

One Hundred Fifth Legislature - Second Session - 2018

Introducer's Statement of Intent

LB938

Chairperson: Senator John Stinner

Committee: Appropriations

Date of Hearing: February 08, 2018

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

The purpose of LB938 is to modify the current deposit rule to better guide when and how much the state should save. Currently, deposits to the Cash Reserve Fund are based on surpluses resulting from when revenue exceeds the forecast. This is commonly referred to as depositing based on forecasting error.

If revenues are growing faster than normal, then a percentage of that excess revenue could be transferred to the Cash Reserve Fund. This ensures the largest deposits are made when revenue growth is highest, while also preventing extraordinary tax collections from funding recurring expenditures. LB938 would cap the deposits allowed into the Cash Reserve Fund so that it does not exceed 16% of expenditures to allow for other budgetary priorities.

LB938 would add a supplementary deposit rule to the current forecasting error method. The greater of the two would be the amount which is deposited into the Cash Reserve Fund. The formula for the alternative rule is as follows:

$50\% \times (\text{Actual revenue, current FY} \times [\text{Annual \% increase, current FY} - \text{Average annual \% increase, 10-year}])$

Principal Introducer: _____

Senator John Stinner