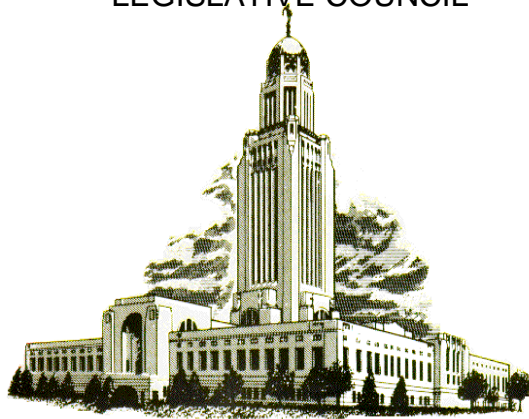


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Legislative Fiscal Analyst

JULIE ROGERS
Ombudsman

November 22, 2021

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 2021.

The attachments include reports presented to and reviewed by the Committee on July 22, 2021, and November 16, 2021. At each meeting the Committee determined there was no need to call the Legislature into special session to adjust tax rates.

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/2021_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 16, 2021

Required November Meeting Pursuant to Section 77-2715.01

Speaker of the Legislature

Executive Board Chair

Revenue Committee Chair

Appropriations Committee Chair

Senator Mike Hilgers

Senator Dan Hughes

Senator Lou Ann Linehan

Senator John Stinner

Tax Commissioner Tony Fulton

Prepared by the Legislative Fiscal Office

Statutory Required Meetings

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

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

(b) The Legislature shall set the rates of the sales tax and income tax so that the estimated funds available plus estimated receipts from the sales, use, income, and franchise taxes will be not less than three percent nor more than seven percent in excess of the appropriations and express obligations for the biennium for which the appropriations are made, except that for the biennium ending June 30, 2019, the percentage shall not be less than two and one-half percent nor more than seven percent. The purpose of this subdivision is to insure that there shall be maintained in the state treasury an adequate General Fund balance, considering cash flow, to meet the appropriations and express obligations of the state.

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

2) The Speaker of the Legislature and the chairpersons of the Legislature's Executive Board, Revenue Committee, and Appropriations Committee shall constitute a committee to be known as the Tax Rate Review Committee. The Tax Rate Review Committee shall meet with the Tax Commissioner within ten days after July 15 and November 15 of each year and shall determine whether the rates for sales tax and income tax should be changed. In making such determination the committee shall recalculate the requirements pursuant to the formula set forth in subsection (1) of this section, taking into consideration the appropriations and express obligations for any session, all miscellaneous claims, deficiency bills, and all emergency appropriations. The committee shall prepare an annual report of its determinations under this section. The committee shall submit such report electronically to the Legislature and shall append the tax expenditure report required under section 77-382 and the revenue volatility report required under section 50-419.02.

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

Annual Report

LB962 enacted in the 2012 legislative session included a requirement that the Tax Rate Review Committee prepare an **annual** report of its determinations, submit such report electronically to the Legislature, and append the tax expenditure report required under section 77-382 to such annual report.

As the Tax Rate Review Committee meets twice each year, for purposes of this provision the annual report will be prepared after the required November meeting.

General Fund Financial Status

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

Table 1 Projected General Fund Financial Status

	Actual FY2020-21	Biennial Budget FY2021-22 FY2022-23		Following Biennium FY2023-24 FY2024-25	
1 BEGINNING BALANCE					
2 Beginning Cash Balance	710,599,887	1,848,977,997	1,000,472,012	728,514,412	850,516,375
3 Cash Reserve transfers-automatic	(10,655,528)	(535,259,365)	(475,390,081)	0	0
4 Carryover obligations from FY21	0	(339,592,954)	0	0	0
5 Lapse FY21 reappropriations	0	0	0	0	0
6 Allocation for potential deficits	0	0	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	699,944,359	974,125,678	520,081,931	723,514,412	845,516,375
8 REVENUES & TRANSFERS					
9 Net Receipts (NEFAB October 2021 + LFO prelim)	5,955,664,939	5,355,000,000	5,555,000,000	5,566,500,000	5,766,600,000
10 General Fund transfers-out (current law)	(310,600,000)	(455,330,000)	(335,830,000)	(327,010,000)	(322,010,000)
11 General Fund transfers-in (current law)	in actual	in forecast	in forecast	0	0
12 Cash Reserve transfers (current law)	30,000,000	(50,000,000)	(50,000,000)	0	0
13 2022 Cash Reserve transfers (new)	0	0	0	0	0
14 2022 General Fund transfers-out	0	0	0	0	0
15 2022 General Fund transfers-in	0	0	0	0	0
16 2022 Revenue Bills	0	0	0	0	0
17 General Fund Net Revenues	5,675,064,939	4,849,670,000	5,169,170,000	5,239,490,000	5,444,590,000
18 APPROPRIATIONS					
19 Expenditures / Appropriations (2021 Session)	4,526,031,301	4,815,373,072	4,976,206,223	4,976,206,223	4,976,206,223
20 Projected budget increase, following biennium	0	0	0	176,582,889	360,136,033
21 2022 Midbiennium Budget Adjustments	0	7,950,594	7,347,144	7,305,198	7,305,198
22 TEEOSA School Aid revisions (Nov 2021)	0	0	(22,815,848)	(47,606,273)	(51,408,243)
23 2022 State Claims (LB xxx)	0	0	0	0	0
24 2022 "A" Bills	0	0	0	0	0
25 General Fund Appropriations	4,526,031,301	4,823,323,666	4,960,737,519	5,112,488,037	5,292,239,211
26 ENDING BALANCE					
27 \$ Ending balance (per Financial Status)	1,848,977,997	1,000,472,012	728,514,412	850,516,375	997,867,164
28 \$ Ending balance (at Min. Reserve 3.0%)			316,228,210		332,405,662
29 Excess (shortfall) from Minimum Reserve			412,286,202		665,461,502
30 Biennial Reserve (%)			7.2%		9.6%
General Fund Appropriations					
31 Annual % Change - Appropriations (w/o deficits)	3.4%	0.7%	3.0%	3.1%	3.5%
32 Two Year Average	3.6%	--	1.8%	--	3.3%
General Fund Revenues					
33 Est. Revenue Growth (rate/base adjusted)	14.6%	2.9%	3.2%	0.7%	0.7%
34 Two Year Average	9.7%	--	3.1%	--	0.7%
35 Five Year Average	6.7%	--	6.8%	--	4.4%
37 On-Going Revenues vs Appropriations	581,298,041	84,296,928	258,432,481	127,001,963	152,350,789

CASH RESERVE FUND	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
Beginning Balance	426,307,702	412,263,230	997,522,595	1,472,912,676	1,472,912,676
Excess of certified forecasts (line 3 in Status)	10,655,528	535,259,365	475,390,081	0	0
To/from Gen Fund per current law	(30,000,000)	50,000,000	50,000,000	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
To US Spacecom fund (2021)	0	0	(50,000,000)	0	0
Projected Unobligated Ending Balance	412,263,230	997,522,595	1,472,912,676	1,472,912,676	1,472,912,676

Changes to the Financial Status

The General Fund Financial Status for the FY22/FY23 biennium has significantly improved since the July meeting of the Tax Rate Review Committee as shown below.

Table 2 Chronology of the Financial Status

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

	Millions of Dollars	FY 2020-21	FY 2021-22	FY 2022-23	Current Biennium	FY 2023-24	FY 2024-25	Following Biennium
1	Sine Die 2021				27.3			77.8
2	FY21 Actual vs Est General Fund Net Receipts	379.0	0.0	0.0	379.0	0.0	0.0	379.0
3	FY21 Actual vs Est Transfers-In	2.3	0.0	0.0	2.3	0.0	0.0	2.3
4	FY21 Actual vs Est CRF transfers-automatic	0.0	(189.5)	0.0	(189.5)	0.0	0.0	(189.5)
5	FY21 Actual vs Est Accounting adjustment	0.0	(3.4)	0.0	(3.4)	0.0	0.0	(3.4)
6	FY22 Actual vs Est LB1107 credit	0.0	(189.5)	(189.5)	(379.0)	(156.3)	0.0	(535.3)
	Update appropriation estimates	0.0	0.6	0.0	0.6	(2.2)	(2.3)	(3.9)
	Assumed lapse, FY21 unexpended	0.0	70.0	0.0	70.0	0.0	0.0	70.0
	Change in Minimum Reserve	0.0	0.0	(8.9)	(8.9)	0.0	17.0	8.0
7	July 2021 Tax Rate Review Committee				(101.7)			(195.0)
8	Revenue Forecasts (revised October 2021)	0.0	475.4	427.6	903.0	273.0	0.0	1,176.0
9	"Above certified" FY22 forecast to CRF	0.0	0.0	(475.4)	(475.4)	0.0	0.0	(475.4)
10	Change in Minimum Reserve	0.0	0.0	(12.5)	(12.5)	0.0	(8.0)	(20.4)
11	Post October 2021 NEFAB forecasts				313.5			485.2
12	Lapse of FY21 unexpended above July TRR est	0.0	86.2	0.0	86.2	0.0	0.0	86.2
13	Exclude allocation for deficits	0.0	5.0	0.0	5.0	0.0	0.0	5.0
14	2022 Midbiennium budget adjustments (estimated)	0.0	(8.0)	(7.3)	(15.3)	(7.3)	(7.3)	(29.9)
15	TEEOSA School Aid revisions (Nov 2021 meeting)	0.0	0.0	22.8	22.8	47.6	51.4	121.8
16	Change in Minimum Reserve	0.0	0.0	0.0	0.0	0.0	(2.9)	(2.9)0.0
17	November 2021 Tax Rate Review Committee				412.2			665.5

Revenue Forecasts

The FY2020-21 actual receipts were \$379.0 million above the April 2021 forecasts of the Nebraska Economic Forecast Advisory Board (NEFAB). Rate and base adjusted revenue growth was 14.6% compared to the April forecasted 8.0%. At that time, the FY2021-22 and FY2022-23 forecasts remained unchanged as the NEFAB was not scheduled to meet until October 2021.

At the October 29, 2021 meeting, the NEFAB significantly increased their forecasts; \$475.4 million in FY2021-22 and \$427.6 million in FY2022-23 for a two year total of \$903.0 million. Rate and base adjusted revenue growth for the two year period is an average 3.1%. To a great extent, the October revisions basically adjusted the next two years based on the FY21 results plus higher corporate income tax receipts in FY22 based on year to date results.

The following table shows the chronology of rate and base adjusted growth rates over the past year. Also, at the bottom we've included for comparison purposes the estimates from the

Congressional Budget Office (CBO) and their projected growth in federal revenues. This is simply to illustrate that the significant variance in our revenue forecasts as the year progressed was not unique to Nebraska.

Fiscal Year	Adjusted Revenue Growth				
	Oct 2020 NEFAB	Feb 2021 NEFAB	April 2021 NEFAB	July 2021 TRR	Oct 2021 NEFAB
FY2020-21	1.4%	5.7%	8.0%	14.6%	14.6%
FY2021-22	0.7%	1.7%	1.2%	-4.8%	2.9%
FY2022-23	6.1%	4.6%	3.9%	4.0%	3.2%
FY2023-24	6.8%	4.9%	4.9%	4.8%	0.7%
FY2024-25	6.8%	5.2%	4.3%	4.1%	0.7%
CBO FY2021	-1.2%	--	--	12.3%	18.3%

Actual FY2020-21 lapsed appropriations

In the July 2021 projected financial status it was estimated conservatively that \$70 million of unexpended General Fund appropriations would expire or lapse. Actual numbers for lapsed appropriations would not be available until the encumbrance process was completed in September. The final calculation of FY21 reappropriations and encumbrances resulted in expired (lapsed) appropriations of \$156.1 million versus the \$70 million estimate with a like increase in the unobligated beginning balance for FY21-22. This lapse amount is equal to 1.7% of total appropriations for the FY20/FY21 biennium.

