

REPORT TO THE TAX RATE REVIEW COMMITTEE

July 18, 2022

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

FY2021-22 was completed on June 30, 2021 and continued the unpredictable nature of FY2020-21. An all-time high rate and base adjusted revenue growth was achieved for the second consecutive year.

At the present time, the revenue numbers used for FY22-23, FY23-24 and FY24-25 in the attached financial status have not been altered with the final FY22 results. As such the rate and base adjusted growth for FY22-23 becomes very low at -6.4% while the preliminary numbers for FY24 and FY25 remain at 0% growth each year. While this appears to be very low, there is still a five year average growth of 5.8%. This status illustrates the process of the revenue cycle offsetting much of that extremely high revenue growth in FY20-21 (13.5%) and FY21-22 (22.1%) which were the two highest in the last 40 years.

1. Actual receipts for FY2021-22 were \$6.349 billion which was \$624 million above the forecast used at Sine Die of the 2022 Session which was the February 2022 forecast of the Nebraska Economic Forecast Advisory Board (NEFAB). These actual receipts were \$1.469 billion above the “certified forecast” which was the July 2021 forecast from the NEFAB adjusted by legislation enacted during the 2021 session.
2. Of this \$1.469 billion above certified forecast amount, \$1.288 billion is transferred to the Cash Reserve Fund while the other \$181.4 million is retained in the General Fund. Section 77-4602 as amended provides that the amount to be transferred to the Cash Reserve Fund is the amount actual receipts exceed the certified forecast **LESS** receipts above a 3.5% growth over the prior year revenues. Originally under LB1107 this amount would have been added to the income tax credit but LB873 fixed those credit amounts for 2022 and 2023 so the difference now is simply retained in the General Fund.
3. Tax rate and base adjusted revenue growth for FY2021-22 actual receipts is an astonishing 22.1% compared to the 10.6% growth calculated per the February forecast. Nominal (actual unadjusted) change from the prior year is much lower at 6.5% as FY20-21 contained a one time \$280 million which had been shifted from FY20 due to an extension in the income tax filing date. This by far is the highest rate and base adjusted revenue growth since these calculations were made starting in 1982 topping last year’s 13.5% which had set the record..
4. The projected General Fund financial status for the current biennium improves with the projected ending balance going from \$275 million above the minimum reserve to \$445.8 million above the minimum reserve. This \$170.4 million improvement is mostly due to the retention of some of the above certified forecast revenues as calculated under existing law.

The projected General Fund financial status for the following biennium improves with the projected ending balance going from \$112 million **below** the minimum reserve to \$52 million **above** the minimum reserve. While the following biennium is projected to be above the minimum reserve, the structural balance between revenues and expenditures drops to a negative \$367 million as the excess revenue growth in FY21 and FY22 continues to disappear with the subsequent lower revenue growth while the tax reductions in LB873 continue to be phased in.

5. The current status is based on the existing February 2022 revenue forecasts for FY2022-23. How this current forecast may be impacted by the FY2021-22 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 FY21-22 actual receipts (22.1% vs 10.6% growth), and no change in the FY22-23 forecast, calculated growth for FY22-23 is now -6.4% with the existing forecast compared to the Sine Die estimate of +3.2%.

<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 2022 Session	13.5%	10.6%	3.2%	0.0%	0.0%
With FY22 actual, no change in other forecasts	13.5%	22.1%	-6.4%	0.0%	0.0%

6. The good news is that the Cash Reserve Fund (CRF) is projected at an unobligated balance of \$1.688 billion 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 (29%).

7. As noted earlier, LB873 passed in 2022 set the income tax credit for property taxes levied at a fixed level, \$540 million for 2022

Calculation of LB 1107 Credit Amount	Current Law under LB 873	Est per Prior Law FY22 Actual	Difference
	FY2020-21 Actual	125,000,000	
FY2021-22 NEFAB	548,194,063	548,194,063	0
FY2022-23 NEFAB	548,000,000	729,579,852	181,579,852
FY2023-24 LFO Prelim	560,700,000	729,579,852	168,879,852
FY2024-25 LFO Prelim	580,324,500	755,115,147	174,790,647

and \$560.7 million for 2023. Under the original law the credit would have been based on prior year actual receipts. In this case, because of the high revenue growth in FY21-22, the credit would have been substantially higher than the amounts as set in the statute. While the credit would have been higher, the impact on the current financial status would have been significant. This would have had a \$525 million impact over the next three years. The variance from the minimum reserve now projected at a positive \$52 million would have been a negative \$457 million and the structural balance would have been a negative \$542 million.

