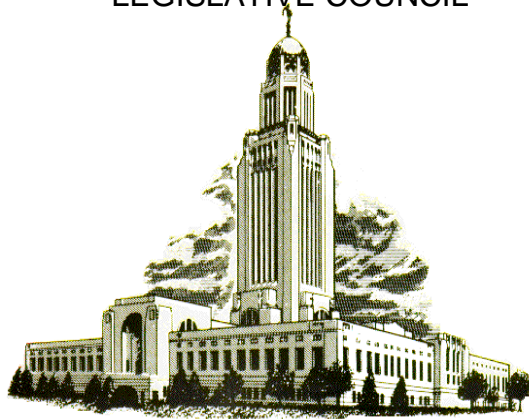


# State of Nebraska

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PO Box 94604, State Capitol  
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Legislative Fiscal Analyst

JULIE ROGERS  
Ombudsman

November 20, 2020

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

Dear Mr. O'Donnell;

As required by 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 2020.

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.

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:

[https://revenue.nebraska.gov/sites/revenue.nebraska.gov/files/doc/research/tax-expenditure/2020\\_Tax\\_Expend\\_Report.pdf](https://revenue.nebraska.gov/sites/revenue.nebraska.gov/files/doc/research/tax-expenditure/2020_Tax_Expend_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



# **Tax Rate Review Committee**

## **November 2020**

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

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

**Senator Jim Scheer  
Senator Mike Hilgers  
Senator John Stinner  
Senator Lou Ann Linehan  
Tony Fulton**

**Prepared by the Legislative Fiscal Office**

# Summary

This report includes a current projected General Fund Financial Status for the upcoming FY2021-22 and FY2022-23 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 FY2023-24 and FY2024-25 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 FY 2020-21, FY2021-22 and FY2022-23, (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 \$170.2 million ***below*** the minimum reserve for the upcoming FY21-22 / FY22-23 biennial budget. Although still below the minimum reserve, it’s a significant improvement to what had been shown when FY22/FY23 was the “out years” in the prior financial status.

## Revenue Growth

Revenue growth (adjusted for rate and base changes) continues to be below average for the upcoming biennium. Revenue estimates for FY2020-21, FY2021-22, and FY2022-23 are the October 2020 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Revenue growth implied by these current forecasts is 1.4% in FY20-21 and 1.0% in FY21-22 but then start recovering in FY22-23 at 6.0%.

For the “following biennium”, revenue growth is calculated at 6.8% per year using the historical average methodology. The target growth is the historical average of 4.80% but adjusted down to 4.4% to exclude growth that is now negated by indexing of the income tax brackets and other components. Under this cyclical methodology, this above average growth offsets the low growth in FY21 and FY22 to get the five year average back to the historical average.

It should be noted that these calculated amounts for FY24 and FY25 are much higher than the unofficial estimates prepared by the Nebraska Dept. of Revenue (NDR) and Legislative Fiscal Office (LFO) using IHS Economics and Moody’s forecasting information. A cautionary note is that it’s unknown if the historical cyclical trend will prove applicable in the current COVID 19 pandemic environment.

## 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 (FY2021-22 and FY2022-23) reflect agency requests for the items shown while estimated increases for the following biennium

(FY23-24 and FY2024-25) are based on historical trends. No new or expanded programs in the agency requests are included. Note that in some instances *rationales for the FY22 and FY23 requests are incomplete as these requests are currently under analysis.*

Overall the projected budget results in a budget growth of 1.3% in FY2021-22 and 3.6% in FY2022-23, a 2.4% two year average. To some extent the low growth, especially in the first year, relates to deleting items in the FY20-21 budget that otherwise would have been FY19-20 deficits. The most significant is the \$55.2 million appropriated to the Governors Emergency Program related to the 2019 flooding.

The lower growth also reflects relatively modest growth in Medicaid and other DHHS aid programs which collectively average a 2.7% increase per year over the biennium. This includes increases due to a 2.5% provider rate increase partially offset by a significant savings due to a higher Medicaid match rate (FMAP) and elimination of the Health Insurance Provider Fee (HIPF) payment.

	Projected Increase to FY21 Base Year	FY2021-22	FY2022-23	Two Yr total	% of Total
1	TEEOSA Aid to Schools (General Funds only)	32,710,005	85,723,878	118,433,883	39.6%
2	Provider rates, DHHS aid programs	37,234,957	75,313,919	112,548,876	37.6%
3	Salaries & Health Insurance (University+Colleges)	23,297,367	47,229,785	70,527,152	23.6%
4	Salaries & Health Insurance (Agencies)	20,149,383	40,807,747	60,957,130	20.4%
5	Medicaid (other than FMAP, provider rates, expansion)	18,414,024	38,431,080	56,845,104	19.0%
6	Special Education	5,776,994	11,698,413	17,475,407	5.8%
7	Nebraska Career Scholarships	4,000,000	8,000,000	12,000,000	4.0%
8	Staffing, programs, equipment (Corrections)	3,189,341	7,859,103	11,048,444	3.7%
9	Community Colleges	3,589,542	7,304,718	10,894,260	3.6%
10	Developmental Disability aid (other than FMAP, provider r	4,794,035	6,031,616	10,825,651	3.6%
11	Operating inflation+DAS rates (State Agencies)	4,833,319	5,171,366	10,004,685	3.3%
12	Retirement, K-12 School / Judges / Patrol	2,860,068	4,560,068	7,420,136	2.5%
13	Homestead Exemption	617,000	5,702,850	6,319,850	2.1%
14	Governors Emergency Program	(55,240,974)	(55,240,974)	(110,481,948)	-36.9%
15	Federal Medicaid Match rate (FMAP, op & aid)	(24,749,867)	(29,536,986)	(54,286,853)	-18.1%
16	Health Insurance Provider Fee (HIPF)	(15,478,738)	(15,478,738)	(30,957,476)	-10.3%
17	Capital Construction	(6,732,905)	(10,342,446)	(17,075,351)	-5.7%
18	All Other	3,086,303	3,867,968	6,954,270	2.3%
19	Total	62,349,854	237,103,367	299,453,220	100.0%
20	Annual Percent Change	1.3%	3.6%	2.4%	

## Cash Reserve Fund

In this financial status the unobligated ending balance in the Cash Reserve Fund (CRF) is projected at \$611.0 million. This is higher than the \$412.3 million estimate at the end of the 2020 session. With the revised forecasts in October 2020 the FY21 forecast was increased by \$285.4 million above the previous forecast which was also the certified forecast. Normally the amount above certified would all go to the CRF. However under the provisions of LB1107 the amount above certified less any allocated to the income tax credit for property taxes is transferred to the CRF. In this case the provisions of LB1107 result in a \$86.7 million increase in the credit. Therefore the CRF transfer is \$198.7 or the \$285.4 million above certified revenues less the \$86.7 million increase in the credit. A more detailed description of income tax credit under LB1107 can be found on page 11.

Please note that this increase in the CRF (and income tax credit) are based on the current forecast. Actual amounts will not be known until FY20-21 is completed

## **FY2020-21 Deficits**

As of this point in time, requests for FY2020-21 supplemental General Funds (aka deficits) have not yet been totally submitted and the amount is not yet available. The original \$5 million allocation is retained in the financial status.

## **Nebraska Property Tax Incentive Act (LB 1107)**

The Nebraska Property Tax Incentive Act was included as part of LB1107 enacted in August. The act provides a refundable income tax credit or credit against franchise tax for any taxpayer who pays school district taxes, which is property taxes levied by a school district or school system, excluding property taxes levied for bonded indebtedness and property taxes levied as a result of an override of limits on property tax levies approved by voters. When enacted, the credit amount was set at \$125 million for the first year (FY20-21) and then would increase over the next three years depending on whether General Fund revenues increased above a 3.5% rate. Based on the forecasts at the revenue increase were well below the 3.5% level and it was estimated that the credit amount would remain at the \$125 million level for both FY21-22 and FY22-23.

However, with the revised revenue forecasts at the October meeting of the Nebraska Economic Forecast Advisory Board (NEFAB) the 3.5% threshold increase became relevant for FY20-21. With the revised forecast the percent increase (not rate and base adjusted growth) in FY20-21 went from 1.2% to 7% which is well above the threshold and resulted in an increase of the credit from \$125 million to \$211.7 million in FY21-22. And under the bill, the subsequent year is the prior year level plus revenue increase above 3.5%, the credit stays at \$211.7 million in FY22-23 even though there is a decline in revenue.

Note also that the 7.0% increase in FY20-21 revenue compared to FY19-20 is only because \$280 million of income tax was shifted from FY20 to FY21. This caused a 10% swing in the percent increase as it reduced the prior year and added to the current year. Excluding this shift, the increase in revenue would have been -4.1% and the credit would have remained at \$125 million for both FY21-22 and FY22-23.

# Projected General Fund Financial Status

November 5, 2020	Current Year FY2020-21	Upcoming Biennium		Following Biennium	
	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
<b>1 BEGINNING BALANCE</b>					
2 Beginning Cash Balance	710,599,887	575,350,241	158,695,489	121,025,225	210,380,552
3 Cash Reserve transfers-automatic	(10,655,528)	(198,738,000)	0	0	0
4 Carryover obligations from FY20	(341,227,220)	0	0	0	0
5 Lapse FY20 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	358,717,139	371,612,241	153,695,489	116,025,225	205,380,552
<b>8 REVENUES &amp; TRANSFERS</b>					
9 Net Receipts (NEFAB Oct 2020 + LFO prelim)	5,286,000,000	4,920,000,000	5,275,000,000	5,590,000,000	5,926,000,000
10 General Fund transfers-out	(310,600,000)	(286,800,000)	(286,800,000)	(283,500,000)	(283,500,000)
11 General Fund transfers-in	in forecast	0	0	0	0
12 Cash Reserve transfers (current law)	30,000,000	0	0	0	0
13 2021 Cash Reserve transfers (new)	0	0	0	0	0
14 2021 Revenue Bills	0	0	0	0	0
15 General Fund Net Revenues	5,005,400,000	4,633,200,000	4,988,200,000	5,306,500,000	5,642,500,000
<b>16 APPROPRIATIONS</b>					
17 Expenditures / Appropriations (2020 Session)	4,783,766,898	4,783,766,898	4,783,766,898	4,783,766,898	4,783,766,898
18 2021 Mainline Budget Items	5,000,000	62,349,854	237,103,366	237,103,366	237,103,366
19 Projected budget increase, following biennium	0	0	0	191,274,408	380,432,152
20 2021 State Claims	0	0	0	0	0
21 2021 "A" Bills	0	0	0	0	0
22 General Fund Appropriations	4,788,766,898	4,846,116,752	5,020,870,264	5,212,144,673	5,401,302,417
<b>23 ENDING BALANCE</b>					
24 \$ Ending balance (per Financial Status)	575,350,241	158,695,489	121,025,225	210,380,552	446,578,135
25 \$ Ending balance (at Min. Reserve 3.0%)			291,204,240		322,427,919
26 Excess (shortfall) from Minimum Reserve			(170,179,015)		124,150,216
27 Biennial Reserve (%)			1.2%		4.2%
<b>General Fund Appropriations</b>					
28 Annual % Change - Appropriations (w/o deficits)	3.4%	1.3%	3.6%	3.8%	3.6%
29 Two Year Average	3.6%	--	2.4%	--	3.7%
<b>General Fund Revenues</b>					
30 Est. Revenue Growth (rate/base adjusted)	1.4%	1.0%	6.0%	6.8%	6.8%
31 Two Year Average	3.1%	--	3.5%	--	6.8%
32 Five Year Average	4.0%	--	4.4%	--	4.4%
33 Unadjusted % change over prior year	7.0%	-6.9%	7.2%	6.0%	6.0%
34 On-Going Revenues vs Appropriations	191,633,102	(212,916,752)	(32,670,265)	94,355,327	241,197,583
<b>CASH RESERVE FUND</b>					
	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
1 Beginning Balance	426,307,702	412,263,230	611,001,230	611,001,230	611,001,230
2 Excess of certified forecasts (line 3 in Status)	10,655,528	198,738,000	0	0	0
3 To/from Gen Fund per current law	(30,000,000)	0	0	0	0
4 To Nebr Capital Construction Fund (NCCF)	(54,700,000)	0	0	0	0
5 From Gov Emergency Fund (LB1009-2020)	60,000,000	0	0	0	0
6 Projected Unobligated Ending Balance	412,263,230	611,001,230	611,001,230	611,001,230	611,001,230

# Chronology of Projected Financial Status

(millions of dollars)	FY20/FY21 Biennium	FY22/FY23 Biennium	FY24/FY25 Biennium
<b>Variance from Minimum Reserve: Sine Die 2020 Session</b>	<b>0.9</b>	<b>(787.4)</b>	<b>na</b>
1 Revenue Forecasts (October 2020)	285.4	710.5	--
2 Automatic transfer to CRF	0.0	(198.7)	--
3 Change in Minimum Reserve	(8.2)	(14.8)	--
<b>Variance from Minimum Reserve: NEFAB Forecast 10/29/20</b>	<b>278.1</b>	<b>(290.5)</b>	<b>na</b>
4 Revised estimate of FY22/FY23 projected budget (2 yr total)	0.0	120.3	--
5 Deficit requests vs \$5M allocation	0.0	0.0	--
6 Change in Minimum Reserve	0.0	0.0	--
<b>November 2020 Tax Rate Review Committee</b>	<b>278.1</b>	<b>(170.1)</b>	<b>117.7</b>

## NOTES:

### Item 1 Revised Revenue Forecasts:

Revised NEFAB forecast for FY20-21	\$285.4 million
Original NEFAB forecasts vs LFO Prelim for FY21-22	118.0 million
Original NEFAB forecasts vs LFO Prelim for FY22-23	307.0 million
Three Year Total	710.5 million

### Item 4 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.

<u>Item</u>	<u>FY21--22</u>	<u>FY22-23</u>	<u>Total</u>
Education - Revised TEEOSA estimates (Nov 2020 Joint Meeting)	(9.2)	4.2	(5.0)
Revenue - Homestead exemption	(2.0)	(4.2)	(6.2)
Retirement - defined benefit plans	(1.9)	(2.5)	(4.3)
DHHS - DD client increases (waiver, transition, etc..)	(3.6)	(3.6)	(7.1)
DHHS - Medicaid (eligibility, utilization, specific items)	(1.1)	(1.5)	(2.7)
DHHS - FMAP	24.7	29.5	54.3
DHHS - Medicaid (HIPF provider fee)	15.5	15.5	31.0
DHHS - Medicaid (expansion)	16.6	17.2	33.8
DHHS - Child Welfare (eligibility, utilization)	4.6	9.5	14.1
All - Health insurance (4%/year vs 6%/yr)	3.3	6.9	10.2
Revised estimate of budget increases, all other	(1.3)	3.5	2.2
Total	45.7	74.6	120.3

# 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 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.

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 Nebraska Economic Forecast Advisory Board (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 \$132.9 million above the April forecast. The balance was projected to increase to \$731 with the revised forecasts in October 2020 (+\$160.9 million) and February 2020 (+115.0 million) and then decline back to \$647.5 million due to using \$83.6 million to help cover costs related to the COVID-19 pandemic.

During the break in the legislative session, FY19-20 was completed and the actual receipts were \$265 million **below** the prior forecast which had been projected to be \$275 million above the certified forecast. For FY19-20 most of this was due to the extension of the income tax filing date from April to July which shifted an estimated \$280 million from FY19-20 into FY20-21. The final changes were a transfer of \$60 million of unused COVID-19 funds back to the CRF and then \$30 million back to the General Fund to assist in covering the first year costs of LB1107. This left the projected balance at \$412.3 million.