2022 Session Budget Adjustment Requests (General Funds)

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

These requested items will be subject to review and approval or rejection by the Governor and Legislature during the 2022 Session. The sorting of the included and not included items here is only made for the purposes of illustrating a potential financial status.

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

Table 3 - General Fund Midbiennium Requests

Agency / Issue	Agency Request – General Funds		
	FY2021-22	FY2022-23	2 Yr Total
1 Requested Items Included in Projected Status			
2 DHHS - OCIO Utilization Increases	5,330,690	5,152,947	10,483,637
3 Education - Relocation, Consolidation, and Property Management	2,139,015	1,910,665	4,049,680
4 PSC - General Fund Shortfall Program 54	186,092	186,092	372,184
5 Hist Society - Retirees Leave Payouts	158,508	0	158,508
6 Education - Retiree Vacation & Sick Leave Payout	95,037	0	95,037
7 Education - Employee Reclassification & Wage Progression	31,504	32,291	63,795
8 Arts Council - Retirement Pay-Out	0	41,946	41,946
9 Education - OCIO Technology Deployment Rate Increases	9,748	11,458	21,206
10 Indian Comm - In-grade pay increase, Admin Program Officer	0	11,745	11,745
11 Subtotal - Included in Projected Status	7,950,594	7,347,144	15,297,738
12 Requested Items Not Included in Projected Status			
13 Corrections - Nebraska State Penitentiary Replacement	0	115,000,000	115,000,000
14 Patrol - Crime Lab Expansion	16,879,209	0	16,879,209
15 Military Dept - Bellevue Readiness Center Construction, state match	7,600,000	0	7,600,000
16 Hist Society - Statehood Memorial Site Renovation (Kennard House)	1,604,217	0	1,604,217
17 DHHS - Economic Assistance Staff Additions	209,296	837,183	1,046,479
18 NETC - KUON-TV Transmitter replacement	0	800,000	800,000
24 Military Dept - State-Federal Cost Share Projects	534,950	0	534,950
25 Military Dept - Readiness Centers' Backup Generator Construction	457,500	0	457,500
26 Education - Transparency & Audit Staff Augmentation	111,005	222,041	333,046
27 Hist Society - Security improvements, headquarters	270,000	0	270,000
28 Military Dept - Phase 2 HVAC & Interior Remodel	201,800	0	201,800
29 Arts Council - Agency Director Search	0	55,000	55,000
30 Arts Council - New Staff Position, Creative District program	0	51,073	51,073
31 Arts Council - Software Upgrade	4,710	4,710	9,420
32 DAS - Appropriation - Risk Management - State Insurance	1,476	0	1,476
33 Arts Council - In-Grade Salary Increase	0	1,397	1,397
34 Subtotal - Requests not Included in Projected Status	27,874,163	116,971,404	144,845,567
35 Total Request - General Funds	35,824,757	124,318,548	160,143,305

Updated TEEOSA State Aid Estimate

Section 79-1031 requires the Dept. of Education with the assistance of the property tax administrator, Legislative Fiscal Analyst, and DAS-Budget Division to make an estimate of the funding needs for TEEOSA for the next year. Based on valuation and spending assumptions agreed to at that meeting, Legislative Fiscal Office calculations result in a total estimated TEEOSA aid for FY2022-23 of \$1,049,024,109 which is \$22.2 million less than the estimate at Sine Die 2021. A \$0.6 million increase in the estimate of Insurance Premium Tax, results in a General Fund estimate for FY2022-23 of \$1,016,324,109 or \$22.8 million less than currently budgeted.

With respect to the FY23 estimate, most of the decline is attributed to a lower estimated spending growth for FY21. Using rough statewide totals from an initial AFR run, estimated General Fund Operating expenses reflect a 3.92% growth versus the previous estimate of 4.07%. While not that large at a statewide level, the difference is actually a 1.6% decline excluding Lincoln and Omaha. *These estimates will be further refined in mid-December when the FY21 Annual Financial*

Reports (AFR) from schools are compiled and available. At that point many key calculation components in the TEEOSA formula will be known numbers not just estimates. This includes school spending and the amount of other school receipts.

Although not required by statute, at that same meeting estimates for the two “out years” were considered. For FY2023-24 a 1.9% growth in TEEOSA aid is projected, \$47 million lower than previous estimates. Property valuation growth estimates for 2022 increased from a rough estimate of 2.3% to 3.96% based on preliminary input from county assessors to the Property Assessment division of the state Dept. of Revenue (DPAD). Overall TEEOSA aid is projected to increase by 1.9% in FY24 and 4.4% in FY25.

Over the five year period, growth in TEEOSA is very low, mostly due to the growth in valuation used in the formula (about 4%, mostly residential and commercial and industrial) relative to the growth in school spending at an average of 3%.

TEEOSA Aid Estimates	Certified FY2020-21	Certified FY2021-22	Joint Meeting. FY2022-23	LFO Est. FY2023-24	LFO Est. FY2024-25
<u>Data Elements</u>					
AFR Data Year	Actual 18-19	Actual 19-20	Est 20-21	Est 21-22	Est 22-23
Property Valuation Year	2019 actual	2020 actual	2021 actual	2022 DPAD	2023 LFO est
<u>Key Assumptions</u>					
School Disbursements	1.61%	2.94%	3.92%	3.70%	3.50%
Property Valuations (assessed)	2.13%	2.21%	3.87%	3.96%	2.39%
Property Valuations (used in formula)	3.88%	4.16%	4.18%	4.74%	3.61%
Cost Growth Factor	4.5%	5.0%	5.0%	5.0%	5.0%
Local Effort Rate	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
General Funds	1,022,555,859	1,014,915,767	1,016,324,109	1,036,132,840	1,082,750,332
Insurance Premium Tax	30,300,000	32,100,000	32,700,000	33,200,000	33,700,000
Total TEEOSA Aid	1,052,855,859	1,047,015,767	1,049,024,109	1,069,332,840	1,116,450,332
Total TEEOSA Aid - \$ Change	(13,056,990)	(5,840,092)	2,008,343	20,308,731	47,117,492
Total TEEOSA Aid - % Change	-1.2%	-0.6%	0.2%	1.9%	4.4%
<u>Chronology</u>					
	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
NDE Jan Calc and Sine Die 2021	1,052,855,859	1,047,015,767	1,071,239,958	1,116,339,113	1,167,247,575
Valuation, 2021 from 2.99% DPAT Est to 3.87% DPAT certified	0	0	(6,574,360)	(7,169,984)	(8,104,659)
Valuation; 2022 (2.31% est to 3.96% DPAD est)	0	0	0	(28,253,307)	(29,678,792)
Student Growth Adjustment (est to NDE)	0	0	227,021	342,346	354,328
New School Adjustment (est to NDE)	0	0	9,808,048	9,914,858	10,251,374
Spending growth: FY21 from 4.05% to 3.92% (est from draft AFR)	0	0	(25,676,558)	(27,498,230)	(29,677,166)
Spending growth: FY22 from 3.5% to 3.7% (use last 5 yr avg)	0	0	0	5,658,044	6,057,672
Spending growth: FY23 stay at 3.5% (different for OPS & LPS)	0	0	0	0	0
Adjust Insurance Premium (NDI estimates)	0	0	0	0	0
Total Change - Nov 2021 Joint Meeting	0	0	(22,215,848)	(47,006,273)	(50,797,243)
November 2021 Joint Meeting	1,052,855,859	1,047,015,767	1,049,024,109	1,069,332,840	1,116,450,332

LB1107 Credits for Property Taxes Paid

FY 2020-21	Fixed amount at \$125 million	LB1107 enacted in the 2020 session, created an income tax credit for property taxes paid. The accompanying chart shows the calculation of the credit amount per the bill:
FY 2021-22	Prior yr + growth over 3.5%	
FY 2022-23	Prior Yr max + growth over 3.5%	
FY 2023-24	Prior Yr max + growth over 3.5%	
FY 2024-25	Fixed amount at \$375 million	The credit for FY21-22 is based on revenue growth (unadjusted) above 3.5% and the level of the Cash Reserve Fund. With a 20% growth in FY20-21 revenues which includes \$280 million of income taxes shifted from FY20 to FY21 due to a filing date extension, the amount added to the prior year \$125 million target yields a total credit amount of \$548 million. In FY22-23, the current FY22 revenue forecast does not meet the 3.5% increase threshold so the credit remains at the same \$548 million level.
FY 2025-26	Prior Yr + valuation growth	
FY 2026-27	Prior Yr + valuation growth	

Potential Items

There are numerous other spending and revenue items that will be issues as the Legislature goes through the 2022 session including carryover bills from the 2021 session.

On the spending side there are three specific items which will likely come up for which there has been no request yet and all three relate to salary increases. The state has reached agreement for significant salary increases with NAPE and the Fraternal Order of Police (FOP).

The NAPE contract adjustment provides at 24 hour facilities, beginning on November 8, all facility employees will see a \$3/hour differential added to their salary for hours worked. Also included in the deal are classification minimum salary increases of 20% & 30% for over 65 job classifications. Starting on Nov. 1, 2021, there will be a 20% increase pay line adjustment for classifications identified as high demand and a 30% increase pay line adjustment for healthcare classifications identified as critical. The agreement also increases overtime pay at 24/7 facilities, and provides for an additional 2% cost of living adjustment that will occur on July 1, 2022.

DAS is still in the process of calculating the costs, but additional funding in the range of \$40-45 million General funds is possible.

The state also reached an agreement with Fraternal Order of Police (FOP) for significant increases in salaries for protective service workers. Effective December 6, 2021, the new agreement includes: (1) \$5 per hour base wage increase for NDCS and DHHS teammates (2) \$4 per hour base wage increase for Military/Security teammates, (3) \$3 per hour pay differential for NDCS and DHHS teammates, (4) 2x overtime pay for the duration of the contract. The combined \$8 per hour increase will result in a 40% increase over the previous base of \$20 per hour for new corporals in the corrections workforce.

Like the NAPE contract, DAS is still in the process of calculating the costs, but additional funding in the range of \$30 million General funds is possible.

And lastly rates paid to developmental disability providers can be impacted by wages paid to similar positions in the state system. With the large wage increases under the new NAPE agreement, there could be pressure to increase developmental disability provider rates. Each 1% increase in the rates is approximately \$1.6 million.

