

REPORT TO THE TAX RATE REVIEW COMMITTEE

July 18, 2024

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 John Arch

Senator Ray Aguilar

Senator Lou Ann Linehan

Senator Robert Clements

Tax Commissioner – James Kamm

Prepared by the Legislative Fiscal Office

Summary

FY2023-24, completed on June 30, 2024, yielded General Fund net receipts \$10.6 million below the February 2024 forecast adjusted for 2024 legislation. Revenue growth is 4.7% for FY2023-24, after adjusting for changes in tax rates and the tax base, which is slightly below the historical average of 5.3%.

The FY2023-24 actual net receipts exceeded the July 2023 certified forecast for FY2023-24 by \$718,684,680. Under section 77-4602, this amount was certified by the Department of Revenue as the excess amount above the certified forecast. Pursuant to 77-4602(4)(c), the transfer amount was reduced so the balance of the Cash Reserve Fund did not exceed 16% of total General Fund budgeted expenditures for FY2024-25 (new appropriations and reappropriated General Funds). As a result, the automatic transfer to the Cash Reserve Fund is reduced from the excess amount certified to \$38,746,104.

The General Fund financial status, published at Sine Die in April of 2024, reflected \$521.2 million above the minimum reserve in the FY24/FY25 biennium, and \$49.9 million below the minimum reserve for the FY26/FY27 biennium. The General Fund financial status published in this report reflects \$503.9 million above the minimum reserve in the FY24/FY25 biennium, and \$68.0 million below the minimum reserve for the FY26/FY27 biennium.

For the FY24/FY25 biennium, this is a reduction of \$17.3 million above the minimum reserve. For the FY26/27 biennium, this is a reduction of \$18.2 million above the minimum reserve.

The main factors contributing to a reduction in funds available include:

- Net receipts for FY2023-24 are below the projected amount by \$10.6 million;
- The accounting adjustment for FY2023-24 is calculated to be \$8.8 million, which is comprised of statutory transfers which fluctuate in amount; and
- A correction is made to the FY2026-27 impact of LB 1344, which increases in revenue loss beginning in FY2026-27 from \$900,000 per year to \$3 million per year.

The main factors that increase funds available and offset some of the reduction in funds available include:

- The automatic transfer to the Cash Reserve Fund is \$1.2 million less than the projected amount of \$40 million;
- The minimum reserve requirement for the current biennium and following biennium is lower by approximately \$500,000 for each biennium; and
- There is a change in calculated carryover obligations of approximately \$400,000.

Current General Fund Financial Status

(With FY2023-24 Actual Revenue & Expenditures)

	Actual FY2022-23	Current Biennium FY2023-24 FY2024-25		Est for Following Biennium FY2025-26 FY2026-27	
1 BEGINNING BALANCE					
2 Beginning Cash Balance	2,494,107,852	1,853,785,088	1,843,296,751	855,383,520	684,146,792
3 Cash Reserve transfers-automatic	(1,287,998,995)	(2,982,492)	(38,746,104)	0	0
4 Carryover obligations from FY24	0	0	(437,528,028)	0	0
5 Allocation for potential deficits	0	0	0	(5,000,000)	(5,000,000)
6 Unobligated Beginning Balance	1,206,108,857	1,850,802,596	1,367,022,619	850,383,520	679,146,792
7 REVENUES & TRANSFERS					
8 Net Receipts	6,367,982,492	7,155,810,580	5,888,878,915	6,349,119,532	6,244,279,082
9 General Fund transfers-out (current law)	(518,053,459)	(1,399,760,000)	(944,553,886)	(952,417,382)	(976,636,640)
10 General Fund transfers-in (current law)	in actual	in forecast	in forecast	0	0
11 Cash Reserve transfers	(50,000,000)	(440,000,000)	4,000,000	0	0
12 Accounting Adjustment	1,937,066	(8,779,331)	0	0	0
13 General Fund Net Revenues	5,801,866,099	5,307,271,249	4,948,325,029	5,396,702,150	5,267,642,442
14 APPROPRIATIONS					
15 Expenditures / Appropriations	5,154,189,868	5,314,777,094	5,125,672,253	5,125,672,253	5,125,672,253
16 Mainline Budget and A bills (2024 session)	0	0	329,291,875	329,291,875	329,291,875
17 Projected budget increase, following biennium	0	0	0	107,974,749	224,313,023
18 2025 Biennium Budget Adjustments	0	0	5,000,000	0	0
19 2025 A bills	0	0	0	0	0
20 General Fund Appropriations	5,154,189,868	5,314,777,094	5,459,964,128	5,562,938,878	5,679,277,151
21 ENDING BALANCE					
22 \$ Ending balance (per Financial Status)	1,853,785,088	1,843,296,751	855,383,520	684,146,792	267,512,083
23 \$ Ending balance (at Min. Reserve 3.0%)			351,485,032		335,526,062
24 Excess (shortfall) from Minimum Reserve			503,898,488		(68,013,979)
25 Biennial Reserve (%)			7.6%		2.4%
<u>General Fund Appropriations</u>					
26 Annual % Change - Appropriations (w/o deficits)	6.4%	4.4%	2.1%	1.9%	2.1%
27 Two Year Average	3.5%	--	3.2%	--	2.0%
28 Est. Revenue Growth (rate/base adjusted)	1.7%	4.7%	2.7%	5.6%	3.6%
29 Two Year Average	10.7%	--	3.7%	--	4.6%
30 Five Year Average	9.7%	--	8.4%	--	3.6%
31 Unadjusted % change over prior year	0.3%	12.4%	-17.7%	7.8%	-1.7%
32 <u>On-Going Revenues vs Appropriations</u>	726,193,848	397,836,831	(515,639,189)	(166,236,817)	(411,634,799)

