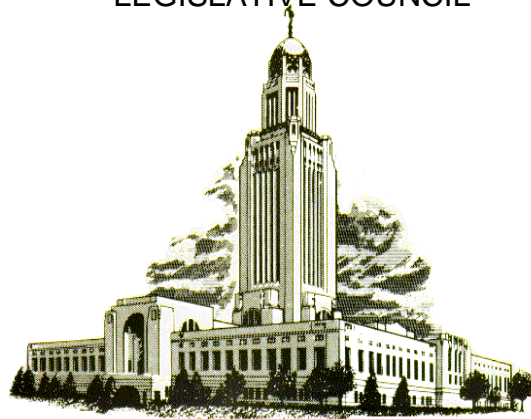


# State of Nebraska

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CARL ESKRIDGE  
Acting Ombudsman

December 5, 2019

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 2019.

The attachments include reports presented to and reviewed by the Committee on July 18, 2019, and November 19, 2019. At each meeting the Committee determined there was no need to call the Legislature into special session to adjust tax rates.

As required under Nebraska Revised Statute 50-419.02 a revenue volatility report was appended in 2016 and 2018 and will not be required until the 2020 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:

[https://revenue.nebraska.gov/sites/revenue.nebraska.gov/files/doc/research/tax-expenditure/2019 Interim Tax Exp Report.pdf](https://revenue.nebraska.gov/sites/revenue.nebraska.gov/files/doc/research/tax-expenditure/2019%20Interim%20Tax%20Exp%20Report.pdf)  
[https://revenue.nebraska.gov/sites/revenue.nebraska.gov/files/doc/research/tax-expenditure/2018\\_Tax\\_Exp\\_Report.pdf](https://revenue.nebraska.gov/sites/revenue.nebraska.gov/files/doc/research/tax-expenditure/2018_Tax_Exp_Report.pdf)

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.

# **REPORT TO THE TAX RATE REVIEW COMMITTEE**

**July 18, 2019**

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

**Tax Rate Review Committee**

**Speaker of the Legislature**

**Executive Board Chair**

**Revenue Committee Chair**

**Appropriations Committee Chair**

**Senator Jim Scheer**

**Senator Mike Hilgers**

**Senator Lou Ann Linehan**

**Senator John Stinner**

**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 and the revenue volatility report required under section 50-419.02.

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 FY2018-19 were \$4.896 billion which was \$131.4 million above the forecast used at Sine Die of the 2019 Session which was the April 2019 forecast of the Nebraska Economic Forecast Advisory Board (NEFAB). These actual receipts were \$176.4 million above the “certified forecast” which was the February 2019 forecast from the NEFAB. This is relevant as statutorily all revenues above the certified forecast are transferred to the Cash Reserve Fund.
2. Tax rate and base adjusted revenue growth for FY2018-19 actual receipts is 8.7% compared to the 5.7% growth calculated per the April forecast. Nominal (actual unadjusted) change from the prior year is 7.2%. The difference is attributed to the adjustments including a shift of income tax from FY19 to FY20 due to delayed filings related to flooding (\$20 million) higher and Wayfair ruling revenues (\$9 million).
3. The projected General Fund financial status for the current biennium improves with the projected ending balance going from \$228,160 above the minimum reserve to \$23.4 million above the minimum reserve. Note that for the FY20/FY21 biennium, the statutory minimum reserve returns to a 3% level after being at 2.5% for the FY18/FY19 biennium.

This \$23 million increase was mostly due to the impact of carryover obligations on the calculation of the reserve (-\$9.2 million) offset by a \$35 million projected lapse of unexpended appropriations.

The \$131.4 million that revenues were above forecast does not contribute to this improved General Fund status as that is all statutorily transferred to the Cash Reserve Fund.

4. The Cash Reserve Fund is projected at an unobligated balance of \$455.2 million taking into consideration transfers that are authorized for construction projects in FY2020-21. This includes a transfer of actual receipts above certified forecast totaling \$176.4 million, which is the \$45 million estimated as Sine Die plus the \$131 million which came in above April forecast.
5. The current status is based on the existing April 2019 revenue forecasts for FY2019-20 and FY2020-21. How these current forecasts may be impacted by the FY2018-19 revenue performance and how any revised revenue forecasts will affect the financial status will not be known until October when the NEFAB is statutorily scheduled to meet.

Until that time with the higher adjusted growth in FY18-19 actual receipts (8.7% vs 5.7% growth), and no change in the FY19-20 forecast, calculated growth for FY19-20 is now -0.4% with the existing forecast compared to the Sine Die estimate of 2.4%. No change in either the FY20-21 forecast or calculated growth.

<u>Est. Revenue Growth (rate/base adjusted)</u>	<u>FY18-19</u>	<u>FY19-20</u>	<u>FY20-21</u>	<u>FY21-22</u>	<u>FY22-23</u>
Sine Die 2019 Session	5.7%	2.4%	3.2%	5.2%	5.0%
With FY19 actual, no change in other forecasts	8.7%	-0.3%	3.2%	5.2%	5.0%

# Current General Fund Financial Status

## (With FY2018-19 Actual Revenue & Expenditures)

	Actual FY2018-19	Upcoming Biennium		Following Biennium	
		FY2019-20	FY2020-21	FY2021-22	FY2022-23
<b>1 BEGINNING BALANCE</b>					
2 Beginning Cash Balance	453,601,627	736,509,690	289,949,281	313,554,077	343,824,021
3 Cash Reserve transfers-above certified prior yr	(61,995,773)	(176,378,521)	0	0	0
4 Unexpended FY18-19 obligations	0	(317,817,030)	0	0	0
5 Est lapse FY19 carryover obligations	0	35,000,000	0	0	0
6 Allocation for potential deficits	0	0	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	391,605,854	277,314,139	284,949,281	308,554,077	338,824,021
<b>8 REVENUES</b>					
9 Net Receipts (Actual and Sine Die Adjusted)	4,896,378,521	4,929,107,000	5,044,919,000	5,290,097,000	5,548,098,000
10 General Fund transfers-out	(230,300,000)	(286,800,000)	(286,800,000)	(286,800,000)	(286,800,000)
11 General Fund transfers-in	in actual	in forecast	in forecast	0	0
12 Cash Reserve transfers-legislative	48,000,000	0	0	0	0
13 Accounting adjustment	(2,606,017)	0	0	0	0
14 General Fund Net Revenues	4,711,472,504	4,642,307,000	4,758,119,000	5,003,297,000	5,261,298,000
<b>15 APPROPRIATIONS</b>					
16 Expenditures/Appropriations	4,366,568,668	4,624,671,858	4,729,514,204	4,729,514,204	4,729,514,204
17 Projected budget increase, following biennium	--	--	--	238,512,852	441,530,580
18 Mainline budget adjustments (2020 Session)	--	5,000,000	0	0	0
19 "A" Bills (2020 Session)	--	0	0	0	0
20 General Fund Appropriations	4,366,568,668	4,629,671,858	4,729,514,204	4,968,027,056	5,171,044,784
<b>21 ENDING BALANCE</b>					
22 \$ Ending balance (Financial Status as shown)	736,509,690	289,949,281	313,554,077	343,824,021	429,077,237
23 \$ Ending balance (at 3% Min Reserve)	--	--	290,113,316	--	308,101,429
24 Excess (shortfall) from Minimum Reserve	--	--	<b>23,440,761</b>	--	<b>120,975,808</b>
25 Biennial Reserve (%)	--	--	3.3%	--	4.2%
Variance from Minimum Reserve - Sine Die 2019			228,160	--	89,525,372
Change in Variance from Minimum Reserve			23,212,601		31,450,436
<b>26 General Fund Budget</b>					
27 Annual % Change	1.3%	3.7%	2.2%	5.0%	4.1%
28 Two Year Average % Change	0.5%	--	3.0%	--	4.6%
<b>29 General Fund Revenues:</b>					
30 Adjusted Growth	8.7%	-0.4%	3.2%	5.2%	5.0%
31 Two Year Average	6.6%	--	1.4%	--	5.1%
32 Five Year Average	4.0%	--	3.3%	--	4.3%
33 <b>Structural Revenues vs Appropriations</b>	296,903,836	12,635,142	28,604,796	35,269,944	90,253,216

<b>CASH RESERVE FUND</b>	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Beginning Balance	339,990,065	333,549,124	509,927,645	455,227,645	455,227,645
Excess of certified forecasts (line 3 in Status)	61,995,773	176,378,521	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	(54,700,000)	0	0
Ending Balance - Current Status	333,549,124	509,927,645	455,227,645	455,227,645	455,227,645
Projected Balance - End of 2019 Session	333,549,124	377,049,124	322,349,124	322,349,124	322,349,124

# Changes in the Financial Status since Sine Die 2019

(millions of dollars)	FY20/FY21 Biennium	FY21/FY22 Biennium
<b>1. Variance: Sine Die 2019 -----&gt;</b>	<b>228,160</b>	<b>89,525,372</b>
2. FY19 Actual vs Est General Fund Net Receipts	131,378,521	131,378,521
3. FY19 Actual vs Est Transfers-Out	0	0
4. FY19 Actual vs Est Transfers-In	0	0
5. FY19 Actual vs Est CRF transfers-automatic	(131,378,521)	(131,378,521)
6. FY19 Actual vs Est Accounting adjustment	(2,606,017)	(2,606,017)
7. Rounding on revenue numbers	(493)	(35)
8. Assumed lapse, FY19 unexpended	35,000,000	35,000,000
9. Recalculate minimum reserve	(9,180,889)	(943,513)
10. Total \$ Change Since Sine Die	23,212,601	31,450,435
<b>11. Current Financial Status -----&gt;</b>	<b>23,440,761</b>	<b>120,975,808</b>

## Accounting Adjustments:

Most 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	(1,800,000)
Transfer-Out State Patrol drug purchases	(64,270)
All other accounting adjustments	8,253
Total Accounting adjustment	(2,606,017)

## Lapse of Unexpended FY2018-19 Funds

There was not a general reappropriation of all unexpended General Fund appropriations for operations. For operations and aid, all unexpended appropriations expire except where specifically reappropriated. In all cases, encumbered funds (where the obligation has been incurred but payment not yet made) are reappropriated.