General Fund Revenues

Revenue estimates for FY2021-22 and FY2022-23 are the October 2021 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). These forecasts yield a projected adjusted revenue growth of 2.9% in FY21-22 and 3.2% in FY22-23, an average growth of 3.1%. While this two year growth is significantly below the historical average, the high FY2020-21 growth of 14.6% brings the three year average growth to 6.9%

For the following biennium or what's commonly referred to as the "out years", the preliminary estimates for FY2023-24 and FY2024-25 are prepared by the Legislative Fiscal Office (LFO) using the "capped" historical average methodology. This "smoothing" technique derives "out year" revenue estimates by calculating the level of revenues that would yield a five year average growth (FY21 to FY25) roughly equal to the 40 year historical average (5.0%) less .25% which is the projected impact of indexing the tax brackets as enacted in LB987 (2014). Under this method, revenue growth for the two years would average 0.7%

Table 4 - General Fund Revenue Forecasts

	NEFAB FY2020-21	NEFAB FY2021-22	NEFAB FY2022-23	LFO Prelim FY2023-24	LFO Prelim FY2024-25
Actual/Forecast					
Sales and Use Tax	2,009,748,270	2,050,000,000	2,180,000,000	2,221,300,000	2,240,900,000
Individual Income Tax	3,130,599,324	2,540,000,000	2,700,000,000	2,771,300,000	2,986,800,000
Corporate Income Tax	571,220,324	540,000,000	450,000,000	370,100,000	352,400,000
Miscellaneous receipts	247,474,510	225,000,000	225,000,000	203,800,000	186,500,000
Total General Fund Revenues	5,959,042,428	5,355,000,000	5,555,000,000	5,566,500,000	5,766,600,000
Adjusted Growth					
Sales and Use Tax	7.9%	5.9%	4.5%	1.1%	1.0%
Individual Income Tax	18.1%	-2.2%	5.3%	2.5%	2.5%
Corporate Income Tax	27.1%	22.1%	-11.5%	-8.8%	-9.7%
Miscellaneous receipts	4.1%	-2.2%	8.5%	-2.0%	-2.3%
Total General Fund Revenues	14.6%	2.9%	3.2%	0.7%	0.7%
Two Yr Average	9.7%	--	3.1%		0.7%
Five Yr Average	6.7%	--	6.9%		4.4%

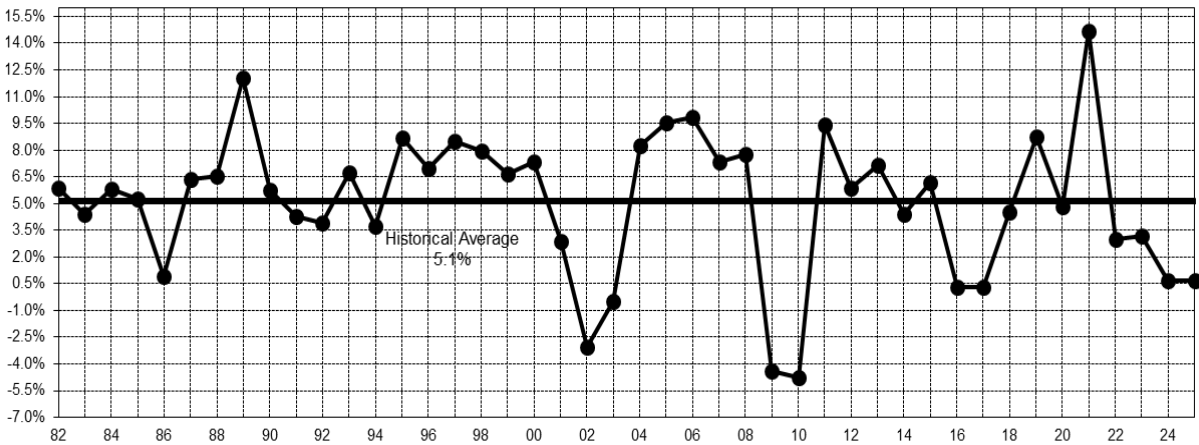
This five year revenue flow appears to mirror the large amount of federal funds circulated into Nebraska which amounts to the equivalent of 20% of Nebraska state personal income. The largest amount in FY20-21 with the CARES Act and then lower amounts over the next couple of years with the ARPA funds able to be expended through December 2026. This helps illustrate some of the impetus for the high state revenue growth, but also shows that that may dissipate over time as the federal money disappears.

	Billions of \$	% of NPI
CARES Act	13,175,481	12.5%
Consolidated Appropriations Act	1,843,190	1.7%
American Rescue Plan Act	5,899,828	5.6%
All other (four acts)	327,058	0.3%
Summed Total	21,245,557	20.1%
2019 Nebraska Personal Income	105,454,200	

Table 5 Actual and Projected General Fund Revenues

Fiscal Year	Sales and Use Tax	Individual Income Tax	Corporate Income Tax	Miscellaneous Taxes and	Total Net Receipts	Adjusted Growth
FY 2000-01	905,023,176	1,233,363,553	138,040,082	180,435,044	2,456,861,855	2.9%
FY 2001-02	918,889,782	1,159,810,647	107,628,074	179,180,246	2,365,508,749	-3.0%
FY 2002-03	1,028,931,065	1,129,421,651	111,597,405	186,449,714	2,456,399,835	-0.5%
FY 2003-04	1,114,374,321	1,249,890,025	167,429,431	187,033,230	2,718,727,007	8.3%
FY 2004-05	1,231,011,089	1,400,076,680	198,380,442	207,726,086	3,037,194,297	9.5%
FY 2005-06	1,263,678,691	1,545,338,061	262,295,456	280,875,316	3,352,187,524	9.9%
FY 2006-07	1,303,826,416	1,650,895,394	213,027,010	240,582,953	3,408,331,773	7.3%
FY 2007-08	1,321,867,139	1,726,145,405	232,851,654	225,298,373	3,506,162,571	7.7%
FY 2008-09	1,326,161,017	1,600,418,236	198,483,786	232,405,148	3,357,468,187	-4.4%
FY 2009-10	1,289,796,877	1,514,830,114	154,332,137	245,720,545	3,204,679,673	-4.8%
FY 2010-11	1,372,784,033	1,735,208,600	154,944,966	236,717,493	3,499,655,092	9.4%
FY 2011-12	1,436,909,373	1,822,884,254	234,266,237	201,828,916	3,695,888,780	5.9%
FY 2012-13	1,474,942,641	2,101,912,041	275,562,990	199,940,938	4,052,358,610	7.2%
FY 2013-14	1,524,793,763	2,060,758,896	306,591,027	225,264,546	4,117,408,232	4.4%
FY 2014-15	1,535,419,516	2,205,463,903	346,477,378	217,738,529	4,305,099,326	6.2%
FY 2015-16	1,528,023,310	2,221,088,817	307,669,694	251,199,454	4,307,981,275	0.3%
FY 2016-17	1,548,388,848	2,224,840,053	264,439,713	228,103,331	4,265,771,945	0.3%
FY 2017-18	1,602,737,358	2,360,595,935	313,689,521	289,972,959	4,566,995,773	4.5%
FY 2018-19	1,658,107,133	2,545,680,039	423,737,571	268,853,778	4,896,378,521	8.7%
FY 2019-20	1,848,235,959	2,445,647,485	391,163,752	254,715,415	4,939,762,611	4.8%
FY 2020-21	2,009,748,270	3,130,599,324	571,220,324	247,474,510	5,959,042,428	14.6%
FY 2021-22 NEFAB	2,050,000,000	2,540,000,000	540,000,000	225,000,000	5,355,000,000	2.9%
FY 2022-23 NEFAB	2,180,000,000	2,700,000,000	450,000,000	225,000,000	5,555,000,000	3.2%
FY 2023-24 LFO Prelim	2,221,300,000	2,771,300,000	370,100,000	203,800,000	5,566,500,000	0.7%
FY 2024-25 LFO Prelim	2,240,900,000	2,986,800,000	352,400,000	186,500,000	5,766,600,000	0.7%
Avg Growth (adjusted)						
5 Yr Financial Status	4.0%	5.3%	2.3%	2.0%	4.5%	
Above Avg Years (24)	5.5%	9.1%	12.5%	3.5%	7.4%	
Below Avg Years (14)	1.5%	2.2%	-4.6%	0.0%	1.2%	
Hist Average (38 yrs)	4.1%	6.4%	5.1%	0.9%	4.9%	

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



Chronology of Revenue Forecasts

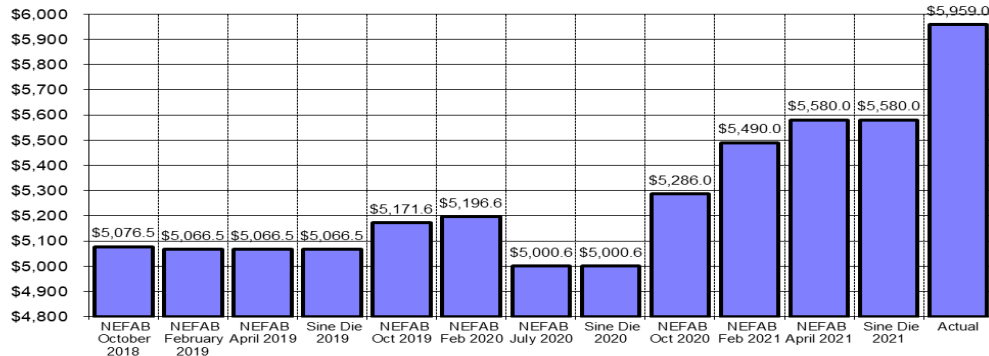
Table 6 contains a chronology of the revenue forecasts for FY2020-21 through FY2022-23. The first column shows the total revenue forecast while the last four columns breaks down the total dollar change in the forecast whether caused by bills enacted by the Legislature, other items such as federal tax changes, or simply a change in the revenue expectations (base). Note that in FY22 and FY23 the amounts in the "Other" column relate to changes in the LB1107 income tax credit for property taxes paid which are affected by the change in the prior year forecast.

Table 6 Chronology of Revenue Forecasts

FY2020-21							
Board Est-October 2018	5,000,000	2.8%					
Board Est-February 2019	4,990,000	3.0%	(10,000)	0	0	(10,000)	
Board Est-April 2019	4,990,000	3.2%	0	0	0	0	
Sine Die-2019 Session	5,044,919	3.1%	0	54,919	0	54,919	
Board Est-Oct 2019	5,150,000	2.0%	105,081	0	0	105,081	
Board Est-Feb 2020	5,175,000	0.6%	25,000	0	0	25,000	
Board Est-July 2020	5,125,000	-2.0%	(196,036)	0	146,036	(50,000)	
Sine Die-2020 Session (Aug)	5,000,589	-3.0%	(0)	(124,411)	0	(124,411)	
Board Est-Oct 2020	5,286,000	1.4%	285,411	0	0	285,411	
Board Est-Feb 2021	5,490,000	5.7%	204,000	0	0	204,000	
Board Est-April 2021	5,580,000	8.0%	90,000	0	0	90,000	
Sine Die-2021 Session	5,580,000	8.0%	0	0	0	0	
Actual Receipts FY2020-21	5,959,042	14.6%	379,042	0	0	379,042	
FY2021-22							
Board Est-Oct 2020	4,920,000	0.7%					
Board Est-Feb 2021	5,085,000	1.7%	267,000	0	(102,000)	165,000	
Board Est-April 2021	5,080,000	1.2%	40,000	0	(45,000)	(5,000)	
Sine Die-2021 Session	4,879,610	1.0%	(0)	(10,869)	(189,521)	(200,390)	
Board Est-October 2021	5,355,000	2.9%	475,390	0	0	475,390	
FY2022-23							
Board Est-Oct 2020	5,275,000	6.1%					
Board Est-Feb 2021	5,368,000	4.6%	195,000	0	(102,000)	93,000	
Board Est-April 2021	5,368,000	3.9%	45,000	0	(45,000)	0	
Sine Die-2021 Session	5,127,358	3.3%	0	(51,121)	(189,522)	(240,642)	
Board Est-October 2021	5,555,000	3.2%	427,642	0	0	427,642	

Chronology of FY2020-21 Forecasts

Prior forecasts adjusted for subsequent legislation and federal tax changes



General Fund Appropriations

References to appropriations in this section do not reflect budget actions that might take place during the 2022 session including revised TEEOSA school aid estimates.