CASH RESERVE FUND	FY2022-23	FY2023-24	FY2024-25	Estimated	Estimated
				FY2025-26	FY2026-27
Beginning Balance	927,523,568	1,637,852,563	912,817,475	902,179,779	852,179,779
Excess of certified forecasts (line 3 in Status)	1,287,998,995	2,982,492	38,746,104	0	0
To/from Gen Fund Current Law	40,000,000	440,000,000	(4,000,000)	0	0
To Nebr Capital Construction Fund (NCCF)	(216,120,000)	(166,673,580)	(29,458,800)	0	0
To University Next project (LB1107-2020)	0	0	0	(50,000,000)	(50,000,000)
To Perkins County Canal Fund	(53,500,000)	(574,500,000)	0	0	0
To Jobs & Econ Develop Initiative	0	(52,000,000)	0	0	0
To Nebr Rural Projects Act	(50,000,000)	0	0	0	0
To Trail Develop/Improve Fund	(8,300,000)	0	0	0	0
To Rural Workforce Housing fund	(30,000,000)	0	0	0	0
To Surface Water Irrigation Fund	(50,000,000)	0	0	0	0
To Intern Nebraska Cash Fund	(20,000,000)	0	0	0	0
To Site & Building Fund	(20,000,000)	(2,000,000)	0	0	0
To Military Base Development fund	(30,000,000)	0	0	0	0
To Middle Income Housing fund	(20,000,000)	0	0	0	0
To Roads Operations Cash Fund	(100,000,000)	0	0	0	0
To State Indemnification Revolving Fund	(18,750,000)	0	0	0	0
From Gov Emergency Fund	0	15,841,000	0	0	0
To Econ Recovery Contingency	0	(240,000,000)	0	0	0
To Shovel Ready Capital Recovery Fund	0	(70,000,000)	0	0	0
To Critical Infrastructure Facilities Fund	0	(10,000,000)	0	0	0
To Economic Development Cash Fund	0	(20,000,000)	0	0	0
To Public Safety Fund	0	(1,115,000)	0	0	0
To Accounting Division Revolving Fund	0	(1,100,000)	0	0	0
To Health and Human Services Cash	0	(11,320,000)	(3,500,000)	0	0
To Risk Loss Trust (State Colleges)	0	(3,000,000)	0	0	0
To Youth Outdoor Education Fund	0	(10,000,000)	0	0	0
To Public Safety Comm Systems Revolving Fund	0	(5,000,000)	(2,425,000)	0	0
To Materiel Division Revolving Fund	0	(2,500,000)	0	0	0
To State Building Revolving Fund	0	(1,400,000)	0	0	0
To Revitalize Rural Nebraska Fund (LB531-2023)	(1,000,000)	0	0	0	0
To State Insurance Fund	0	(3,250,000)	(5,000,000)	0	0
To School Safety and Security Fund (LB705-2023)	0	(10,000,000)	0	0	0
To Municipality Infrastructure Aid Fund (LB 600-2024)	0	0	(5,000,000)	0	0
Projected Unobligated Ending Balance	1,637,852,563	912,817,475	902,179,779	852,179,779	802,179,779
Ending Balance as % of Revenues	25.7%	12.8%	15.3%	13.4%	12.8%
Ending Balance as % of Expenditures	31.8%	17.2%	16.5%	15.3%	14.1%

Changes in the Financial Status since Sine Die 2024

The Sine Die General Fund financial status, published in April of 2024, reflected \$521.2 million above the minimum reserve in the FY24/FY25 biennium, and \$49.9 million below the minimum reserve for the FY26/FY27 biennium. The General Fund financial status published in this report reflects \$503.9 million above the minimum reserve in the FY24/FY25 biennium, and \$68.0 million below the minimum reserve for the FY26/FY27 biennium.

For the FY24/FY25 biennium, this is a reduction of \$17.3 million above the minimum reserve. For the FY26/27 biennium, this is a reduction of \$18.2 million above the minimum reserve.

The difference is attributable to the following changes in the financial status since April 2024.

Actual FY2023-24 Net Receipts vs Estimated FY2023-24 Net Receipts

The FY2023-24 February forecast of the Nebraska Economic Forecasting Advisory Board, adjusted for 2024 legislation, is \$7,166,416,542 (\$7.02 billion plus \$146.4 million in General Fund transfers in authorized in the budget).

Actual net receipts for FY2023-24 are \$7,155,810,580, which is \$10,605,962 below the forecasted amount (adjusted for legislation).

Transfer to the Cash Reserve Fund

The estimated transfer based on FY2023-24 net receipts from the General Fund to the Cash Reserve Fund, which occurs at the beginning of FY2024-25 and is calculated based on statute section 77-4602, was \$39,968,800 at the end of the 2024 session. The actual transfer to the Cash Reserve Fund is \$38,746,104, which is \$1,222,696 less than the estimated amount.

