional cost with state resources. In the case of Medicaid, the cost share structure supersedes that choice and currently it appears the trend for the near future the federal share of Nebraska Medicaid costs will be increasing. In the case of other categories, past experience has shown that this decision becomes a case-by-case decision as a part of the annual budget process. Questions as to whether or not to adjust K-12 school aid via the school aid formula would have to be addressed; or policy decisions would have to be made whether an expanded role for state funded research or broadened involvement in student financial assistance in the higher education area, all in response to diminished federal financial support.

There appears to be no mechanism to reasonably anticipate future federal funding decisions that may alter inflows to the state, or anticipating a state response to such speculation, making any expectation of quantifying additional Cash Reserve fund balances as a safety net impractical.

Table 2 Nebraska State Agencies – Federal Fund Expenditures

Function	Fund	FY2007-08	FY2017-18	% of Total FY17-18	Avg Annual % Change
Human Resources	Federal	1,379,832,018	1,687,444,268	60.88%	2.03%
Higher Education	Federal	267,039,065	543,209,246	19.60%	7.36%
K-12 Education	Federal	300,647,358	379,743,897	13.70%	2.36%
Public Safety	Federal	95,659,027	37,926,604	1.37%	-8.84%
Natural Resources	Federal	33,271,191	49,623,622	1.79%	4.08%
Gen Govt	Federal	25,205,663	15,663,359	0.57%	-4.65%
Criminal Justice	Federal	17,916,966	24,068,404	0.87%	3.00%
Construction	Federal	24,149,416	30,412,838	1.10%	2.33%
Misc Education	Federal	3,752,168	3,071,809	0.11%	-1.98%
Transportation	Federal	4,862,943	411,891	0.01%	-21.88%
State Total	Federal	2,152,335,815	2,771,575,938	100.00%	2.56%

Agency	Function	FY2007-08	FY2017-18	% of Total FY17-18	Avg Annual % Change
DHHS System	Human Resources	1,336,381,607	1,623,018,720	58.56%	1.96%
University of Nebraska	Higher Education	248,951,286	498,923,816	18.00%	7.20%
Education	K-12 Education	300,647,358	379,743,897	13.70%	2.36%
State Colleges	Higher Education	16,985,163	44,010,876	1.59%	9.99%
Labor	Human Resources	39,157,291	37,541,154	1.35%	-0.42%
Military Dept	Public Safety	93,990,239	36,027,063	1.30%	-9.14%
Capital Construction	Construction	24,149,416	30,412,838	1.10%	2.33%
Environmental Quality	Natural Resources	25,097,259	28,240,988	1.02%	1.19%
Veterans Affairs	Human Resources	0	21,719,013	0.78%	--
Economic Development	Gen Govt	16,823,255	13,121,717	0.47%	-2.45%
Crime Commission	Criminal Justice	7,589,912	12,586,589	0.45%	5.19%
State Patrol	Criminal Justice	7,402,207	8,853,412	0.32%	1.81%
Energy Office	Natural Resources	0	8,164,245	0.29%	--
Game & Parks	Natural Resources	4,529,021	7,913,786	0.29%	5.74%
Blind/Visually Impaired	Human Resources	3,246,133	4,163,123	0.15%	2.52%
Agriculture	Natural Resources	2,895,297	3,932,491	0.14%	3.11%
Library Commission	Misc Education	1,818,095	1,647,928	0.06%	-0.98%
State Treasurer	Gen Govt	2,028,628	1,631,525	0.06%	-2.15%
Natural Resources	Natural Resources	400,199	1,302,745	0.05%	12.53%
Insurance	Public Safety	1,174,823	1,188,337	0.04%	0.11%
All Other		19,068,626	7,431,675	0.27%	-8.99%
State Total		2,152,335,815	2,771,575,938	100.00%	2.56%

Identify current and projected balances of the Cash Reserve Fund;

Table 3 depicts the projected flow by fiscal year for the Cash Reserve Fund as set forth in current law.

Table 4 itemizes fund balances and transaction summaries in and out of the fund since its inception. This table also includes the ending balance as a percent of revenue for the fiscal year shown. Note that the suggestion in the first section of this report that a guideline balance of 16% has only been approached in the last decade.