Based on the revised October 2020 forecasts and the calculation of CRF transfers in LB1107, the balance is projected to increase by \$198.7 million to an unobligated balance of \$611 million.

**Table 1 Cash Reserve Fund**

	Actual FY2020-21	Estimated FY2021-22	Estimated FY2022-23	Estimated FY2023-24	Estimated FY2024-25
Beginning Balance	426,307,702	412,263,230	611,001,230	611,001,230	611,001,230
Excess of certified forecasts (line 3 in Status)	10,655,528	198,738,000	0	0	0
To/from Gen Fund per current law	(30,000,000)	0	0	0	0
To Nebr. Capital Construction Fund (NCCF)	(54,700,000)	0	0	0	0
From Gov Emergency Fund (LB 1009)	60,000,000	0	0	0	0
Ending Balance	<u>412,263,230</u>	<u>611,001,230</u>	<u>611,001,230</u>	<u>611,001,230</u>	<u>611,001,230</u>

## 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 FY2019-20 (\$4,939,762,611) were \$10,655,528 above the certified forecast of \$4,929,107,083. However actual receipts were over \$265 million below the last forecast due to the extension of the income tax filing deadline from April 2020 to July 2020. The latest estimate was that \$280 million shifted from FY2019-20 to FY2020-21 due to this filing change.



The provisions of LB1107 created a new calculation for purposes of automatic transfers to the Cash Reserve Fund for the next three years. Normally the amount above certified would all go to the CRF. However under the provisions of LB1107 the amount above certified less any allocated to the income tax credit for property taxes is transferred to the CRF. In this case the provisions of LB1107 result in a \$86.7 million increase in the credit. Therefore the CRF transfer is \$198.7 or the \$285.4 million above certified revenues less the \$86.7 million increase in the credit. A more detailed description of income tax credit under LB1107 can be found on page 11

<b>Cash Reserve Fund Transfer</b>	GF Revenue Forecast	Certified	\$ Amount > Certified (prior yr)	Less:\$ to Credit	\$ Amount to CRF	CRF balance (after transfer)
FY2020-21	5,286,000	5,000,589	--	--	--	412,263
FY2021-22	4,920,000	4,920,000	285,411	86,673	<b>198,738</b>	611,001
FY2022-23	5,275,000	5,275,000	0	0	<b>0</b>	611,001
FY2023-24	5,590,000	5,590,000	0	182,800	<b>0</b>	611,001
FY2024-25	5,926,000	5,926,000	0	--	<b>0</b>	611,001

### 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 consisting of \$125 million in FY18 and \$48 million in FY19.

In the 2020 session LB1107 which contained the ImagiNE Nebraska Act, Nebraska Transformational Projects Act, and Nebraska Property Tax Incentive Act included a \$30 million transfer from the CRF to the General Fund to help pay for the first year \$125 million cost of Property Tax Incentive Act

### Transfers To & From Other Funds

In the 2019 session, the enacted budget transfers \$54.7 million from the Cash Reserve Fund to the Nebraska Capital Construction Fund to cover several construction projects primarily two additional high security housing units (384 beds) for the Dept. of Correctional Services.

In the 2020 session, LB 1198 was enacted March 25, 2020 to provide funding to help cover the costs related to the COVID-19 outbreak. After this bill was enacted the Legislature suspended the session until July 20. The bill transferred \$83,619,600 from the Cash Reserve Fund to Governor’s Emergency Cash Fund for FY2019-20. The original allocation was as follows: Local response efforts (\$38,156,700), DHHS staffing (\$4,004,000), Surge staffing for veterans hospitals & DHHS care facilities (\$13,000,000), COVID-19 Lab Testing (\$515,000), UNMC lab equipment, software programming and personnel (\$2,500,000), UNMC UV light boxes (\$100,000), and UNMC knowledge center (\$343,900). This left an available reserve of \$25,000,000

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act, P.L.116-136 (CARES Act) was enacted. In that law, Nebraska was allocated \$1.25 billion through the Coronavirus Relief Fund. Of this amount, \$166 million went directly to Douglas County and the remaining \$1.083 billion to the State of Nebraska. The Governor credited these funds to the Governor’s Emergency Program-COVID19. These federal funds could be used for basically the same things that were authorized under LB1198. Because of this only \$19.2 million had been expended through FY19-20. LB1009 enacted in August transferred \$60 million of the unused funds back to the Cash Reserve Fund.

Table 2 Cash Reserve Fund – Historical Balances

Fiscal Yr	Beginning Balance	Direct Deposit and Interest	Automatic Transfers	Legislative Transfers	Cash Flow	Ending Balance	Balance as % of revenue
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	339,990,065	0	61,995,773	(68,436,714)	0	333,549,124	6.8%
FY2019-20	333,549,124	0	176,378,521	(83,619,600)	0	426,307,702	8.6%
FY2020-21 Est	426,307,702	0	10,655,528	(24,700,000)	0	412,263,230	7.8%
FY2021-22 Est	412,263,230	0	198,738,000	0	0	611,001,230	12.4%
FY2022-23 Est	611,001,230	0	0	0	0	611,001,230	11.6%
FY2023-24 Est	611,001,230	0	0	0	0	611,001,230	10.9%
FY2024-25 Est	611,001,230	0	0	0	0	611,001,230	10.3%

# General Fund Revenues

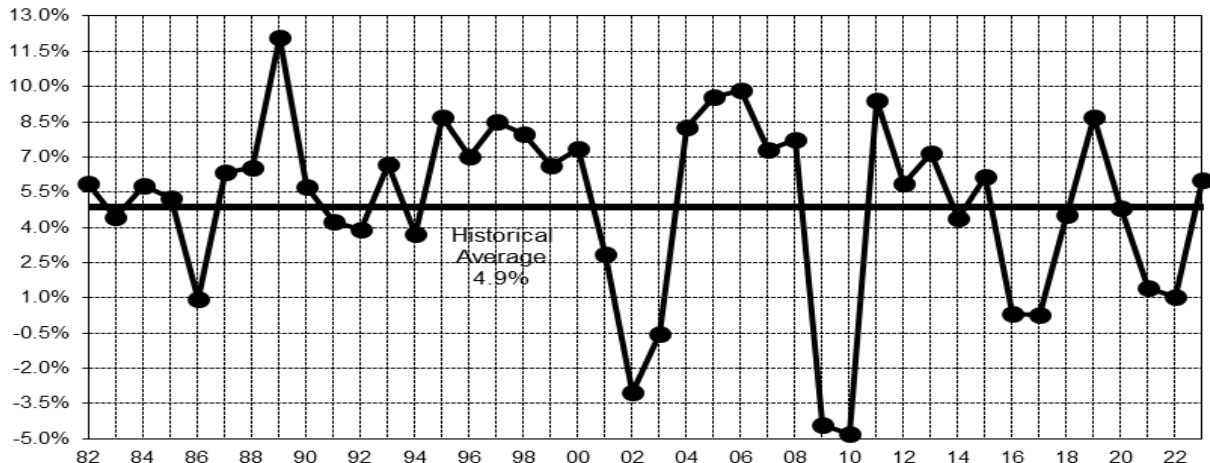
## General Fund Revenue Forecasts

Revenue estimates for FY2020-21, FY2021-22 and FY2022-23 are the October 2020 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Rate and base adjusted revenue growth implied by the forecasts for the FY22/FY23 biennium average 3.5% (1.0% in FY21-22 and 6.0% in FY22-23). When including the 1.4% growth in the FY20-21 forecast, there is an average growth of 2.8% over the three years that affect the financial status for the upcoming biennium. This reflects growth below the 4.8% historical 39 year average.

Table 3 General Fund Revenue Forecasts

	NEFAB FY2020-21	NEFAB FY2021-22	NEFAB FY2022-23	LFO Prelim FY2023-24	LFO Prelim FY2024-25
<b>Actual/Forecast</b>					
Sales and Use Tax	1,910,000,000	1,910,000,000	2,095,000,000	2,185,000,000	2,272,000,000
Individual Income Tax	2,765,000,000	2,490,000,000	2,655,000,000	2,850,000,000	3,077,000,000
Corporate Income Tax	385,000,000	335,000,000	345,000,000	358,000,000	387,000,000
Miscellaneous receipts	226,000,000	185,000,000	180,000,000	197,000,000	190,000,000
Total Forecast	5,286,000,000	4,920,000,000	5,275,000,000	5,590,000,000	5,926,000,000
<b>Adjusted Growth</b>					
Sales and Use Tax	2.9%	3.1%	6.3%	4.3%	4.0%
Individual Income Tax	3.3%	-1.1%	6.4%	8.5%	8.6%
Corporate Income Tax	-14.3%	6.7%	3.3%	10.0%	10.0%
Miscellaneous receipts	-2.3%	-1.7%	4.3%	2.3%	3.1%
Total GF Receipts	1.4%	1.0%	6.0%	6.8%	6.8%
Two Yr Average	3.1%	--	3.5%	6.4%	6.8%
Five Yr Average	4.0%	--	4.4%	4.0%	4.4%

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



It's very difficult to look at the current revenue forecasts for the five year financial status and compare one year to the next because there are so many large items that affect each year differently. These are the types of adjustments that are made for purposes of calculating rate and base adjusted revenue growth.

A perfect example is the first item on the following table. The shift of \$280 million of income tax from FY20 to FY21 due to the extension of the income tax filing deadline until July 2020. This single item causes a \$560 million (10%) difference in comparing one year to the next.

Major Items Affecting Yearly Comparisons	FY2019-20	FY2020-21	FY2021-22	FY2022-23
COVID-19 related tax filing deadline extension	(280,000,000)	280,000,000	0	0
Flood related tax filing deadline extension	20,000,000	0	0	0
2020 Fed Tax Changes (CARES Act)	0	(125,593,000)	(67,123,000)	(57,361,000)
Taxation of military retirement (LB 153-2020)	0	0	(5,431,000)	(13,339,000)
Property Tax Relief Credit (LB 1107-2020) (Oct NEFAB)	0	(125,000,000)	(211,672,849)	(211,672,849)
Legislative enacted cash fund transfers	65,416,628	53,795,957	0	0
Total of Items Shown	(194,583,372)	83,202,957	(284,226,849)	(282,372,849)
Difference compared to prior year	na	277,786,329	(367,429,806)	1,854,000

## Following Biennium (FY2024 and FY2025)

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 (FY23-24 and FY24-25) 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 (FY21 to FY25) roughly equal to the 39 year historical average (4.8%) 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 39 years, there were 15 years in which revenue growth was "below average" (1.4% average) and 24 years in which revenue growth was above average (7.4% average).

Because the revenue growth in the NEFAB forecasts is below average, the revenue growth needed to yield a 4.4% five year average is 6.8% in both FY23-24 and FY24-25.

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 4<sup>th</sup> and 5<sup>th</sup> 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 much higher than the unofficial estimates prepared by the Nebraska Dept. of Revenue (NDR) and Legislative Fiscal Office (LFO) using IHS Economics and Moody’s forecasting information. A cautionary note is that it’s unknown if the historical cyclical trend will prove applicable in the current COVID 19 pandemic environment.

**Table 4 Comparison of "Out Year" Forecasts**

Based on Oct 2020 Revenue Forecasts	Current Status	Average (IHS Econ)	Average (All Forecasts)	High Est NDR-IHS	Low Est LFO-MOODY
<b>Dollar Forecast (thousands of \$)</b>					
FY2023-24 Prelim	5,590,000	5,359,455	5,357,903	5,435,964	5,355,294
FY2024-25 Prelim	5,926,000	5,538,784	5,528,422	5,538,627	5,451,838
<b>Calculated Growth (rate and base adjusted)</b>					
FY2023-24 Prelim	6.8%	2.8%	2.8%	4.1%	2.7%
FY2024-25 Prelim	6.8%	4.4%	4.3%	3.1%	3.0%
Two Year Average	6.8%	3.6%	3.5%	3.6%	2.9%
<b>Five Year Average</b>	<b>4.4%</b>	<b>3.1%</b>	<b>3.1%</b>	<b>3.1%</b>	<b>2.8%</b>
<b>\$ Difference from Status</b>					
FY2023-24	0	(230,545)	(232,098)	(154,036)	(234,706)
FY2024-25	0	(387,216)	(397,578)	(387,373)	(474,162)
Cumulative Total	0	(617,761)	(629,676)	(541,409)	(708,868)

## Nebraska Property Tax Incentive Act (LB 1107)

The Nebraska Property Tax Incentive Act was included as part of LB1107 enacted in August. The act provides a refundable income tax credit or credit against franchise tax for any taxpayer who pays school district taxes, which is property taxes levied by a school district or school system, excluding property taxes levied for bonded indebtedness and property taxes levied as a result of an override of limits on property tax levies approved by voters. The following shows the calculation of the credit amount under the bill by year.

Fiscal Yr Impact	Income Tax	Property Tax	Calculation of credit amount
	Year	Year	
FY 2020-21	2020	2019	Fixed amount at \$125 million
FY 2021-22	2021	2020	Prior Yr + growth over 3.5% *
FY 2022-23	2022	2021	Prior Yr max + growth over 3.5% *
FY 2023-24	2023	2022	Prior Yr max + growth over 3.5% *
FY 2024-25	2024	2023	Fixed amount at \$375 million

If the Cash Reserve Fund (CRF) is below \$500 million, the growth over 3.5% is distributed 50% to increasing the credit and 50% to the CRF. If the CRF is above \$500 million, the growth over 3.5% is distributed 100% to increasing the credit.

The two figures below show first the calculation of dollar amounts relative to the 3.5% increase threshold and then the calculation of the dollar amount for calculating the credit rate.

<b>Calculation of \$ Amount &gt; 3.5%</b>	<b>GF Revenue Forecast</b>	<b>% Change over Prior Yr</b>	<b>\$ Increase &gt; 3.5%</b>	<b>Amount To CRF</b>	<b>Amount To Credit</b>
FY2019-20 Actual	4,939,763	--	--	--	
FY2020-21	5,286,000	7.0%	--	--	
FY2021-22	4,920,000	-6.9%	173,346	86,673	86,673
FY2022-23	5,275,000	7.2%	0	0	0
FY2023-24	5,590,000	6.0%	182,800	0	182,800
FY2024-25	5,926,000	6.0%	130,375	0	(19,473)

<b>Amount of Income Tax Credit</b>	<b>Prior Yr Amount</b>	<b>Amount from &gt; 3.5%</b>	<b>Estimated Credit Amt</b>
FY2020-21	125,000	0	125,000
FY2021-22	125,000	86,673	211,673
FY2022-23	211,673	0	211,673
FY2023-24	211,673	182,800	394,473
FY2024-25	394,473	(19,473)	375,000

**NOTE THAT THE 3.5% IS THE INCREASE OVER THE PRIOR YEAR AND NOT A RATE OR BASE ADJUSTED RATE.** The FY20-21 increase in revenue based on the October 2020 NEFAB forecast is 7.0% above FY19-20 only because \$280 million of income tax was shifted from FY20 to FY21. Excluding this shift, the increase in revenue would have been -4.1% and the credit would have remained at \$125 million for both FY21-22 and FY22-23.