Expenditure of FY2023-24 Appropriation

Total General Fund appropriations for FY2023-24, including reappropriated or encumbered amounts from FY2022-23, were \$5,752,305,122. This included \$5,354,643,703 of new appropriations and \$397,661,419 of reappropriated or encumbered amounts from FY2022-23.

Actual General Fund expenditures for FY2023-24 were \$5,314,777,094, which is about \$39.8 million less than the FY2023-24 new appropriations and results in carryover obligations (reappropriations and encumbrances) from FY2023-24 carried over to FY2024-25 totaling \$437,528,028. FY2023-24 is the first year of a two-year biennium budget and all unexpended funds in FY2023-24 are reappropriated to the second year of the biennium, FY2024-25.

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	(4,979,280)
Transfer-Out State Patrol drug purchases	(47,960)
All other accounting adjustments	(3,002,091)
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Total Accounting adjustment	(8,779,331)

Change in the Minimum Reserve

Based upon the actual net receipts, transfers, and expenditures for FY2023-24, the amount required pursuant to the minimum reserve requirement is about \$500,000 less for the current biennium and the following biennium than the amount estimated at Sine Die.

Change in carryover obligations

The estimated carryover obligations at Sine Die of the 2024 session was \$398.1 million. The actual calculated carryover obligations published in this report are \$397.7 million, a difference of \$421,906.

Correction – Fiscal Impact of LB 1344

In the 2024 Sine Die financial status, the estimated impact of LB 1344 was \$900,000 revenue loss per fiscal year. According to the legislation's provisions, this impact increases to \$3 million in FY2026-27 and the financial status revenue estimates, as adjusted for legislation, reflect the enacted law to include the additional \$2.1 million in estimated revenue loss for FY2026-27 only.

FY2023-24 Actual General Fund Receipts

Table 1 compares the various forecasts with actual receipts for FY2023-24. Table 2 shows actual receipts and adjusted growth for FY2023-24 and the previous five years, Table 3 shows a chronology of the FY2023-24 forecasts and Table 4 provides historical revenues.

Table 1 FY2023-24 Actual Receipts vs Forecast

TOTAL BY MONTH	Cert July 2023	Oct 2023	Feb 2024 + Bills	Actual	\$ Variance	\$ Variance	\$ Variance
	FY2023-24	FY2023-24	FY2023-24	FY2023-24	Cert July 2023	Oct 2023	Feb 2024
July	341,292,000	360,172,000	360,172,000	360,173,495	18,881,495	1,495	1,495
August	614,525,000	600,291,000	600,291,000	600,291,116	(14,233,884)	116	116
September	719,193,000	673,138,000	673,138,000	673,137,658	(46,055,342)	(342)	(342)
October	365,828,000	367,058,000	367,058,000	367,058,319	1,230,319	319	319
November	582,548,000	600,638,000	596,259,000	596,259,714	13,711,714	(4,378,286)	714
December	574,157,000	593,752,000	1,224,807,000	1,224,806,066	650,649,066	631,054,066	(934)
January	561,302,000	583,137,000	796,801,000	796,801,089	235,499,089	213,664,089	89
February	447,481,000	443,259,000	466,257,000	466,257,771	18,776,771	22,998,771	771
March	353,225,000	339,214,000	294,293,000	605,029,807	251,804,807	265,815,807	310,736,807
April	679,765,000	662,434,000	536,457,000	364,873,694	(314,891,306)	(297,560,306)	(171,583,306)
May	554,854,000	568,484,000	515,855,000	327,321,979	(227,532,021)	(241,162,021)	(188,533,021)
June	642,956,000	653,423,000	735,028,542	773,799,874	130,843,874	120,376,874	38,771,332
Total GF Revenues	6,437,126,000	6,445,000,000	7,166,416,542	7,155,810,580	718,684,580	710,810,580	(10,605,962)
<u>TOTAL BY QUARTER</u>							
1st Qt (July-Sept)	1,675,010,000	1,633,601,000	1,633,601,000	1,633,602,268	(41,407,732)	1,268	1,268
2nd Qt (Oct-Dec)	1,522,533,000	1,561,448,000	2,188,124,000	2,188,124,098	665,591,098	626,676,098	98
3rd Qt (Jan-March)	1,362,008,000	1,365,610,000	1,557,351,000	1,868,088,667	506,080,667	502,478,667	310,737,667
4th Qt (April-June)	1,877,575,000	1,884,341,000	1,787,340,542	1,465,995,547	(411,579,453)	(418,345,453)	(321,344,995)
Total GF Revenues	6,437,126,000	6,445,000,000	7,166,416,542	7,155,810,580	718,684,580	710,810,580	(10,605,962)
<u>TOTAL BY TYPE</u>							
Sales/Use	2,494,986,000	2,500,000,000	2,500,000,000	2,458,834,068	(36,151,932)	(41,165,932)	(41,165,932)
Ind Income	3,064,879,000	3,000,000,000	2,800,000,000	2,479,054,186	(585,824,814)	(520,945,814)	(320,945,814)
Corp Income	568,278,000	650,000,000	1,400,000,000	1,724,908,135	1,156,630,135	1,074,908,135	324,908,135
Misc Receipts	308,983,000	295,000,000	466,416,542	493,014,191	184,031,191	198,014,191	26,597,649
Total GF Revenues	6,437,126,000	6,445,000,000	7,166,416,542	7,155,810,580	718,684,580	710,810,580	(10,605,962)