Since inception and through the middle of the last decade, the ending balance had been sustained at levels well below 10%, however, inspection of Table 1 clearly shows forecast errors in the early 90's were generally smaller, perhaps influencing the perceived need for an appropriate fund balance. As errors in estimates became larger in the early 2000's, cash reserve balances began to grow as a percentage of revenue, reaching 17.2% upon early stages of the "Great Recession" beginning around 2009.

Current estimates through the next biennium project a gradual drift downward as the balance as percent of annual revenue will approach 11%.

Analyze the adequacy of current and projected balances of the Cash Reserve Fund in relation to the tax revenue volatility and the risk of a reduction in the amount or value of federal funding or potential areas in which federal funding could be lost;

The first section identifies a level equivalent to about 12% to 16% of revenue in the fiscal year as a Cash Reserve Fund balance as coverage for the next cyclical downturn. This safety net would be intended to mitigate the need for budget reductions or revenue increases to reach short term balance.

It should be noted that in the last recession, during the 2009 regular, special and 2010 regular session, \$259 million in cash reserve transfers were used to help balance General Fund budgets through that time period. With that context, a balance of an equivalent of 16% of revenues, or around \$768 million, would seem excessive. However, spending reductions and one time cash fund transfers during the 2009-2010 sessions played a significant role, as did almost \$600 million of federal assistance (that came in the form of general stabilization, education funding assistance, FMAP and child care enhancements) that directly offset General Fund costs.

If federal assistance of this magnitude seems unlikely during future revenue shortfalls/recessions, then a Cash Reserve Fund balance of 16% of revenue may be inadequate when the state first enters a downward revenue cycle. Obviously, what cannot be determined is the depth and duration of revenue weakness that is unable to sustain a current law budget, which also will influence what may be adequate. Thereafter, the size of a draw down to help manage budget imbalances becomes discretionary to be judged along with other options to return to budget balance.

In terms of ongoing federal grants programs the risk of reductions cannot be judged at this time. All will be subject to future actions by the federal government.

Table 3 Cash Reserve Fund

	Estimated FY2018-19	Estimated FY2019-20	Estimated FY2020-21	Estimated FY2021-22	Estimated FY2022-23
Beginning Balance	339,990,065	333,549,124	402,815,124	402,815,124	402,815,124
Excess of certified forecasts (line 3 in Status)	61,995,773	69,266,000	0	0	0
To/from Gen Fund per current law	(48,000,000)	0	0	0	0
To Nebr Capital Construction Fund (NCCF)	(20,436,714)	0	0	0	0
2019 Session - Transfers to/from General Fund	0	0	0	0	0
Projected Unobligated Ending Balance	333,549,124	402,815,124	402,815,124	402,815,124	402,815,124

Table 4 Cash Reserve Fund – Historical Balances

	Beginning Balance	Direct Deposit and Interest	Automatic Transfers (1)	<u>Legislative Transfers (2)</u>		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	730,655,108	0	0	0	(50,000,000)	0	680,655,108	16.0%
FY2017-18	680,655,108	265,729	0	(225,000,000)	(115,930,772)	0	339,990,065	7.4%
FY2018-19	339,990,065	0	61,995,773	(48,000,000)	(20,436,714)	0	333,549,124	6.9%
FY2019-20 Est	333,549,124	0	69,266,000	0	0	0	402,815,124	8.2%
FY2020-21 Est	402,815,124	0	0	0	0	0	402,815,124	8.1%