At the present time, the financial status includes an estimated \$35 million of lapsed appropriation authority. This is a relatively conservative number after a review of unexpended balances by individual budget program. A significant amount is a presumed lapse of some unexpended DHHS aid funds. As noted earlier, the actual amount will not be known until late August and the actual lapses will be incorporated at that time. While a large amount, it is about 0.5% of the biennial budget.

# FY2018-19 Actual General Fund Receipts

Table 1 compares the various forecasts with actual receipts for FY2018-19. Table 2 shows actual receipts and adjusted growth for FY2018-19 and the previous five years, Table 3 shows a chronology of the FY2018-19 forecasts and Table 4 provides historical revenues.

Table 1 FY2018-19 Actual Receipts vs Forecast

	Cert July 2018 FY2018-19	Oct 2018 FY2018-19	Cert Feb 2019 FY2018-19	April 2019 FY2018-19	Actual YTD FY2018-19	\$ Variance Cert July 2018	\$ Variance Oct 2018	\$ Variance Cert Feb 2019	\$ Variance April 2019
<b>GROSS RECEIPTS</b>									
Sales and Use	2,338,475,000	2,342,663,000	2,326,961,000	2,303,981,000	2,323,766,414	(14,708,586)	(18,896,586)	(3,194,586)	19,785,414
Individual Income	2,927,379,000	2,974,445,000	2,950,473,000	2,960,554,000	2,995,220,724	67,841,724	20,775,724	44,747,724	34,666,724
Corporate Income	359,037,000	379,113,000	387,733,000	418,167,000	465,815,238	106,778,238	86,702,238	78,082,238	47,648,238
Miscellaneous	267,083,000	270,648,000	265,652,000	260,600,000	269,431,444	2,348,444	(1,216,556)	3,779,444	8,831,444
<b>Total Gross Receipts</b>	<b>5,891,974,000</b>	<b>5,966,869,000</b>	<b>5,930,819,000</b>	<b>5,943,302,000</b>	<b>6,054,233,820</b>	<b>162,259,820</b>	<b>87,364,820</b>	<b>123,414,820</b>	<b>110,931,820</b>
<b>REFUNDS &amp; CREDITS</b>									
City Sales Tax	443,034,000	439,425,000	433,886,000	429,830,000	432,135,164	(10,898,836)	(7,289,836)	(1,750,836)	2,305,164
State Sales and Use	114,945,000	108,931,000	161,068,000	142,988,000	141,849,001	26,904,001	32,918,001	(19,218,999)	(1,138,999)
Sales tax to Highway Funds	81,583,000	80,937,000	79,087,000	78,263,000	78,843,507	(2,739,493)	(2,093,493)	(243,493)	580,507
CSI Turnback	13,913,000	13,370,000	12,920,000	12,900,000	12,831,609	(1,081,391)	(538,391)	(88,391)	(68,391)
Individual Income	456,379,000	479,445,000	480,473,000	470,554,000	449,540,685	(6,838,315)	(29,904,315)	(30,932,315)	(21,013,315)
Corporate Income	51,037,000	44,113,000	42,733,000	43,167,000	42,077,667	(8,959,333)	(2,035,333)	(655,333)	(1,089,333)
Miscellaneous	349,000	648,000	652,000	600,000	577,666	228,666	(70,334)	(74,334)	(22,334)
<b>Total Refunds/Credits</b>	<b>1,161,240,000</b>	<b>1,166,869,000</b>	<b>1,210,819,000</b>	<b>1,178,302,000</b>	<b>1,157,855,299</b>	<b>(3,384,701)</b>	<b>(9,013,701)</b>	<b>(52,963,701)</b>	<b>(20,446,701)</b>
<b>NET RECEIPTS</b>									
Sales and Use	1,685,000,000	1,700,000,000	1,640,000,000	1,640,000,000	1,658,107,134	(26,892,866)	(41,892,866)	18,107,134	18,107,134
Individual Income	2,471,000,000	2,495,000,000	2,470,000,000	2,490,000,000	2,545,680,039	74,680,039	50,680,039	75,680,039	55,680,039
Corporate Income	308,000,000	335,000,000	345,000,000	375,000,000	423,737,571	115,737,571	88,737,571	78,737,571	48,737,571
Miscellaneous	266,734,000	270,000,000	265,000,000	260,000,000	268,853,777	2,119,777	(1,146,223)	3,853,777	8,853,777
<b>Total Net Receipts</b>	<b>4,730,734,000</b>	<b>4,800,000,000</b>	<b>4,720,000,000</b>	<b>4,765,000,000</b>	<b>4,896,378,521</b>	<b>165,644,521</b>	<b>96,378,521</b>	<b>176,378,521</b>	<b>131,378,521</b>
<b>ADJUSTED GROWTH</b>									
Sales/Use	5.1%	5.1%	3.2%	3.2%	4.5%	na	na	na	na
Ind Income	5.0%	6.0%	4.9%	6.6%	9.0%	na	na	na	na
Corp Income	-3.9%	4.1%	7.0%	15.9%	30.2%	na	na	na	na
Misc Receipts	2.6%	4.6%	1.6%	-1.4%	3.9%	na	na	na	na
<b>Total GF Revenues</b>	<b>4.3%</b>	<b>5.5%</b>	<b>4.3%</b>	<b>5.7%</b>	<b>8.7%</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>

<b>TOTAL BY MONTH</b>									
July	259,542,000	279,849,780	279,849,780	279,849,780	279,849,780	20,307,780	0	0	0
August	424,948,000	422,129,588	422,129,588	422,129,588	422,129,588	(2,818,412)	0	0	0
September	464,359,000	510,217,946	510,217,946	510,217,946	510,217,946	45,858,946	0	0	0
October	267,075,000	247,188,116	247,188,116	247,188,116	247,188,116	(19,886,884)	0	0	0
November	399,784,000	403,445,000	390,491,204	390,491,204	390,491,204	(9,292,796)	(12,953,796)	0	0
December	424,858,000	431,013,000	387,480,224	387,480,224	387,480,224	(37,377,776)	(43,532,776)	0	0
January	421,697,000	416,541,000	389,711,888	389,711,888	389,711,888	(31,985,112)	(26,829,112)	0	0
February	307,252,000	301,843,000	296,444,299	296,444,299	296,444,299	(10,807,701)	(5,398,701)	0	0
March	325,184,000	323,361,000	331,869,000	343,629,552	343,629,552	18,445,552	20,268,552	11,760,552	0
April	561,473,000	565,572,000	573,165,000	659,642,842	659,642,842	98,169,842	94,070,842	86,477,842	0
May	419,063,000	405,956,000	394,591,000	390,765,000	439,242,511	20,179,511	33,286,511	44,651,511	48,477,511
June	455,499,000	492,883,571	496,861,911	447,449,562	530,350,572	74,851,572	37,467,001	33,488,661	82,901,010
<b>Total GF Revenues</b>	<b>4,730,734,000</b>	<b>4,800,000,000</b>	<b>4,720,000,000</b>	<b>4,765,000,000</b>	<b>4,896,378,521</b>	<b>165,644,521</b>	<b>96,378,521</b>	<b>176,378,566</b>	<b>131,378,521</b>

Table 2 Actual Receipts and Adjusted Growth

	Actual FY2013-14	Actual FY2014-15	Actual FY2015-16	Actual FY2016-17	Actual FY2017-18	Actual FY2018-19
<b><u>GROSS RECEIPTS</u></b>						
Sales and Use	2,040,600,845	2,077,971,811	2,094,468,144	2,171,815,346	2,227,862,718	2,323,766,414
Individual Income	2,418,603,017	2,585,182,066	2,641,879,626	2,658,320,142	2,811,053,259	2,995,220,724
Corporate Income	338,342,475	377,110,289	355,255,463	317,877,308	355,713,385	465,815,238
Miscellaneous	225,324,574	217,791,194	251,287,376	228,108,875	290,514,168	269,431,444
Total Gross Receipts	5,022,870,911	5,258,055,360	5,342,890,608	5,376,121,671	5,685,143,530	6,054,233,820
<b><u>REFUNDS &amp; CREDITS</u></b>						
City Sales Tax	359,731,013	373,538,071	393,267,290	410,163,428	423,550,028	432,135,164
State Sales and Use	96,256,946	86,725,977	90,711,947	129,249,901	113,159,286	141,849,001
Sales tax to Highway Funds	59,819,123	73,742,441	73,155,323	74,054,661	76,676,926	78,843,507
CSI Turnback	0	8,543,052	9,310,274	9,958,507	11,739,120	12,831,609
Individual Income	35,784,413	379,718,163	420,790,809	433,480,089	450,457,324	449,540,685
Corporate Income	31,751,448	30,632,911	47,585,769	53,437,595	42,023,864	42,077,667
Miscellaneous	60,028	52,664	87,922	5,543	541,209	577,666
Total Refunds/Credits	905,462,679	952,953,279	1,034,909,334	1,110,349,724	1,118,147,757	1,157,855,299
<b><u>NET RECEIPTS</u></b>						
Sales and Use	1,524,793,763	1,535,422,270	1,528,023,310	1,548,388,849	1,602,737,358	1,658,107,133
Individual Income	2,060,758,896	2,205,463,903	2,221,088,817	2,224,840,053	2,360,595,935	2,545,680,039
Corporate Income	306,591,027	346,477,378	307,669,694	264,439,713	313,689,521	423,737,571
Miscellaneous	225,264,546	217,738,529	251,199,454	228,103,332	289,972,959	268,853,778
Total Net Receipts	4,117,408,232	4,305,102,080	4,307,981,275	4,265,771,947	4,566,995,773	4,896,378,521
<b><u>ADJUSTED GROWTH</u></b>						
Sales/Use	5.1%	2.5%	0.9%	1.7%	1.6%	4.5%
Ind Income	3.0%	8.3%	1.3%	1.1%	5.9%	9.0%
Corp Income	11.0%	13.8%	-9.1%	-11.8%	17.6%	30.2%
Misc Receipts	2.6%	1.1%	3.9%	0.2%	-6.5%	3.9%
Total GF Revenues	4.4%	6.2%	0.3%	0.3%	4.5%	8.7%