The appropriations for the **current biennium** (FY201-22 and FY2022-23) are the amounts enacted during the 2021 legislative session.

For the **“following biennium”** (FY2023-24 and FY2024-25), the budget numbers reflect the annualized impact of the current budget actions plus an estimate of future year increases in entitlement programs, salary and health insurance increases, and other funding requirements that are normally not optional. It is an estimate based on “current law”, i.e. an estimate of future obligations with no change to underlying law that creates the obligation.

Table 7 Projected Budget Increases - Following Biennium
(includes on-going impact of 2021 budget actions, excludes impact of any potential 2022 changes)

<i>Dollar Changes from FY23 Base Year</i>	Annual % Change			Projected Increases	
	FY24	FY25	2 Yr Avg	FY2023-24	FY2024-25
FY2022-23 Base Appropriation				4,976,206,223	4,976,206,223
<u>Aid to Local Governments</u>					
Aid to K-12 Schools (TEEOSA GF only)	4.3%	3.8%	4.0%	44,599,154	85,499,482
Special Education	2.5%	2.5%	2.5%	5,893,112	11,933,551
Community Colleges	3.5%	3.5%	3.5%	3,843,152	7,820,813
Homestead Exemption	3.0%	3.0%	3.0%	3,288,000	6,674,640
Aid to ESU's	2.5%	2.5%	2.5%	353,980	716,809
Aid to Counties	--	--	--	(2,000,000)	(2,000,000)
<u>Aid to Individuals / Other</u>					
Medicaid	4.5%	4.5%	4.5%	40,858,749	83,556,142
Public Assistance	3.5%	3.5%	3.5%	3,036,469	6,179,214
Child Welfare Aid	4.5%	4.5%	4.5%	8,167,957	16,703,472
Developmental Disability aid	4.0%	4.0%	4.0%	6,709,400	13,687,177
Behavioral Health aid	2.5%	2.5%	2.5%	2,012,630	4,075,576
Children's Health Insurance (SCHIP)	5.4%	5.3%	5.3%	1,414,497	2,892,646
Nebraska Career Scholarships	42.9%	0.0%	21.4%	6,000,000	6,000,000
All Other (Aid-Ind)	0.0%	0.0%	0.0%	293,064	593,456
<u>Agency Operations</u>					
Employee Salaries - State Agencies	3.0%	3.0%	3.0%	17,791,129	36,027,037
Employee Health Insurance - State Agencies	6.0%	6.0%	6.0%	6,116,753	12,600,511
University/Colleges increased funding	3.8%	3.8%	3.8%	26,616,397	54,092,221
Operations increase - State Agencies	2.0%	2.0%	2.0%	3,144,636	6,352,165
Juvenile Services - Courts	2.5%	2.5%	2.5%	1,223,585	2,477,760
Inmate per diem costs (Corrections)	3.0%	3.0%	3.0%	1,384,455	2,810,443
Staffing / costs, new facilities (Corrections)	--	--	specific	3,722,530	7,445,060
Retirement (defined benefit plans)	--	--	specific	322,947	2,100,000
All Other (Oper)			specific	(374,827)	524,556
<u>Construction</u>	-20.5%	-2.6%	-11.6%	(7,834,881)	(8,626,699)
Total General Fund Increases (Biennial Basis)	3.5%	3.6%	3.6%	176,582,889	360,136,033
Projected Appropriation per Financial Status				5,152,789,112	5,336,342,256

AID TO LOCAL GOVERNMENTS

State Aid to Schools (TEEOSA) The estimates for FY24 and FY25 are based on the same methodology utilized for the November 15 estimates required under current law for the proposed biennial budget but with Fiscal Office assumptions and should be considered Fiscal Office estimates. The estimates reflect a growth in overall school aid of 4.2% in FY24 and 3.7% in FY25. The above average growth reflects a 3.5% per year estimate in school spending and a valuation growth of 2.4% per year assuming a continued decline in agricultural land valuations.

Special Education Increases for FY22 and FY23 reflect a 2.5% per year increase. Although statute allows for a growth up to 5% the 2.5% is equal to the basic allowable growth rate under the K-12 school spending limitation and TEEOSA calculations.

Aid to Community Colleges For the following biennium, a 3.5% per year annual increase is included reflecting increased state aid to support operations budget increases. This increase amounts to about a \$3.9 million per year increase.

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

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

AID TO INDIVIDUALS

Medicaid For the following biennium, the average growth is 4.5% per year. This reflects projected growth of 2.0% per year for population client eligibility and utilization and 2.5% per year for provider rates. This estimate also assumes no change in the federal match rate.

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

Child Welfare A basic growth rate of 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.

Nebraska Career Scholarships. 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 \$8 million in FY22, \$12 million in FY23 with intent to increase to \$16 million in FY24. In the 2021 session funds were included under DED for students attending a private, not for profit university or college in the state; \$1 million in FY22, \$2 million in FY23, and intent to increase to \$4 million in FY24.

AGENCY OPERATIONS / CONSTRUCTION

Employee Salary Increases Although salary increases will be the result of bargaining, some level of increase is factored in more for illustration than planning purposes. A 2.5% per year increase is included which approximates inflation. In addition \$3 million is added each year to cover the costs of the Protective Services 2020 contract which provides for a \$1 per hour increase step plan, employees can move up a step each year for seven years.

Employee Health Insurance For planning purposes, an 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 food, clothing, and medical care. A 3% per year increase is included to reflect both

DCS Staffing and Operations The amount shown in FY24-25 is the projected amounts to fully annualize the operating costs of the two new high security housing units at the Reception and Treatment Center in Lincoln.

Defined Benefit Retirement Plans The increase in funding for the defined benefit retirement plans for FY24 and FY25 reflects about a 2.5% increase in the 2% of pay contribution in the school plan.

Capital Construction General Fund dollars included in the projected budget for the following biennium for capital construction reflect reaffirmations only based on the proposed FY22/FY23 biennial budget. These are dollar amounts needed to complete funding of previously approved projects.

Cash Reserve Fund

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

Table 8 Cash Reserve Fund Status

	Actual FY2020-21	Estimated FY2021-22	Estimated FY2022-23	Estimated FY2023-24	Estimated FY2024-25
Beginning Balance	426,307,702	412,263,230	997,522,595	1,472,912,676	1,472,912,676
Excess of certified forecasts (line 3 in Status)	10,655,528	535,259,365	475,390,081	0	0
To/from Gen Fund per current law	(30,000,000)	50,000,000	50,000,000	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
To US Spacecom fund (LB385-2021)	0	0	(50,000,000)	0	0
Ending Balance	412,263,230	997,522,595	1,472,912,676	1,472,912,676	1,472,912,676

At the end of the 2021 legislative session, the unobligated balance was projected at \$808 based on an estimated \$345.7 million transfer related to the April NEFAB forecast for FY2020-21 being above the certified amount and split with the LB1107 credit.

The projected unobligated balance increased to \$997 million when FY2020-21 actual receipts were \$379 million above the April forecast and a total of \$535 million was transferred to the CRF..

In October 2021, the Nebraska Economic Forecast Advisory Board (NEFAB) increased the FY2021-22 forecast by \$475 million. Because the FY2021-22 forecast does not meet the 3.5% increase threshold, all of this \$475 million is considered "above certified" and will be transferred to the Cash Reserve Fund if receipts come in at the forecast level. This raises the projected unobligated balance to \$1.472 billion roughly 26% of annual revenues.

Table 9 Cash Reserve Fund – Historical Balances

Fiscal Yr	Beginning Balance	Direct Deposit and Interest	Automatic Transfers	Legislative Transfers	Cash Flow	Ending Balance	Balance as % of revenue
FY1983-84	0	37,046,760	na	0	0	37,046,760	4.7%
FY1984-85	37,046,760	(1,472,551)	na	0	0	35,574,209	4.5%
FY1985-86	35,574,209	227,855	na	(13,500,000)	0	22,302,064	2.7%
FY1986-87	22,302,064	1,428,021	na	0	0	23,730,085	2.7%
FY1987-88	23,730,085	1,654,844	na	(7,700,000)	0	17,684,929	1.7%
FY1988-89	17,684,929	139,000	na	32,600,000	0	50,423,929	4.4%
FY1989-90	50,423,929	113,114	na	(10,500,000)	0	40,037,043	3.5%
FY1990-91	40,037,043	0	na	(8,100,000)	0	31,937,043	2.3%
FY1991-92	31,937,043	0	na	(5,000,000)	0	26,937,043	1.8%

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	265,729	0	(340,930,772)	0	339,990,065	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	176,378,178	(83,619,600)	0	426,307,702	8.6%
FY2020-21	426,307,702	0	10,655,528	(24,700,000)	0	412,263,230	6.9%
FY2021-22 Est	412,263,230	0	535,259,365	50,000,000	0	997,522,595	18.6%
FY2022-23 Est	997,522,595	0	475,390,081	0	0	1,472,912,676	26.5%
FY2023-24 Est	1,472,912,676	0	0	0	0	1,472,912,676	26.5%
FY2024-25 Est	1,472,912,676	0	0	0	0	1,472,912,676	25.5%

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

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

Over the 41 year period the average negative variance is -4.5% clustered in groups of 3 to 4 years. For simplicity, a 4% negative variance would require a balance equal to about 16% of annual net receipts using a four consecutive year cluster or 12% with a three consecutive year cluster.

Applied to the average forecast from FY19 to FY21 the target balance would range from \$675 million (12%) to \$900 million (16%) depending on a three or four year cluster.

WHAT MAKES THE CURRENT SITUATION SO DIFFICULT TO EVALUATE IS THAT THE FY2020-21 VARIANCE WAS TWICE AS HIGH AS ANY OTHER YEAR AND WAS AN EXTRAORDINARY CIRCUMSTANCE.