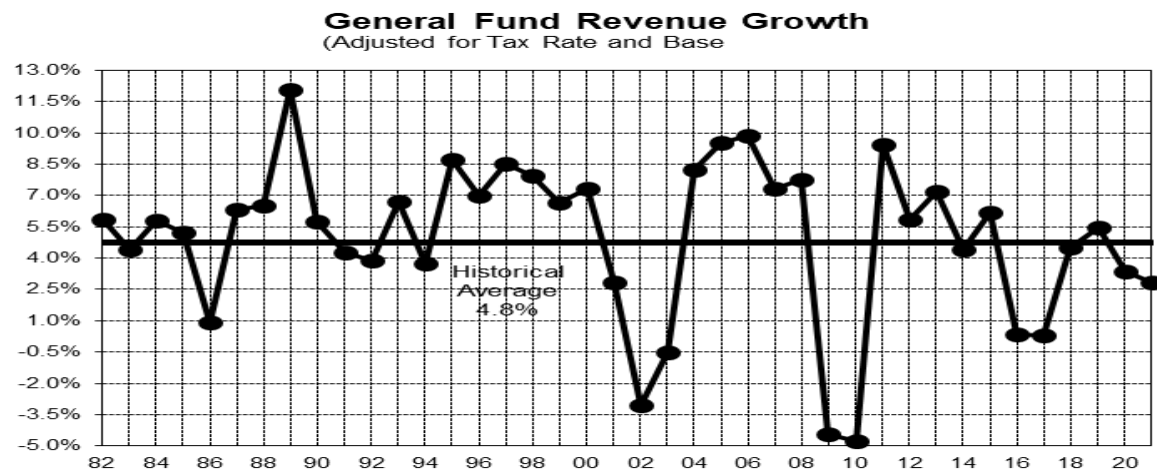
Include revenue projections for the ensuing two fiscal years included in the impending biennial budget;

Current official General Fund forecasts have been set for fiscal years 2018-19, 2019-20, and 2020-21.

The revenue forecasts shown in Table 5 for the General Fund are the most current arrived at by the Nebraska Economic Forecasting Advisory Board on October 26, 2018. Revisions to the current and ensuing two fiscal years will occur in February and April 2019. After the end of this fiscal year the ensuing two fiscal years will be revised again in October 2019 and February 2020. After conclusion of FY2019-20, the last fiscal year will be revised again in October 2020, and February and April 2021. For context, a graph of prior year revenue growth and estimates for the current forecasts is included. Note that all percentage growth rates are adjusted for tax rate and base changes. This is a visual reminder of the cyclical nature of General Fund revenue growth over recent years.

Table 5 General Fund Revenue Forecasts

	NEFAB FY2018-19	NEFAB FY2019-20	NEFAB FY2020-21	LFO Prelim FY2021-22	LFO Prelim FY2022-23
Actual/Forecast					
Sales and Use Tax	1,700,000,000	1,780,000,000	1,805,000,000	1,887,000,000	1,957,000,000
Individual Income Tax	2,495,000,000	2,600,000,000	2,700,000,000	2,872,000,000	3,054,000,000
Corporate Income Tax	335,000,000	320,000,000	320,000,000	337,000,000	354,000,000
Miscellaneous receipts	270,000,000	190,000,000	175,000,000	190,000,000	179,000,000
Total General Fund Revenues	4,800,000,000	4,890,000,000	5,000,000,000	5,286,000,000	5,544,000,000
Adjusted Growth					
Sales and Use Tax	5.1%	4.0%	2.1%	3.5%	3.5%
Individual Income Tax	6.0%	4.3%	3.8%	6.3%	6.3%
Corporate Income Tax	4.1%	-7.0%	1.2%	5.1%	4.8%
Miscellaneous receipts	4.6%	4.2%	-1.2%	1.2%	1.0%
Total General Fund Revenues	5.5%	3.3%	2.8%	5.0%	5.0%
Two Yr Average	5.0%	--	3.1%	--	5.0%
Five Yr Average	3.4%	--	3.4%	--	4.3%



Contain any other recommendations that the Legislative Fiscal Analyst determines are necessary.

No recommendations at this time.