<b><u>TOTAL BY MONTH</u></b>						
July	231,361,095	241,017,843	250,936,331	234,585,213	267,909,749	279,849,780
August	341,465,610	354,034,166	385,186,834	410,484,016	405,007,342	422,129,588
September	426,483,667	463,293,528	440,846,015	437,022,598	456,056,442	510,217,946
October	230,928,322	222,458,009	225,230,579	233,404,182	244,584,930	247,188,116
November	327,105,697	342,333,466	369,731,822	358,594,439	375,539,555	390,491,204
December	348,464,354	400,121,553	368,719,470	342,069,150	414,747,893	387,480,224
January	363,606,001	348,079,334	371,697,375	376,472,404	421,100,753	389,711,888
February	258,546,817	284,440,044	279,050,673	267,168,525	296,461,256	296,444,299
March	350,418,319	346,282,987	327,084,257	326,793,056	305,529,563	343,629,552
April	482,691,430	534,565,192	496,364,631	477,844,853	514,218,591	659,642,842
May	332,936,184	348,011,694	378,942,906	401,525,307	392,124,524	439,242,511
June	423,400,735	420,464,264	414,190,381	399,808,204	473,715,175	530,350,572
Total GF Revenues	4,117,408,232	4,305,102,080	4,307,981,275	4,265,771,947	4,566,995,773	4,896,378,521



Table 3 Chronology of FY2018-19 Revenue Forecasts

	FY2018-19 Revenue Forecasts (Thousands of \$)					Change Due to:			
	Sales/Use	Individual	Corporate	Misc	Total	Forecast	Bills	Other	Total
<b>Board Est-October 2016</b>	1,700,000	2,575,000	280,000	175,000	4,730,000				
Board Est-Oct 2016 (with Amazon.com)	1,731,344	2,575,000	280,000	175,000	4,761,344	0	0	31,344	31,344
Board Est-February 2017	1,715,000	2,560,000	285,000	175,000	4,735,000	(26,344)	0	0	(26,344)
Board Est-April 2017	1,710,000	2,550,000	280,000	175,000	4,715,000	(20,000)	0	0	(20,000)
Sine Die-2017 Session	1,710,000	2,550,000	280,000	258,456	4,798,456	0	83,456	0	83,456
Board Est-October 2017	1,700,000	2,425,000	300,000	250,000	4,675,000	(123,456)	0	0	(123,456)
Board Est-Feb 2018 (baseline)	1,685,000	2,470,000	300,000	250,000	4,705,000	30,000	0	0	30,000
Sine Die-2018 Session	1,685,000	2,471,000	308,000	266,734	4,730,734	0	16,734	9,000	25,734
Board Est-October 2018	1,700,000	2,495,000	335,000	270,000	4,800,000	60,266	0	9,000	69,266
Board Est-February 2019	1,640,000	2,470,000	345,000	265,000	4,720,000	(80,000)	0	0	(80,000)
Board Est-April 2019	1,640,000	2,490,000	375,000	260,000	4,765,000	45,000	0	0	45,000
Actual Receipts FY2018-19	1,658,107	2,545,680	423,738	268,854	4,896,379	131,379	0	0	131,379
Change from first NEFAB forecast to actual	(41,893)	(29,320)	143,738	93,854	166,379	16,845	100,190	49,344	166,379

**Chronology of FY2018-19 Forecasts**

Prior forecasts adjusted for subsequent legislation and federal tax changes

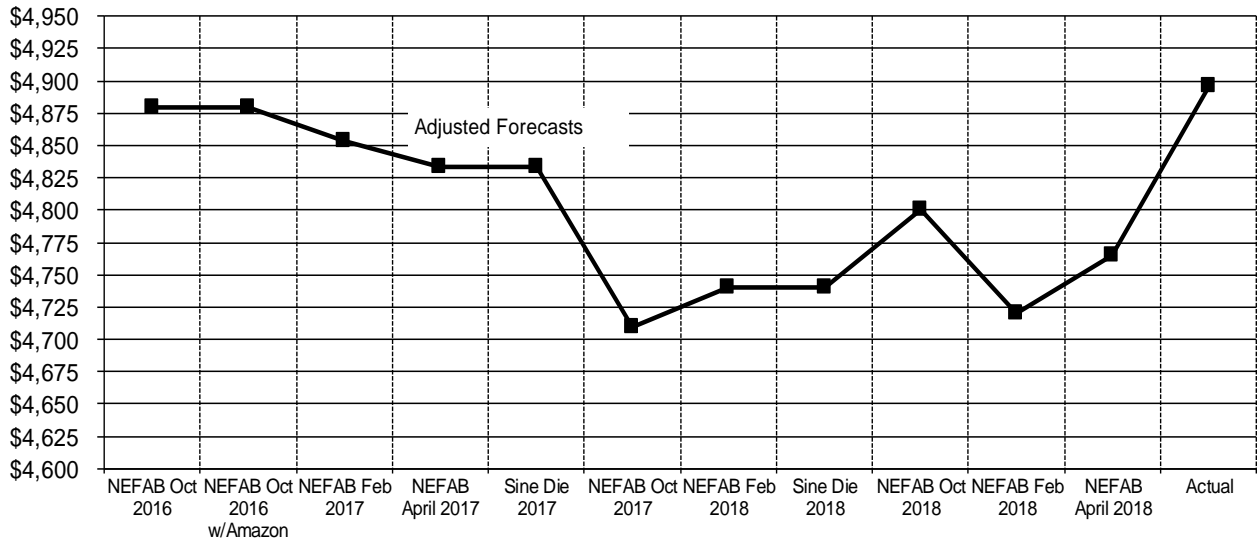
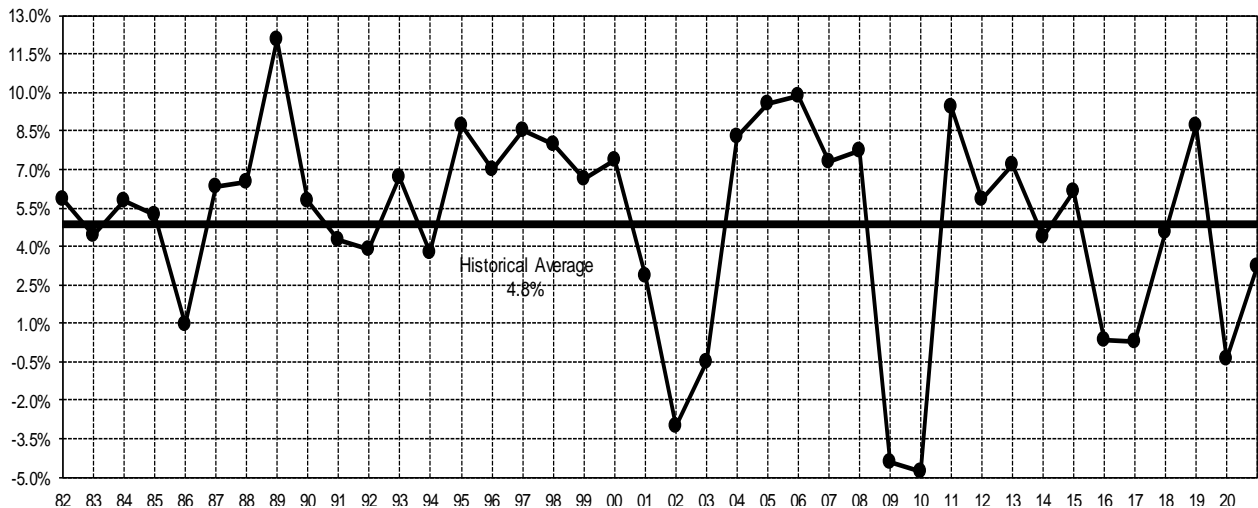


Table 4 Historical and Projected Revenues

	Sales	Individual	Corporate	Miscellaneous	Total	Adjusted Growth
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 Actual	1,658,107,133	2,545,680,039	423,737,571	268,853,778	4,896,378,521	8.7%
FY 2019-20 (April+bills)	1,750,000,000	2,625,100,000	325,000,000	229,007,000	4,929,107,000	-0.4%
FY 2020-21 (April+bills)	1,795,000,000	2,699,000,000	325,000,000	225,919,000	5,044,919,000	3.2%
FY 2021-22 LFO Prelim	1,887,000,000	2,876,000,000	337,000,000	190,097,000	5,290,097,000	5.2%
FY 2022-23 LFO Prelim	1,957,000,000	3,058,000,000	354,000,000	179,097,000	5,548,097,000	5.0%
<b>AVERAGE GROWTH (adjusted)</b>						
Five Yr Financial Status (FY19 to FY23 Status)	4.0%	5.3%	2.3%	2.0%	4.5%	
Above Average Years (24)	5.5%	9.1%	12.5%	3.5%	7.4%	
Below Average Years (14)	1.5%	2.2%	-4.6%	0.0%	1.2%	
Historical Average (38 yrs)	4.1%	6.4%	5.1%	0.9%	4.9%	

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



# Cash Reserve Fund

	Beginning	Direct Deposit	Automatic	Legislative Transfers (2)		Cash	Ending	EB as % of revenues
	Balance	and Interest	Transfers (1)	Gen Fund	Other Funds	Flow	Balance	
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	6.8%
FY2019-20 Est	333,549,124	0	176,378,521	0	0	0	509,927,645	10.3%
FY2020-21 Est	509,927,645	0	0	0	(54,700,000)	0	455,227,645	9.0%
FY2021-22 Est	455,227,645	0	0	0	0	0	455,227,645	8.6%
FY2022-23 Est	455,227,645	0	0	0	0	0	455,227,645	8.2%

(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 – FY22/FY23 Following Biennium