Table 10 Variance from Revenue Projections

FY	Session	Projected at Sine Die **	Actual Receipts	\$ Variance	% Variance	
					Negative	Positive
FY 1986-87	Sine Die 1986	878.0	886.4	8.4		1.0%
FY 1987-88	Sine Die 1987	924.3	1,016.3	92.0		10.0%
FY 1988-89	Sine Die 1988	988.4	1,133.5	145.1		14.7%
FY 1989-90	Sine Die 1989	1,110.9	1,152.7	41.8		3.8%
FY 1990-91	Sine Die 1990	1,334.6	1,367.1	32.5		2.4%
FY 1991-92	Sine Die 1991	1,493.2	1,490.4	(2.8)	-0.2%	
FY 1992-93	Sine Die 1992	1,537.3	1,524.7	(12.6)	-0.8%	
FY 1993-94	Sine Die 1993	1,662.5	1,653.7	(8.8)	-0.5%	
FY 1994-95	Sine Die 1994	1,729.9	1,706.0	(23.9)	-1.4%	
FY 1995-96	Sine Die 1995	1,834.3	1,836.7	2.4		0.1%
FY 1996-97	Sine Die 1996	1,918.0	2,009.6	91.6		4.8%
FY 1997-98	Sine Die 1997	1,993.8	2,105.4	111.6		5.6%
FY 1998-99	Sine Die 1998	2,102.9	2,123.9	21.0		1.0%
FY 1999-00	Sine Die 1999	2,326.3	2,403.9	77.6		3.3%
FY 2000-01	Sine Die 2000	2,484.3	2,456.8	(27.5)	-1.1%	
FY 2001-02	Sine Die 2001	2,646.0	2,365.5	(280.5)	-10.6%	
FY 2002-03	Sine Die 2002	2,725.7	2,456.4	(269.3)	-9.9%	
FY 2003-04	Sine Die 2003	2,732.0	2,718.7	(13.3)	-0.5%	
FY 2004-05	Sine Die 2004	2,775.5	3,037.2	261.7		9.4%
FY 2005-06	Sine Die 2005	3,092.3	3,352.2	259.9		8.4%
FY 2006-07	Sine Die 2006	3,217.0	3,408.3	191.4		5.9%
FY 2007-08	Sine Die 2007	3,389.2	3,506.1	116.9		3.5%
FY 2008-09	Sine Die 2008	3,531.7	3,357.5	(174.3)	-4.9%	
FY 2009-10	Sine Die 2009	3,446.7	3,204.7	(242.0)	-7.0%	
FY 2010-11	Sine Die 2010	3,422.2	3,499.7	77.4		2.3%
FY 2011-12	Sine Die 2011	3,591.1	3,695.9	104.8		2.9%
FY 2012-13	Sine Die 2012	3,767.1	4,052.4	285.3		7.6%
FY 2013-14	Sine Die 2013	4,020.7	4,117.4	96.7		2.4%
FY 2014-15	Sine Die 2014	4,220.5	4,305.1	84.6		2.0%
FY 2015-16	Sine Die 2015	4,481.9	4,308.0	(173.9)	-3.9%	
FY 2016-17	Sine Die 2016	4,578.4	4,265.8	(312.6)	-6.8%	
FY 2017-18	Sine Die 2017	4,605.4	4,567.0	(38.4)	-0.8%	
FY 2018-19	Sine Die 2018	4,730.7	4,896.4	165.6		3.5%
FY 2019-20	Sine Die 2019	4,649.1	4,939.8	290.7		6.3%
FY 2020-21	Sine Die 2020	5,000.6	5,959.0	958.5		19.2%
Average Variance (41 years)				\$41.2		
Average: Below Estimate (17 years)				(\$109.2)	-4.5%	
Average: Above Estimate (24 years)				\$147.7		5.7%

REPORT TO THE TAX RATE REVIEW COMMITTEE

July 22, 2021

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 Mike Hilgers

Senator Dan Hughes

Senator Lou Ann Linehan

Senator John Stinner

Tax Commissioner - Tony Fulton

Prepared by the Legislative Fiscal Office

Statutory Required Meetings

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

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

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

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

2) The Speaker of the Legislature and the chairpersons of the Legislature's Executive Board, Revenue Committee, and Appropriations Committee shall constitute a committee to be known as the Tax Rate Review Committee. The Tax Rate Review Committee shall meet with the Tax Commissioner within ten days after July 15 and November 15 of each year and shall determine whether the rates for sales tax and income tax should be changed. In making such determination the committee shall recalculate the requirements pursuant to the formula set forth in subsection (1) of this section, taking into consideration the appropriations and express obligations for any session, all miscellaneous claims, deficiency bills, and all emergency appropriations. The committee shall prepare an annual report of its determinations under this section. The committee shall submit such report electronically to the Legislature and shall append the tax expenditure report required under section 77-382 and the revenue volatility report required under section 50-419.02.

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

Annual Report

LB962 enacted in the 2012 legislative session included a requirement that the Tax Rate Review Committee prepare an **annual** report of its determinations. 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

The roller coaster year of FY2020-21 was completed on June 30, 2021. It finished with the unusual situation of having actual receipts being substantially above forecast with a record high adjusted revenue growth, yet the financial situation has deteriorated.

The high revenue growth in FY2020-21 (20.4% unadjusted) triggered a large increase in the LB1107 tax credit for property taxes paid to a total of \$548 million. Under LB1107 this becomes the floor for the credit amount for the next 3 years and then to a fixed \$375 million in FY25. The decline in the financial status shown is due to the credit extending forward at the higher level while the higher revenues in FY20-21 which triggered that credit level are not shown as continuing forward, at least at this point in time.

THAT WILL BE THE BIG QUESTION AS WE GO FORWARD TOWARDS THE OCTOBER MEETING OF THE NEBRASKA ECONOMIC FORECAST ADVISORY BOARD (NEFAB). HOW MUCH OF THIS HIGHER REVENUE LEVEL IN FY20-21 IS ONE TIME ATTRIBUTED TO THE INPUT OF FEDERAL MONIES OVER THE PAST YEAR AND HOW MUCH IS ATTRIBUTED TO SUSTAINABLE ECONOMIC GROWTH WHICH WOULD CARRY FORWARD INTO FY21-22 AND FY22-23?

1. Actual receipts for FY2020-21 were \$5.959 billion which was \$379 million above the forecast used at Sine Die of the 2021 Session which was the April 2021 forecast of the Nebraska Economic Forecast Advisory Board (NEFAB). These actual receipts were \$958.4 million above the “certified forecast” which was the July 2020 forecast from the NEFAB adjusted by legislation enacted during the 2020 session which was completed in August 2020. Under the calculations per LB1107-2020, of this \$958.4 million, \$423.2 million is added to the FY22 credit and \$535.2 million transferred to the Cash Reserve Fund.
2. Tax rate and base adjusted revenue growth for FY2020-21 actual receipts is 14.6% compared to the 8.0% growth calculated per the April forecast. Nominal (actual unadjusted) change from the prior year is 20.6%. This is the highest rate and base adjusted revenue growth since these calculations were made starting in 1982.
3. LB1107 enacted in the 2020 session, created an income tax credit for property taxes paid. The accompanying chart shows the calculation of the credit amount per the bill:

<p>FY 2020-21 Fixed amount at \$125 million FY 2021-22 Prior yr + growth over 3.5% FY 2022-23 Prior Yr max + growth over 3.5% FY 2023-24 Prior Yr max + growth over 3.5% FY 2024-25 Fixed amount at \$375 million FY 2025-26 Prior Yr + valuation growth FY 2026-27 Prior Yr + valuation growth</p>	<p>The credit for FY21-22 is based on revenue growth (unadjusted) above 3.5% and the level of the Cash Reserve Fund. With a 20% growth in FY20-21 revenues which includes \$280 million of income taxes shifted from FY20 to FY21 due to a filing date extension, the amount added to the prior year \$125 million yields a total credit amount of the above \$548 million. In FY22-23, the current revenue</p>
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forecast is substantially lower than the FY21-22 level. Even with this lower number (-18% unadjusted) the credit under LB1107 continues on at the high level established in FY21-22.

4. The projected General Fund financial status for the current biennium declines with the projected ending balance going from \$27.5 **above** the minimum reserve to \$101.6 million **below** the minimum reserve.

This \$128.9 million decline is due to the fact that the \$189 million higher LB1107 credit in FY22 financed with the high above forecast revenues in FY21 continues into FY23. And at this time the FY22 and FY23 revenue forecasts are still the April 2021 forecast of the Nebraska Economic Forecast Advisory Board (NEFAB) and do not reflect how the FY21 higher receipts may impact those forecasts

This is partially offset by inclusion of a \$70 million estimated lapse of General Fund appropriations at the end of this recently completed FY00/FY01 biennium. Because of the timing of encumbrances, an actual number will not be known until the first part of September.

5. The current status is based on the existing April 2021 revenue forecasts for FY2021-22 and FY2022-23. How these current forecasts may be impacted by the FY2020-21 revenue performance and how any revised revenue forecasts will affect the financial status will not be known until October when the NEFAB is statutorily scheduled to meet.

Until that time with the higher adjusted growth in FY20-21 actual receipts (14.6% vs 8.0% growth), and no change in the FY21-22 forecast, calculated growth for FY21-22 is now -0.4% with the existing forecast compared to the Sine Die estimate of 2.4%. No change in either the FY20-21 forecast or calculated growth.

<u>Est. Revenue Growth (rate/base adjusted)</u>	<u>FY20-21</u>	<u>FY21-22</u>	<u>FY22-23</u>	<u>FY23-24</u>	<u>FY24-25</u>
Sine Die 2021 Session	8.0%	1.0%	3.2%	3.8%	3.8%
With FY21 actual, no change in other forecasts	14.6%	-4.8%	4.0%	4.8%	4.1%

6. The good news is that the Cash Reserve Fund (CRF) is projected at an unobligated balance of \$997.5 million taking into consideration transfers that are authorized over the next two years. This would be the highest CRF balance both in actual dollars and as a percent of revenues (20.4%)

Current General Fund Financial Status

(With FY2020-21 Actual Revenue & Expenditures)

	Actual FY2020-21	Biennial Budget FY2021-22 FY2022-23		Following Biennium FY2023-24 FY2024-25	
<u>BEGINNING BALANCE</u>					
1 Beginning Cash Balance	710,599,887	1,848,977,997	441,832,513	202,153,947	10,865,186
2 Cash Reserve transfers-above certified prior yr	(10,655,528)	(535,259,366)	0	0	0
3 Unexpended FY20-21 obligations	0	(495,792,965)	0	0	0
4 Est lapse FY21 carryover obligations	0	70,000,000	0	0	0
5 Allocation for potential deficits	0	0	(5,000,000)	(5,000,000)	(5,000,000)
6 Unobligated Beginning Balance	<u>699,944,359</u>	<u>887,925,666</u>	<u>436,832,513</u>	<u>197,153,947</u>	<u>5,865,186</u>
<u>REVENUES</u>					
7 Net Receipts (Actual and Sine Die Adjusted)	5,959,042,428	4,879,609,919	5,127,357,657	5,293,510,351	5,766,590,748
8 General Fund transfers-out	(310,600,000)	(455,330,000)	(335,830,000)	(327,010,000)	(322,010,000)
9 General Fund transfers-in	in actual	in forecast	in forecast	0	0
10 Cash Reserve transfers-legislative	30,000,000	(50,000,000)	(50,000,000)	0	0
11 Accounting adjustment	(3,377,489)	0	0	0	0
12 General Fund Net Revenues	<u>5,675,064,939</u>	<u>4,374,279,919</u>	<u>4,741,527,657</u>	<u>4,966,500,351</u>	<u>5,444,580,748</u>
<u>APPROPRIATIONS</u>					
13 Expenditures/Appropriations	4,526,031,301	4,815,373,072	4,976,206,223	4,976,206,223	4,976,206,223
14 Projected budget increase, following biennium	--	--	--	176,582,889	360,136,033
15 Mainline budget adjustments (2022 Session)	--	5,000,000	0	0	0
16 "A" Bills (2022 Session)	--	0	0	0	0
17 General Fund Appropriations	<u>4,526,031,301</u>	<u>4,820,373,072</u>	<u>4,976,206,223</u>	<u>5,152,789,112</u>	<u>5,336,342,256</u>
<u>ENDING BALANCE</u>					
18 \$ Ending balance (Financial Status as shown)	1,848,977,997	441,832,513	202,153,947	10,865,186	114,103,678
19 \$ Ending balance (at 3% Min Reserve)	--	--	303,772,608	--	309,123,351
20 Excess (shortfall) from Minimum Reserve	--	--	(101,618,661)	--	(195,019,673)
21 Biennial Reserve (%)	--	--	2.0%	--	1.1%
<u>General Fund Budget</u>					
22 Annual % Change	3.4%	0.7%	3.3%	3.5%	3.6%
23 Two Year Average % Change	3.6%	--	2.0%	--	3.5%
<u>General Fund Revenues:</u>					
24 Adjusted Growth	14.6%	-4.8%	4.0%	4.8%	4.1%
25 Two Year Average	9.7%	--	-0.4%	--	4.4%
26 Five Year Average	5.6%	--	4.6%	--	4.5%
27 Unadjusted % change	20.6%	-18.1%	5.1%	3.2%	8.9%
28 <u>On-Going Revenues vs Appropriations</u>	581,298,041	(396,093,153)	(184,678,566)	(186,288,761)	108,238,492