APPENDIX

Table 6 Actual vs. Projected Revenues – Sales Tax

Fiscal Year	Forecast	Actual	Variance from Forecast		Abs Value of Error	Below	Above
	1 Yr Prior	Receipts	Dollar	Pct		Forecast	Forecast
FY84-85	dna	300,534					
FY85-86	dna	310,391					
FY86-87	353,540	345,158	(8,382)	-2.37%	2.37%	-2.37%	
FY87-88	370,000	393,149	23,149	6.26%	6.26%		6.26%
FY88-89	400,000	430,078	30,078	7.52%	7.52%		7.52%
FY89-90	449,981	444,231	(5,750)	-1.28%	1.28%	-1.28%	
FY90-91	563,000	547,373	(15,627)	-2.78%	2.78%	-2.78%	
FY91-92	605,305	592,442	(12,863)	-2.13%	2.13%	-2.13%	
FY92-93	607,616	586,355	(21,261)	-3.50%	3.50%	-3.50%	
FY93-94	666,458	648,847	(17,611)	-2.64%	2.64%	-2.64%	
FY94-95	675,270	683,852	8,582	1.27%	1.27%		1.27%
FY95-96	731,522	711,002	(20,520)	-2.81%	2.81%	-2.81%	
FY96-97	756,697	755,908	(789)	-0.10%	0.10%	-0.10%	
FY97-98	792,903	803,805	10,902	1.37%	1.37%		1.37%
FY98-99	764,009	744,651	(19,358)	-2.53%	2.53%	-2.53%	
FY99-00	887,759	900,427	12,668	1.43%	1.43%		1.43%
FY00-01	940,400	905,023	(35,377)	-3.76%	3.76%	-3.76%	
FY01-02	963,000	918,890	(44,110)	-4.58%	4.58%	-4.58%	
FY02-03	1,043,145	1,028,931	(14,214)	-1.36%	1.36%	-1.36%	
FY03-04	1,142,146	1,114,374	(27,772)	-2.43%	2.43%	-2.43%	
FY04-05	1,172,491	1,231,011	58,520	4.99%	4.99%		4.99%
FY05-06	1,251,982	1,263,679	11,697	0.93%	0.93%		0.93%
FY06-07	1,266,446	1,303,826	37,380	2.95%	2.95%		2.95%
FY07-08	1,293,053	1,321,867	28,814	2.23%	2.23%		2.23%
FY08-09	1,358,932	1,326,161	(32,771)	-2.41%	2.41%	-2.41%	
FY09-10	1,343,559	1,289,797	(53,762)	-4.00%	4.00%	-4.00%	
FY10-11	1,365,000	1,372,784	7,784	0.57%	0.57%		0.57%
FY11-12	1,424,967	1,436,909	11,942	0.84%	0.84%		0.84%
FY12-13	1,479,906	1,474,943	(4,963)	-0.34%	0.34%	-0.34%	
FY13-14	1,499,996	1,524,794	24,798	1.65%	1.65%		1.65%
FY14-15	1,536,422	1,535,420	(1,002)	-0.07%	0.07%	-0.07%	
FY15-16	1,614,273	1,528,023	(86,250)	-5.34%	5.34%	-5.34%	
FY16-17	1,607,111	1,548,388	(58,723)	-3.65%	3.65%	-3.65%	
FY17-18	1,625,000	1,602,737	(22,263)	-1.37%	1.37%	-1.37%	
Average (FY88 to FY18, 31 yr)				-0.71%	2.55%	-2.6%	2.1%
Standard Deviation (FY88 to FY18, 31 yr)				3.08%	1.78%	1.4%	2.2%