Current General Fund Financial Status

(With FY2021-22 Actual Revenue & Expenditures)

	Actual FY2020-21	Biennial Budget FY2021-22	Biennial Budget FY2022-23	Following Biennium FY2023-24 FY2024-25	
1 BEGINNING BALANCE					
2 Beginning Cash Balance	710,599,887	1,848,977,997	2,494,107,852	769,850,202	752,682,306
3 Cash Reserve transfers-above certified prior yr	(10,655,528)	(535,259,366)	(1,287,998,911)	0	0
4 Unexpended FY21-22 obligations	0	0	(552,107,552)	0	0
5 Est lapse FY21 carryover obligations	0	0	0	0	0
6 Allocation for potential deficits	0	0	0	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	699,944,359	1,313,718,631	654,001,389	764,850,202	747,682,306
8 REVENUES					
9 Net Receipts (Actual and Sine Die adjusted)	5,959,042,428	6,348,994,703	5,814,074,525	5,655,484,525	5,496,171,525
10 General Fund transfers-out	(310,600,000)	(440,830,000)	(517,553,459)	(327,010,000)	(322,010,000)
11 General Fund transfers-in	in actual	in forecast	in forecast	0	0
12 Cash Reserve transfers-legislative	30,000,000	(50,000,000)	(50,000,000)	0	0
13 Accounting adjustment	(3,377,489)	(5,769,770)	0	0	0
14 General Fund Net Revenues	5,675,064,939	5,852,394,933	5,246,521,066	5,328,474,525	5,174,161,525
15 APPROPRIATIONS					
16 Expenditures/Appropriations	4,526,031,301	4,672,005,712	5,125,672,253	5,125,672,253	5,125,672,253
17 Projected budget increase, following biennium	--	--	--	214,970,168	415,801,195
18 Mainline budget adjustments (2023 Session)	--	0	5,000,000	0	0
19 "A" Bills (2023 Session)	--	0	0	0	0
20 General Fund Appropriations	4,526,031,301	4,672,005,712	5,130,672,253	5,340,642,421	5,541,473,448
21 ENDING BALANCE					
22 \$ Ending balance (Financial Status as shown)	1,848,977,997	2,494,107,852	769,850,202	752,682,306	380,370,383
23 \$ Ending balance (at 3% Min Reserve)	--	--	324,018,516	--	328,324,842
24 Excess (shortfall) from Minimum Reserve	--	--	445,831,686	--	52,045,541
25 Biennial Reserve (%)	--	--	7.4%	--	3.5%
26 General Fund Budget					
27 Annual % Change	3.4%	0.7%	6.4%	4.2%	3.6%
28 Two Year Average % Change	3.6%	--	3.5%	--	3.9%
29 General Fund Revenues:					
30 Adjusted Growth	13.5%	22.1%	-6.4%	0.0%	0.0%
31 Two Year Average	9.1%	--	7.8%	--	0.0%
32 Five Year Average	5.5%	--	6.8%	--	5.8%
33 Unadjusted % change	20.6%	6.5%	-8.4%	-2.7%	-2.8%
34 <u>On-Going Revenues vs Appropriations</u>	581,298,041	1,230,389,221	165,848,813	(12,167,896)	(367,311,923)

CASH RESERVE FUND	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
Ending Balance - Current Status	466,963,230	927,522,596	1,688,141,507	1,688,141,507	1,688,141,507
Ending Balance as % of Revenues	7.8%	14.6%	29.0%	29.8%	30.7%
Projected Balance - End of 2022 Session	466,963,230	927,522,596	1,245,532,595	1,245,532,595	1,245,532,595
Difference	0	0	442,608,912	442,608,912	442,608,912

Changes in the Financial Status since Sine Die 2022

(millions of dollars)	FY22/FY23 Biennium	FY24/FY25 Biennium
1. Variance: Sine Die 2021 ----->	275,460,937	(112,329,002)
2. Carryover obligations from FY20-21	(130,242)	(130,242)
3. FY22 Actual vs Est General Fund Net Receipts	623,994,703	623,994,703
4. FY22 Actual vs Est Transfers-In	0	0
5. FY22 Actual vs Est Transfers-Out	0	0
6. FY22 Actual vs Est CRF transfers-automatic	(442,608,911)	(442,608,911)
7. FY22 Actual vs Est Accounting adjustment	(5,769,770)	(5,769,770)
8. FY22 Actual vs Est LB1107 credit	0	0
9. Update appropriations estimates (following biennium)	0	(6,000,000)
10. Assumed lapse, FY22 unexpended	0	0
11. Recalculate minimum reserve	(5,115,031)	(5,111,237)
12. Total \$ Change Since Sine Die	170,370,749	164,374,543
13. Current Financial Status ----->	445,831,686	52,045,541

LB1107 Credit for Property Taxes Paid

The credit amounts pursuant to LB1107 were fixed in statute at the estimated levels so no adjustment due to the FY2021-22 actual revenues as would have occurred under the original language.