Table 2 Actual Receipts and Adjusted Growth

	Actual FY2018-19	Actual FY2019-20	Actual FY2020-21	Actual FY2021-22	Actual FY2022-23	Actual FY2023-24
<u>GROSS RECEIPTS</u>						
Sales and Use	2,323,766,414	2,550,432,397	2,746,553,548	3,074,312,574	3,252,191,162	3,392,895,130
Individual Income	2,995,220,724	2,901,208,799	3,699,016,446	3,986,522,071	3,991,494,197	4,144,376,859
Corporate Income	465,815,238	432,059,215	642,787,525	788,317,225	825,102,980	1,822,582,615
Miscellaneous	269,431,444	254,760,474	247,487,690	257,462,295	333,260,332	493,367,892
Total Gross Receipts	6,054,233,820	6,138,460,885	7,335,845,209	8,106,614,165	8,402,048,670	9,853,222,496
<u>REFUNDS & CREDITS</u>						
City Sales Tax	432,135,164	489,132,760	522,704,311	584,618,788	668,367,865	655,114,233
State Sales and Use	141,849,001	111,269,736	108,541,691	245,291,674	120,783,094	144,920,330
Sales tax to Hwy Funds	78,843,507	87,777,306	94,686,153	102,347,729	111,414,881	117,761,460
CSI Turnback	12,831,609	14,016,636	10,873,123	8,902,302	15,725,386	16,265,040
Individual Income	449,540,685	455,561,314	568,417,122	743,284,478	985,542,138	1,665,322,672
Corporate Income	42,077,667	40,895,463	71,567,201	73,164,489	132,138,250	97,674,480
Miscellaneous	578,009	45,059	13,180	10,003	94,564	353,701
Total Refunds/Credits	1,157,855,642	1,198,698,274	1,376,802,781	1,757,619,463	2,034,066,179	2,697,411,916
<u>NET RECEIPTS</u>						
Sales and Use	1,658,107,133	1,848,235,959	2,009,748,270	2,133,152,081	2,335,899,936	2,458,834,067
Individual Income	2,545,680,039	2,445,647,485	3,130,599,324	3,243,237,593	3,005,952,059	2,479,054,187
Corporate Income	423,737,571	391,163,752	571,220,324	715,152,736	692,964,729	1,724,908,135
Miscellaneous	268,853,435	254,715,415	247,474,510	257,452,292	333,165,768	493,014,191
Total Net Receipts	4,896,378,178	4,939,762,611	5,959,042,428	6,348,994,702	6,367,982,492	7,155,810,580
<u>ADJUSTED GROWTH</u>						
Sales/Use	4.5%	7.2%	7.9%	13.3%	4.1%	6.9%
Ind Income	9.0%	3.6%	16.4%	18.3%	-2.1%	0.0%
Corp Income	30.2%	1.7%	23.9%	52.2%	2.3%	17.8%
Misc Receipts	3.9%	6.3%	4.1%	14.8%	37.9%	4.5%
Total GF Revenues	8.7%	4.8%	13.5%	19.6%	1.7%	4.7%

Table 3 Chronology of FY2023-24 Revenue Forecasts

	Sales/Use	Individual	Corporate	Misc	Total Forecast	Forecast	Change in Forecast		
							Bills	Other	Total
FY2023-24									
Board Est-October 2022	2,500,000	3,250,000	475,000	250,000	6,475,000	0	0	0	0
Board Est-February 2023	2,500,000	3,250,000	475,000	250,000	6,475,000	0	0	0	0
Board Est-April 2023	2,500,000	3,150,000	575,000	275,000	6,500,000	25,000	0	0	25,000
Sine Die 2023 Session	2,494,986	3,065,283	567,874	308,983	6,437,126	0	(62,874)	0	(62,874)
Board Est-October 2023	2,500,000	3,000,000	650,000	295,000	6,445,000	7,874	0	0	7,874
Board Est-Feb 2024	2,500,000	2,800,000	1,400,000	320,000	7,020,000	0	0	575,000	575,000
Sine Die 2024 Session	2,500,000	2,800,000	1,400,000	466,417	7,166,417	0	146,417	0	146,417
Actual Receipts FY2023-24	2,458,834	2,479,054	1,724,908	493,014	7,155,811	(10,606)	0	0	(10,606)
Change: First NEFAB to Actual	(41,166)	(770,946)	1,249,908	243,014	680,811	22,268	83,542	575,000	680,811