CASH RESERVE FUND	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
Beginning Balance	426,307,702	412,263,230	997,522,596	997,522,596	997,522,596
Excess of certified forecasts (line 3 in Status)	10,655,528	535,259,366	0	0	0
To/from Gen Fund per current law	(30,000,000)	50,000,000	50,000,000	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
To US Spacecom fund (LBxxx-2021)	0	0	(50,000,000)	0	0
Ending Balance - Current Status	<u>412,263,230</u>	<u>997,522,596</u>	<u>997,522,596</u>	<u>997,522,596</u>	<u>997,522,596</u>
Projected Balance - End of 2021 Session	412,263,230	808,001,230	808,001,230	808,001,230	808,001,230
Difference	0	189,521,366	189,521,366	189,521,366	189,521,366

Changes in the Financial Status since Sine Die 2021

(millions of dollars)	FY22/FY23 Biennium	FY24/FY25 Biennium
1. Variance: Sine Die 2021 ----->	27,355,393	77,804,859
2. Carryover obligations from FY19-20	579,370	579,370
3. FY21 Actual vs Est General Fund Net Receipts	379,042,428	379,042,428
4. FY21 Actual vs Est Transfers-In	2,250,000	2,250,000
5. FY21 Actual vs Est Transfers-Out	0	0
6. FY21 Actual vs Est CRF transfers-automatic	(189,521,366)	(189,521,366)
7. FY21 Actual vs Est Accounting adjustment	(3,377,489)	(3,377,489)
8. FY22 Actual vs Est LB1107 credit	(379,042,430)	(535,325,035)
9. Update appropriations estimates (following biennium)	0	(4,521,530)
10. Assumed lapse, FY21 unexpended	70,000,000	70,000,000
11. Recalculate minimum reserve	(8,904,567)	8,049,090
12. Total \$ Change Since Sine Die	<u>(128,974,054)</u>	<u>(268,302,532)</u>
13. Current Financial Status ----->	(101,618,661)	(195,019,673)

LB1107 Credit for Property Taxes Paid

	<u>FY2020-21</u>	<u>FY2021-22</u>	<u>FY2022-23</u>	<u>FY2023-24</u>	<u>FY2024-25</u>
Sine Die 2020 est	125,000,000	125,000,000	144,895,000	309,479,000	375,000,000
Oct 2020 est	125,000,000	211,672,849	211,672,849	394,472,849	375,000,000
Feb 2021 est	125,000,000	313,672,849	313,672,849	418,697,848	375,000,000
April 2021 est	125,000,000	358,672,848	358,672,848	468,872,848	375,000,000
June 30 2021	125,000,000	548,194,462	548,194,462	625,155,454	375,000,000
Change from April	0	189,521,614	189,521,614	156,282,606	0

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	(1,842,005)
Transfer-Out State Patrol drug purchases	(33,818)
All other accounting adjustments	(751,666)
Total Accounting adjustment	(3,377,489)

Lapse of Unexpended FY2020-21 Funds

At the end of this past biennium (FY20 & FY21) there was not a general reappropriation of all unexpended General Fund so unexpended appropriations not otherwise reappropriated or encumbered will expire or "lapse". Agencies have until the end of August to certify encumbrances so the actual amount of lapse will not be known until then. At the present time, the financial status includes an estimated \$70 million of lapsed appropriation authority. This is a relatively conservative number after a review of unexpended balances by individual budget program. A significant amount is a presumed lapse of some unexpended DHHS aid funds. While a large amount, this consists of unused funds over the past two years and is about 0.6% of the biennial budget.

FY2020-21 Actual General Fund Receipts

Table 1 compares the various forecasts with actual receipts for FY2020-21. Table 2 shows actual receipts and adjusted growth for FY2020-21 and the previous five years, Table 3 shows a chronology of the FY2020-21 forecasts and Table 4 provides historical revenues.

Table 1 FY2020-21 Actual Receipts vs Forecast

	Recert Aug 2020	Oct 2020	Feb 2021	April 2021	Actual YTD	\$ Variance	\$ Variance	\$ Variance	\$ Variance
	FY2020-21	FY2020-21	FY2020-21	FY2020-21	FY2020-21	Recert Aug 2020	Oct 2020	Feb 2021	April 2021
GROSS RECEIPTS									
Sales and Use	2,509,744,000	2,625,535,000	2,713,879,000	2,714,159,000	2,746,553,548	236,809,548	121,018,548	32,674,548	32,394,548
Individual Income	3,220,765,000	3,419,668,000	3,490,766,000	3,494,833,000	3,699,016,446	478,251,446	279,348,446	208,250,446	204,183,446
Corporate Income	476,186,000	448,383,000	499,488,000	565,534,000	642,787,525	166,601,525	194,404,525	143,299,525	77,253,525
Miscellaneous	220,953,000	226,067,000	230,059,000	230,032,000	247,487,690	26,534,690	21,420,690	17,428,690	17,455,690
Total Gross Receipts	6,427,648,000	6,719,653,000	6,934,192,000	7,004,558,000	7,335,845,208	908,197,208	616,192,208	401,653,208	331,287,208
REFUNDS & CREDITS									
City Sales Tax	466,834,000	493,622,000	510,954,000	515,609,000	522,704,310	55,870,310	29,082,310	11,750,310	7,095,310
State Sales and Use	177,711,000	117,413,000	123,207,000	119,448,000	108,541,691	(69,169,309)	(8,871,309)	(14,665,309)	(10,906,309)
Sales tax to Highway Funds	89,500,000	92,152,000	93,949,000	93,333,000	94,686,153	5,186,153	2,534,153	737,153	1,353,153
CSI Turnback	10,699,000	12,348,000	10,769,000	10,769,000	10,873,123	174,123	(1,474,877)	104,123	104,123
Individual Income	614,229,000	654,668,000	630,766,000	609,833,000	568,417,122	(45,811,878)	(86,250,878)	(62,348,878)	(41,415,878)
Corporate Income	67,793,000	63,383,000	74,488,000	75,534,000	71,567,200	3,774,200	8,184,200	(2,920,800)	(3,966,800)
Miscellaneous	293,000	67,000	59,000	32,000	13,180	(279,820)	(53,820)	(45,820)	(18,820)
Total Refunds/Credits	1,427,059,000	1,433,653,000	1,444,192,000	1,424,558,000	1,376,802,781	(50,256,219)	(56,850,219)	(67,389,219)	(47,755,219)
NET RECEIPTS									
Sales and Use	1,765,000,000	1,910,000,000	1,975,000,000	1,975,000,000	2,009,748,270	244,748,270	99,748,270	34,748,270	34,748,270
Individual Income	2,606,536,000	2,765,000,000	2,860,000,000	2,885,000,000	3,130,599,324	524,063,324	365,599,324	270,599,324	245,599,324
Corporate Income	408,393,000	385,000,000	425,000,000	490,000,000	571,220,324	162,827,324	186,220,324	146,220,324	81,220,324
Miscellaneous	220,660,000	226,000,000	230,000,000	230,000,000	247,474,510	26,814,510	21,474,510	17,474,510	17,474,510
Total Net Receipts	5,000,589,000	5,286,000,000	5,490,000,000	5,580,000,000	5,959,042,429	958,453,429	673,042,429	469,042,429	379,042,429
ADJUSTED GROWTH									
Sales/Use	-1.7%	2.8%	7.2%	7.3%	7.9%	na	na	na	na
Ind Income	-2.6%	2.8%	6.9%	8.9%	18.1%	na	na	na	na
Corp Income	-9.1%	-14.4%	-5.5%	9.0%	27.1%	na	na	na	na
Misc Receipts	-5.2%	-2.3%	-0.2%	-0.2%	4.1%	na	na	na	na
Total GF Revenues	-3.0%	1.4%	5.7%	8.0%	14.6%	na	na	na	na

	Recert Aug 2020	Oct 2020	Feb 2021	April 2021	Actual YTD	\$ Variance	\$ Variance	\$ Variance	\$ Variance
	FY2020-21	FY2020-21	FY2020-21	FY2020-21	FY2020-21	Recert Aug 2020	Oct 2020	Feb 2021	April 2021
July 12, 2021									
TOTAL BY MONTH									
July	605,326,000	605,327,000	605,327,000	605,327,000	605,327,625	1,625	625	625	625
August	445,785,000	513,475,000	513,475,000	513,475,000	513,474,994	67,689,994	(6)	(6)	(6)
September	510,580,000	526,838,000	526,838,000	526,838,000	526,837,912	16,257,912	(88)	(88)	(88)
October	260,792,000	304,607,000	304,607,000	304,607,000	304,606,936	43,814,936	(64)	(64)	(64)
November	396,184,000	442,489,000	481,814,000	481,814,000	481,813,865	85,629,865	39,324,865	(135)	(135)
December	440,083,000	441,928,000	436,468,000	436,468,000	436,466,930	(3,616,070)	(5,461,070)	(1,070)	(1,070)
January	380,243,000	424,402,000	452,902,000	452,902,000	452,901,868	72,658,868	28,499,868	(132)	(132)
February	228,838,000	261,469,000	448,513,000	448,513,000	448,511,856	219,673,856	187,042,856	(1,144)	(1,144)
March	305,715,000	307,051,000	256,432,000	362,680,000	362,680,035	56,965,035	55,629,035	106,248,035	35
April	527,804,000	560,128,000	563,815,000	525,270,000	525,270,179	(2,533,821)	(34,857,821)	(38,544,821)	179
May	423,234,000	424,404,000	448,600,000	488,632,000	720,225,248	296,991,248	295,821,248	271,625,248	231,593,248
June	476,005,000	473,882,000	451,209,000	433,474,000	580,924,979	104,919,979	107,042,979	129,715,979	147,450,979
Total GF Revenues	5,000,589,000	5,286,000,000	5,490,000,000	5,580,000,000	5,959,042,429	958,453,429	673,042,429	469,042,429	379,042,429