For the “following biennium” (FY21-22 and FY22-23), the mainline 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. Obviously the actual funding needs in these areas will not be known until the biennial budget process starts again in two years. However for planning purposes, some level of funding for these items must be acknowledged and shown as likely funding commitments

Table 5 Projected Budget Increases-Following Biennium  
(includes on-going impact of 2019 budget actions)

<i>Dollar Changes from FY21 Base Year</i>	Annual % Change			Projected Increases	
	FY22	FY23	2 Yr Avg	FY2021-22	FY2022-23
<b>FY2020-21 Base Appropriation</b>				<b>4,729,514,204</b>	<b>4,729,514,204</b>
Aid to K-12 Schools (TEEOSA GF only)	8.1%	6.4%	7.2%	84,109,166	156,084,608
Special Education	2.5%	2.5%	2.5%	5,776,994	11,698,413
Community Colleges	3.5%	3.5%	3.5%	3,589,542	7,304,718
Homestead Exemption	3.0%	3.0%	3.0%	2,760,000	5,602,800
Personal Property Tax Relief Act	3.0%	3.0%	3.0%	444,000	901,320
Aid to ESU's	2.5%	2.5%	2.5%	353,980	716,809
Medicaid	4.5%	4.5%	4.5%	39,297,637	80,363,668
Medicaid Expansion	42.3%	3.9%	23.1%	18,553,208	20,970,007
Public Assistance	3.5%	3.5%	3.5%	3,176,469	6,464,114
Child Welfare Aid	4.5%	4.5%	4.5%	8,951,617	18,306,057
Developmental Disability aid	4.0%	4.0%	4.0%	5,795,736	11,823,302
Behavioral Health aid	2.5%	2.5%	2.5%	1,799,889	3,644,774
Children's Health Insurance (SCHIP)	5.4%	5.3%	5.4%	1,373,726	2,809,270
Business Innovation Act (LB334 intent)	--	--	--	4,000,000	4,000,000
All Other (Aid-Ind)	0.0%	0.0%	0.0%	261,493	529,522
<b>AGENCY OPERATIONS</b>					
Employee Salaries - State Agencies	2.5%	2.5%	2.5%	13,890,292	28,127,842
Employee Health Insurance - State Agencies	6.0%	6.0%	6.0%	5,676,415	11,693,416
University/Colleges increased funding	3.7%	3.7%	3.7%	24,933,908	50,671,214
Operations increase - State Agencies	2.0%	2.0%	2.0%	3,043,448	6,147,765
Juvenile Services - Courts	2.5%	2.5%	2.5%	1,363,365	2,760,815
Inmate per diem costs (Corrections)	3.0%	3.0%	3.0%	1,384,455	2,810,443
Staffing / costs, new facilities (Corrections)	--	--	specific	0	3,722,530
Retirement (defined benefit plans)	--	--	specific	1,000,000	2,100,000
All Other (Oper)			specific	1,163,045	1,074,379
Construction	21.2%	-13.8%	3.7%	5,814,467	1,202,794
<b>Total General Fund Increases (Biennial Basis)</b>	<b>5.0%</b>	<b>4.1%</b>	<b>4.6%</b>	<b>238,512,852</b>	<b>441,530,580</b>
<b>Projected Appropriation per Financial Status</b>				<b>4,968,027,056</b>	<b>5,171,044,784</b>

## AID TO LOCAL GOVERNMENTS

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**State Aid to Schools (TEEOSA)** The estimates for FY22 and FY23 are based on the same methodology utilized for the November 15 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 6.7% in FY22 and 6.4% in FY23. The above average growth reflects a 4% per year estimate in school spending but low valuation growth of under 2% per year assuming a continued decline in agricultural land valuations.

**Special Education** Increases for FY22 and FY23 reflect a 2.5% per year increase. Although statute allows for a growth up to 5% 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** For the following biennium, a 3.5% per year annual increase is included reflecting increased state aid to support operations budget increases. This increase amounts to about a \$3.6 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

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**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.

**Medicaid Expansion** The large growth in FY21-22 reflects annualizing to a full 12 months plus a continued ramp up of the expansion program.

**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 4.5% per year is utilized for the various Child Welfare programs for the following biennium. This reflects a 2% per year growth for population client eligibility and utilization and 2.5% per year for provider rates.

**Children's Health Insurance (CHIP)** For the following biennium, a 4.5% per year increase is used which is the same as Medicaid.

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

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

**Business Innovation Act** LB334 passed in the 2019 Session repealed Angel Investment Tax Credit Act and provided intent for the reallocation of the \$4 million per year which was saved due to repeal of the credits. For the first year funds are available, FY2020-21, the \$4 million was allocated to the Governors Emergency program to assist in covering flood damage costs. And then starting in FY2021-22, the bill provided intent language that the \$4,000,000 previously allocated to the Angel Investment Tax Credit Act be allocated the Business Innovation Act in the Department of Economic Development.

## **AGENCY OPERATIONS / CONSTRUCTION**

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**Employee Salary Increases** Although salary increases will be the result of bargaining, some level of increase is factored in more for illustration than planning purposes. A 2.5% per year increase is included which approximates inflation and the current biennium funding. .

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

**University and State Colleges Funding** Although shown as a separate item, the calculated amounts are based on applying the same salary and health insurance increases as noted for state employees planning purposes, and applying them to both the University and State Colleges.

**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...

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

**DCS Staffing and Operations** The amount shown in FY22-23 is the projected operating costs for the two new high security housing units at the Reception and Treatment Center in Lincoln. Completion of construction is estimated for November 2021 with projected operating costs estimated at \$3,722,530 per year.

**Defined Benefit Retirement Plans** The increase in for the defined benefit retirement plans for FY22 and FY23 reflects about a 2.5% increase in the 2% of pay contribution in the school plan.

**Capital Construction** General Fund dollars included in the projected budget for the following biennium for capital construction reflect reaffirmations only based on the proposed FY20/FY21 biennial budget. These are dollar amounts needed to complete funding of previously approved projects.

# **Tax Rate Review Committee**



**November 19, 2019**

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

**Speaker of the Legislature**

**Executive Board Chair**

**Revenue Committee Chair**

**Appropriations Committee Chair**

**Senator Jim Scheer**

**Senator Mike Hilgers**

**Senator Lou Ann Linehan**

**Senator John Stinner**

**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, except that for the biennium ending June 30, 2019, the percentage shall not be less than two and one-half percent nor more than seven percent. 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 and the revenue volatility report required under section 50-419.02.

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.



# General Fund Financial Status

Table 1 includes the current projected General Fund Financial Status including, for planning purposes, an estimated financial status for the following biennium. Assumptions for construction of the status and estimates for the following biennium are discussed individually later in this report.

Table 1 Projected General Fund Financial Status

	Current Yr FY2018-19	Biennial Budget FY2019-20    FY2020-21		Following Biennium FY2021-22    FY2022-23	
<b>1 BEGINNING BALANCE</b>					
2 Beginning Cash Balance	453,601,627	736,509,690	441,597,535	419,482,493	560,593,284
3 Cash Reserve transfers-automatic	(61,995,773)	(176,378,178)	(160,893,000)	0	0
4 Carryover obligations from FY19	0	(317,817,030)	0	0	0
5 Lapse FY19 reappropriations	0	74,345,989	0	0	0
6 Allocation for potential deficits	0	0	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	391,605,854	316,660,471	275,704,535	414,482,493	555,593,284
<b>8 REVENUES &amp; TRANSFERS</b>					
9 Net Receipts (October 2019 NEFAB + hist avg)	4,893,772,504	5,090,000,000	5,150,000,000	5,339,000,000	5,548,098,000
10 General Fund transfers-out (current law)	(230,300,000)	(286,800,000)	(286,800,000)	(286,800,000)	(286,800,000)
11 General Fund transfers-in (current law)					
in actual		in forecast	in forecast	0	0
12 Cash Reserve transfers (current law)	48,000,000	0	0	0	0
13 2020 Cash Reserve transfers (new)	0	0	0	0	0
14 2020 General Fund transfers-out	0	0	0	0	0
15 2020 General Fund transfers-in	0	0	0	0	0
16 2020 Revenue Bills	0	0	0	0	0
17 General Fund Net Revenues	4,711,472,504	4,803,200,000	4,863,200,000	5,052,200,000	5,261,298,000
<b>18 APPROPRIATIONS</b>					
19 Expenditures / Appropriations (2019 Session)	4,366,568,668	4,624,671,858	4,729,514,204	4,729,514,204	4,729,514,204
20 Projected budget increase, following biennium	0	0	0	238,512,852	441,530,580
21 2020 Midbiennium Budget Adjustments (estimated)	0	53,591,078	(21,967,802)	(21,967,802)	(21,967,802)
22 TEEOSA School Aid revisions (Oct 2019)	0	0	11,875,640	(39,970,045)	(48,495,584)
23 2020 State Claims	0	0	0	0	0
24 2020 "A" Bills	0	0	0	0	0
25 General Fund Appropriations	4,366,568,668	4,678,262,936	4,719,422,042	4,906,089,209	5,100,581,398
<b>26 ENDING BALANCE</b>					
27 \$ Ending balance (per Financial Status)	736,509,690	441,597,535	419,482,493	560,593,284	716,309,885
28 \$ Ending balance (at Min. Reserve 3.0%)			293,173,937		312,611,082
29 Excess (shortfall) from Minimum Reserve			<b>126,308,556</b>		<b>403,698,803</b>
30 Biennial Reserve (%)			4.3%		7.2%
<b>General Fund Appropriations</b>					
31 Annual % Change - Appropriations (w/o deficits)	1.3%	3.8%	2.5%	3.9%	3.9%
32 Two Year Average	0.5%	--	3.1%	--	3.9%
<b>General Fund Revenues</b>					
33 Est. Revenue Growth (rate/base adjusted)	8.7%	2.9%	2.0%	4.0%	4.0%
34 Two Year Average	6.6%	--	2.4%	--	4.0%
35 Five Year Average	4.0%	--	3.8%	--	4.3%
36 On-Going Revenues vs Appropriations	207,188,889	178,528,142	121,810,156	124,142,989	138,748,800
<b>CASH RESERVE FUND</b>					
	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Beginning Balance	339,990,065	333,549,124	509,927,302	616,120,302	616,120,302
Excess of certified forecasts (line 3 in Status)	61,995,773	176,378,178	160,893,000	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 NCCF	0	0	(54,700,000)	0	0
Projected Unobligated Ending Balance	333,549,124	509,927,302	616,120,302	616,120,302	616,120,302

# Changes to the Financial Status

The General Fund Financial Status for the FY20/FY21 biennium has significantly improved since the July meeting of the Tax Rate Review Committee as shown below.