Table 7 Actual vs. Projected Revenues – Individual Income Tax

Fiscal Year	Forecast	Actual	Variance from Forecast		Abs Value	Below	Above
	1 Yr Prior	Receipts	Dollar	Pct	of Error	Forecast	Forecast
FY86-87	340,000	365,762	25,762	7.58%	7.58%		7.58%
FY87-88	380,000	437,742	57,742	15.20%	15.20%		15.20%
FY88-89	417,773	479,732	61,959	14.83%	14.83%		14.83%
FY89-90	467,812	501,134	33,322	7.12%	7.12%		7.12%
FY90-91	590,900	609,431	18,531	3.14%	3.14%		3.14%
FY91-92	652,878	658,634	5,756	0.88%	0.88%		0.88%
FY92-93	688,000	690,351	2,351	0.34%	0.34%		0.34%
FY93-94	738,000	722,361	(15,639)	-2.12%	2.12%	-2.12%	
FY94-95	783,000	746,718	(36,282)	-4.63%	4.63%	-4.63%	
FY95-96	825,189	846,547	21,358	2.59%	2.59%		2.59%
FY96-97	863,000	944,117	81,117	9.40%	9.40%		9.40%
FY97-98	895,272	981,644	86,372	9.65%	9.65%		9.65%
FY98-99	1,028,363	1,078,523	50,160	4.88%	4.88%		4.88%
FY99-00	1,130,000	1,180,363	50,363	4.46%	4.46%		4.46%
FY00-01	1,229,295	1,233,364	4,069	0.33%	0.33%		0.33%
FY01-02	1,339,309	1,159,811	(179,498)	-13.40%	13.40%	-13.40%	
FY02-03	1,338,700	1,129,422	(209,278)	-15.63%	15.63%	-15.63%	
FY03-04	1,307,056	1,249,890	(57,166)	-4.37%	4.37%	-4.37%	
FY04-05	1,262,599	1,400,077	137,478	10.89%	10.89%		10.89%
FY05-06	1,439,950	1,545,338	105,388	7.32%	7.32%		7.32%
FY06-07	1,517,377	1,650,895	133,518	8.80%	8.80%		8.80%
FY07-08	1,630,350	1,726,145	95,795	5.88%	5.88%		5.88%
FY08-09	1,750,074	1,600,418	(149,656)	-8.55%	8.55%	-8.55%	
FY09-10	1,675,000	1,514,830	(160,170)	-9.56%	9.56%	-9.56%	
FY10-11	1,630,000	1,735,209	105,209	6.45%	6.45%		6.45%
FY11-12	1,758,137	1,822,884	64,747	3.68%	3.68%		3.68%
FY12-13	1,862,137	2,101,912	239,775	12.88%	12.88%		12.88%
FY13-14	2,039,395	2,060,759	21,364	1.05%	1.05%		1.05%
FY14-15	2,207,703	2,205,464	(2,239)	-0.10%	0.10%	-0.10%	
FY15-16	2,298,471	2,221,089	(77,382)	-3.37%	3.37%	-3.37%	
FY16-17	2,427,203	2,224,840	(202,363)	-8.34%	8.34%	-8.34%	
FY17-18	2,425,000	2,360,596	(64,404)	-2.66%	2.66%	-2.66%	
Average (FY88 to FY18, 31 yr)				0.55%	6.53%	-6.7%	5.8%
Standard Deviation (FY88 to FY18, 31 yr)				7.76%	4.58%	4.7%	4.5%

Table 8 Actual vs. Projected Revenues – Corporate Income Tax

Fiscal Year	Forecast 1 Yr Prior	Actual Receipts	Variance from Forecast		Abs Value of Error		Below	Above
			Dollar	Pct			Forecast	Forecast
FY86-87	72,000	67,424	(4,576)	-6.36%	6.36%		-6.36%	
FY87-88	65,000	73,781	8,781	13.51%	13.51%			13.51%
FY88-89	50,000	80,624	30,624	61.25%	61.25%			61.25%
FY89-90	70,000	71,948	1,948	2.78%	2.78%			2.78%
FY90-91	54,800	81,948	27,148	49.54%	49.54%			49.54%
FY91-92	100,380	103,617	3,237	3.22%	3.22%			3.22%
FY92-93	105,000	102,755	(2,245)	-2.14%	2.14%		-2.14%	
FY93-94	110,000	113,143	3,143	2.86%	2.86%			2.86%
FY94-95	118,000	123,924	5,924	5.02%	5.02%			5.02%
FY95-96	120,422	126,801	6,379	5.30%	5.30%			5.30%
FY96-97	131,000	137,338	6,338	4.84%	4.84%			4.84%
FY97-98	133,230	142,150	8,920	6.70%	6.70%			6.70%
FY98-99	138,000	135,034	(2,966)	-2.15%	2.15%		-2.15%	
FY99-00	143,000	140,022	(2,978)	-2.08%	2.08%		-2.08%	
FY00-01	140,952	138,040	(2,912)	-2.07%	2.07%		-2.07%	
FY01-02	148,913	107,628	(41,285)	-27.72%	27.72%		-27.72%	
FY02-03	133,700	111,597	(22,103)	-16.53%	16.53%		-16.53%	
FY03-04	120,008	167,429	47,421	39.52%	39.52%			39.52%
FY04-05	149,271	198,380	49,109	32.90%	32.90%			32.90%
FY05-06	185,950	262,295	76,345	41.06%	41.06%			41.06%
FY06-07	218,677	213,027	(5,650)	-2.58%	2.58%		-2.58%	
FY07-08	241,200	232,852	(8,348)	-3.46%	3.46%		-3.46%	
FY08-09	214,490	198,484	(16,006)	-7.46%	7.46%		-7.46%	
FY09-10	169,814	154,332	(15,482)	-9.12%	9.12%		-9.12%	
FY10-11	185,000	154,945	(30,055)	-16.25%	16.25%		-16.25%	
FY11-12	200,000	234,266	34,266	17.13%	17.13%			17.13%
FY12-13	230,000	275,563	45,563	19.81%	19.81%			19.81%
FY13-14	265,000	306,591	41,591	15.69%	15.69%			15.69%
FY14-15	263,000	346,477	83,477	31.74%	31.74%			31.74%
FY15-16	329,124	307,670	(21,454)	-6.52%	6.52%		-6.52%	
FY16-17	310,000	264,440	(45,560)	-14.70%	14.70%		-14.70%	
FY17-18	265,000	313,689	48,689	18.37%	18.37%			18.37%
Average (FY88 to FY18, 31 yr)				6.1%	15.6%		-9.6%	16.7%
Standard Deviation (FY88 to FY18, 31 yr)				20.3%	15.2%		7.4%	17.5%