## **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	
	FY2020-21	FY2021-220	FY2022-23	FY2023-24	FY2024-25
Property Tax Credit Fund	(272,000,000)	(272,000,000)	(272,000,000)	(272,000,000)	(272,000,000)
Water Resources Cash Fund	(3,300,000)	(3,300,000)	(3,300,000)	0	0
Cultural Preservation Endowment Fund	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Water Sustainability Fund	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)
Critical Infrastructure Fund	(3,800,000)	0	0	0	0
Rural Workforce Housing Investment Fund	(10,000,000)	0	0	0	0
Middle Income Workforce Housing Investment Fimd	(10,000,000)	0	0	0	0
<i>General Fund Transfers-Out</i>	(310,600,000)	(286,800,000)	(286,800,000)	(283,500,000)	(283,500,000)

## **Property Tax Credit Cash Fund**

Under this program transfers are made to the Property Tax Credit Cash Fund at the discretion of the Legislature. Based on the amount of funds available, monies are then allocated to counties by the ratio of the real property valuation in the county to the real property valuation in the state. Counties then allocate funds as credit to each tax payer again based on their proportionate value. Enacted in 2007, the amount available for credits was \$105 million in FY07-08, and \$115 million in FY08-09

through FY13-14. During the 2014 session, the FY14-15 amount was increased to \$140 million. In the 2015 session, the credit was increased by \$64 million increase to a total of \$204 million.

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

In the 2019 session, the credit amount was increased in the mainline budget bill to \$275 million per year starting in FY2019-20.

***The General Fund transfer amounts shown here 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 language the transfers expire starting in FY2019-20. LB 298 enacted in the 2019 legislative session extends the \$3.3 million transfer for four more years, FY2019-20 through FY2022-23.

## **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.

## **Critical Infrastructure Facilities Cash Fund**

In the 2020 session, \$3.8 million transfer to the Critical Infrastructure Facilities Cash Fund to provide financial assistance to the Gering - Fort Laramie Irrigation District related to temporary repair costs for two tunnels and related canal infrastructure. The funding is intended to reimburse the irrigation district for their portion of temporary repairs.

## Rural Workforce Housing Investment Fund

In the 2020 session a \$10 million transfer to the Rural Workforce Housing Investment Fund was provided. LB518 (2017) created a rural workforce housing grant program intended to address housing shortages in rural communities. The grant program initially received funding through a one-time transfer of \$7 million of unallocated funds from the Affordable Housing Trust Fund to the Rural Workforce Housing Investment Fund in 2017 and the funds have been allocated.

### Middle Income Workforce Housing Investment Fund

In the 2020 session a \$10 million transfer to the Middle Income Workforce Housing Investment Fund was enacted through LB866. The fund will be used by the Dept. of Economic Development to provide grants to nonprofit development organizations. Grants would require a one-to-one match. Grants would be awarded through FY22-23 or until grant funds are no longer available. If funds remained in the Middle Income Workforce Housing Trust Fund on July 1, 2025, the remaining amount would be transferred to the Affordable Housing Trust Fund.

## General Fund Transfers In

Cash funds are funds which contain earmarked revenue sources and monies in those funds can only be used for the purposes authorized by statute. In many instances (since the 2009 special session) an authorized use of monies in a cash fund is transfers to the General Fund at the discretion of the Legislature. For accounting purposes, these are shown as "Transfers in" and are included as General Fund revenues.

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. 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 \$8.5 million from the Game & Parks Capital Maintenance Fund. These transfers are included in the FY2018-19 actual General Fund receipts.

In the 2019 session, enacted transfers returned to more normal levels and mostly from the traditional three main sources; Securities Act Cash Fund, Tobacco Products Admin Cash Fund, and the Dept. of Insurance Cash Fund. Total transfers amounted to \$48.8 million in FY2019-20 and \$50.8 million in FY2020-21. The FY2019-20 amounts are included in the actual receipts and the FY2020-21 amounts are already incorporated into the "Net Receipts" figures of the NEFAB forecast.

At the present time, current law does not provide for any transfers in FY2021-22 and FY2022-23 and as such the revenue forecasts do not include any transfers.

Table 6 General Fund Transfers In

	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
Securities Act Cash Fund	28,000,000	0	0	0	0
Dept of Insurance Cash Fund	13,500,000	0	0	0	0
Tobacco Products Admin Cash Fund	9,000,000	0	0	0	0
State Settlement Cash Fund	295,957	0	0	0	0
Water Sustainability Fund (LB1009)	500,000	0	0	0	0
<b>Total General Fund Transfers-In</b>	<b>51,295,957</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



# 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 A.

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 (FY2021-22 and FY2022-23) reflect agency requests for the items shown while estimated increases for the following biennium (FY2023-24 and FY2024-25) are based on historical trends.

**Note that in most cases, rationales for the FY2021-22 and FY2022-23 requests are not available as these requests are currently under analysis.**

Overall the projected budget results in a budget growth of 1.3% in FY2021-22 and 3.6% in FY2022-23, a 2.4% two year average

Table 7 Projected General Fund Budget

	Current Year FY2020-21	Upcoming Biennial Budget FY2021-22    FY2022-23		Est for Following Biennium FY2023-24    FY2024-25	
<b>Projected Budget</b>					
Agency Operations	1,699,786,897	1,749,423,634	1,801,410,274	1,862,372,278	1,926,464,652
State Aid to Ind/Other	1,490,875,709	1,522,869,164	1,581,509,259	1,644,774,613	1,710,776,805
State Aid to Local Govt	1,554,478,631	1,541,931,198	1,609,667,517	1,676,127,818	1,733,771,037
Construction	38,625,661	31,892,756	28,283,215	28,283,215	28,283,215
Total (w/o deficits)	4,783,766,898	4,846,116,752	5,020,870,265	5,211,557,925	5,399,295,710
<b>Dollar Change</b>					
Operations	--	49,636,737	51,986,640	60,962,005	64,092,374
State Aid to Ind/Other	--	31,993,455	58,640,095	63,265,354	66,002,192
State Aid to Local Govt	--	(12,547,433)	67,736,319	66,460,301	57,643,220
Construction	--	(6,732,905)	(3,609,541)	0	0
Total (w/o deficits)	--	62,349,854	174,753,513	190,687,660	187,737,785
<b>Percent Change</b>					
Agency Operations	--	2.9%	3.0%	3.4%	3.4%
State Aid to Ind/Other	--	2.1%	3.9%	4.0%	4.0%
State Aid to Local Govt	--	-0.8%	4.4%	4.1%	3.4%
Construction	--	-17.4%	-11.3%	0.0%	0.0%
Total (w/o deficits)	--	1.3%	3.6%	3.8%	3.6%

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	FY2021-22	FY2022-23	FY2023-24	FY2024-25
<b><u>Aid to Local Governments</u></b>						
Aid to K-12 Schools (TEEOSA GF only)	3.2%	5.0%	32,710,005	53,013,874	52,952,574	43,742,977
Special Education	2.5%	2.5%	5,776,994	5,921,419	6,069,455	6,221,191
Community Colleges	3.5%	3.5%	3,589,542	3,715,176	3,880,207	4,016,014
Homestead Exemption	0.6%	5.0%	617,000	5,085,850	3,204,086	3,300,208
Governors Emergency program	--	--	(55,240,974)	0	0	0
All Other (Aid-Local)	--	--	0	0	353,980	362,829
<b><u>Aid to Individuals / Other</u></b>						
Medicaid	0.7%	4.5%	6,328,478	39,506,015	41,544,963	43,414,487
Public Assistance	3.7%	3.7%	3,176,469	3,287,645	3,262,713	3,376,908
Child Welfare Aid	2.3%	2.5%	4,007,136	4,429,083	8,127,497	8,493,235
Developmental Disability aid	3.3%	2.9%	5,223,429	4,642,368	6,684,862	6,952,256
Behavioral Health aid	2.5%	2.5%	1,799,888	1,844,886	1,896,285	1,943,692
Children's Health Insurance (SCHIP)	11.0%	2.5%	2,619,878	662,068	1,442,732	1,507,654
Aging Programs	2.2%	2.2%	261,492	268,030	306,303	313,960
Nebraska Career Scholarships	--	--	4,000,000	4,000,000	4,000,000	0
Business Innovation Act	--	--	4,000,000	0	0	0
All Other (Aid-Ind)	--	--	576,685	0	0	0
<b><u>State Agency Operations</u></b>						
Employee Salaries (agencies)	2.5%	2.5%	16,130,906	16,479,148	17,905,544	18,353,182
Employee Health Insurance (agencies)	4.0%	4.0%	4,018,477	4,179,216	6,168,277	6,538,374
University/Colleges increased funding	3.5%	3.5%	23,297,367	23,932,418	26,826,098	27,692,402
Operations increase (all agencies)	3.2%	0.2%	4,833,319	338,047	3,146,875	3,209,813
Exclude FY20 deficits moved to FY21	--	--	(3,900,000)	0	0	0
Staffing / programs / medical (Corrections)	--	--	3,189,341	4,669,762	3,722,530	3,722,530
Retirement (Schools, Patrol, Judges)	--	--	2,860,068	1,700,000	400,000	1,700,000
All Other (Oper)	--	--	(792,741)	688,049	2,747,820	2,823,438
<b><u>Capital Construction</u></b>						
	Reaff	Reaff	(6,732,905)	(10,342,446)	(3,368,391)	(1,895,797)
<b><u>Total General Fund-Annual Increase</u></b>			62,349,854	174,753,513	191,274,408	189,157,744
Biennial Basis			62,349,854	237,103,366	191,274,408	380,432,152

# Aid to Local Governments

## State Aid to Schools (TEEOSA)

The agency request did not include any additional funds for TEEOSA. It's assumed this is because the statutory required meeting of the Dept. of Education, Legislative Fiscal Office, DAS Budget Office, and Dept. of Revenue Property Tax division would be meeting in November to develop an updated estimate of TEEOSA funding.

The results of that meeting's spending and valuation assumptions yielded a total TEEOSA number of \$1.087 billion for FY2021-22 and \$1.14 billion for FY2022-23. This results in increased General Funds amounting to \$32.7 million in FY21-22 and an additional \$53.0 million in FY22-23.

TEEOSA Summary	All Funds FY2020-21	All Funds FY2021-22	All Funds FY2022-23	All Funds FY2023-24	All Funds FY2024-25
School Disbursements	1.61%	3.67%	4.07%	3.50%	3.50%
Property Valuations (assessed)	2.13%	2.21%	2.99%	2.31%	2.40%
Property Valuations (used in formula)	3.88%	4.34%	4.62%	3.48%	3.56%
Adjusted to Assessed Valuation Ratio	100.49%	100.81%	100.82%	100.82%	100.82%
Cost Growth Factor	4.50%	5.00%	5.00%	5.00%	5.00%
Local Effort Rate	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
<b>Total Formula Need</b>	<b>3,743,010,300</b>	<b>3,886,381,091</b>	<b>4,058,919,057</b>	<b>4,209,735,920</b>	<b>4,357,076,677</b>
Effective Yield from Local Effort Rate	2,163,481,367	2,257,451,433	2,361,635,389	2,443,740,204	2,530,682,748
Net Option Funding	116,432,806	119,720,045	123,849,846	126,875,965	131,316,624
Allocated Income Tax	49,403,946	51,874,143	53,430,368	55,033,279	58,665,475
Other Actual Receipts	526,673,075	541,563,793	556,903,931	572,163,405	588,418,641
Community Achievement Plan Aid	6,604,831	6,675,277	6,946,446	7,189,499	7,441,131
<b>Total Formula Resources</b>	<b>2,862,596,024</b>	<b>2,977,284,692</b>	<b>3,102,765,980</b>	<b>3,205,002,352</b>	<b>3,316,524,620</b>
Calculated Equalization Aid	880,414,276	909,096,397	956,153,077	1,004,733,568	1,040,552,058
Net Option Funding	116,432,806	119,720,045	123,849,846	126,875,965	131,316,624
Allocated Income Tax	49,403,946	51,874,143	53,430,368	55,033,279	58,665,475
Community Achievement Plan Aid	6,604,831	6,675,277	6,946,446	7,189,499	7,441,131
<b>TEEOSA State Aid</b>	<b>1,052,855,858</b>	<b>1,087,365,863</b>	<b>1,140,379,737</b>	<b>1,193,832,311</b>	<b>1,237,975,288</b>
State General Funds	1,022,555,858	1,055,265,863	1,108,279,737	1,161,232,311	1,204,975,288
Insurance Premium Tax (w/o deficit)	30,300,000	32,100,000	32,100,000	32,600,000	33,000,000
<b>Total TEEOSA Aid</b>	<b>1,052,855,858</b>	<b>1,087,365,863</b>	<b>1,140,379,737</b>	<b>1,193,832,311</b>	<b>1,237,975,288</b>
Dollar Change from prior year - Total	(13,056,991)	34,510,005	53,013,874	53,452,574	44,142,977
Percent Change from prior year - Total	-1.2%	3.3%	4.9%	4.7%	3.7%
Dollar Change from prior year - GF	(13,681,908)	32,710,005	53,013,874	52,952,574	43,742,977
Percent Change from prior year - GF	-1.3%	3.2%	5.0%	4.8%	3.8%

Other than the cost growth factor returning to 5% in FY2021-22 the increase in TEEOSA is all related to the various data elements such as spending growth and valuation. Although overall valuation growth is lower than spending growth, the growth in valuation used in the formula is actually higher than spending growth keeping the TEEOSA growth modest. This is because continued declines in agricultural land valuations keep down the overall valuation growth while continued higher growth in residential and commercial & industrial valuation increases the valuation in equalization districts.

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

<b>Chronology of TEEOSA Estimates</b>	All Funds FY2020-21	All Funds FY2021-22	All Funds FY2022-23	All Funds FY2023-24	All Funds FY2024-25
<b>NDE Jan Calc and Sine Die 2020</b>	<b>1,052,855,858</b>	<b>1,076,766,483</b>	<b>1,143,711,108</b>	<b>na</b>	<b>na</b>
Valuation, 2020 from 2.78% DPAT Est to 2.21% DPAT certified	0	(1,401,474)	(1,628,241)	na	na
Valuation; 2021 (2.20% est to 2.99% DPAD est)	0	0	(19,250,221)	na	na
Spending growth: FY21 2.83% to 3.67% (revised budget)	0	10,717,684	11,361,466	na	na
Spending growth: FY22 4.0% to 4.07% (first budget to budget)	0	0	3,705,196	na	na
Spending growth: FY23 3.7% to 3.5%	0	0	0	na	na
Student Growth Adjustment (est to NDE)	0	1,807,598	1,709,496	na	na
New School Adjustment (est to NDE)	0	(1,861,696)	(1,993,532)	na	na
Adjust other receipts (MIPS to \$2.5 level)	0	1,337,268	2,764,465	na	na
Adjust Insurance Premium (NDI estimates)	0	0	0	na	na
Total Change - NDE Jan 2020	0	10,599,380	(3,331,371)	na	na
<b>October 2020 Joint Meeting</b>	<b>1,052,855,858</b>	<b>1,087,365,863</b>	<b>1,140,379,737</b>	<b>1,193,832,311</b>	<b>1,237,975,288</b>

## Special Education

The agency request included a 10% increase for both FY21-22 and FY22-23 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 FY22 and FY23 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 nor projected budget includes any increase in funding.

## Homestead Exemption

The agency request includes a \$4.1 million reduction to eliminate the FY20 deficit that had to be included in the FY21 appropriation. Then the agency had requested a roughly 5% per year increase in exemption costs. The net change reflects a 0.6% in FY22 and 5.0% in FY22 based on Dept. of Revenue best estimate at this time. The agency request was included in the projected budget. This could possibly change when final data for FY20-21 is available.

## 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 \$3.6 million per year increase.

## Governors Emergency Program

The FY20-21 base appropriation included \$55.2 million which was funded to cover costs associated with the spring 2019 flooding. This \$55.2 million would normally have been a FY19-20 deficit.