Table 2 Actual Receipts and Adjusted Growth

	Actual FY2015-16	Actual FY2016-17	Actual FY2017-18	Actual FY2018-19	Actual FY2019-20	Actual FY2020-21
GROSS RECEIPTS						
Sales and Use	2,094,468,144	2,171,815,346	2,227,862,718	2,323,766,414	2,550,432,397	2,746,553,548
Individual Income	2,641,879,626	2,658,320,142	2,811,053,259	2,995,220,724	2,901,208,799	3,699,016,446
Corporate Income	355,255,463	317,877,308	355,713,385	465,815,238	432,059,215	642,787,525
Miscellaneous	251,287,376	228,108,875	290,514,168	269,431,444	254,760,474	247,487,690
Total Gross Receipts	5,342,890,608	5,376,121,671	5,685,143,530	6,054,233,820	6,138,460,885	7,335,845,209
REFUNDS & CREDITS						
City Sales Tax	393,267,290	410,163,428	423,550,028	432,135,164	489,132,760	522,704,311
State Sales and Use	90,711,947	129,249,901	113,159,286	141,849,001	111,269,736	108,541,691
Sales tax to Highway Funds	73,155,323	74,054,661	76,676,926	78,843,507	87,777,306	94,686,153
CSI Turnback	9,310,274	9,958,507	11,739,120	12,831,609	14,016,636	10,873,123
Individual Income	420,790,809	433,480,089	450,457,324	449,540,685	455,561,314	568,417,122
Corporate Income	47,585,769	53,437,595	42,023,864	42,077,667	40,895,463	71,567,201
Miscellaneous	87,922	5,543	541,209	578,009	45,059	13,180
Total Refunds/Credits	1,034,909,334	1,110,349,724	1,118,147,757	1,157,855,642	1,198,698,274	1,376,802,781
NET RECEIPTS						
Sales and Use	1,528,023,310	1,548,388,849	1,602,737,358	1,658,107,133	1,848,235,959	2,009,748,270
Individual Income	2,221,088,817	2,224,840,053	2,360,595,935	2,545,680,039	2,445,647,485	3,130,599,324
Corporate Income	307,669,694	264,439,713	313,689,521	423,737,571	391,163,752	571,220,324
Miscellaneous	251,199,454	228,103,332	289,972,959	268,853,435	254,715,415	247,474,510
Total Net Receipts	4,307,981,275	4,265,771,947	4,566,995,773	4,896,378,178	4,939,762,611	5,959,042,428
ADJUSTED GROWTH						
Sales/Use	0.9%	1.7%	1.6%	4.5%	7.2%	7.9%
Ind Income	1.3%	1.1%	5.9%	9.0%	3.6%	18.1%
Corp Income	-9.1%	-11.8%	17.6%	30.2%	1.7%	27.1%
Misc Receipts	3.9%	0.2%	-6.5%	3.9%	6.3%	4.1%
Total GF Revenues	0.3%	0.3%	4.5%	8.7%	4.8%	14.6%

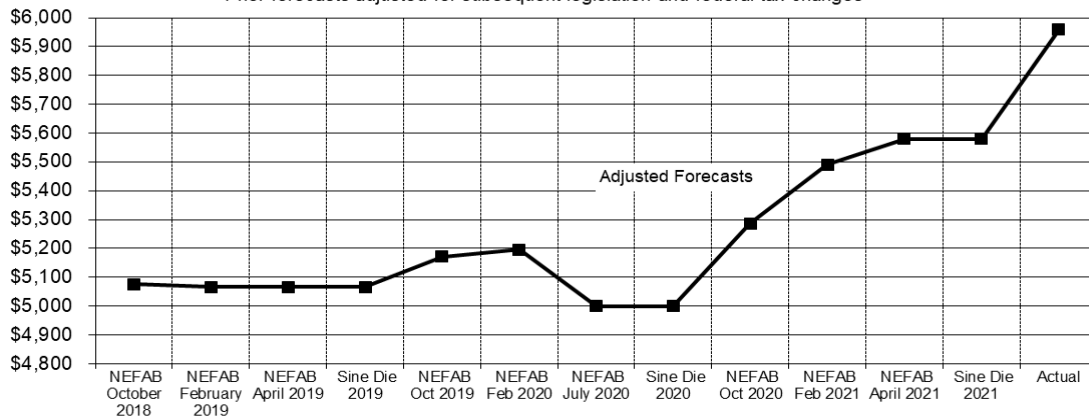
July 15, 2021	Actual FY2015-16	Actual FY2016-17	Actual FY2017-18	Actual FY2018-19	Actual FY2019-20	Actual FY2020-21
TOTAL BY MONTH						
July	250,936,331	234,585,213	267,909,749	279,849,780	284,883,132	605,327,625
August	385,186,834	410,484,016	405,007,342	422,129,588	462,019,974	513,474,994
September	440,846,015	437,022,598	456,056,442	510,217,946	551,908,013	526,837,912
October	225,230,579	233,404,182	244,584,930	247,188,116	289,723,434	304,606,936
November	369,731,822	358,594,439	375,539,555	390,491,204	431,787,603	481,813,865
December	368,719,470	342,069,150	414,747,893	387,480,224	472,926,836	436,466,930
January	371,697,375	376,472,404	421,100,753	389,711,888	467,698,460	452,901,868
February	279,050,673	267,168,525	296,461,256	296,444,299	314,532,626	448,511,856
March	327,084,257	326,793,056	305,529,563	343,629,209	380,216,046	362,680,035
April	496,364,631	477,844,853	514,218,591	659,642,842	344,906,572	525,270,179
May	378,942,906	401,525,307	392,124,524	439,242,511	430,175,786	720,225,248
June	414,190,381	399,808,204	473,715,175	530,350,572	508,984,128	580,924,979
Total GF Revenues	4,307,981,275	4,265,771,947	4,566,995,773	4,896,378,178	4,939,762,611	5,959,042,428

Table 3 Chronology of FY2020-21 Revenue Forecasts

	FY2020-21 Revenue Forecasts (Thousands of \$)					Change Due to:			
	Sales/Use	Individual	Corporate	Misc	Total	Forecast	Bills	Other	Total
Board Est-October 2018	1,805,000	2,700,000	320,000	175,000	5,000,000				
Board Est-February 2019	1,795,000	2,695,000	325,000	175,000	4,990,000	(10,000)	0	0	(10,000)
Board Est-April 2019	1,795,000	2,695,000	325,000	175,000	4,990,000	0	0	0	0
Sine Die-2019 Session	1,795,000	2,699,000	325,000	225,919	5,044,919	0	54,919	0	54,919
Board Est-Oct 2019	1,820,000	2,750,000	360,000	220,000	5,150,000	105,081	0	0	105,081
Board Est-Feb 2020	1,820,000	2,765,000	370,000	220,000	5,175,000	25,000	0	0	25,000
Board Est-July 2020	1,765,000	2,700,000	440,000	220,000	5,125,000	(196,036)	0	146,036	(50,000)
Sine Die-2020 Session (Aug)	1,765,000	2,606,536	408,393	220,660	5,000,589	(0)	(124,411)	0	(124,411)
Board Est-Oct 2020	1,910,000	2,765,000	385,000	226,000	5,286,000	285,411	0	0	285,411
Board Est-Feb 2021	1,975,000	2,860,000	425,000	230,000	5,490,000	204,000	0	0	204,000
Board Est-April 2021	1,975,000	2,885,000	490,000	230,000	5,580,000	90,000	0	0	90,000
Sine Die-2021 Session	1,975,000	2,885,000	490,000	230,000	5,580,000	0	0	0	0
Actual Receipts FY2020-21	2,009,748	3,130,599	571,220	247,475	5,959,042	379,042	0	0	379,042
Change from first NEFAB forecast to actual	204,748	430,599	251,220	72,475	959,042	882,498	(69,492)	146,036	959,042

Chronology of FY2020-21 Forecasts

Prior forecasts adjusted for subsequent legislation and federal tax changes



Chronology of FY2019-20 Forecasts

Prior forecasts adjusted for subsequent legislation and federal tax changes

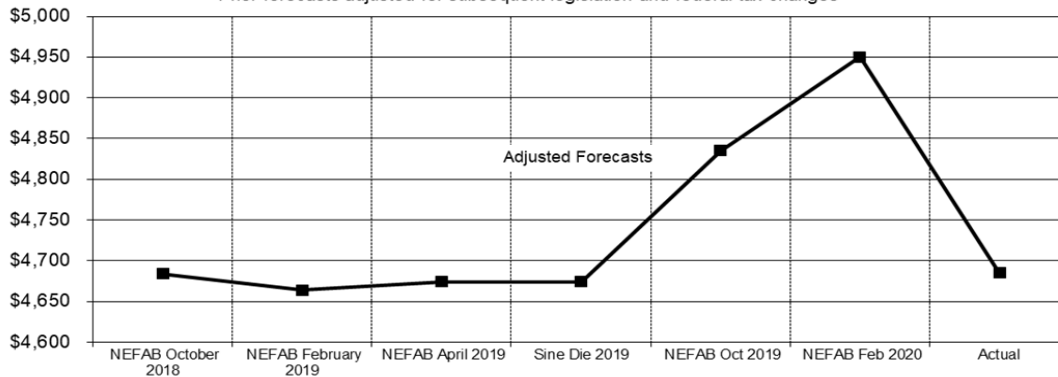
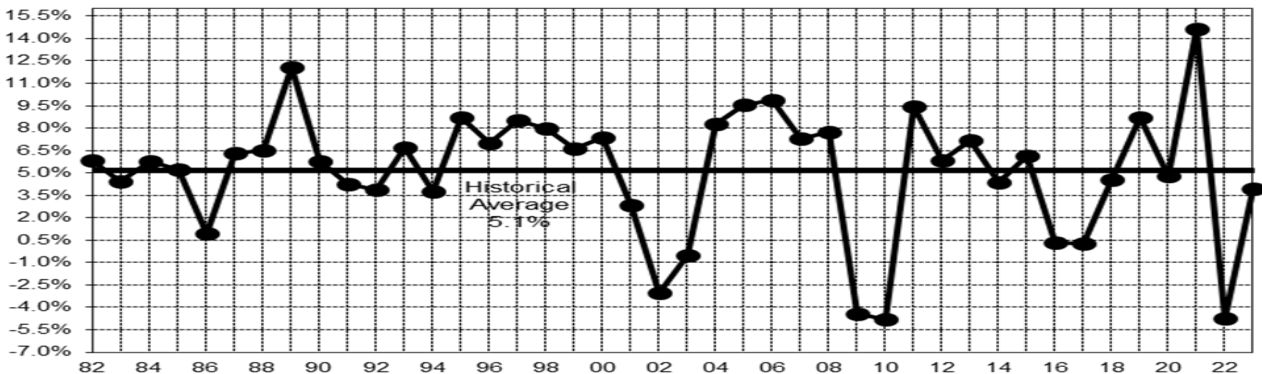


Table 4 Historical and Projected Revenues

	Sales	Individual	Corporate	Miscellaneous	Total	Adjusted Growth
FY 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 Actual	2,009,748,270	3,130,599,324	571,220,324	247,474,510	5,959,042,428	14.6%
FY 2021-22 NEFAB adjusted	1,992,687,000	2,314,067,089	350,228,696	222,627,134	4,879,609,919	-4.8%
FY 2022-23 NEFAB adjusted	2,119,794,320	2,477,629,119	310,601,346	219,332,872	5,127,357,657	4.0%
FY 2021-22 LFO Prelim	2,181,297,680	2,621,310,516	295,130,199	195,771,956	5,293,510,351	4.8%
FY 2022-23 LFO Prelim	2,240,905,920	2,986,762,930	352,378,150	186,543,748	5,766,590,748	4.1%
AVERAGE GROWTH (adjusted)						
Five Yr Financial Status (FY21 to FY25 Status)	4.2%	4.9%	3.3%	1.2%	4.4%	
Above Average Years (25)	5.6%	9.5%	13.1%	3.6%	7.6%	
Below Average Years (15)	1.9%	2.3%	-4.2%	0.4%	1.4%	
Historical Average (40 yrs)	4.3%	6.1%	5.5%	1.4%	5.1%	