Table 9 Actual vs. Projected Revenues – Miscellaneous Receipts

Fiscal Year	Forecast	Actual	Variance from Forecast		Abs Value	Below	Above
	1 Yr Prior	Receipts	Dollar	Pct	of Error	Forecast	Forecast
FY86-87	112,581	108,010	(4,571)	-4.06%	4.06%	-4.06%	
FY87-88	109,000	111,426	2,426	2.23%	2.23%		2.23%
FY88-89	120,664	143,013	22,349	18.52%	18.52%		18.52%
FY89-90	123,090	135,396	12,306	10.00%	10.00%		10.00%
FY90-91	125,900	128,326	2,426	1.93%	1.93%		1.93%
FY91-92	134,664	135,716	1,052	0.78%	0.78%		0.78%
FY92-93	137,371	145,201	7,830	5.70%	5.70%		5.70%
FY93-94	148,090	169,402	21,312	14.39%	14.39%		14.39%
FY94-95	153,631	150,996	(2,635)	-1.72%	1.72%	-1.72%	
FY95-96	157,156	152,381	(4,775)	-3.04%	3.04%	-3.04%	
FY96-97	167,287	172,241	4,954	2.96%	2.96%		2.96%
FY97-98	172,430	177,852	5,422	3.14%	3.14%		3.14%
FY98-99	172,538	165,629	(6,909)	-4.00%	4.00%	-4.00%	
FY99-00	165,589	183,112	17,523	10.58%	10.58%		10.58%
FY00-01	170,054	180,435	10,381	6.10%	6.10%		6.10%
FY01-02	180,626	179,180	(1,446)	-0.80%	0.80%	-0.80%	
FY02-03	207,832	186,450	(21,382)	-10.29%	10.29%	-10.29%	
FY03-04	162,765	187,033	24,268	14.91%	14.91%		14.91%
FY04-05	191,118	207,726	16,608	8.69%	8.69%		8.69%
FY05-06	214,376	280,875	66,499	31.02%	31.02%		31.02%
FY06-07	214,395	240,583	26,188	12.21%	12.21%		12.21%
FY07-08	224,583	225,298	715	0.32%	0.32%		0.32%
FY08-09	208,250	232,405	24,155	11.60%	11.60%		11.60%
FY09-10	258,302	245,721	(12,582)	-4.87%	4.87%	-4.87%	
FY10-11	241,459	236,717	(4,742)	-1.96%	1.96%	-1.96%	
FY11-12	207,995	201,829	(6,166)	-2.96%	2.96%	-2.96%	
FY12-13	195,023	199,941	4,918	2.52%	2.52%		2.52%
FY13-14	216,296	225,265	8,969	4.15%	4.15%		4.15%
FY14-15	213,375	217,739	4,364	2.05%	2.05%		2.05%
FY15-16	231,988	251,199	19,211	8.28%	8.28%		8.28%
FY16-17	222,924	228,103	5,179	2.32%	2.32%		2.32%
FY17-18	290,427	289,973	(454)	-0.16%	0.16%	-0.16%	
Average (FY88 to FY18, 31 yr)				4.32%	6.59%	-3.4%	7.4%
Standard Deviation (FY88 to FY18, 31 yr)				8.05%	6.46%	2.7%	7.1%