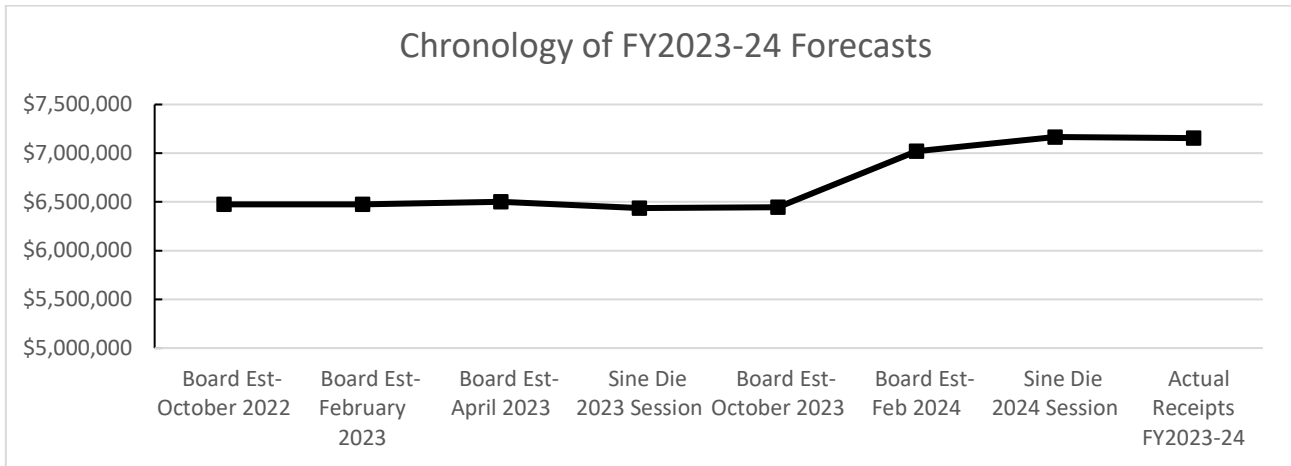
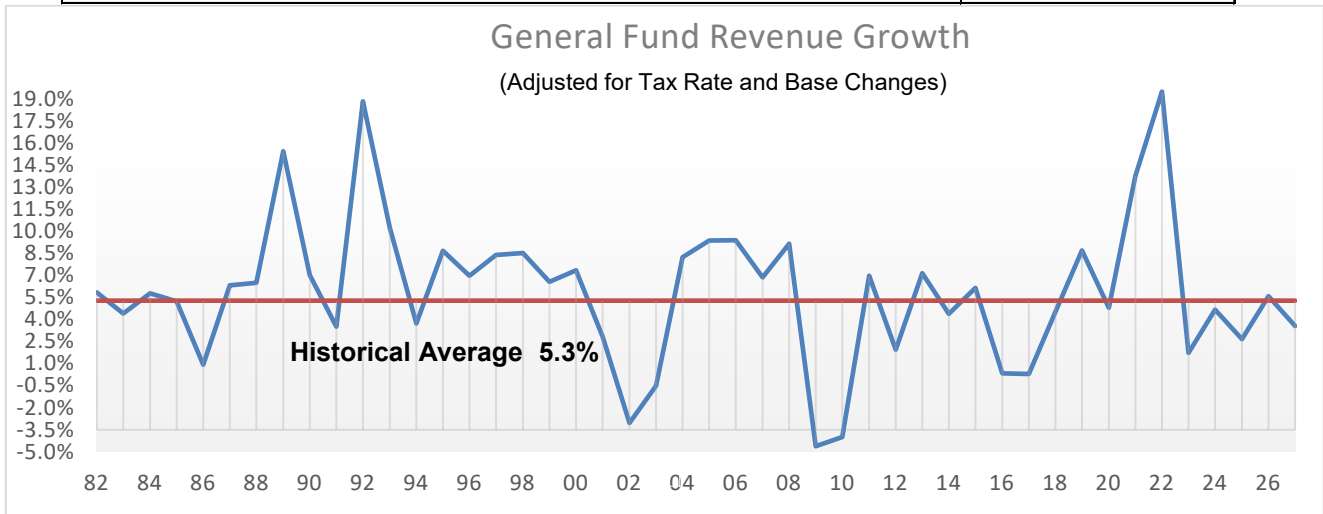


Table 4 Historical and Projected Revenues (millions of dollars)