However because the legislative session was suspended to July, FY19-20 had been completed and the funds had to be added to the FY20-21 appropriation. As a one-time item, this \$55 million is reduced from the baseline budget

## ***Aid to Individuals/Other***

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### **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 also a \$2.7 million increase in General Fund to fully annualize 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 amounted to \$8.1 million in FY19-20 and \$19.1 million in FY20-21 and now \$2.7 million in FY21-22.

### **Medicaid**

For the upcoming biennium, the projected budget is based on the agency request for eligibility and utilization increases, FMAP change, and deletion of funds previously provided for the health insurance provider fee (HIPF) Also included is a 2.5% increase in provider rates which were not included in the agency request.

Overall increase in General Funds is 0.7% in FY21-22 which includes \$19.6 million for eligibility and utilization increases (about 2% per year increase) and \$22.9 million for provider rates (2.5% per year). This is offset by a \$19.6 million reduction in General Funds due to an increase in the federal Medicaid match rate (FMAP) and \$15.5 million reduction due to the HIPF fee,.

Originally there was an estimated \$16.6 million increase to annualize the cost of Medicaid expansion due to the October 1 startup. However, the agency request did not include any additional funding based on signups which had started in August.

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 previous financial status was based on an FMAP of 56.47% in FFY2021 and continued into FFY2022 and FY2023. The actual FFY2021 FMAP will be 56.47% a 0.79% increase. The General Fund savings due to the higher FMAP have been incorporated into the DHHS request and the LFO estimates.

The agency request and projected status for FY22 and FY23 does not include \$15.5 million for a health insurance provider fee previously funded 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 the time of setting the FY21 budget it was unclear whether the moratorium would be extended and funding was included in FY20-21. The Further Consolidated Appropriations Act, 2020, Division N, Subtitle E §

502, repealing the annual fee on health insurance providers, applies to calendar years beginning after December 31, 2020 (fee years after the 2020 fee year) so funds are being eliminated for this purpose..

<b>Medicaid</b>	Previous Biennium		Biennial Budget	
	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Base Year appropriation	849,628,184	849,628,184	921,250,222	921,250,222
Federal match rate (FMAP)	(30,840,497)	(67,293,246)	(19,570,000)	(23,322,500)
Utilization	16,319,271	31,206,745	19,573,089	39,517,454
Cost Increases / Provider Rates	17,943,406	36,449,751	22,963,192	46,204,651
Clawback (Phased-Down State Contribution	1,458,514	2,690,851	0	0
Health Insurance Provider Fee (HIPF)	0	15,478,738	(15,478,738)	(15,478,738)
Medicaid expansion - new eligibles and woodwork	0	43,863,305	0	0
Medicaid expansion - savings, women with cancer	0	(802,953)	0	0
DHHS calculating medicaid nursing rates (LB 403)	3,535,538	3,644,524	0	0
Therapeutic foster care	2,259,715	2,278,237	0	0
Halfway House rates, Behavioral Health level	0	217,347	0	0
Increase certain behavioral health provider rates	0	3,888,739	0	0
Workers with Disabilities LB 323	0	0	116,710	180,948
Medicaid Aid Clawback	0	0	(367,417)	(367,417)
Tetanus Vaccine Coverage	0	0	151,817	154,094
Transition to DD HCBS Waiver	0	0	(1,083,156)	(1,083,156)
Tetanus Vaccine Coverage (medicaid expansion)	0	0	22,981	29,157
<b>Total – New Appropriation</b>	<b>860,304,131</b>	<b>921,250,222</b>	<b>927,578,700</b>	<b>967,084,715</b>
Annual \$ Change (excluding deficits)	10,675,947	60,946,091	6,328,478	39,506,015
Annual % Change (excluding deficits)	1.3%	7.1%	0.7%	4.3%

## Public Assistance

For the upcoming biennium, the agency requested no change in funding for this program in either FY21-22 or FY21-23. 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, just a small reduction due to the FMAP change.

The projected budget also assumed no change in eligibility or utilization but does includes a 2.5% provider rate increase.

## Developmental Disability Aid

The agency request includes several items for additional funding including funding for new graduates transitioning (\$1.2 million FY22, \$2.5 million FY23), reduce the waiting list (\$1.6 million FY22, \$2.9 million FY23) and court ordered custody cases (\$2.4 million each year). The request did not include any funding for provider rate increases.

In the projected budget, funding for developmental disability aid increases by only 3.3% in FY21-22 and 2.9% in FY22-23.

This includes funding a 2.5% rate increase in FY21 and FY22 costing \$3.9 million in FY21 and \$9.0 million in FY23). Also included is funding for new graduates transitioning (\$1.2 million FY22, \$2.5 million FY23), and court ordered custody cases (\$2.4 million each year). The requested funding for the wait list is not included here.

The request and projected budget includes a reduction in General Funds due to the higher FMAP amounting to \$3.5 million in FY22 and \$4.2 million in FY23.

## 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 \$1.0 million each year for increased behavioral health housing aid and funding for outpatient competency costs (\$.4 million in FY22, \$1.2 million in FY23).

The projected budget does not include either of these issues at this point in time but does include a 2.5% per year increase in provider rates.

## Nebraska Career Scholarships (University, State Colleges, DED)

In the 2020 session, the Governor’s budget recommendation included funding and distribution language for the Nebraska Career Scholarship Program through the University of Nebraska, State Colleges, and Community Colleges (through Dept. of Economic Development). The enacted budget included this proposal with funding provided for the current biennium at \$4 million with intent language that the program would increase to \$16 million in the fourth year.

<u>Nebraska Career Scholarships</u>	<u>FY2019-20</u>	<u>FY2020-21</u>	<u>FY2021-22</u>	<u>FY2022-23</u>	<u>FY2023-24</u>
University of Nebraska	0	2,000,000	4,000,000	6,000,000	8,000,000
State Colleges	0	1,000,000	2,000,000	3,000,000	4,000,000
Dept of Economic Development (DED)	0	1,000,000	2,000,000	3,000,000	4,000,000
Total GF impact	0	4,000,000	8,000,000	12,000,000	16,000,000

University of Nebraska: The intent is that the funding support 170 scholarships for eligible student each year for each \$2,000,000 appropriated and further provides that scholarship awards not exceed \$25,000 annually to students who achieve an ACT score of 28 or higher and \$10,000 annually to students who achieve an ACT score of 20 to 27 or are qualified transfer students.

State Colleges: Language indicates intent that the funding support 200 scholarships not to exceed \$10,000 per eligible student each year for each \$1,000,000 appropriated. Intent language accompanying the appropriation provides that to be eligible for the related financial aid, a student would be required to achieve a minimum ACT score of 18 and enroll in a program of study in rangeland management, industrial technology, criminal justice, business administration, education, communications, or computer information systems.

DED: The proposal notes that there would be 200 scholarships given for each \$1,000,000 appropriated. The Department of Economic Development would work in conjunction with the six Community Colleges to award scholarships to freshman students pursuing careers in high-demand areas.

## Business Innovation Act

LB334 passed in the 2019 Session repealed the 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. The projected budget includes the \$4 million each year for the Business Innovation Act.

## State Agency Operations

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### 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 FY2021-22 and FY2022-23 are unknown. However the DAS budget instructions included a 4.0% increase in both years. For state agencies this This projected status includes the 4% per year increase applied to state agencies as well as the University and State Colleges.

### Supreme Court

The agency included minimal number of issues, most being annualizing A bills and increases DAS charges. These have been incorporated into the projected budget.

### Dept. of Correctional Services

The Dept. of Correctional Services included a variety of items included in their request, the largest items being operation costs for two newly constructed facilities. The following table shows the requested items and those included in the projected budget

Description	Agency Request		TRR Nov 2020 Meeting	
	FY2021-22	FY2022-23	FY2021-22	FY2022-23
Step plan - salaries	1,500,000	3,000,000	1,500,000	3,000,000
Salary Compression	724,777	1,464,048	724,777	1,464,048
Adjust Base for FY 2020 Deficit	(2,300,000)	(2,300,000)	(2,300,000)	(2,300,000)
Rate Increases	895,804	945,468	895,804	945,468
Reception and Treatment Center (RTC) Staffing	2,063,546	4,109,845	2,063,546	4,109,845
LCC High Security Housing Project Staffing	925,795	3,549,258	925,795	3,549,258
LCC High Security Housing Project Staffing	925,795	3,549,258	925,795	3,549,258
Utilities Expense	200,000	200,000	200,000	200,000
Electronic Health Records	0	744,736	0	0
HVAC Server & Leased Computers	779,797	184,864	0	0
Master Plan	350,000	0	0	0
One-Time Cash Fund Appropriation Increase	(750,000)	0	0	0
Radio Replacement	718,600	0	0	0
Workforce Recruitment & Development Program	225,000	450,000	0	0
Total - Issues	6,259,114	15,897,477	4,935,717	14,517,877



The agency request and projected budget do not include any increased funding for inmate per diem costs.

## 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, a 4.0% increase was included similar to state agencies.

Also included is the 2<sup>nd</sup> and 3<sup>rd</sup> years of the phase in of the Nebraska Career Scholarships initiated in the 2020 session (see page 21).

## Defined Benefit Retirement Plans

The agency request for FY22 and FY23 reflects a modest increase in state support for the defined benefit retirement systems. Overall the increase amounts to \$2.8 million in FY21-22 and \$4.6 million in FY22-23. 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 2020 following completion of the actuarial experience study and valuations.

Description	Agency Request		TRR Nov 2020 Meeting	
	FY2021-220	FY2022-23	FY2021-22	FY2022-23
2% of Salary-State Schools	2,139,649	3,139,649	2,139,649	3,139,649
2% of Salary-Class V Schools-Omaha	198,214	398,214	198,214	398,214
Omaha Service Annuity Contribution	(116,131)	(116,131)	(116,131)	(116,131)
Annual Contribution Requirement-Judges Plan	251,206	451,206	251,206	451,206
Annual Contribution Requirement-State Patrol	387,130	687,130	387,130	687,130
Total - Issues	2,860,068	4,560,068	2,860,068	4,560,068

## Operations Inflation

The projected budget does not include any general inflationary increases for agency operating budgets. The largest increases in operating costs for the FY22/FY23 biennium related to DAS rate charges in a variety of agencies. At a statewide level, these amounted to about a \$4.8 million in FY22 and \$5.2 in FY23. Most of this increase relates to increased charges from the Office of the Chief Information Officer (OCIO) and will be subject to review by the LFO and Appropriations Committee

## 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 FY21-22 or FY22-23.

## Appendix A

### Projected Budget – November 2020 TRR Meeting

	w/o Deficits FY2020-21	Nov 2020 TRR Estimate		Change vs Prior Yr FY21-22 (w/o deficits)		Change vs Prior Yr FY22-23 (w/o deficits)		2 Yr Avg % Change
		Total FY2021-22	Total FY2022-23	\$	%	\$	%	
<b>Agency Operations</b>								
University & State /Colleges	669,962,990	694,599,731	718,532,149	24,636,741	3.7%	23,932,418	3.4%	3.6%
Health & Human Services	251,533,219	256,485,722	262,613,455	4,952,503	2.0%	6,127,733	2.4%	2.2%
Correctional Services	236,451,459	244,777,927	256,168,964	8,326,468	3.5%	11,391,037	4.7%	4.1%
Courts	200,285,673	203,233,059	206,129,122	2,947,386	1.5%	2,896,063	1.4%	1.4%
State Patrol	64,448,023	66,963,108	68,523,410	2,515,085	3.9%	1,560,302	2.3%	3.1%
Retirement Board	54,839,932	57,700,000	59,400,000	2,860,068	5.2%	1,700,000	2.9%	4.1%
Revenue	28,992,188	29,480,775	30,091,665	488,587	1.7%	610,889	2.1%	1.9%
Other 39 Agencies	193,273,413	196,183,312	199,951,510	2,909,899	1.5%	3,768,198	1.9%	1.7%
<b>Total-GF Operations</b>	<b>1,699,786,897</b>	<b>1,749,423,634</b>	<b>1,801,410,274</b>	<b>49,636,737</b>	<b>2.9%</b>	<b>51,986,641</b>	<b>3.0%</b>	<b>2.9%</b>
<b>State Aid to Individuals/Others</b>								
Medicaid	921,250,222	927,578,700	967,084,715	6,328,478	0.7%	39,506,015	4.3%	2.5%
Child Welfare Aid	172,174,830	176,181,966	180,611,049	4,007,136	2.3%	4,429,083	2.5%	2.4%
Developmental disabilities aid	157,255,751	162,479,180	167,121,548	5,223,429	3.3%	4,642,368	2.9%	3.1%
Public Assistance	86,756,257	89,932,726	93,220,371	3,176,469	3.7%	3,287,645	3.7%	3.7%
Behavioral Health aid	72,206,614	74,006,502	75,851,388	1,799,888	2.5%	1,844,886	2.5%	2.5%
Childrens Health Insurance (SCHIP)	23,778,754	26,398,632	27,060,700	2,619,878	11.0%	662,068	2.5%	6.7%
Aging Programs	11,722,579	11,984,071	12,252,101	261,492	2.2%	268,030	2.2%	2.2%
Nebraska Career Scholarships	4,000,000	8,000,000	12,000,000	4,000,000	100.0%	4,000,000	50.0%	73.2%
Business Innovation Act	6,020,352	10,020,352	10,020,352	4,000,000	66.4%	0	0.0%	29.0%
Higher Ed Student Aid programs	8,693,430	8,693,430	8,693,430	0	0.0%	0	0.0%	0.0%
Public Health Aid	6,364,407	6,806,907	6,806,907	442,500	7.0%	0	0.0%	3.4%
Community health centers	7,783,060	7,783,060	7,783,060	0	0.0%	0	0.0%	0.0%
All Other Aid to Individuals/Other	12,869,453	13,003,638	13,003,638	134,185	1.0%	0	0.0%	0.5%
<b>Total-GF Aid to Individuals/Other</b>	<b>1,490,875,709</b>	<b>1,522,869,164</b>	<b>1,581,509,259</b>	<b>31,993,455</b>	<b>2.1%</b>	<b>58,640,095</b>	<b>3.9%</b>	<b>3.0%</b>
<b>State Aid to Local Govts</b>								
State Aid to Schools (TEEOSA)	1,022,555,859	1,055,265,864	1,108,279,737	32,710,005	3.2%	53,013,873	5.0%	4.1%
Property Tax Credit	Transfer	Transfer	Transfer	--	--	--	--	--
Special Education	231,079,770	236,856,764	242,778,183	5,776,994	2.5%	5,921,419	2.5%	2.5%
Aid to Community Colleges	103,558,339	107,147,881	110,863,057	3,589,542	3.5%	3,715,176	3.5%	3.5%
Homestead Exemption	101,100,000	101,717,000	106,802,850	617,000	0.6%	5,085,850	5.0%	2.8%
Personal Property Tax Relief Act	0	0	0	0	#DIV/0!	0	100.0%	--
Aid to ESU's	13,613,976	13,613,976	13,613,976	0	0.0%	0	0.0%	0.0%
High ability learner programs	2,342,962	2,342,962	2,342,962	0	0.0%	0	0.0%	0.0%
Early Childhood programs	8,619,357	8,619,357	8,619,357	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%
Governors Emergency Program	60,240,974	5,000,000	5,000,000	(55,240,974)	-91.7%	0	0.0%	-71.2%
Resources Development Fund	0	0	0	0	#DIV/0!	0	0.0%	na
Other Aid to Local Govt	5,319,394	5,319,394	5,319,394	0	0.0%	0	0.0%	0.0%
<b>Total-GF Aid to Local Govt</b>	<b>1,554,478,631</b>	<b>1,541,931,198</b>	<b>1,609,667,516</b>	<b>(12,547,433)</b>	<b>-0.8%</b>	<b>67,736,318</b>	<b>4.4%</b>	<b>1.8%</b>
<b>Capital Construction</b>	<b>38,625,661</b>	<b>31,892,756</b>	<b>28,283,215</b>	<b>(6,732,905)</b>	<b>-17.4%</b>	<b>(3,609,541)</b>	<b>-11.3%</b>	<b>-14.4%</b>
<b>Total Appropriations</b>	<b>4,783,766,898</b>	<b>4,846,116,752</b>	<b>5,020,870,265</b>	<b>62,349,854</b>	<b>1.3%</b>	<b>174,753,513</b>	<b>3.6%</b>	<b>2.4%</b>