Table 2 Chronology of the Financial Status

(\$ amounts are impact on available funds. Increased expenditures use available funds and are shown as negatives. Reduced expenditures add to available funds and are shown as positives.)

	Millions of Dollars	FY 2018-19	FY 2019-20	FY 2020-21	Current Biennium	FY 2021-22	FY 2022-23	Following Biennium
1	<b>Sine Die 2019</b>				<b>0.2</b>			<b>89.5</b>
2	FY19 Actual vs Est General Fund Net Receipts	131.4	0.0	0.0	131.4	0.0	0.0	131.4
3	FY19 Actual vs Est CRF transfers-automatic	0.0	(131.4)	0.0	(131.4)	0.0	0.0	(131.4)
4	FY19 Actual vs Est Accounting adjustment	(2.6)	0.0	0.0	(2.6)	0.0	0.0	(2.6)
5	Assumed lapse, FY19 unexpended appropriations	0.0	(0.0)	(0.0)	(0.0)	0.0	0.0	(0.0)
6	Change in Minimum Reserve	0.0	35.0	0.0	35.0	0.0	0.0	35.0
7	<b>July 2019 Tax Rate Review Committee</b>				<b>23.4</b>			<b>121.0</b>
8	Revenue Forecasts (revised October 2019)	0.0	160.9	105.1	266.0	48.9	0.0	314.9
9	"Above certified" FY20 forecast to CRF	0.0	0.0	(160.9)	(160.9)	0.0	0.0	(160.9)
10	Change in Minimum Reserve	0.0	0.0	(3.1)	(3.1)	0.0	(1.4)	(4.5)
11	<b>Post October 2019 NEFAB forecasts</b>				<b>125.5</b>			<b>270.5</b>
12	Lapse of FY19 unexpended above July TRR est	0.0	39.3	0.0	39.3	0.0	0.0	39.3
13	Exclude allocation for deficits	0.0	5.0	0.0	5.0	0.0	0.0	5.0
14	2020 Midbiennium budget adjustments (estimated)	0.0	(53.6)	22.0	(31.6)	22.0	22.0	12.3
15	TEEOSA School Aid revisions (Oct 2019 meeting)	0.0	0.0	(11.9)	(11.9)	40.0	48.5	76.6
16	Change in Minimum Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0
17	<b>November 2019 Tax Rate Review Committee</b>				<b>126.3</b>			<b>403.7</b>

## Revenue Forecasts

The FY2018-19 actual receipts were \$131.4 million above the April 2019 forecasts of the Nebraska Economic Forecast Advisory Board (NEFAB). Rate and base adjusted revenue growth was 8.7% compared to the April forecasted 5.7%. At that time, the FY2019-20 and FY2020-21 forecasts remained unchanged as the NEFAB was not scheduled to meet until October 2019.

At the October 24, 2019 meeting, the NEFAB significantly increased their forecasts; \$160.9 million in FY2019-20 and \$105.1 million in FY2020-21 for a two year total of \$265.9 million. Rate and base adjusted revenue growth for the two year period is an average 2.4%.

The \$160.9 million increase in FY19-20 reflects a combination of a \$131.4 million base increase due to the FY19 actual receipts and a \$29.5 million higher growth (2.8% current versus 2.4% in April). The \$105.1 million increase in FY20-21 reflects the \$160.9 million increase in the FY21 base but a \$55.5 million lower growth (2.0% current versus 3.2% in April).

Fiscal Year	Adjusted Revenue Growth				
	Oct 2018	Feb 2019	April 2019	July 2019	Oct 2019
	NEFAB	NEFAB	NEFAB	TRR	NEFAB
FY2018-19	5.5%	4.3%	5.7%	8.7%	8.7%
FY2019-20	3.3%	4.2%	2.4%	-0.4%	2.8%
FY2020-21	2.8%	3.0%	3.2%	3.2%	2.0%
FY2021-22	5.0%	5.2%	5.2%	5.2%	4.0%
FY2022-23	5.0%	5.0%	5.0%	5.0%	4.0%

## Actual FY2018-19 lapsed appropriations

In the July 2019 projected financial status it was estimated conservatively that \$35 million of unexpended General Fund appropriations would expire or lapse. Actual numbers for lapsed appropriations would not be available until the encumbrance process was completed in September. The final calculation of FY19 reappropriations and encumbrances resulted in expired (lapsed) appropriations of \$74.3 million versus the \$35 million estimate with a like increase in the unobligated beginning balance for FY19-20.

## 2020 Session Budget Adjustment Requests (General Funds)

Agencies were required to submit requests for midbiennium budget adjustments by October 24. A complete list of requested items is shown in Table 3 on the following page sorted by those items included in the projected financial status and those not included. The included items are those which generally fall into the more traditional deficit or “have to do” category. Most of the items not included were items that had already been requested and considered in the 2019 session. At this point in the process, detailed information on the request items is not available as they are currently under review and analysis by the Legislative Fiscal Office and Governor’s Budget Office.

*These requested items will be subject to review and approval or rejection by the Governor and Legislature during the 2020 Session. The sorting of the included and not included items here is only made for the purposes of illustrating a potential financial status.*

The updated TEEOSA estimate discussed later is not included in this listing and is treated as a separate item as the revised estimate occurred after the deadline for submittal of budget change requests. There will also likely be other requests that will subsequently be submitted for things such as Homestead Exemption and defined benefit retirement plans.

The largest single item is \$53 million for the Governors Emergency Program to cover the states matching funds for 2019 flood damage. The requests also include some significant reductions in current funding for several DHHS aid programs. The largest is \$33 million savings in Child Welfare due to the new private provider contract in the eastern region. While there are still many questions regarding this issue, it has been incorporated into the projected financial status as it was submitted as an agency request item.

Agency / Issue	FY2019-20	FY2020-21	2 Yr Total
Traditional deficit, entitlement (increases)	69,533,639	13,972,300	83,505,939
Traditional deficit, entitlement (reductions)	(15,942,561)	(35,940,102)	(51,882,663)
Subtotal	53,591,078	(21,967,802)	31,623,276
Unfunded 2019 items, new funding	23,979,158	25,234,894	49,214,052
Total Request - General Funds	77,570,236	3,267,092	80,837,328

Table 3 - General Fund Midbiennium Requests

Agency / Issue	Agency Request – General Funds		
	FY2019-20	FY2020-21	2 Yr Total
<b>1 Requested Items Included in Projected Status</b>			
2 Military Dept - Governors Emergency Program, 2019 flood damage	53,000,000	0	53,000,000
3 DHHS - Higher costs, need to utilize staffing agencies (Lincoln & Norfolk)	5,000,000	5,000,000	10,000,000
4 Construction - DHHS - Lincoln Reg Center, ligature risk facility changes	5,600,000	0	5,600,000
5 DHHS - Completed ICAP assessments, DD waiver services	0	4,943,181	4,943,181
6 DHHS - Higher DD waiver Sec 83-1216 priority 1 individuals	0	3,689,017	3,689,017
7 DHHS - Lincoln Reg Center, temporary staffing for ligature risk mitigation	3,200,000	0	3,200,000
8 Construction - DAS - Capitol Dome long term repair	1,766,200	0	1,766,200
9 Game/Parks - Additional conservation officers	322,560	340,102	662,662
10 Construction - NETC - Replace tower lighting system, KMNE Bassett	270,000	0	270,000
11 Construction - G & P - Cowboy Trail, flood damage	187,000	0	187,000
12 Education - Retiree Vacation and Sick Leave Payout	132,079	0	132,079
13 Historical Society - Retiree leave payout	55,800	0	55,800
14 DHHS - Eastern Service Area Contract Rebasing, Child Welfare	(6,000,000)	(27,000,000)	(33,000,000)
15 DHHS - Public Assistance, realign appropriation with current spend rates	(4,000,000)	(4,000,000)	(8,000,000)
16 DHHS - SCHIP, realign appropriation with current spend rates	(2,000,000)	(2,000,000)	(4,000,000)
17 DHHS - DHHS Oper, realign appropriation with current spend rates	(1,600,000)	(1,600,000)	(3,200,000)
18 DHHS - BSDC, realign appropriation with current spend rates	(1,000,000)	(1,000,000)	(2,000,000)
19 DAS - Reduce GF and use excess carryover (Capital Commission)	(700,601)	0	(700,601)
20 Game/Parks - Reallocate funds to Prog 336, conservation officers	(322,560)	(340,102)	(662,662)
21 Education - TEEOSA state aid, to NDE calculated per current law	(319,400)	0	(319,400)
22 Subtotal - Included in Projected Status	53,591,078	(21,967,802)	80,837,328
<b>23 Requested Items Not Included in Projected Status</b>			
24 Education - Special Education to full authorized 10%	20,387,393	20,591,271	40,978,664
25 Education - Costs of AQuESTT, Nebr accountability system (Priority 1)	1,523,471	1,962,750	3,486,221
26 Education - Standard College Admission Test (Priority 4)	1,500,000	1,500,000	3,000,000
27 Education - Funding for improved grant monitoring	74,977	322,364	397,341
28 Education - Reading Specialist and assessment requirements	152,384	241,192	393,576
29 Education - Increased costs, DAS Accounting charges	192,340	192,340	384,680
30 Education - School funding policy and ESSA reporting (Priority 3)	66,914	209,165	276,079
31 Education - Multicultural Education Specialist (Priority 2)	26,249	115,146	141,395
32 Education - State Assessment Program Contract Costs	30,000	30,000	60,000
33 Education - Additional functions. bi-weekly payroll process (Kronos)	18,982	39,436	58,418
34 Education - Employee reclassifications and wage progressions	5,048	5,164	10,212
35 Arts Council - Organization attendance at 2020 Arts Midwest Conference	0	4,550	4,550
36 Arts Council - Increase allowed applications review, online software	1,400	1,400	2,800
37 Historical Society - Retiree leave payout	0	20,116	20,116
38 Subtotal - Requests not Included in Projected Status	23,979,158	25,234,894	49,214,052
39 <b>Total Request - General Funds</b>	77,570,236	3,267,092	130,051,380

## Updated TEEOSA State Aid Estimate

Section 79-1031 requires the Dept. of Education with the assistance of the property tax administrator, Legislative Fiscal Analyst, and DAS-Budget Division to make an estimate of the funding needs for TEEOSA for the next year. Based on valuation and spending assumptions

agreed to at that meeting, Legislative Fiscal Office calculations result in a total estimated TEEOSA aid for FY2020-21 of \$1,085,032,338 which is \$12.5 million more than the estimate at *Sine Die* 2017. A \$.6 million increase in the estimate of Insurance Premium Tax, results in a General Fund estimate for FY2020-21 of \$1,054,732,338 or \$11.9 million more than currently budgeted.