	Sales/ Use	Individual Income	Corporate Income	Misc. Receipts	Total GF Receipts	Adjusted % Change	Unadjusted % Change
<u>ADJUSTED GROWTH</u>							
FY2001-02 Actual	918.9	1,159.8	107.6	179.2	2,365.5	-3.0%	-3.7%
FY2002-03 Actual	1,028.9	1,129.4	111.6	186.4	2,456.4	-0.5%	3.8%
FY2003-04 Actual	1,114.4	1,249.9	167.4	187.0	2,718.7	8.3%	10.7%
FY2004-05 Actual	1,231.0	1,400.1	198.4	207.7	3,037.2	9.4%	11.7%
FY2005-06 Actual	1,263.7	1,545.3	262.3	280.9	3,352.2	9.4%	10.4%
FY2006-07 Actual	1,303.8	1,650.9	213.0	240.6	3,408.3	6.9%	1.7%
FY2007-08 Actual	1,321.9	1,726.1	232.9	225.3	3,506.2	9.2%	2.9%
FY2008-09 Actual	1,326.2	1,600.4	198.5	232.4	3,357.5	-4.6%	-4.2%
FY2009-10 Actual	1,289.8	1,514.8	154.3	245.7	3,204.7	-4.0%	-4.6%
FY2010-11 Actual	1,372.8	1,735.2	154.9	236.7	3,499.7	7.0%	9.2%
FY2011-12 Actual	1,436.9	1,822.9	234.3	201.8	3,695.9	2.0%	5.6%
FY2012-13 Actual	1,474.9	2,101.9	275.6	199.9	4,052.4	7.2%	9.6%
FY2013-14 Actual	1,524.8	2,060.8	306.6	225.3	4,117.5	4.4%	1.6%
FY2014-15 Actual	1,535.4	2,205.5	346.5	217.7	4,305.1	6.2%	4.6%
FY2015-16 Actual	1,528.0	2,221.1	307.6	251.2	4,308.0	0.3%	0.1%
FY2016-17 Actual	1,548.4	2,224.8	264.5	228.1	4,265.8	0.3%	-1.0%
FY2017-18 Actual	1,602.7	2,360.6	313.7	290.0	4,566.9	4.5%	7.1%
FY2018-19 Actual	1,658.1	2,545.7	423.7	268.8	4,896.4	8.7%	7.2%
FY2019-20 Actual	1,848.2	2,445.7	391.2	254.7	4,939.8	4.8%	0.9%
FY2020-21 Actual	2,009.7	3,130.6	571.2	247.5	5,959.0	13.8%	20.6%
FY2021-22 Actual	2,133.2	3,243.2	715.1	257.4	6,348.9	19.5%	6.5%
FY2022-23 Actual	2,335.9	3,006.0	693.0	333.2	6,368.0	1.7%	0.3%
FY2023-24 Actual	2,458.8	2,479.1	1,724.9	493.0	7,155.8	4.7%	12.4%
FY2024-25 NEFAB	2,598.9	2,229.6	739.6	320.8	5,888.9	2.7%	-17.7%
FY2025-26 LFO Prelim	2,656.5	2,948.1	519.0	225.6	6,349.1	5.6%	7.8%
FY2026-27 LFO Prelim	2,760.8	2,775.5	496.7	211.2	6,244.3	3.6%	-1.7%
<u>AVERAGE GROWTH:</u>							
Historical Average	4.5%	6.1%	6.5%	2.1%	5.3%	5.3%	5.4%
Above Average Years (26)	6.9%	10.9%	11.9%	2.8%	8.8%	8.8%	
Below Average Years (20)	2.7%	2.2%	-0.3%	0.4%	1.9%	1.9%	



Cash Reserve Fund

	Beginning Balance	Direct Deposit and Interest	Automatic Transfers (1)	Legislative Transfers (2)	Cash Flow	Ending Balance	EB as % of revenues	EB as % of expend
FY1983-84	0	37,046,760	na	0	0	37,046,760	4.7%	4.9%
FY1984-85	37,046,760	(1,472,551)	na	0	0	35,574,209	4.5%	4.4%
FY1985-86	35,574,209	227,855	na	(13,500,000)	0	22,302,064	2.7%	2.7%
FY1986-87	22,302,064	1,428,021	na	0	0	23,730,085	2.7%	2.8%
FY1987-88	23,730,085	1,654,844	na	(7,700,000)	0	17,684,929	1.7%	2.0%
FY1988-89	17,684,929	139,000	na	32,600,000	0	50,423,929	4.4%	5.1%
FY1989-90	50,423,929	113,114	na	(10,500,000)	0	40,037,043	3.5%	3.4%
FY1990-91	40,037,043	0	na	(8,100,000)	0	31,937,043	2.3%	2.3%
FY1991-92	31,937,043	0	na	(5,000,000)	0	26,937,043	1.8%	1.7%
FY1992-93	26,937,043	0	na	(9,500,000)	0	17,437,043	1.1%	1.1%
FY1993-94	17,437,043	0	3,063,462	7,250,000	0	27,750,505	1.7%	1.7%
FY1994-95	27,750,505	0	(8,518,701)	1,250,000	0	20,481,804	1.2%	1.2%
FY1995-96	20,481,804	0	(20,481,804)	18,189,565	0	18,189,565	1.0%	1.0%
FY1996-97	18,189,565	0	19,740,786	3,032,333	0	40,962,684	2.0%	2.2%
FY1997-98	40,962,684	0	91,621,018	0	0	132,583,702	6.3%	6.9%
FY1998-99	132,583,702	0	111,616,422	(98,500,000)	0	145,700,124	6.9%	6.5%
FY1999-00	145,700,124	0	20,959,305	(24,500,000)	0	142,159,429	5.9%	6.1%
FY2000-01	142,159,429	0	77,576,670	(49,500,000)	0	170,236,099	6.9%	6.9%
FY2001-02	170,236,099	0	0	(60,170,000)	0	110,066,099	4.7%	4.2%
FY2002-03	110,066,099	66,476,446	0	(87,400,000)	(30,000,000)	59,142,545	2.4%	2.3%
FY2003-04	59,142,545	59,463,461	0	(61,577,669)	30,000,000	87,028,337	3.2%	3.4%
FY2004-05	87,028,337	8,170,556	108,727,007	(26,758,180)	0	177,167,720	5.8%	6.5%
FY2005-06	177,167,720	0	261,715,297	(165,266,227)	0	273,616,790	8.2%	9.4%
FY2006-07	273,616,790	0	259,929,524	(17,458,523)	0	516,087,791	15.1%	16.5%
FY2007-08	516,087,791	0	191,436,773	(161,978,767)	0	545,545,797	15.6%	16.8%
FY2008-09	545,545,797	0	116,976,571	(84,330,505)	0	578,191,863	17.2%	17.4%
FY2009-10	578,191,863	0	0	(110,990,237)	0	467,201,626	14.6%	14.1%
FY2010-11	467,201,626	0	0	(154,000,000)	0	313,201,626	8.9%	9.4%
FY2011-12	313,201,626	8,422,528	145,155,092	(33,439,198)	(4,461,676)	428,878,372	11.6%	12.4%
FY2012-13	428,878,372	0	104,789,781	(154,008,427)	4,461,676	384,121,402	9.5%	10.7%
FY2013-14	384,121,402	0	285,292,610	49,651,294	0	719,065,306	17.5%	18.7%
FY2014-15	719,065,306	0	96,721,232	(87,951,112)	0	727,835,426	16.9%	18.1%
FY2015-16	727,835,426	0	84,599,532	(81,779,850)	0	730,655,108	17.0%	17.4%
FY2016-17	730,655,108	0	0	(50,000,000)	0	680,655,108	16.0%	15.7%
FY2017-18	680,655,108	265,729	0	(340,930,772)	0	339,990,065	7.4%	7.8%
FY2018-19	339,990,065	0	61,995,773	(68,436,714)	0	333,549,124	6.8%	7.6%
FY2019-20	333,549,124	0	176,378,178	(83,619,600)	0	426,307,702	8.6%	9.2%
FY2020-21	426,307,702	0	10,655,528	30,000,972	0	466,964,202	7.8%	10.3%
FY2021-22	466,964,202	0	535,259,366	(74,700,000)	0	927,523,568	14.6%	19.9%
FY2022-23	927,523,568	0	1,287,998,995	(577,670,000)	0	1,637,852,563	25.7%	31.8%
FY2023-24	1,637,852,563	0	2,982,492	(728,017,580)	0	912,817,475	12.8%	17.2%
FY2024-25 Est	912,817,475	0	38,746,104	(49,383,800)	0	902,179,779	15.3%	16.5%
FY2025-26 Est	902,179,779	0	0	(50,000,000)	0	852,179,779	13.4%	15.3%
FY2026-27 Est	852,179,779	0	0	(50,000,000)	0	802,179,779	12.8%	14.1%