## **Appendix B**

### **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

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

**July 24, 2020**

**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

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(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

- Actual receipts for FY2019-20 were \$4.939 billion which was \$265.2 million **below** the February 2019 forecast of the Nebraska Economic Forecast Advisory Board (NEFAB) which was used in the last financial status of the 2020 session. These actual receipts were \$10.7 million **above** the “certified forecast” which was the April 2019 forecast from the NEFAB adjusted for legislation. Of the \$265 million below forecast, \$255 million is attributed to the extension of the income tax filing deadline from April to July.
- Tax rate and base adjusted revenue growth for FY2019-20 actual receipts is 4.3% compared to the 5.2% growth calculated per the February forecast. Nominal (actual unadjusted) change from the prior year is +0.9%. The difference is attributed to the adjustments including a shift of income tax from FY20 to FY21 due to the shift of the income tax filing deadline from April to July (\$255 million).
- The \$265 million that revenues were below forecast does not impact the General Fund status. The February 2020 forecast was \$276 million above the July certified forecast and as such was shown as a transfer to the Cash Reserve Fund (CRF). In reality \$10 million was transferred to the CRF rather than \$276 million and the CRF is projected to have an unobligated balance of \$382 million rather than \$647 million when the Legislature recessed last March.
- The General Fund financial status for the current biennium only declined by \$50 million due to the revised FY2020-21 forecast by the NEFAB on July 23, 2020 and stands at \$90 million above the minimum reserve. This is based on the Midbiennium budget adjustments as contained in LB1008 currently on select file. The status for the following biennium changed significantly with the updating of the Legislative Fiscal Office preliminary estimates for FY2021-22 and FY2022-23.
- The following table shows the changes in the forecast and breaks down the change into the components of (1) shift in income taxes due to the filing deadline shift from April to June, (b) revenue losses due to the provisions of the CARES Act, and (c) change in the baseline forecast due to economic conditions.

	Actual FY2019-20	NEFAB FY2020-21	LFO Prelim FY2021-22	LFO Prelim FY2022-23
<b>Feb 2020 NEFAB &amp; LFO Prelim</b>	5,205,000,000	5,175,000,000	5,364,000,000	5,548,000,000
Baseline forecast revisions	(10,237,389)	(179,407,000)	(354,267,000)	(335,248,000)
Income tax deadline to July	(255,000,000)	255,000,000	0	0
Revenue impact, CARES Act	0	(125,593,000)	(67,123,000)	(57,361,000)
Net Change	<u>(265,237,389)</u>	<u>(50,000,000)</u>	<u>(421,390,000)</u>	<u>(392,609,000)</u>
<b>July 23 NEFAB &amp; Avg LFO/NDR</b>	4,939,762,611	5,125,000,000	4,942,610,000	5,155,391,000

Est. Revenue Growth (rate/base adjusted)

Feb 2020 NEFAB & LFO Prelim	5.2%	0.6%	3.6%	3.6%
July 2020 NEFAB & Avg LFO/NDR IHS	4.3%	-2.0%	0.3%	4.2%

The LFO preliminary estimates for FY22 and FY23 are derived by using the average of the LFO and the Dept. of Revenue (NDR) forecasts using IHS Econometrics. This is a change from the historical average methodology which has been effective looking 3-4 years ahead. However In the present situation the NEFAB will be meeting in only 3 months.

# Current General Fund Financial Status

## (With FY2019-20 Actual Revenue & Expenditures)

	Actual FY2018-19	Actual FY2019-20	Current Yr FY2020-21	Following Biennium FY2021-22    FY2022-23	
<b>1 BEGINNING BALANCE</b>					
2 Beginning Cash Balance	453,601,627	736,509,690	710,599,887	382,019,878	129,301,080
3 Cash Reserve transfers-above certified prior yr	(61,995,773)	(176,378,178)	(10,655,528)	0	0
4 Unexpended FY19-20 obligations	0	0	(362,029,525)	0	0
5 Lapse FY20 carryover obligations (2020 session)	0	0	19,621,001	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	560,131,512	352,535,835	377,019,878	124,301,080
<b>8 REVENUES</b>					
9 Net Receipts (Actual + Feb 2020 NEFAB + hist avg)	4,896,378,178	4,939,762,611	5,175,000,000	5,364,000,000	5,548,000,000
9a July 23 forecast revisions (NEFAB, LFO Prelim)	--	--	(50,000,000)	(421,390,000)	(392,609,000)
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 actual	in forecast	0	0
12 Cash Reserve transfers-legislative	48,000,000	0	0	0	0
13 2020 General Fund transfers-out	0	0	(13,800,000)		
14 2020 General Fund transfers-in	0	0	500,000		
15 Accounting adjustment	(2,605,674)	(3,890,327)	0	0	0
16 General Fund Net Revenues	4,711,472,504	4,649,072,284	4,824,900,000	4,655,810,000	4,868,591,000
<b>17 APPROPRIATIONS</b>					
18 Expenditures/Appropriations	4,366,568,668	4,498,603,909	4,729,514,204	4,729,514,204	4,729,514,204
19 Projected budget increase, following biennium	--	--	--	238,512,852	441,530,580
20 Mainline budget adjustments+claims (2020 Session)	--	0	65,901,753	(64,498,258)	(63,421,732)
21 "A" Bills (2020 Session)	--	0	0	0	0
22 General Fund Appropriations	4,366,568,668	4,498,603,909	4,795,415,957	4,903,528,798	5,107,623,052
<b>23 ENDING BALANCE</b>					
24 \$ Ending balance (Financial Status as shown)	736,509,690	710,599,887	382,019,878	129,301,080	(114,730,972)
25 \$ Ending balance (at 3% Min Reserve)	--	--	291,945,095	--	288,536,530
26 Excess (shortfall) from Minimum Reserve	--	--	90,074,783	--	(403,267,502)
27 Biennial Reserve (%)	--	--	4.0%	--	-1.1%
<b>28 General Fund Budget</b>					
29 Annual % Change	1.3%	3.8%	3.7%	2.3%	4.2%
30 Two Year Average % Change	0.5%	--	3.7%	--	3.2%
<b>31 General Fund Revenues:</b>					
32 Adjusted Growth	8.7%	4.3%	-2.0%	0.3%	4.2%
33 Two Year Average	6.6%	--	1.1%	--	2.2%
34 Five Year Average	4.0%	--	3.3%	--	3.1%
35 On-Going Revenues vs Appropriations	207,188,889	24,400,426	29,484,043	(247,718,798)	(239,032,052)

<b>CASH RESERVE FUND</b>	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Beginning Balance	339,990,065	333,549,124	426,307,702	382,263,230	382,263,230
Excess of certified forecasts (line 3 in Status)	61,995,773	176,378,178	10,655,528	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
2020 - To Gov Emergency Fund, COVID-19	0	(83,619,600)	0	0	0
Ending Balance - Current Status	333,549,124	426,307,702	382,263,230	382,263,230	382,263,230

# Changes in the Financial Status since March 25, 2020

(millions of dollars)	FY20/FY21 Biennium	FY21/FY22 Biennium
<b>1. Variance: Legislature Recessed March 25 -&gt;</b>	<b>133,796,777</b>	<b>430,995,229</b>
2. Carryover obligations from FY18-19	7,509,465	7,509,465
3. FY20 Actual vs Est General Fund Net Receipts	(265,237,389)	(265,237,389)
4. FY20 Actual vs Est Transfers-Out	0	0
5. FY20 Actual vs Est Transfers-In	0	0
6. FY20 Actual vs Est CRF transfers-automatic	265,237,472	265,237,472
7. FY20 Actual vs Est Accounting adjustment	(3,890,327)	(3,890,327)
8. Revised Forecasts (7/23/20)*	(50,000,000)	(863,999,000)
9. Pending adjustments: Shift FY20 items to FY21	(1,089,166)	(1,089,166)
10. Recalculate minimum reserve	1,569,618	25,027,881
11. Total \$ Change Since March 25	(43,721,995)	(834,262,732)
<b>12. Current Financial Status -----&gt;</b>	<b>90,074,783</b>	<b>(403,267,504)</b>

## Forecast Revisions (July 23)

	Actual <u>FY2019-20</u>	NEFAB <u>FY2020-21</u>	LFO Prelim <u>FY2021-22</u>	LFO Preilim <u>FY2022-23</u>
<b>Feb 2020 NEFAB &amp; LFO Hist Avg</b>	5,205,000,000	5,175,000,000	5,364,000,000	5,548,000,000
Baseline forecast revisions	(10,237,389)	(179,407,000)	(354,267,000)	(335,248,000)
income tax deadline to July	(255,000,000)	255,000,000	0	0
Revenue impact, Cares Act	0	(125,593,000)	(67,123,000)	(57,361,000)
Net Change	(265,237,389)	(50,000,000)	(421,390,000)	(392,609,000)
<b>July 23 NEFAB &amp; Avg IHS</b>	4,939,762,611	5,125,000,000	4,942,610,000	5,155,391,000

## 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	(1,872,150)
Transfer-Out State Patrol drug purchases	(64,270)
All other accounting adjustments	8,253
Total Accounting adjustment	(2,606,017)



# FY2019-20 Actual General Fund Receipts

Table 1 compares the various forecasts with actual receipts for FY2019-20. Table 2 shows actual receipts and adjusted growth for FY2019-20 and the previous five years, Table 3 shows a chronology of the FY2019-20 forecasts and Table 4 provides historical revenues.

Table 1 FY2019-20 Actual Receipts vs Forecast

	Cert July 2019 FY2019-20	Oct 2019 FY2019-20	Feb 2020 FY2019-20	Actual YTD FY2019-20	\$ Variance Cert July 2019	\$ Variance Oct 2019	\$ Variance Feb 2020
<b><u>GROSS RECEIPTS</u></b>							
Sales and Use	2,435,554,000	2,455,477,000	2,565,898,000	2,550,432,396	114,878,396	94,955,396	(15,465,604)
Individual Income	3,102,644,000	3,151,266,000	3,159,774,000	2,901,208,800	(201,435,200)	(250,057,200)	(258,565,200)
Corporate Income	371,388,000	446,250,000	492,195,000	432,059,216	60,671,216	(14,190,784)	(60,135,784)
Miscellaneous	229,279,000	230,123,000	230,093,000	254,760,474	25,481,474	24,637,474	24,667,474
<b>Total Gross Receipts</b>	<b>6,138,865,000</b>	<b>6,283,116,000</b>	<b>6,447,960,000</b>	<b>6,138,460,884</b>	<b>(404,116)</b>	<b>(144,655,116)</b>	<b>(309,499,116)</b>
<b><u>REFUNDS &amp; CREDITS</u></b>							
City Sales Tax	448,841,000	457,319,000	488,888,000	489,132,760	40,291,760	31,813,760	244,760
State Sales and Use	119,744,000	118,920,000	121,735,000	111,269,735	(8,474,265)	(7,650,265)	(10,465,265)
Sales tax to Highway Funds	102,948,000	85,120,000	91,358,000	87,777,305	(15,170,695)	2,657,305	(3,580,695)
CSI Turnback	14,020,000	14,118,000	13,917,000	14,016,636	(3,364)	(101,364)	99,636
Individual Income	477,544,000	476,266,000	484,774,000	455,561,314	(21,982,686)	(20,704,686)	(29,212,686)
Corporate Income	46,388,000	41,250,000	42,195,000	40,895,463	(5,492,537)	(354,537)	(1,299,537)
Miscellaneous	273,000	123,000	93,000	45,059	(227,941)	(77,941)	(47,941)
<b>Total Refunds/Credits</b>	<b>1,209,758,000</b>	<b>1,193,116,000</b>	<b>1,242,960,000</b>	<b>1,198,698,274</b>	<b>(11,059,726)</b>	<b>5,582,274</b>	<b>(44,261,726)</b>
<b><u>NET RECEIPTS</u></b>							
Sales and Use	1,750,001,000	1,780,000,000	1,850,000,000	1,848,235,958	98,234,958	68,235,958	(1,764,042)
Individual Income	2,625,100,000	2,675,000,000	2,675,000,000	2,445,647,485	(179,452,515)	(229,352,515)	(229,352,515)
Corporate Income	325,000,000	405,000,000	450,000,000	391,163,752	66,163,752	(13,836,248)	(58,836,248)
Miscellaneous	229,006,000	230,000,000	230,000,000	254,715,415	25,709,415	24,715,415	24,715,415
<b>Total Net Receipts</b>	<b>4,929,107,000</b>	<b>5,090,000,000</b>	<b>5,205,000,000</b>	<b>4,939,762,611</b>	<b>10,655,611</b>	<b>(150,237,389)</b>	<b>(265,237,389)</b>
				0			
<b><u>ADJUSTED GROWTH</u></b>							
Sales/Use	2.8%	4.4%	8.4%	7.2%	na	na	na
Ind Income	1.6%	3.6%	3.6%	3.4%	na	na	na
Corp Income	-24.6%	-6.5%	3.7%	-2.8%	na	na	na
Misc Receipts	-0.7%	-0.1%	-0.1%	6.3%	na	na	na
<b>Total GF Revenues</b>	<b>-0.4%</b>	<b>2.8%</b>	<b>5.2%</b>	<b>4.3%</b>	<b>na</b>	<b>na</b>	<b>na</b>
<b><u>TOTAL BY MONTH</u></b>							
July	271,473,000	284,883,132	284,883,132	284,883,132	13,410,132	0	0
August	440,503,000	462,019,974	462,019,974	462,019,974	21,516,974	0	0
September	510,288,000	551,908,013	551,908,013	551,908,013	41,620,013	(0)	(0)
October	266,203,000	289,724,000	289,724,000	289,723,434	23,520,434	(566)	(566)
November	404,934,000	406,637,000	431,787,603	431,787,603	26,853,603	25,150,603	0
December	421,456,000	438,410,000	472,926,836	472,926,836	51,470,836	34,516,836	0
January	412,661,000	425,895,000	467,698,460	467,698,460	55,037,460	41,803,460	0
February	293,029,000	295,903,000	314,532,626	314,532,626	21,503,626	18,629,626	0
March	338,910,000	343,532,000	337,204,000	380,216,046	41,306,046	36,684,046	43,012,046
April	637,080,000	652,118,000	644,630,000	344,906,572	(292,173,428)	(307,211,428)	(299,723,428)
May	440,005,000	439,590,000	446,319,000	430,175,786	(9,829,214)	(9,414,214)	(16,143,214)
June	492,565,000	499,380,000	501,366,354	508,984,128	16,419,128	9,604,128	7,617,774
<b>Total GF Revenues</b>	<b>4,929,107,000</b>	<b>5,090,000,119</b>	<b>5,204,999,999</b>	<b>4,939,762,611</b>	<b>10,655,611</b>	<b>(150,237,508)</b>	<b>(265,237,387)</b>