About 40% of the increase in the aid estimate is attributed to actual certified valuations. Total valuation growth was 2.13% compared to the estimate last fall of 2.16%. Other items attributing to the increase are higher amounts in the Averaging Adjustment (+\$4.3 million) and New School Adjustment (+\$2.9 million). *These estimates will be further refined in mid-December when the FY19 Annual Financial Reports (AFR) from schools are compiled and available. At that point many key calculation components in the TEEOSA formula will be known numbers not just estimates. This includes school spending and the amount of other school receipts.*

Although not required by statute, at that same meeting estimates for the two “out years” were considered. For FY2021-22 a 3% growth in TEEOSA aid is projected, \$40 million lower than previous estimates. Projected school spending growth decreased from 4.0% to 2.83% and reflects the budget to budget growth as compiled for FY19-20. Property valuation growth estimates for 2020 increased from a rough estimate of 1.7% to 2.8% based on preliminary input from county assessors to the Property Assessment division of the state Dept. of Revenue (DPAD). Overall TEEOSA aid is projected to increase by 3.0% in FY22 and 5.7% in FY23.

<b>TEEOSA Aid Estimates</b>	Certified FY2018-19	Certified FY2019-20	Joint Meeting. FY2020-21	LFO Est. FY2021-22	LFO Est. FY2022-23
<u>Key Assumptions</u>					
School Disbursements	3.4%	4.2%	2.8%	2.8%	4.0%
Property Valuations (assessed)	2.9%	1.7%	2.1%	2.8%	2.2%
Property Valuations (used in formula)	4.0%	4.5%	4.1%	4.4%	3.4%
Cost Growth Factor	3.00%	3.50%	4.50%	5.00%	5.00%
Local Effort Rate	\$1.0203	\$1.0000	\$1.0000	\$1.0000	\$1.0000
General Funds	972,606,679	1,036,237,765	1,054,732,337	1,086,995,818	1,150,445,723
Insurance Premium Tax	26,901,296	29,675,083	30,300,000	30,750,000	31,210,000
Lottery funds, reorg incentives	906,222	--	--	--	--
Total TEEOSA state aid	1,000,414,197	1,065,912,848	1,085,032,338	1,117,745,818	1,181,655,723
Total TEEOSA Aid - \$ Change	1,672,443	65,498,651	19,119,490	32,713,480	63,909,905
Total TEEOSA Aid - % Change	0.2%	6.5%	1.8%	3.0%	5.7%
<u>Chronology</u>					
<b>Sine Die 2019 (with May 2019 certification)</b>	1,000,414,197	1,065,912,849	1,072,531,781	1,157,086,073	1,229,814,521
Calculation changes when updating new data years	0	0	(403,471)	(6,518,281)	(6,779,012)
Averaging Adjustment (error in my FY21 NEEDS calc formula)	0	0	4,287,206	4,588,591	4,772,135
Valuation, 2019 from 2.16% DPAD est to 2.13% DPAD certified	0	0	4,976,414	4,916,443	5,113,101
Valuation; 2020 (1.71% est to 2.78% DPAD est)	0	0	0	(19,547,421)	(20,451,705)
Valuation; 2021 (1.84% LFO est to 2.17% LFO est)	0	0	0	0	(7,557,794)
Spending growth: FY21 from 4.0% to 2.83% (first budget to budget)	0	0	0	(26,605,584)	(27,669,807)
Student Growth Adjustment (est to NDE)	0	0	488,680	414,172	481,869
New School Adjustment (est to NDE)	0	0	2,981,373	3,148,903	3,663,594
Income tax (TY2018 +7.95%, TY2019 +5% versus 6.0% and 4%)	0	0	170,355	262,922	268,821
Total Change - Oct 2019 Joint Meeting	0	0	12,500,557	(39,340,255)	(48,158,798)
<b>October 2019 Joint Meeting</b>	1,000,414,197	1,065,912,849	1,085,032,338	1,117,745,818	1,181,655,723

# General Fund Revenues

Revenue estimates for FY2019-20 and FY2020-21 are the October 2019 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). These forecasts yield a projected adjusted revenue growth of 2.8% in FY19-20 and 2.0% in FY20-21, an average growth of 2.4%. While this two year growth is significantly below the historical average, the high FY2018-19 growth of 8.7% brings the three year average growth to 4.5%

For the following biennium or what's commonly referred to as the "out years", the preliminary estimates for FY2021-22 and FY2022-23 are prepared by the Legislative Fiscal Office (LFO) using the "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 38 year historical average (4.9%) less .25% which is the projected impact of indexing the tax brackets as enacted in LB987 (2014). Under this method, revenue growth for the two years would average 4.0%.

Table 4 - General Fund Revenue Forecasts

Revenue Component October 2019 Forecast	Actual FY2018-19	NEFAB FY2019-20	NEFAB FY2020-21	LFO Prelim FY2021-22	LFO Prelim FY2022-23
<b>Actual/Forecast</b>					
Sales and Use Tax	1,658,107,134	1,780,000,000	1,820,000,000	1,895,000,000	1,957,000,000
Individual Income Tax	2,545,680,039	2,675,000,000	2,750,000,000	2,900,000,000	3,058,000,000
Corporate Income Tax	423,737,571	405,000,000	360,000,000	357,000,000	354,000,000
Miscellaneous receipts	268,853,434	230,000,000	220,000,000	187,000,000	179,098,000
<b>Total General Fund Revenues</b>	<b>4,896,378,178</b>	<b>5,090,000,000</b>	<b>5,150,000,000</b>	<b>5,339,000,000</b>	<b>5,548,098,000</b>
<b>Adjusted Growth</b>					
Sales and Use Tax	4.5%	4.4%	2.8%	3.0%	3.1%
Individual Income Tax	9.0%	3.6%	3.4%	5.4%	5.4%
Corporate Income Tax	30.2%	-6.5%	-9.8%	-0.8%	-0.8%
Miscellaneous receipts	3.9%	-0.1%	0.3%	2.9%	2.7%
<b>Total General Fund Revenues</b>	<b>8.7%</b>	<b>2.8%</b>	<b>2.0%</b>	<b>4.0%</b>	<b>4.0%</b>
Two Yr Average	6.6%	--	2.4%	--	4.0%
Five Yr Average	4.0%	--	3.7%	--	4.3%

## Chronology of FY2018-19 Forecasts

Prior forecasts adjusted for subsequent legislation and federal tax changes

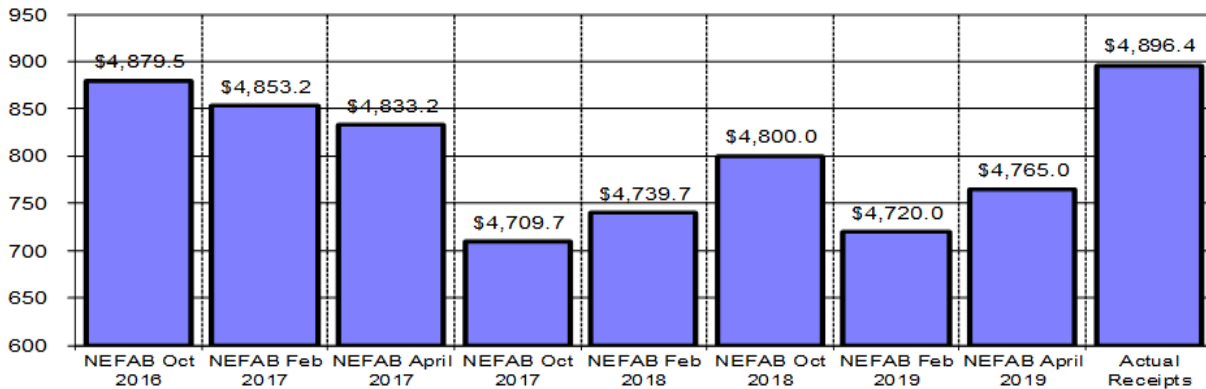
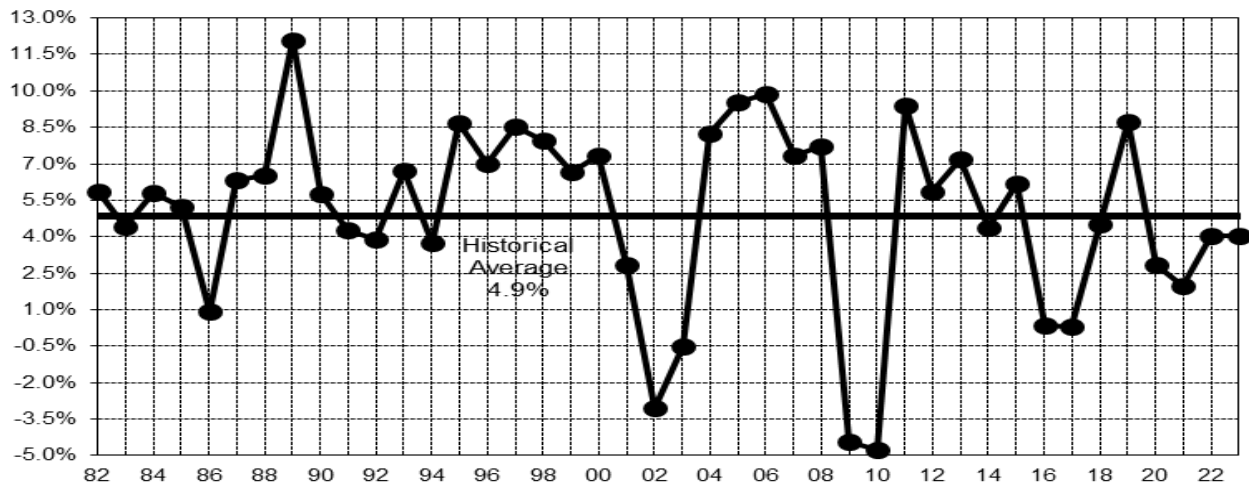