(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 – FY26/FY27 Following Biennium

For the “following biennium” (FY2025-26 and FY2026-27), 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. However, for planning purposes, some level of funding for these items must be acknowledged and shown as likely funding commitments.

Table 5 Projected Appropriations Increases-Following Biennium
(includes on-going impact of 2024 budget actions)

Dollar Changes from FY25 Base Yr	Annual % Change			Following Biennium (Biennial Basis)		
	FY2025-26	FY2026-27	Two Yr Ave	FY2025-26	FY2026-27	Two Yr Total
AID TO LOCAL GOVT						
Aid to K-12 Schools (TEEOSA GF only)	-1.00%	1.07%	0.04%	(10,075,978)	611,434	(9,464,544)
Special Education	1.10%	1.10%	1.10%	2,592,969	5,214,461	7,807,430
Community Colleges	2.00%	2.00%	2.00%	2,282,334	4,610,315	6,892,649
Homestead Exemption	6.00%	6.00%	6.00%	8,940,000	18,416,400	27,356,400
All Other (Aid-Local)	--	--	--	(3,000,000)	(3,000,000)	(6,000,000)
AID TO INDIVIDUALS						
Medicaid	2.03%	2.03%	2.03%	20,546,729	41,504,392	62,051,121
Public Assistance	0.00%	1.00%	0.50%	0	763,801	763,801
Child Welfare Aid	6.98%	2.00%	4.49%	12,756,258	16,666,518	29,422,776
Developmental Disability aid	2.00%	2.00%	2.00%	3,951,344	7,981,714	11,933,058
Behavioral Health aid	3.83%	3.51%	3.67%	2,686,333	5,241,796	7,928,129
Children's Health Insurance (SCHIP)	2.38%	2.37%	2.38%	624,926	1,262,350	1,887,276
All Other (Aid-Ind)	--	--	--	(1,925)	(1,925)	(3,850)
AGENCY OPERATIONS						
Employee Salaries (agencies)	3.00%	3.00%	3.00%	25,404,867	51,571,879	76,976,746
Employee Health Insurance (agencies)	4.00%	4.00%	4.00%	4,440,454	9,058,525	13,498,979
University/Colleges increased funding	2.24%	2.26%	2.25%	16,395,194	33,302,365	49,697,559
Operations increase (all agencies)	3.00%	3.00%	3.00%	5,196,454	10,548,801	15,745,254
Staffing / population costs / medical (Corrections)	2.00%	2.00%	2.00%	3,722,530	7,445,060	11,167,590
Retirement (Schools, Patrol, Judges)	--	--	--	(3,628,134)	2,100,000	(1,528,134)
All Other (Oper)	--	--	--	999,500	11,015,136	12,014,636
CONSTRUCTION	--	--	--	14,140,896	0	14,140,896
TOTAL GENERAL FUND (Biennial Basis)	2.07%	1.89%	2.09%	107,974,749	224,313,023	332,287,772

FY2024-25 Base Appropriation **5,454,964,128** **5,454,964,128**

Projected Appropriation per Financial Status **5,562,938,878** **5,679,277,151**

The following table shows the February 2024 Nebraska Economic Forecasting Advisory Board forecast for FY2023-24 and FY2024-25, along with the LFO preliminary estimates for FY2025-26 and FY2026-27, which are based on the average of the four forecasts prepared for those fiscal years by LFO and Nebraska Department of Revenue. The table also includes adjustments for the impact on net receipts of legislation enacted in the 2024 legislative session. Table 7 shows the total adjustments by bill and type of tax.