Table 2 Actual Receipts and Adjusted Growth

	Actual FY2014-15	Actual FY2015-16	Actual FY2016-17	Actual FY2017-18	Actual FY2018-19	Actual FY2019-20
<b>GROSS RECEIPTS</b>						
Sales and Use	2,077,971,811	2,094,468,144	2,171,815,346	2,227,862,718	2,323,766,414	2,550,432,397
Individual Income	2,585,182,066	2,641,879,626	2,658,320,142	2,811,053,259	2,995,220,724	2,901,208,799
Corporate Income	377,110,289	355,255,463	317,877,308	355,713,385	465,815,238	432,059,215
Miscellaneous	217,791,194	251,287,376	228,108,875	290,514,168	269,431,444	254,760,474
Total Gross Receipts	5,258,055,360	5,342,890,608	5,376,121,671	5,685,143,530	6,054,233,820	6,138,460,885
<b>REFUNDS &amp; CREDITS</b>						
City Sales Tax	373,538,071	393,267,290	410,163,428	423,550,028	432,135,164	489,132,760
State Sales and Use	86,725,977	90,711,947	129,249,901	113,159,286	141,849,001	111,269,736
Sales tax to Highway Funds	73,742,441	73,155,323	74,054,661	76,676,926	78,843,507	87,777,306
CSI Turnback	8,543,052	9,310,274	9,958,507	11,739,120	12,831,609	14,016,636
Individual Income	379,718,163	420,790,809	433,480,089	450,457,324	449,540,685	455,561,314
Corporate Income	30,632,911	47,585,769	53,437,595	42,023,864	42,077,667	40,895,463
Miscellaneous	52,664	87,922	5,543	541,209	578,009	45,059
Total Refunds/Credits	952,953,279	1,034,909,334	1,110,349,724	1,118,147,757	1,157,855,642	1,198,698,274
<b>NET RECEIPTS</b>						
Sales and Use	1,535,422,270	1,528,023,310	1,548,388,849	1,602,737,358	1,658,107,133	1,848,235,959
Individual Income	2,205,463,903	2,221,088,817	2,224,840,053	2,360,595,935	2,545,680,039	2,445,647,485
Corporate Income	346,477,378	307,669,694	264,439,713	313,689,521	423,737,571	391,163,752
Miscellaneous	217,738,529	251,199,454	228,103,332	289,972,959	268,853,435	254,715,415
Total Net Receipts	4,305,102,080	4,307,981,275	4,265,771,947	4,566,995,773	4,896,378,178	4,939,762,611
<b>ADJUSTED GROWTH</b>						
Sales/Use	2.5%	0.9%	1.7%	1.6%	4.5%	7.2%
Ind Income	8.3%	1.3%	1.1%	5.9%	9.0%	3.4%
Corp Income	13.8%	-9.1%	-11.8%	17.6%	30.2%	-2.8%
Misc Receipts	1.1%	3.9%	0.2%	-6.5%	3.9%	6.3%
Total GF Revenues	6.2%	0.3%	0.3%	4.5%	8.7%	4.3%

<b>TOTAL BY MONTH</b>						
July	241,017,843	250,936,331	234,585,213	267,909,749	279,849,780	284,883,132
August	354,034,166	385,186,834	410,484,016	405,007,342	422,129,588	462,019,974
September	463,293,528	440,846,015	437,022,598	456,056,442	510,217,946	551,908,013
October	222,458,009	225,230,579	233,404,182	244,584,930	247,188,116	289,723,434
November	342,333,466	369,731,822	358,594,439	375,539,555	390,491,204	431,787,603
December	400,121,553	368,719,470	342,069,150	414,747,893	387,480,224	472,926,836
January	348,079,334	371,697,375	376,472,404	421,100,753	389,711,888	467,698,460
February	284,440,044	279,050,673	267,168,525	296,461,256	296,444,299	314,532,626
March	346,282,987	327,084,257	326,793,056	305,529,563	343,629,209	380,216,046
April	534,565,192	496,364,631	477,844,853	514,218,591	659,642,842	344,906,572
May	348,011,694	378,942,906	401,525,307	392,124,524	439,242,511	430,175,786
June	420,464,264	414,190,381	399,808,204	473,715,175	530,350,572	508,984,128
Total GF Revenues	4,305,102,080	4,307,981,275	4,265,771,947	4,566,995,773	4,896,378,178	4,939,762,611

Table 3 Chronology of FY2019-20 Revenue Forecasts

	FY2019-20 Revenue Forecasts (Thousands of \$)					Change Due to:			
	Sales/Use	Individual	Corporate	Misc	Total	Forecast	Bills	Other	Total
<b>Board Est-October 2018</b>	1,780,000	2,600,000	320,000	190,000	4,890,000				
Board Est-February 2019	1,760,000	2,600,000	330,000	180,000	4,870,000	(20,000)	0	0	(20,000)
Board Est-April 2019	1,750,000	2,625,000	325,000	180,000	4,880,000	10,000	0	0	10,000
Sine Die-2019 Session	1,750,000	2,625,100	325,000	229,007	4,929,107	0	49,107	0	49,107
Board Est-Oct 2019	1,780,000	2,675,000	405,000	230,000	5,090,000	160,893	0	0	160,893
Board Est-Feb 2020	1,850,000	2,675,000	450,000	230,000	5,205,000	115,000	0	0	115,000
Actual Receipts FY2019-20	1,848,236	2,445,647	391,164	254,716	4,939,763	(10,237)	0	(255,000)	(265,237)
Change from first NEFAB forecast to actual	68,236	(154,353)	71,164	64,716	49,763	255,656	49,107	(255,000)	49,763

**Chronology of FY2019-20 Forecasts**

Prior forecasts adjusted for subsequent legislation and federal tax changes

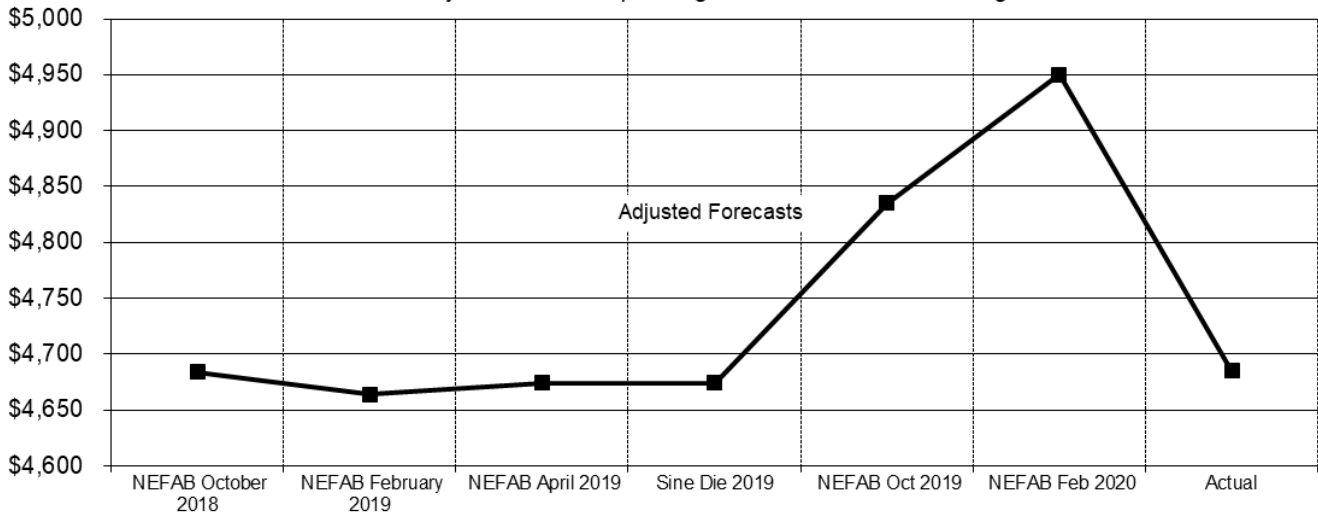
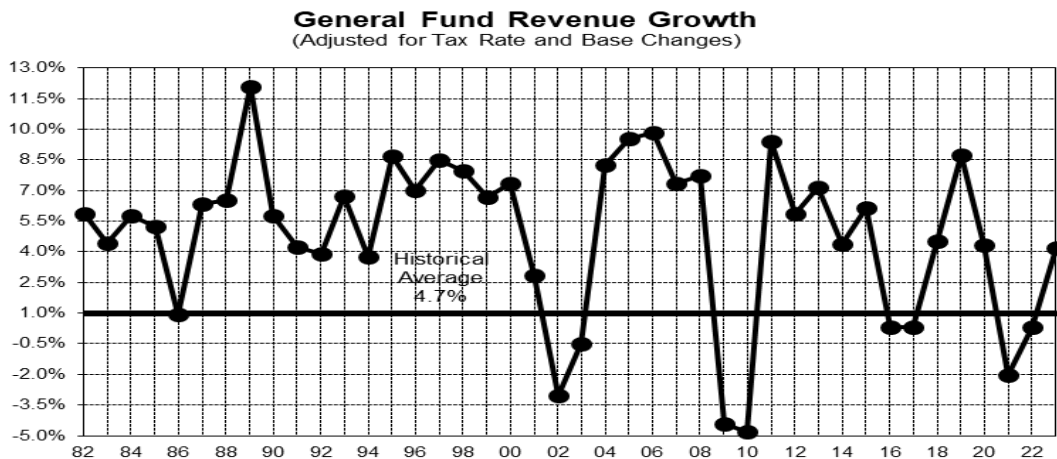


Table 4 Historical and Projected Revenues

	Sales	Individual	Corporate	Miscellaneous	Total	Adjusted Growth
FY 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	268,853,435	4,896,378,178	8.7%
FY 2019-20 Actual	1,848,235,959	2,445,647,485	391,163,752	254,715,415	4,939,762,611	4.3%
FY 2020-21 (July NEFAB)	1,765,000,000	2,700,000,000	440,000,000	220,000,000	5,125,000,000	-2.0%
FY 2021-22 LFO Prelim	1,899,094,000	2,546,773,000	316,127,000	180,616,000	4,942,610,000	0.3%
FY 2022-23 LFO Prelim	1,987,119,000	2,663,376,000	330,189,000	174,708,000	5,155,392,000	4.2%
<b>AVERAGE GROWTH (adjusted)</b>						
Five Yr Financial Status (FY19 to FY23 Status)	3.5%	5.0%	6.8%	-0.5%	4.4%	
Above Average Years (24)	5.5%	9.1%	12.5%	3.5%	7.4%	
Below Average Years (15)	1.9%	2.3%	-4.5%	0.4%	1.4%	
Historical Average (39 yrs)	4.2%	5.9%	4.6%	1.0%	4.7%	



## Cash Reserve Fund

	Beginning	Direct Deposit	Automatic	Legislative Transfers (2)		Ending	EB as % of revenues
	Balance	and Interest	Transfers (1)	Gen Fund	Other Funds	Balance	
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	0	(7,700,000)	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)	7,250,000	(6,000,000)	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	(96,500,000)	(2,000,000)	145,700,124	6.9%
FY1999-00	145,700,124	0	20,959,305	3,500,000	(28,000,000)	142,159,429	5.9%
FY2000-01	142,159,429	0	77,576,670	(24,500,000)	(25,000,000)	170,236,099	6.9%
FY2001-02	170,236,099	0	0	(59,800,000)	(370,000)	110,066,099	4.7%
FY2002-03	110,066,099	66,476,446	0	(87,400,000)	0	59,142,545	2.4%
FY2003-04	59,142,545	59,463,461	0	(61,191,862)	(385,807)	87,028,337	3.2%
FY2004-05	87,028,337	8,170,556	108,727,007	(26,000,000)	(758,180)	177,167,720	5.8%
FY2005-06	177,167,720	0	261,715,297	0	(165,266,227)	273,616,790	8.2%
FY2006-07	273,616,790	0	259,929,524	(15,674,107)	(1,784,416)	516,087,791	15.1%
FY2007-08	516,087,791	0	191,436,773	(60,177,767)	(101,801,000)	545,545,797	15.6%
FY2008-09	545,545,797	0	116,976,571	(54,990,505)	(29,340,000)	578,191,863	17.2%
FY2009-10	578,191,863	0	0	(105,000,000)	(5,990,237)	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	(37,000,000)	3,560,802	428,878,372	11.6%
FY2012-13	428,878,372	0	104,789,781	(78,000,000)	(76,008,427)	384,121,402	9.5%
FY2013-14	384,121,402	0	285,292,610	49,400,000	251,294	719,065,306	17.5%
FY2014-15	719,065,306	0	96,721,232	(67,701,112)	(20,250,000)	727,835,426	16.9%
FY2015-16	727,835,426	0	84,599,532	0	(81,779,850)	730,655,108	17.0%
FY2016-17	730,655,108	0	0	0	(50,000,000)	680,655,108	16.0%
FY2017-18	680,655,108	265,729	0	(225,000,000)	(115,930,772)	339,990,065	7.4%
FY2018-19	339,990,065	0	61,995,773	(48,000,000)	(20,436,714)	333,549,124	6.8%
FY2019-20	333,549,124	0	176,378,521	0	(83,619,600)	426,308,045	8.2%
FY2020-21 Est	426,308,045	0	10,655,528	0	(54,700,000)	382,263,573	7.4%
FY2021-22 Est	382,263,573	0	0	0	0	382,263,573	7.1%
FY2022-23 Est	382,263,573	0	0	0	0	382,263,573	6.9%

(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” (FY2021-22 and FY2022-23), the budget numbers reflect the annualized impact of the 2019 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 the underlying law.

Amounts shown in this section do not reflect budget actions that might take place during the 2020 session including revised TEEOSA school aid estimates. The on-going impact of the 2020 items into FY22 and FY23 are shown with those individual items.

**Table 5 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
TEEOSA Aid (2019 session estimate)	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
<b>Total General Fund Increases (Biennial Basis 2019)</b>	<b>5.0%</b>	<b>4.1%</b>	<b>4.6%</b>	<b>238,512,852</b>	<b>441,530,580</b>
Proposed 2020 Adjustments - TEEOSA				(80,949,381)	(86,440,199)
Proposed 2020 Adjustments - Other				16,451,123	23,018,467
<b>Proposed 2020 Adjustments - Total</b>				<b>(64,498,258)</b>	<b>(63,421,732)</b>
<b>General Fund Increases with 2020 proposed actions</b>	<b>2.3%</b>	<b>4.2%</b>	<b>3.2%</b>	<b>174,014,594</b>	<b>376,108,848</b>

## 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 8.1% 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.

*The previous paragraph describes the estimates at Sine Die 2019. Impacts of the January 2020 preliminary certified TEEOSA amounts are shown separately on the Financial Status. Significantly lower spending and higher valuations lowered the projected growth to 2.3% in FY22 and 6.4% in FY23 for a two year average of 4.3%*

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



# REVENUE VOLATILITY REPORT

November 2020

## **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***

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, one cycle of three years and one cycle of two years which though shorter in time was deeper in terms of the percentage error in each of the two years.

The last two fiscal years with actual data have been positive forecast error. The October 2020 increasing of the current FY20-21 fiscal year forecast (and year to date revenue performance) suggests a third consecutive positive forecast error. Note that this would be a positive forecast error even though the rate and base adjusted revenue growth would be low.