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



Cash Reserve Fund

	Beginning	Direct Deposit	Automatic	Legislative Transfers (2)		Cash	Ending	EB as % of revenues
	Balance	and Interest	Transfers (1)	Gen Fund	Other Funds	Flow	Balance	
FY1983-84	0	37,046,760	na	0	0	0	37,046,760	4.7%
FY1984-85	37,046,760	(1,472,551)	na	0	0	0	35,574,209	4.5%
FY1985-86	35,574,209	227,855	na	(13,500,000)	0	0	22,302,064	2.7%
FY1986-87	22,302,064	1,428,021	na	0	0	0	23,730,085	2.7%
FY1987-88	23,730,085	1,654,844	na	0	(7,700,000)	0	17,684,929	1.7%
FY1988-89	17,684,929	139,000	na	32,600,000	0	0	50,423,929	4.4%
FY1989-90	50,423,929	113,114	na	(10,500,000)	0	0	40,037,043	3.5%
FY1990-91	40,037,043	0	na	(8,100,000)	0	0	31,937,043	2.3%
FY1991-92	31,937,043	0	na	(5,000,000)	0	0	26,937,043	1.8%
FY1992-93	26,937,043	0	na	(9,500,000)	0	0	17,437,043	1.1%
FY1993-94	17,437,043	0	3,063,462	7,250,000	0	0	27,750,505	1.7%
FY1994-95	27,750,505	0	(8,518,701)	7,250,000	(6,000,000)	0	20,481,804	1.2%
FY1995-96	20,481,804	0	(20,481,804)	18,189,565	0	0	18,189,565	1.0%
FY1996-97	18,189,565	0	19,740,786	3,032,333	0	0	40,962,684	2.0%
FY1997-98	40,962,684	0	91,621,018	0	0	0	132,583,702	6.3%
FY1998-99	132,583,702	0	111,616,422	(96,500,000)	(2,000,000)	0	145,700,124	6.9%
FY1999-00	145,700,124	0	20,959,305	3,500,000	(28,000,000)	0	142,159,429	5.9%
FY2000-01	142,159,429	0	77,576,670	(24,500,000)	(25,000,000)	0	170,236,099	6.9%
FY2001-02	170,236,099	0	0	(59,800,000)	(370,000)	0	110,066,099	4.7%
FY2002-03	110,066,099	66,476,446	0	(87,400,000)	0	(30,000,000)	59,142,545	2.4%
FY2003-04	59,142,545	59,463,461	0	(61,191,862)	(385,807)	30,000,000	87,028,337	3.2%
FY2004-05	87,028,337	8,170,556	108,727,007	(26,000,000)	(758,180)	0	177,167,720	5.8%
FY2005-06	177,167,720	0	261,715,297	0	(165,266,227)	0	273,616,790	8.2%
FY2006-07	273,616,790	0	259,929,524	(15,674,107)	(1,784,416)	0	516,087,791	15.1%
FY2007-08	516,087,791	0	191,436,773	(60,177,767)	(101,801,000)	0	545,545,797	15.6%
FY2008-09	545,545,797	0	116,976,571	(54,990,505)	(29,340,000)	0	578,191,863	17.2%
FY2009-10	578,191,863	0	0	(105,000,000)	(5,990,237)	0	467,201,626	14.6%
FY2010-11	467,201,626	0	0	(154,000,000)	0	0	313,201,626	8.9%
FY2011-12	313,201,626	8,422,528	145,155,092	(37,000,000)	3,560,802	(4,461,676)	428,878,372	11.6%
FY2012-13	428,878,372	0	104,789,781	(78,000,000)	(76,008,427)	4,461,676	384,121,402	9.5%
FY2013-14	384,121,402	0	285,292,610	49,400,000	251,294	0	719,065,306	17.5%
FY2014-15	719,065,306	0	96,721,232	(67,701,112)	(20,250,000)	0	727,835,426	16.9%
FY2015-16	727,835,426	0	84,599,532	0	(81,779,850)	0	730,655,108	17.0%
FY2016-17	730,655,108	0	0	0	(50,000,000)	0	680,655,108	16.0%
FY2017-18	680,655,108	265,729	0	(225,000,000)	(115,930,772)	0	339,990,065	7.4%
FY2018-19	339,990,065	0	61,995,773	(48,000,000)	(20,436,714)	0	333,549,124	6.8%
FY2019-20	333,549,124	0	176,378,178	0	(83,619,600)	0	426,307,702	8.6%
FY2020-21	426,307,702	0	10,655,528	0	(24,700,000)	0	412,263,230	6.9%
FY2021-22 Est	412,263,230	0	535,259,365	50,000,000	0	0	997,522,595	20.4%
FY2022-23 Est	997,522,595	0	0	50,000,000	(50,000,000)	0	997,522,595	19.5%
FY2023-24 Est	997,522,595	0	0	0	0	0	997,522,595	18.8%
FY2024-25 Est	997,522,595	0	0	0	0	0	997,522,595	17.3%

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

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

Projected Budget – FY24/FY25 Following Biennium

For the “following biennium” (FY23-24 and FY24-25), the mainline budget numbers reflect the annualized impact of the current budget actions plus an estimate of future year increases in entitlement programs, salary and health insurance increases, and other funding requirements that are normally not optional. Obviously the actual funding needs in these areas will not be known until the biennial budget process starts again in two years. However for planning purposes, some level of funding for these items must be acknowledged and shown as likely funding commitments

Table 5 Projected Budget Increases-Following Biennium
(includes on-going impact of 2021 budget actions)

<i>Dollar Changes from FY23 Base Year</i>	Annual % Change			Projected Increases	
	FY24	FY25	2 Yr Avg	FY2023-24	FY2024-25
FY2022-23 Base Appropriation				4,976,206,223	4,976,206,223
<u>Aid to Local Governments</u>					
Aid to K-12 Schools (TEEOSA GF only)	4.3%	3.8%	4.0%	44,599,154	85,499,482
Special Education	2.5%	2.5%	2.5%	5,893,112	11,933,551
Community Colleges	3.5%	3.5%	3.5%	3,843,152	7,820,813
Homestead Exemption	3.0%	3.0%	3.0%	3,288,000	6,674,640
Aid to ESU's	2.5%	2.5%	2.5%	353,980	716,809
Aid to Counties	--	--	--	(2,000,000)	(2,000,000)
<u>Aid to Individuals / Other</u>					
Medicaid	4.5%	4.5%	4.5%	40,858,749	83,556,142
Public Assistance	3.5%	3.5%	3.5%	3,036,469	6,179,214
Child Welfare Aid	4.5%	4.5%	4.5%	8,167,957	16,703,472
Developmental Disability aid	4.0%	4.0%	4.0%	6,709,400	13,687,177
Behavioral Health aid	2.5%	2.5%	2.5%	2,012,630	4,075,576
Children's Health Insurance (SCHIP)	5.4%	5.3%	5.3%	1,414,497	2,892,646
Nebraska Career Scholarships	42.9%	0.0%	21.4%	6,000,000	6,000,000
All Other (Aid-Ind)	0.0%	0.0%	0.0%	293,064	593,456
<u>Agency Operations</u>					
Employee Salaries - State Agencies	3.0%	3.0%	3.0%	17,791,129	36,027,037
Employee Health Insurance - State Agencies	6.0%	6.0%	6.0%	6,116,753	12,600,511
University/Colleges increased funding	3.8%	3.8%	3.8%	26,616,397	54,092,221
Operations increase - State Agencies	2.0%	2.0%	2.0%	3,144,636	6,352,165
Juvenile Services - Courts	2.5%	2.5%	2.5%	1,223,585	2,477,760
Inmate per diem costs (Corrections)	3.0%	3.0%	3.0%	1,384,455	2,810,443
Staffing / costs, new facilities (Corrections)	--	--	specific	3,722,530	7,445,060
Retirement (defined benefit plans)	--	--	specific	322,947	2,100,000
All Other (Oper)			specific	(374,827)	524,556
<u>Construction</u>	-20.5%	-2.6%	-11.6%	(7,834,881)	(8,626,699)
Total General Fund Increases (Biennial Basis)	3.5%	3.6%	3.6%	176,582,889	360,136,033
Projected Appropriation per Financial Status				5,152,789,112	5,336,342,256

AID TO LOCAL GOVERNMENTS

State Aid to Schools (TEEOSA) The estimates for FY24 and FY25 are based on the same methodology utilized for the November 15 estimates required under current law for the proposed biennial budget but with Fiscal Office assumptions and should be considered Fiscal Office estimates. The estimates reflect a growth in overall school aid of 4.2% in FY24 and 3.7% in FY25. The above average growth reflects a 3.5% per year estimate in school spending and a valuation growth of 2.4% per year assuming a continued decline in agricultural land valuations.

Special Education Increases for FY22 and FY23 reflect a 2.5% per year increase. Although statute allows for a growth up to 5% the 2.5% is equal to the basic allowable growth rate under the K-12 school spending limitation and TEEOSA calculations.

Aid to Community Colleges For the following biennium, a 3.5% per year annual increase is included reflecting increased state aid to support operations budget increases. This increase amounts to about a \$3.9 million per year increase.

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

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

AID TO INDIVIDUALS

Medicaid For the following biennium, the average growth is 4.5% per year. This reflects projected growth of 2.0% per year for population client eligibility and utilization and 2.5% per year for provider rates. This estimate also assumes no change in the federal match rate.

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

Child Welfare A basic growth rate of 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.

Nebraska Career Scholarships. 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 \$8 million in FY22, \$12 million in FY23 with intent to increase to \$16 million in FY24. In the 2021 session funds were included under DED for students attending a private, not for profit university or college in the state; \$1 million in FY22, \$2 million in FY23, and intent to increase to \$4 million in FY24.

AGENCY OPERATIONS / CONSTRUCTION

Employee Salary Increases Although salary increases will be the result of bargaining, some level of increase is factored in more for illustration than planning purposes. A 2.5% per year increase is included which approximates inflation. In addition \$3 million is added each year to cover the costs of the Protective Services 2020 contract which provides for a \$1 per hour increase step plan, employees can move up a step each year for seven years.

Employee Health Insurance For planning purposes, an 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 food, clothing, and medical care. A 3% per year increase is included to reflect both

DCS Staffing and Operations The amount shown in FY24-25 is the projected amounts to fully annualize the operating costs of the two new high security housing units at the Reception and Treatment Center in Lincoln.

Defined Benefit Retirement Plans The increase in funding for the defined benefit retirement plans for FY24 and FY25 reflects about a 2.5% increase in the 2% of pay contribution in the school plan.

Capital Construction General Fund dollars included in the projected budget for the following biennium for capital construction reflect reaffirmations only based on the proposed FY22/FY23 biennial budget. These are dollar amounts needed to complete funding of previously approved projects.