Table 6 Projected Revenue-Following Biennium and Adjustment for 2024 Revenue Legislation

	NEFAB FY2023-24	NEFAB FY2024-25	LFO FY2025-26	LFO FY2026-27
<u>Forecast - Feb 2024</u>				
Sales and Use Tax	2,500,000,000	2,600,000,000	2,658,679,000	2,763,256,000
Individual Income Tax	2,800,000,000	2,230,000,000	2,959,377,000	2,794,599,000
Corporate Income Tax	1,400,000,000	740,000,000	515,698,000	497,574,000
Miscellaneous receipts	320,000,000	270,000,000	226,136,000	211,703,000
Total General Fund Revenues (NEFAB Feb 2024)	7,020,000,000	5,840,000,000	6,359,890,000	6,267,132,000
<u>2024 Session Legislation</u>				
Sales and Use Tax	0	(1,096,333)	(2,212,000)	(2,423,450)
Individual Income Tax	0	(396,000)	(11,294,750)	(19,080,750)
Corporate Income Tax	0	(398,000)	3,284,750	(827,250)
Miscellaneous receipts	146,416,542	50,769,248	(548,468)	(521,468)
Total 2024 Session Legislation	146,416,542	48,878,915	(10,770,468)	(22,852,918)
<u>Total GF Revenues – Sine Die 2024</u>				
Sales and Use Tax	2,500,000,000	2,598,903,667	2,656,467,000	2,760,832,550
Individual Income Tax	2,800,000,000	2,229,604,000	2,948,082,250	2,775,518,250
Corporate Income Tax	1,400,000,000	739,602,000	518,982,750	496,746,750
Miscellaneous receipts	466,416,542	320,769,248	225,587,532	211,181,532
Total General Fund Revenues	7,166,416,542	5,888,878,915	6,349,119,532	6,244,279,082

Table 7 Adjustments for 2024 Revenue Legislation by Bill and Type of Tax

	FY2023-24	FY2024-25	FY2025-26	FY2026-27	Type
LB 287-Change election and Open Meetings Act	0	(1,011,468)	(1,011,468)	(1,011,468)	Misc
LB 685-Change amusement device fees	0	404,000	463,000	490,000	Misc
LB 937-Change income tax credits	0	(688,000)	(1,183,000)	(1,343,000)	Sales
LB 937-Change income tax credits	0	(375,000)	(4,125,000)	(5,625,000)	Ind
LB 937-Change income tax credits	0	(125,000)	(1,375,000)	(1,875,000)	Corp
LB 1023-Provide for deductions expenditures	0	(10,470,000)	(30,289,000)	(34,327,500)	Ind
LB 1023-Provide for deductions expenditures	0	0	(1,250,000)	(4,351,500)	Corp
LB 1197-Change Sports Arena Facility Financing	0	indeterminate, but could be up to \$20 mil/yr			Sales
LB 1317-Change tax provisions	0	(408,333)	(1,029,000)	(1,080,450)	Sales
LB 1317-Change tax provisions	0	12,093,000	7,275,250	6,387,750	Ind
LB 1317-Change tax provisions	0	(48,000)	(115,250)	(100,750)	Corp
LB 1344-Change NE Innovation Hub Act	0	(675,000)	(675,000)	(2,250,000)	Ind
LB 1344-Change NE Innovation Hub Act	0	(225,000)	(225,000)	(750,000)	Corp
LB 1394-Exempt National Guard income from tax	0	(969,000)	(2,231,000)	(2,016,000)	Ind
LB 1402-Change Opportunity Scholarships	0	0	18,750,000	18,750,000	Ind
LB 1402-Change Opportunity Scholarships	0	0	6,250,000	6,250,000	Corp
Total - Revenue Bills	0	(2,497,801)	(10,770,468)	(22,852,918)	
Cash Fund Transfers In - Budget bills	146,416,542	51,376,716	0	0	Misc
Total Revenue Bills to add to forecast	146,416,542	48,878,915	(10,770,468)	(22,852,918)	
LB 1329-Change Career Scholarship Act	0	(525,000)	0	0	Tr.
Subtotal - GF Transfers Out	0	(525,000)	0	0	
Total - All Revenue Legislation	146,416,542	48,353,915	(10,770,468)	(22,852,918)	
2024 Bills by Type of Tax					
Sales/Use Tax	0	(1,096,333)	(2,212,000)	(2,423,450)	Sales
Individual Income Tax	0	(396,000)	(11,294,750)	(19,080,750)	Ind
Corporate Income Tax	0	(398,000)	3,284,750	(827,250)	Corp
Miscellaneous Tax	146,416,542	50,769,248	(548,468)	(521,468)	Misc
Total Revenue Bills to add to forecast	146,416,542	48,878,915	(10,770,468)	(22,852,918)	Total

Appendix A

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.