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 (\$600 million, 12%) or four year (\$800 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
FY1984-85	834,300	783,351	(50,949)	-6.11%	6.11%	-6.11%	
FY1985-86	903,100	834,236	(68,864)	-7.63%	7.63%	-7.63%	
FY1986-87	878,121	886,354	8,233	0.94%	0.94%		0.94%
FY1987-88	924,000	1,016,098	92,098	9.97%	9.97%		9.97%
FY1988-89	988,437	1,133,447	145,010	14.67%	14.67%		14.67%
FY1989-90	1,110,883	1,152,709	41,826	3.77%	3.77%		3.77%
FY1990-91	1,334,600	1,367,078	32,478	2.43%	2.43%		2.43%
FY1991-92	1,493,227	1,490,409	(2,818)	-0.19%	0.19%	-0.19%	
FY1992-93	1,537,987	1,524,662	(13,325)	-0.87%	0.87%	-0.87%	
FY1993-94	1,662,548	1,653,753	(8,795)	-0.53%	0.53%	-0.53%	
FY1994-95	1,729,901	1,705,490	(24,411)	-1.41%	1.41%	-1.41%	
F19Y95-96	1,834,289	1,836,731	2,442	0.13%	0.13%		0.13%
FY1996-97	1,917,984	2,009,604	91,620	4.78%	4.78%		4.78%
FY1997-98	1,993,835	2,105,451	111,616	5.60%	5.60%		5.60%
FY1998-99	2,102,910	2,123,837	20,927	1.00%	1.00%		1.00%
FY1999-00	2,326,348	2,403,924	77,576	3.33%	3.33%		3.33%
FY2000-01	2,480,701	2,456,862	(23,839)	-0.96%	0.96%	-0.96%	
FY2001-02	2,631,848	2,365,509	(266,339)	-10.12%	10.12%	-10.12%	
FY2002-03	2,723,377	2,456,400	(266,977)	-9.80%	9.80%	-9.80%	
FY2003-04	2,731,975	2,718,726	(13,249)	-0.48%	0.48%	-0.48%	
FY2004-05	2,775,479	3,037,194	261,715	9.43%	9.43%		9.43%
FY2005-06	3,092,258	3,352,188	259,930	8.41%	8.41%		8.41%
FY2006-07	3,216,895	3,408,331	191,436	5.95%	5.95%		5.95%
FY2007-08	3,389,186	3,506,163	116,977	3.45%	3.45%		3.45%
FY2008-09	3,531,746	3,357,468	(174,278)	-4.93%	4.93%	-4.93%	
FY2009-10	3,446,675	3,204,680	(241,995)	-7.02%	7.02%	-7.02%	
FY2010-11	3,421,459	3,499,655	78,196	2.29%	2.29%		2.29%
FY2011-12	3,591,099	3,695,888	104,789	2.92%	2.92%		2.92%
FY2012-13	3,767,066	4,052,358	285,292	7.57%	7.57%		7.57%
FY2013-14	4,020,687	4,117,408	96,721	2.41%	2.41%		2.41%
FY2014-15	4,220,500	4,305,100	84,600	2.00%	2.00%		2.00%
FY2015-16	4,473,856	4,307,981	(165,875)	-3.71%	3.71%	-3.71%	
FY2016-17	4,567,238	4,265,771	(301,467)	-6.60%	6.60%	-6.60%	
FY2017-18	4,605,427	4,566,995	(38,432)	-0.83%	0.83%	-0.83%	
FY2018-19	4,730,734	4,896,378	165,644	3.50%	3.50%		3.50%
FY2019-20	4,649,107	4,939,763	290,656	6.25%	6.25%		6.25%
Average (FY90 to FY20, 30 yr)				0.85%	4.46%	-4.3%	4.3%
Standard Deviation (FY90 to FY20, 30 yr)				5.48%	3.55%	3.5%	3.5%

**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 2009-10 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 which accounts for 41% of all federal funds. 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 could decline as Nebraska appears to be doing economically better than other states during the COVID-19 pandemic. 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	FY2009-10	FY2019-20	% of Total FY19-20	Avg Annual % Change
Human Resources	Federal	1,656,338,458	1,857,519,312	61.32%	1.15%
Higher Education	Federal	372,927,254	571,939,967	18.88%	4.37%
K-12 Education	Federal	410,640,878	360,647,231	11.91%	-1.29%
Public Safety	Federal	52,212,149	123,094,521	4.06%	8.95%
Natural Resources	Federal	88,723,718	53,493,557	1.77%	-4.93%
Gen Govt	Federal	24,604,848	21,730,988	0.72%	-1.23%
Criminal Justice	Federal	53,130,375	26,239,111	0.87%	-6.81%
Construction	Federal	26,429,093	10,466,812	0.35%	-8.85%
Misc Education	Federal	3,229,780	3,784,203	0.12%	1.60%
Transportation	Federal	4,455,870	321,608	0.01%	-23.12%
State Total	Federal	2,692,692,423	3,029,237,310	100.00%	1.18%

Agency	Function	FY2009-10	FY2019-20	% of Total FY19-20	Avg Annual % Change
DHHS	Human Resources	1,607,708,018	1,792,545,604	59.17%	1.09%
University of Nebraska	Higher Education	340,284,624	523,525,215	17.28%	4.40%
Education	K-12 Education	410,640,878	360,647,231	11.91%	-1.29%
Military Dept	Public Safety	48,609,422	120,849,436	3.99%	9.53%
State Colleges	Higher Education	31,429,627	48,414,752	1.60%	4.42%
Environmental Quality *	Natural Resources	79,650,931	39,675,693	1.31%	-6.73%
Labor	Human Resources	43,962,018	36,830,791	1.22%	-1.75%
Veterans Affairs	Human Resources in DHHS		23,811,635	0.79%	na
Economic Development	Gen Govt	21,790,283	18,085,070	0.60%	-1.85%
Crime Commission	Criminal Justice	8,479,607	14,391,904	0.48%	5.43%
Capital Construction	Construction	26,429,093	10,466,812	0.35%	-8.85%
State Patrol	Criminal Justice	8,062,584	8,645,170	0.29%	0.70%
Game & Parks	Natural Resources	5,173,520	8,019,384	0.26%	4.48%
Agriculture	Natural Resources	3,194,657	3,821,670	0.13%	1.81%
Blind/Visually Impaired	Human Resources	3,638,789	3,241,477	0.11%	-1.15%
Secretary of State	Gen Govt	99,834	2,103,557	0.07%	35.63%
Natural Resources	Natural Resources	459,273	1,884,844	0.06%	15.16%
Supreme Court	Criminal Justice	1,135,798	1,711,567	0.06%	4.19%
Library Commission	Misc Education	1,307,327	1,568,987	0.05%	1.84%
State Treasurer	Gen Govt	1,949,297	1,495,401	0.05%	-2.62%
Correctional Services	Criminal Justice	34,202,560	414,153	0.01%	-35.69%
All Other		14,484,283	7,086,957	0.23%	-6.90%
State Total		2,692,692,423	3,029,237,310	100.00%	1.18%

\* Includes Energy Office

**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 and/or /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**

	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
Beginning Balance	426,307,702	412,263,230	611,001,230	611,001,230	611,001,230
Excess of certified forecasts (line 3 in Status)	10,655,528	198,738,000	0	0	0
To/from Gen Fund per current law	(30,000,000)	0	0	0	0
To Nebr Capital Construction Fund (NCCF)	(54,700,000)	0	0	0	0
From Gov Emergency Fund (LB1009-2020)	60,000,000	0	0	0	0
Projected Unobligated Ending Balance	412,263,230	611,001,230	611,001,230	611,001,230	611,001,230

**Table 4 Cash Reserve Fund – Historical Balances**

	Beginning Balance	Direct Deposit and Interest	Automatic Transfers (1)	Legislative Transfers (2)		Cash Flow	Ending Balance	EB as % of revenues
			Gen Fund	Other Funds				
FY1983-84	0	37,046,760	na	0	0	0	37,046,760	4.7%
FY1984-85	37,046,760	(1,472,551)	na	0	0	0	35,574,209	4.5%
FY1985-86	35,574,209	227,855	na	(13,500,000)	0	0	22,302,064	2.7%
FY1986-87	22,302,064	1,428,021	na	0	0	0	23,730,085	2.7%
FY1987-88	23,730,085	1,654,844	na	0	(7,700,000)	0	17,684,929	1.7%
FY1988-89	17,684,929	139,000	na	32,600,000	0	0	50,423,929	4.4%
FY1989-90	50,423,929	113,114	na	(10,500,000)	0	0	40,037,043	3.5%
FY1990-91	40,037,043	0	na	(8,100,000)	0	0	31,937,043	2.3%
FY1991-92	31,937,043	0	na	(5,000,000)	0	0	26,937,043	1.8%
FY1992-93	26,937,043	0	na	(9,500,000)	0	0	17,437,043	1.1%
FY1993-94	17,437,043	0	3,063,462	7,250,000	0	0	27,750,505	1.7%
FY1994-95	27,750,505	0	(8,518,701)	7,250,000	(6,000,000)	0	20,481,804	1.2%
FY1995-96	20,481,804	0	(20,481,804)	18,189,565	0	0	18,189,565	1.0%
FY1996-97	18,189,565	0	19,740,786	3,032,333	0	0	40,962,684	2.0%
FY1997-98	40,962,684	0	91,621,018	0	0	0	132,583,702	6.3%
FY1998-99	132,583,702	0	111,616,422	(96,500,000)	(2,000,000)	0	145,700,124	6.9%
FY1999-00	145,700,124	0	20,959,305	3,500,000	(28,000,000)	0	142,159,429	5.9%
FY2000-01	142,159,429	0	77,576,670	(24,500,000)	(25,000,000)	0	170,236,099	6.9%
FY2001-02	170,236,099	0	0	(59,800,000)	(370,000)	0	110,066,099	4.7%
FY2002-03	110,066,099	66,476,446	0	(87,400,000)	0	(30,000,000)	59,142,545	2.4%
FY2003-04	59,142,545	59,463,461	0	(61,191,862)	(385,807)	30,000,000	87,028,337	3.2%
FY2004-05	87,028,337	8,170,556	108,727,007	(26,000,000)	(758,180)	0	177,167,720	5.8%
FY2005-06	177,167,720	0	261,715,297	0	(165,266,227)	0	273,616,790	8.2%
FY2006-07	273,616,790	0	259,929,524	(15,674,107)	(1,784,416)	0	516,087,791	15.1%
FY2007-08	516,087,791	0	191,436,773	(60,177,767)	(101,801,000)	0	545,545,797	15.6%
FY2008-09	545,545,797	0	116,976,571	(54,990,505)	(29,340,000)	0	578,191,863	17.2%
FY2009-10	578,191,863	0	0	(105,000,000)	(5,990,237)	0	467,201,626	14.6%
FY2010-11	467,201,626	0	0	(154,000,000)	0	0	313,201,626	8.9%
FY2011-12	313,201,626	8,422,528	145,155,092	(37,000,000)	3,560,802	(4,461,676)	428,878,372	11.6%
FY2012-13	428,878,372	0	104,789,781	(78,000,000)	(76,008,427)	4,461,676	384,121,402	9.5%
FY2013-14	384,121,402	0	285,292,610	49,400,000	251,294	0	719,065,306	17.5%
FY2014-15	719,065,306	0	96,721,232	(67,701,112)	(20,250,000)	0	727,835,426	16.9%
FY2015-16	727,835,426	0	84,599,532	0	(81,779,850)	0	730,655,108	17.0%
FY2016-17	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	333,549,124	0	176,378,178	0	(83,619,600)	0	426,307,702	8.6%
FY2020-21 Est	426,307,702	0	10,655,528	0	(24,700,000)	0	412,263,230	7.8%
FY2021-22 Est	412,263,230	0	198,738,000	0	0	0	611,001,230	12.4%
FY2022-23 Est	611,001,230	0	0	0	0	0	611,001,230	11.6%
FY2023-24 Est	611,001,230	0	0	0	0	0	611,001,230	10.9%
FY2024-25 Est	611,001,230	0	0	0	0	0	611,001,230	10.3%

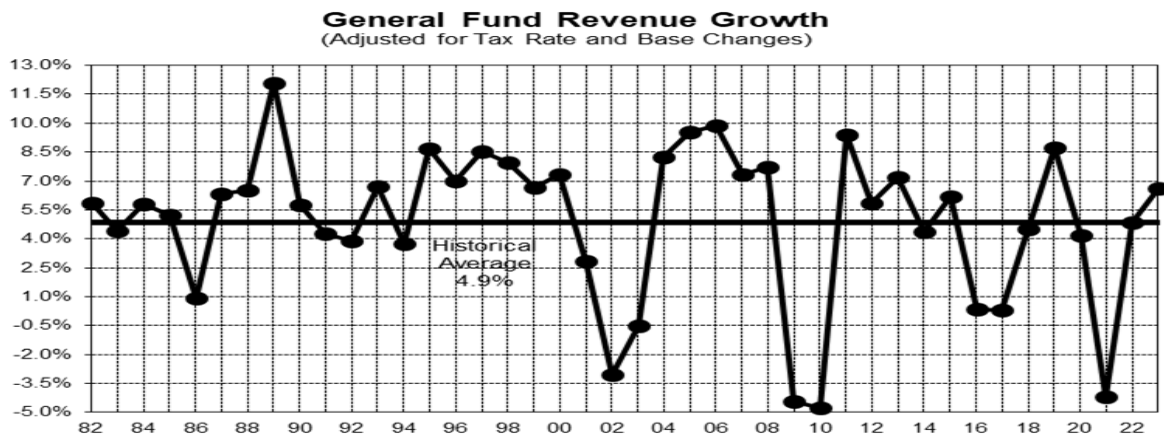
**Include revenue projections for the ensuing two fiscal years included in the impending biennial budget;**

Current official General Fund forecasts have been set for fiscal years 2020-21, 2021-22, and 2022-23.