Table 5 Actual and Projected General Fund Revenues

Fiscal Year	Sales and Use Tax	Individual Income Tax	Corporate Income Tax	Miscellaneous Taxes and	Total Net Receipts	Adjusted Growth
FY 1998-99	744,650,752	1,078,522,994	135,033,658	165,661,901	2,123,869,305	6.7%
FY 1999-00	900,427,469	1,180,363,301	140,021,942	183,111,959	2,403,924,670	7.4%
FY 2000-01	905,023,176	1,233,363,553	138,040,082	180,435,044	2,456,861,855	2.9%
FY 2001-02	918,889,782	1,159,810,647	107,628,074	179,180,246	2,365,508,749	-3.0%
FY 2002-03	1,028,931,065	1,129,421,651	111,597,405	186,449,714	2,456,399,835	-0.5%
FY 2003-04	1,114,374,321	1,249,890,025	167,429,431	187,033,230	2,718,727,007	8.3%
FY 2004-05	1,231,011,089	1,400,076,680	198,380,442	207,726,086	3,037,194,297	9.5%
FY 2005-06	1,263,678,691	1,545,338,061	262,295,456	280,875,316	3,352,187,524	9.9%
FY 2006-07	1,303,826,416	1,650,895,394	213,027,010	240,582,953	3,408,331,773	7.3%
FY 2007-08	1,321,867,139	1,726,145,405	232,851,654	225,298,373	3,506,162,571	7.7%
FY 2008-09	1,326,161,017	1,600,418,236	198,483,786	232,405,148	3,357,468,187	-4.4%
FY 2009-10	1,289,796,877	1,514,830,114	154,332,137	245,720,545	3,204,679,673	-4.8%
FY 2010-11	1,372,784,033	1,735,208,600	154,944,966	236,717,493	3,499,655,092	9.4%
FY 2011-12	1,436,909,373	1,822,884,254	234,266,237	201,828,916	3,695,888,780	5.9%
FY 2012-13	1,474,942,641	2,101,912,041	275,562,990	199,940,938	4,052,358,610	7.2%
FY 2013-14	1,524,793,763	2,060,758,896	306,591,027	225,264,546	4,117,408,232	4.4%
FY 2014-15	1,535,419,516	2,205,463,903	346,477,378	217,738,529	4,305,099,326	6.2%
FY 2015-16	1,528,023,310	2,221,088,817	307,669,694	251,199,454	4,307,981,275	0.3%
FY 2016-17	1,548,388,848	2,224,840,053	264,439,713	228,103,331	4,265,771,945	0.3%
FY 2017-18	1,602,737,358	2,360,595,935	313,689,521	289,972,959	4,566,995,773	4.5%
FY 2018-19	1,658,107,133	2,545,680,039	423,737,571	268,853,778	4,896,378,521	8.7%
FY 2019-20 NEFAB*	1,780,000,000	2,675,000,000	405,000,000	230,000,000	5,090,000,000	2.8%
FY 2020-21 NEFAB*	1,820,000,000	2,750,000,000	360,000,000	220,000,000	5,150,000,000	2.0%
FY 2021-22 LFO Prelim	1,895,000,000	2,900,000,000	357,000,000	187,000,000	5,339,000,000	4.0%
FY 2022-23 LFO Prelim	1,957,000,000	3,058,000,000	354,000,000	179,098,000	5,548,098,000	4.0%
<b>Avg Growth (adjusted)</b>						
5 Yr Financial Status	4.0%	5.3%	2.3%	2.0%	4.5%	
Above Avg Years (24)	5.5%	9.1%	12.5%	3.5%	7.4%	
Below Avg Years (14)	1.5%	2.2%	-4.6%	0.0%	1.2%	
Hist Average (38 yrs)	4.1%	6.4%	5.1%	0.9%	4.9%	

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



## Chronology of Revenue Forecasts

Table 6 contains a chronology of the revenue forecasts for FY2018-19 through FY2020-21. The first column shows the total revenue forecast while the last four columns breaks down the total dollar change in the forecast whether caused by bills enacted by the Legislature, other items such as federal tax changes, or simply a change in the revenue expectations (base).

Table 6 Chronology of Revenue Forecasts

	Total Forecast	Adj. Growth	Change in Forecast			
			Base	Bills	Other	Total
<b>FY2018-19</b>						
<b>Board Est-October 2016</b>	4,730,000	4.6%				
Board Est-Oct 2016 (with Amazon.cor	4,761,344	4.6%	0	0	31,344	31,344
Board Est-February 2017	4,735,000	5.2%	(26,344)	0	0	(26,344)
Board Est-April 2017	4,715,000	5.2%	(20,000)	0	0	(20,000)
Sine Die-2017 Session	4,798,456	5.2%	0	83,456	0	83,456
Board Est-October 2017	4,675,000	4.8%	(123,456)	0	0	(123,456)
Board Est-Feb 2018 (baseline)	4,705,000	4.9%	30,000	0	0	30,000
Sine Die-2018 Session	4,730,734	4.9%	0	16,734	9,000	25,734
Board Est-October 2018	4,800,000	5.5%	60,266	0	9,000	69,266
Board Est-February 2019	4,720,000	4.3%	(80,000)	0	0	(80,000)
Board Est-April 2019	4,765,000	5.7%	45,000	0	0	45,000
Actual Receipts FY2018-19	4,896,378	8.7%	131,378	0	0	131,378
<b>FY2019-20</b>						
<b>Board Est-October 2018</b>	4,890,000	3.3%				
Board Est-February 2019	4,870,000	4.2%	(20,000)	0	0	(20,000)
Board Est-April 2019	4,880,000	2.4%	10,000	0	0	10,000
Sine Die-2019 Session	4,929,107	-0.3%	0	49,107	0	49,107
Board Est-Oct 2019	5,090,000	2.8%	160,893	0	0	160,893
<b>FY2020-21</b>						
<b>Board Est-October 2018</b>	5,000,000	2.8%				
Board Est-February 2019	4,990,000	3.0%	(10,000)	0	0	(10,000)
Board Est-April 2019	4,990,000	3.2%	0	0	0	0
Sine Die-2019 Session	5,044,919	3.1%	0	54,919	0	54,919
Board Est-Oct 2019	5,150,000	2.0%	105,081	0	0	105,081



# General Fund Appropriations

*References to appropriations in this section do not reflect budget actions that might take place during the 2020 session including revised TEEOSA school aid estimates.*

The appropriations for the **current biennium** (FY2019-20 and FY2020-21) are the amounts enacted during the 2019 legislative session and reflected a budget change of 3.8% in FY19-20 and 2.3% in FY20-21.

For the **“following biennium”** (FY2021-22 and FY2022-23), 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 7 Projected Budget Increases - Following Biennium  
(includes on-going impact of 2019 budget actions, excludes impact of any potential 2020 changes)

<i>Dollar Changes from FY21 Base Year</i>	Annual % Change			Projected Increases	
	FY22	FY23	2 Yr Avg	FY2021-22	FY2022-23
Aid to K-12 Schools (TEEOSA GF only)	8.1%	6.4%	7.2%	84,109,166	156,084,608
Special Education	2.5%	2.5%	2.5%	5,776,994	11,698,413
Community Colleges	3.5%	3.5%	3.5%	3,589,542	7,304,718
Homestead Exemption	3.0%	3.0%	3.0%	2,760,000	5,602,800
Personal Property Tax Relief Act	3.0%	3.0%	3.0%	444,000	901,320
Aid to ESU's	2.5%	2.5%	2.5%	353,980	716,809
Medicaid	4.5%	4.5%	4.5%	39,297,637	80,363,668
Medicaid Expansion	42.3%	3.9%	23.1%	18,553,208	20,970,007
Public Assistance	3.5%	3.5%	3.5%	3,176,469	6,464,114
Child Welfare Aid	4.5%	4.5%	4.5%	8,951,617	18,306,057
Developmental Disability aid	4.0%	4.0%	4.0%	5,795,736	11,823,302
Behavioral Health aid	2.5%	2.5%	2.5%	1,799,889	3,644,774
Children's Health Insurance (SCHIP)	5.4%	5.3%	5.4%	1,373,726	2,809,270
Business Innovation Act (LB334 intent)	--	--	--	4,000,000	4,000,000
All Other (Aid-Ind)	0.0%	0.0%	0.0%	261,493	529,522
Employee Salaries - State Agencies	2.5%	2.5%	2.5%	13,890,292	28,127,842
Employee Health Insurance - State Agencies	6.0%	6.0%	6.0%	5,676,415	11,693,416
University/Colleges increased funding	3.7%	3.7%	3.7%	24,933,908	50,671,214
Operations increase - State Agencies	2.0%	2.0%	2.0%	3,043,448	6,147,765
Juvenile Services - Courts	2.5%	2.5%	2.5%	1,363,365	2,760,815
Inmate per diem costs (Corrections)	3.0%	3.0%	3.0%	1,384,455	2,810,443
Staffing / costs, new facilities (Corrections)	--	--	specific	0	3,722,530
Retirement (defined benefit plans)	--	--	specific	1,000,000	2,100,000
All Other (Oper)			specific	1,163,045	1,074,379
Construction	21.2%	-13.8%	3.7%	5,814,467	1,202,794
Total General Fund Increases (Biennial Basis)	5.0%	4.1%	4.6%	238,512,852	441,530,580

## AID TO LOCAL GOVERNMENTS

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**State Aid to Schools (TEEOSA)** The estimates for FY22 and FY23 are Legislative Fiscal Office estimates *used at Sine Die 2019*. The estimates reflect a growth in overall school aid of 6.7% in FY22 and 6.4% in FY23. The above average growth reflects a 4% per year estimate in school spending but low valuation growth of under 2% per year assuming a continued decline in agricultural land valuations. *Impacts of the October 2019 revised TEEOSA estimates are shown separately on the Financial Status (see page 5)*

**Special Education** Increases for FY22 and FY23 reflect a 2.5% per year increase. Although statute allows for a growth up to 5% 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** For the following biennium, a 3.5% per year annual increase is included reflecting increased state aid to support operations budget increases. This increase amounts to about a \$3.6 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

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**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.