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 29, 2020. Revisions to the current and ensuing two fiscal years will occur in February and April 2021. After the end of this fiscal year the ensuing two fiscal years will be revised again in October 2021 and February 2022. After conclusion of FY2021-22, the last fiscal year will be revised again in October 2022, and February and April 2023. 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 FY2020-21	NEFAB FY2021-22	NEFAB FY2022-23	LFO Prelim FY2023-24	LFO Prelim FY2024-25
<b>Actual/Forecast</b>					
Sales and Use Tax	1,910,000,000	1,910,000,000	2,095,000,000	2,185,000,000	2,272,000,000
Individual Income Tax	2,765,000,000	2,490,000,000	2,655,000,000	2,850,000,000	3,077,000,000
Corporate Income Tax	385,000,000	335,000,000	345,000,000	358,000,000	387,000,000
Miscellaneous receipts	226,000,000	185,000,000	180,000,000	197,000,000	190,000,000
Total General Fund Revenues	5,286,000,000	4,920,000,000	5,275,000,000	5,590,000,000	5,926,000,000
<b>Adjusted Growth</b>					
Sales and Use Tax	2.9%	3.1%	6.3%	4.3%	4.0%
Individual Income Tax	3.3%	-1.1%	6.4%	8.5%	8.6%
Corporate Income Tax	-14.3%	6.7%	3.3%	10.0%	10.0%
Miscellaneous receipts	-2.3%	-1.7%	4.3%	2.3%	3.1%
Total General Fund Revenues	1.4%	1.0%	6.0%	6.8%	6.8%
Two Yr Average	3.1%	--	3.5%	6.4%	6.8%
Five Yr Average	4.0%	--	4.4%	4.0%	4.4%





**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 1 Yr Prior	Actual Receipts	Variance from Forecast		Abs Value of Error	Below Forecast	Above Forecast
				Dollar	Pct			
FY1984-85	Sales	dna	300,534					
FY1985-86	Sales	dna	310,391					
FY1986-87	Sales	353,540	345,158	(8,382)	-2.37%	2.37%	-2.37%	
FY1987-88	Sales	370,000	393,149	23,149	6.26%	6.26%		6.26%
FY1988-89	Sales	400,000	430,078	30,078	7.52%	7.52%		7.52%
FY1989-90	Sales	449,981	444,231	(5,750)	-1.28%	1.28%	-1.28%	
FY1990-91	Sales	563,000	547,373	(15,627)	-2.78%	2.78%	-2.78%	
FY1991-92	Sales	605,305	592,442	(12,863)	-2.13%	2.13%	-2.13%	
FY1992-93	Sales	607,616	586,355	(21,261)	-3.50%	3.50%	-3.50%	
FY1993-94	Sales	666,458	648,847	(17,611)	-2.64%	2.64%	-2.64%	
FY1994-95	Sales	675,270	683,852	8,582	1.27%	1.27%		1.27%
FY1995-96	Sales	731,522	711,002	(20,520)	-2.81%	2.81%	-2.81%	
FY1996-97	Sales	756,697	755,908	(789)	-0.10%	0.10%	-0.10%	
FY1997-98	Sales	792,903	803,805	10,902	1.37%	1.37%		1.37%
FY1998-99	Sales	764,009	744,651	(19,358)	-2.53%	2.53%	-2.53%	
FY1999-00	Sales	887,759	900,427	12,668	1.43%	1.43%		1.43%
FY2000-01	Sales	940,400	905,023	(35,377)	-3.76%	3.76%	-3.76%	
FY2001-02	Sales	963,000	918,890	(44,110)	-4.58%	4.58%	-4.58%	
FY2002-03	Sales	1,043,145	1,028,931	(14,214)	-1.36%	1.36%	-1.36%	
FY2003-04	Sales	1,142,146	1,114,374	(27,772)	-2.43%	2.43%	-2.43%	
FY2004-05	Sales	1,172,491	1,231,011	58,520	4.99%	4.99%		4.99%
FY2005-06	Sales	1,251,982	1,263,679	11,697	0.93%	0.93%		0.93%
FY2006-07	Sales	1,266,446	1,303,826	37,380	2.95%	2.95%		2.95%
FY2007-08	Sales	1,293,053	1,321,867	28,814	2.23%	2.23%		2.23%
FY2008-09	Sales	1,358,932	1,326,161	(32,771)	-2.41%	2.41%	-2.41%	
FY2009-10	Sales	1,343,559	1,289,797	(53,762)	-4.00%	4.00%	-4.00%	
FY2010-11	Sales	1,365,000	1,372,784	7,784	0.57%	0.57%		0.57%
FY2011-12	Sales	1,424,967	1,436,909	11,942	0.84%	0.84%		0.84%
FY2012-13	Sales	1,479,906	1,474,943	(4,963)	-0.34%	0.34%	-0.34%	
FY2013-14	Sales	1,499,996	1,524,794	24,798	1.65%	1.65%		1.65%
FY2014-15	Sales	1,536,422	1,535,420	(1,002)	-0.07%	0.07%	-0.07%	
FY2015-16	Sales	1,614,273	1,528,023	(86,250)	-5.34%	5.34%	-5.34%	
FY2016-17	Sales	1,607,111	1,548,388	(58,723)	-3.65%	3.65%	-3.65%	
FY2017-18	Sales	1,625,000	1,602,737	(22,263)	-1.37%	1.37%	-1.37%	
FY2018-19	Sales	1,685,000	1,658,107	(26,893)	-1.60%	1.60%		-1.60%
FY2019-20	Sales	1,750,000	1,848,236	98,236	5.61%	5.61%		5.61%
Average (FY90 to FY20, 30 yr)					-0.60%	2.62%	-2.6%	2.1%
Standard Deviation (FY90 to FY20, 30 yr)					3.17%	1.82%	1.4%	2.5%

**Table 7 Actual vs. Projected Revenues – Individual Income Tax**

Fiscal Year		Forecast 1 Yr Prior	Actual Receipts	Variance from Forecast		Abs Value of Error		Below	Above
				Dollar	Pct			Forecast	Forecast
FY1984-85	Ind	dna	324,586						
FY1985-86	Ind	dna	357,181						
FY1986-87	Ind	340,000	365,762	25,762	7.58%	7.58%		7.58%	
FY1987-88	Ind	380,000	437,742	57,742	15.20%	15.20%		15.20%	
FY1988-89	Ind	417,773	479,732	61,959	14.83%	14.83%		14.83%	
FY1989-90	Ind	467,812	501,134	33,322	7.12%	7.12%		7.12%	
FY1990-91	Ind	590,900	609,431	18,531	3.14%	3.14%		3.14%	
FY1991-92	Ind	652,878	658,634	5,756	0.88%	0.88%		0.88%	
FY1992-93	Ind	688,000	690,351	2,351	0.34%	0.34%		0.34%	
FY1993-94	Ind	738,000	722,361	(15,639)	-2.12%	2.12%	-2.12%		
FY1994-95	Ind	783,000	746,718	(36,282)	-4.63%	4.63%	-4.63%		
FY1995-96	Ind	825,189	846,547	21,358	2.59%	2.59%		2.59%	
FY1996-97	Ind	863,000	944,117	81,117	9.40%	9.40%		9.40%	
FY1997-98	Ind	895,272	981,644	86,372	9.65%	9.65%		9.65%	
FY1998-99	Ind	1,028,363	1,078,523	50,160	4.88%	4.88%		4.88%	
FY1999-00	Ind	1,130,000	1,180,363	50,363	4.46%	4.46%		4.46%	
FY2000-01	Ind	1,229,295	1,233,364	4,069	0.33%	0.33%		0.33%	
FY2001-02	Ind	1,339,309	1,159,811	(179,498)	-13.40%	13.40%	-13.40%		
FY2002-03	Ind	1,338,700	1,129,422	(209,278)	-15.63%	15.63%	-15.63%		
FY2003-04	Ind	1,307,056	1,249,890	(57,166)	-4.37%	4.37%	-4.37%		
FY2004-05	Ind	1,262,599	1,400,077	137,478	10.89%	10.89%		10.89%	
FY2005-06	Ind	1,439,950	1,545,338	105,388	7.32%	7.32%		7.32%	
FY2006-07	Ind	1,517,377	1,650,895	133,518	8.80%	8.80%		8.80%	
FY2007-08	Ind	1,630,350	1,726,145	95,795	5.88%	5.88%		5.88%	
FY2008-09	Ind	1,750,074	1,600,418	(149,656)	-8.55%	8.55%	-8.55%		
FY2009-10	Ind	1,675,000	1,514,830	(160,170)	-9.56%	9.56%	-9.56%		
FY2010-11	Ind	1,630,000	1,735,209	105,209	6.45%	6.45%		6.45%	
FY2011-12	Ind	1,758,137	1,822,884	64,747	3.68%	3.68%		3.68%	
FY2012-13	Ind	1,862,137	2,101,912	239,775	12.88%	12.88%		12.88%	
FY2013-14	Ind	2,039,395	2,060,759	21,364	1.05%	1.05%		1.05%	
FY2014-15	Ind	2,207,703	2,205,464	(2,239)	-0.10%	0.10%	-0.10%		
FY2015-16	Ind	2,298,471	2,221,089	(77,382)	-3.37%	3.37%	-3.37%		
FY2016-17	Ind	2,427,203	2,224,840	(202,363)	-8.34%	8.34%	-8.34%		
FY2017-18	Ind	2,425,000	2,360,596	(64,404)	-2.66%	2.66%	-2.66%		
FY2018-19	Ind	2,471,000	2,545,680	74,680	3.02%	3.02%	3.02%		
FY2019-20	Ind	2,375,100	2,445,647	70,547	2.97%	2.97%	2.97%		
Average (FY90 to FY20, 30 yr)					0.56%	6.32%	-6.7%	5.8%	
Standard Deviation (FY90 to FY20, 30 yr)					7.53%	4.52%	5.5%	4.5%	

**Table 8 Actual vs. Projected Revenues – Corporate Income Tax**

Fiscal Year		Forecast	Actual	Variance from Forecast		Abs Value	Below	Above
		1 Yr Prior	Receipts	Dollar	Pct	of Error	Forecast	Forecast
FY1984-85	Corp	dna	48,959					
FY1985-86	Corp	dna	54,559					
FY1986-87	Corp	72,000	67,424	(4,576)	-6.36%	6.36%	-6.36%	
FY1987-88	Corp	65,000	73,781	8,781	13.51%	13.51%		13.51%
FY1988-89	Corp	50,000	80,624	30,624	61.25%	61.25%		61.25%
FY1989-90	Corp	70,000	71,948	1,948	2.78%	2.78%		2.78%
FY1990-91	Corp	54,800	81,948	27,148	49.54%	49.54%		49.54%
FY1991-92	Corp	100,380	103,617	3,237	3.22%	3.22%		3.22%
FY1992-93	Corp	105,000	102,755	(2,245)	-2.14%	2.14%	-2.14%	
FY1993-94	Corp	110,000	113,143	3,143	2.86%	2.86%		2.86%
FY1994-95	Corp	118,000	123,924	5,924	5.02%	5.02%		5.02%
FY1995-96	Corp	120,422	126,801	6,379	5.30%	5.30%		5.30%
FY1996-97	Corp	131,000	137,338	6,338	4.84%	4.84%		4.84%
FY1997-98	Corp	133,230	142,150	8,920	6.70%	6.70%		6.70%
FY1998-99	Corp	138,000	135,034	(2,966)	-2.15%	2.15%	-2.15%	
FY1999-00	Corp	143,000	140,022	(2,978)	-2.08%	2.08%	-2.08%	
FY2000-01	Corp	140,952	138,040	(2,912)	-2.07%	2.07%	-2.07%	
FY2001-02	Corp	148,913	107,628	(41,285)	-27.72%	27.72%	-27.72%	
FY2002-03	Corp	133,700	111,597	(22,103)	-16.53%	16.53%	-16.53%	
FY2003-04	Corp	120,008	167,429	47,421	39.52%	39.52%		39.52%
FY2004-05	Corp	149,271	198,380	49,109	32.90%	32.90%		32.90%
FY2005-06	Corp	185,950	262,295	76,345	41.06%	41.06%		41.06%
FY2006-07	Corp	218,677	213,027	(5,650)	-2.58%	2.58%	-2.58%	
FY2007-08	Corp	241,200	232,852	(8,348)	-3.46%	3.46%	-3.46%	
FY2008-09	Corp	214,490	198,484	(16,006)	-7.46%	7.46%	-7.46%	
FY2009-10	Corp	169,814	154,332	(15,482)	-9.12%	9.12%	-9.12%	
FY2010-11	Corp	185,000	154,945	(30,055)	-16.25%	16.25%	-16.25%	
FY2011-12	Corp	200,000	234,266	34,266	17.13%	17.13%		17.13%
FY2012-13	Corp	230,000	275,563	45,563	19.81%	19.81%		19.81%
FY2013-14	Corp	265,000	306,591	41,591	15.69%	15.69%		15.69%
FY2014-15	Corp	263,000	346,477	83,477	31.74%	31.74%		31.74%
FY2015-16	Corp	329,124	307,670	(21,454)	-6.52%	6.52%	-6.52%	
FY2016-17	Corp	310,000	264,440	(45,560)	-14.70%	14.70%	-14.70%	
FY2017-18	Corp	265,000	313,689	48,689	18.37%	18.37%		18.37%
FY2018-19	Corp	308,000	423,738	115,738	37.58%	37.58%		37.58%
FY2019-20	Corp	295,000	391,164	96,164	32.60%	32.60%	32.60%	
Average (FY90 to FY20, 30 yr)					8.7%	16.8%	-9.6%	18.6%
Standard Deviation (FY90 to FY20, 30 yr)					20.7%	15.5%	12.5%	17.4%

**Table 9 Actual vs. Projected Revenues – Miscellaneous Receipts**

Fiscal Year		Forecast 1 Yr Prior	Actual Receipts	Variance from Forecast		Abs Value of Error		Below Forecast	Above Forecast
				Dollar	Pct				
FY1984-85	Misc	dna	109,272						
FY1985-86	Misc	dna	112,105						
FY1986-87	Misc	112,581	108,010	(4,571)	-4.06%	4.06%	-4.06%		
FY1987-88	Misc	109,000	111,426	2,426	2.23%	2.23%		2.23%	
FY1988-89	Misc	120,664	143,013	22,349	18.52%	18.52%		18.52%	
FY1989-90	Misc	123,090	135,396	12,306	10.00%	10.00%		10.00%	
FY1990-91	Misc	125,900	128,326	2,426	1.93%	1.93%		1.93%	
FY1991-92	Misc	134,664	135,716	1,052	0.78%	0.78%		0.78%	
FY1992-93	Misc	137,371	145,201	7,830	5.70%	5.70%		5.70%	
FY1993-94	Misc	148,090	169,402	21,312	14.39%	14.39%		14.39%	
FY1994-95	Misc	153,631	150,996	(2,635)	-1.72%	1.72%	-1.72%		
FY1995-96	Misc	157,156	152,381	(4,775)	-3.04%	3.04%	-3.04%		
FY1996-97	Misc	167,287	172,241	4,954	2.96%	2.96%		2.96%	
FY1997-98	Misc	172,430	177,852	5,422	3.14%	3.14%		3.14%	
FY1998-99	Misc	172,538	165,629	(6,909)	-4.00%	4.00%	-4.00%		
FY1999-00	Misc	165,589	183,112	17,523	10.58%	10.58%		10.58%	
FY2000-01	Misc	170,054	180,435	10,381	6.10%	6.10%		6.10%	
FY2001-02	Misc	180,626	179,180	(1,446)	-0.80%	0.80%	-0.80%		
FY2002-03	Misc	207,832	186,450	(21,382)	-10.29%	10.29%	-10.29%		
FY2003-04	Misc	162,765	187,033	24,268	14.91%	14.91%		14.91%	
FY2004-05	Misc	191,118	207,726	16,608	8.69%	8.69%		8.69%	
FY2005-06	Misc	214,376	280,875	66,499	31.02%	31.02%		31.02%	
FY2006-07	Misc	214,395	240,583	26,188	12.21%	12.21%		12.21%	
FY2007-08	Misc	224,583	225,298	715	0.32%	0.32%		0.32%	
FY2008-09	Misc	208,250	232,405	24,155	11.60%	11.60%		11.60%	
FY2009-10	Misc	258,302	245,721	(12,582)	-4.87%	4.87%	-4.87%		
FY2010-11	Misc	241,459	236,717	(4,742)	-1.96%	1.96%	-1.96%		
FY2011-12	Misc	207,995	201,829	(6,166)	-2.96%	2.96%	-2.96%		
FY2012-13	Misc	195,023	199,941	4,918	2.52%	2.52%		2.52%	
FY2013-14	Misc	216,296	225,265	8,969	4.15%	4.15%		4.15%	
FY2014-15	Misc	213,375	217,739	4,364	2.05%	2.05%		2.05%	
FY2015-16	Misc	231,988	251,199	19,211	8.28%	8.28%		8.28%	
FY2016-17	Misc	222,924	228,103	5,179	2.32%	2.32%		2.32%	
FY2017-18	Misc	290,427	289,973	(454)	-0.16%	0.16%	-0.16%		
FY2018-19	Misc	266,734	268,853	2,120	0.79%	0.79%	0.79%		
FY2019-20	Misc	229,007	254,716	25,709	11.23%	11.23%		11.23%	
Average (FY90 to FY20, 30 yr)					4.18%	6.55%	-3.4%	7.2%	
Standard Deviation (FY90 to FY20, 30 yr)					7.92%	6.40%	2.8%	7.0%	