**Medicaid Expansion** The large growth in FY21-22 reflects annualizing to a full 12 months plus a continued ramp up of the expansion program.

**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 4.5% per year is utilized for the various Child Welfare programs for the following biennium. This reflects a 2% per year growth for population client eligibility and utilization and 2.5% per year for provider rates.

**Children's Health Insurance (CHIP)** For the following biennium, a 4.5% per year increase is used which is the same as Medicaid.

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

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

**Business Innovation Act** LB334 passed in the 2019 Session repealed Angel Investment Tax Credit Act and provided intent for the reallocation of the \$4 million per year which was saved due to repeal of the credits. For the first year funds are available, FY2020-21, the \$4 million was allocated to the Governors Emergency program to assist in covering flood damage costs. And then starting in FY2021-22, the bill provided intent language that the \$4,000,000 previously allocated to the Angel Investment Tax Credit Act be allocated the Business Innovation Act in the Department of Economic Development.

## **AGENCY OPERATIONS / CONSTRUCTION**

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**Employee Salary Increases** Although salary increases will be the result of bargaining, some level of increase is factored in more for illustration than planning purposes. A 2.5% per year increase is included which approximates inflation and the current biennium funding. .

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

**University and State Colleges Funding** Although shown as a separate item, the calculated amounts are based on applying the same salary and health insurance increases as noted for state employees planning purposes, and applying them to both the University and State Colleges.

**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...

**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.

**DCS Staffing and Operations** The amount shown in FY22-23 is the projected operating costs for the two new high security housing units at the Reception and Treatment Center in Lincoln. Completion of construction is estimated for November 2021 with projected operating costs estimated at \$3,722,530 per year.

**Defined Benefit Retirement Plans** The increase in for the defined benefit retirement plans for FY22 and FY23 reflects about a 2.5% increase in the 2% of pay contribution in the school plan.

**Capital Construction** General Fund dollars included in the projected budget for the following biennium for capital construction reflect reaffirmations only based on the proposed FY20/FY21 biennial budget. These are dollar amounts needed to complete funding of previously approved projects.

# Cash Reserve Fund

The Cash Reserve Fund (CRF) is not included as part of the "General Fund Reserve" (which is the statutorily defined ending General Fund balance for a biennium) and was created 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 Cash Reserve fund at the end of a fiscal year. As the certified forecast is basically 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.

Table 8 Cash Reserve Fund Status

	Actual FY2018-19	Estimated FY2019-20	Estimated FY2020-21	Estimated FY2021-22	Estimated FY2022-23
Beginning Balance	339,990,065	333,549,124	509,927,302	616,120,302	616,120,302
Excess of certified forecasts (line 3 in Status)	61,995,773	176,378,178	160,893,000	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 NCCF	0	0	(54,700,000)	0	0
Ending Balance	333,549,124	509,927,302	616,120,302	616,120,302	616,120,302

At the end of the 2019 legislative session, the unobligated balance was projected at \$322.4 based on an estimated \$45 million transfer related to the April NEFAB forecast for FY2018-19 being above the certified amount.

The projected unobligated balance increased to \$455.2 million when FY2018-19 actual receipts were \$131.4 million above the April forecast.

In October 2019, the Nebraska Economic Forecast Advisory Board (NEFAB) increased the FY2019-20 forecast by \$160.9 million. Because the FY2019-20 forecast had already been "certified", this \$160.9 million is considered as "above certified" and would be credited to the Cash Reserve Fund if receipts come in at the forecast level. This raises the projected unobligated balance to \$616 million roughly 12% of annual revenues.

Table 9 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%

Fiscal Yr	Beginning Balance	Direct Deposit and Interest	Automatic Transfers	Legislative Transfers	Cash Flow	Ending Balance	Balance as % of revenue
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	339,990,065	0	61,995,773	(68,436,714)	0	333,549,124	6.8%
FY2019-20 Est	333,549,124	0	176,378,521	0	0	509,927,645	10.0%
FY2020-21 Est	509,927,645	0	160,893,000	(54,700,000)	0	616,120,645	12.0%
FY2021-22 Est	616,120,645	0	0	0	0	616,120,645	11.5%
FY2022-23 Est	616,120,645	0	0	0	0	616,120,645	11.1%

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

The level of “protection” or in other words the level of funds to retain in the Cash Reserve fund, can be derived by looking at historical variances derived by comparing forecasts at Sine Die of the legislative session when the budget was enacted and actual receipts which are known anywhere from 13 to 15 months later (see Table 8).

Over the 33 year period the average negative variance is -4.5% clustered in groups of 3 to 4 years. For simplicity, a 4% negative variance would require a balance equal to about 16% of annual net receipts using a four consecutive year cluster or 12% with a three consecutive year cluster. Applied to the average forecast from FY19 to FY21 the target balance would range from \$605 million (12%) to \$805 million (16%) depending on a three or four year cluster.

Table 10 Variance from Revenue Projections

FY	Session	Projected at Sine Die **	Actual Receipts	\$ Variance	% Variance	
					Negative	Positive
FY 1986-87	Sine Die 1986	878.0	886.4	8.4		1.0%
FY 1987-88	Sine Die 1987	924.3	1,016.3	92.0		10.0%
FY 1988-89	Sine Die 1988	988.4	1,133.5	145.1		14.7%
FY 1989-90	Sine Die 1989	1,110.9	1,152.7	41.8		3.8%
FY 1990-91	Sine Die 1990	1,334.6	1,367.1	32.5		2.4%
FY 1991-92	Sine Die 1991	1,493.2	1,490.4	(2.8)	-0.2%	
FY 1992-93	Sine Die 1992	1,537.3	1,524.7	(12.6)	-0.8%	
FY 1993-94	Sine Die 1993	1,662.5	1,653.7	(8.8)	-0.5%	
FY 1994-95	Sine Die 1994	1,729.9	1,706.0	(23.9)	-1.4%	
FY 1995-96	Sine Die 1995	1,834.3	1,836.7	2.4		0.1%
FY 1996-97	Sine Die 1996	1,918.0	2,009.6	91.6		4.8%
FY 1997-98	Sine Die 1997	1,993.8	2,105.4	111.6		5.6%
FY 1998-99	Sine Die 1998	2,102.9	2,123.9	21.0		1.0%
FY 1999-00	Sine Die 1999	2,326.3	2,403.9	77.6		3.3%
FY 2000-01	Sine Die 2000	2,484.3	2,456.8	(27.5)	-1.1%	
FY 2001-02	Sine Die 2001	2,646.0	2,365.5	(280.5)	-10.6%	
FY 2002-03	Sine Die 2002	2,725.7	2,456.4	(269.3)	-9.9%	
FY 2003-04	Sine Die 2003	2,732.0	2,718.7	(13.3)	-0.5%	
FY 2004-05	Sine Die 2004	2,775.5	3,037.2	261.7		9.4%
FY 2005-06	Sine Die 2005	3,092.3	3,352.2	259.9		8.4%
FY 2006-07	Sine Die 2006	3,217.0	3,408.3	191.4		5.9%
FY 2007-08	Sine Die 2007	3,389.2	3,506.1	116.9		3.5%
FY 2008-09	Sine Die 2008	3,531.7	3,357.5	(174.3)	-4.9%	
FY 2009-10	Sine Die 2009	3,446.7	3,204.7	(242.0)	-7.0%	
FY 2010-11	Sine Die 2010	3,422.2	3,499.7	77.4		2.3%
FY 2011-12	Sine Die 2011	3,591.1	3,695.9	104.8		2.9%
FY 2012-13	Sine Die 2012	3,767.1	4,052.4	285.3		7.6%
FY 2013-14	Sine Die 2013	4,020.7	4,117.4	96.7		2.4%
FY 2014-15	Sine Die 2014	4,220.5	4,305.1	84.6		2.0%
FY 2015-16	Sine Die 2015	4,481.9	4,308.0	(173.9)	-3.9%	
FY 2016-17	Sine Die 2016	4,578.4	4,265.8	(312.6)	-6.8%	
FY 2017-18	Sine Die 2017	4,605.4	4,567.0	(38.4)	-0.8%	
FY 2018-19	Sine Die 2018	4,739.7	4,896.4	156.6		3.3%
FY2019-20 NEFAB	Sine Die 2019	4,929.1	5,090.0	160.9		3.3%
FY2020-21 NEFAB	Sine Die 2019	5,044.9	5,150.0	105.1		2.1%
Average Variance (38 years)				\$7.2		
Average: Below Estimate (17 years)				(\$109.2)	-4.5%	
Average: Above Estimate (21 years)				\$101.4		4.4%