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	(4,770,000)
Transfer-Out State Patrol drug purchases	(39,504)
All other accounting adjustments	(210,266)
Total Accounting adjustment	(5,769,770)

Lapse of Unexpended FY2021-22 Funds

FY21-22 is the first year of a two-year biennium budget and all unexpended funds in FY21-22 are reappropriated to the second year of the biennium, FY2022-23.

FY2021-22 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 FY2021-22 and the previous five years, Table 3 shows a chronology of the FY2020-21 forecasts and Table 4 provides historical revenues.

Table 1 FY2021-22 Actual Receipts vs Forecast

	Cert July 2021 FY2021-22	Oct 2021 FY2020-21	Feb 2022 FY2020-21	Actual FY2021-22	\$ Variance Cert July 2021	\$ Variance Oct 2021	\$ Variance Feb 2022
<u>GROSS RECEIPTS</u>							
Sales and Use	2,794,470,000	2,903,384,000	3,096,059,000	3,074,312,574	279,842,574	170,928,574	(21,746,426)
Individual Income	3,231,445,000	3,425,593,000	3,577,673,000	3,986,522,071	755,077,071	560,929,071	408,849,071
Corporate Income	411,881,000	608,810,000	667,864,000	788,317,225	376,436,225	179,507,225	120,453,225
Miscellaneous	222,674,000	225,059,000	240,026,000	257,462,295	34,788,295	32,403,295	17,436,295
Total Gross Receipts	6,660,470,000	7,162,846,000	7,581,622,000	8,106,614,164	1,446,144,165	943,768,164	524,992,164
<u>REFUNDS & CREDITS</u>							
City Sales Tax	542,931,000	557,846,000	591,110,000	584,618,788	41,687,788	26,772,788	(6,491,212)
State Sales and Use	153,274,000	186,884,000	213,346,000	245,291,674	92,017,674	58,407,674	31,945,674
Sales tax to Highway Funds	97,376,000	100,094,000	102,758,000	102,347,729	4,971,729	2,253,729	(410,271)
CSI Turnback	8,202,000	8,560,000	8,845,000	8,902,302	700,302	342,302	57,302
Individual Income	917,378,000	885,593,000	877,673,000	743,284,478	(174,093,522)	(142,308,522)	(134,388,522)
Corporate Income	61,652,000	68,810,000	62,864,000	73,164,489	11,512,489	4,354,489	10,300,489
Miscellaneous	47,000	59,000	26,000	10,003	(36,997)	(48,997)	(15,997)
Total Refunds/Credits	1,780,860,000	1,807,846,000	1,856,622,000	1,757,619,463	(23,240,537)	(50,226,537)	(99,002,537)
<u>NET RECEIPTS</u>							
Sales and Use	1,992,687,000	2,050,000,000	2,180,000,000	2,133,152,081	140,465,081	83,152,081	(46,847,919)
Individual Income	2,314,067,000	2,540,000,000	2,700,000,000	3,243,237,593	929,170,593	703,237,593	543,237,593
Corporate Income	350,229,000	540,000,000	605,000,000	715,152,736	364,923,736	175,152,736	110,152,736
Miscellaneous	222,627,000	225,000,000	240,000,000	257,452,292	34,825,292	32,452,292	17,452,292
Total Net Receipts	4,879,610,000	5,355,000,000	5,725,000,000	6,348,994,703	1,469,384,703	993,994,703	623,994,703
<u>ADJUSTED GROWTH</u>							
Sales/Use	3.6%	6.4%	13.3%	13.3%	na	na	na
Ind Income	-9.3%	-0.7%	4.3%	21.9%	na	na	na
Corp Income	-10.2%	26.4%	37.5%	57.9%	na	na	na
Misc Receipts	-3.4%	-2.1%	5.6%	14.8%	na	na	na
Total GF Revenues	-4.8%	4.1%	10.6%	22.1%	na	na	na

	Cert July 2021 FY2021-22	Oct 2021 FY2020-21	Feb 2022 FY2020-21	Actual FY2021-22	\$ Variance Cert July 2021	\$ Variance Oct 2021	\$ Variance Feb 2022
<u>TOTAL BY MONTH</u>							
July	301,804,000	311,584,000	311,584,000	311,584,399	9,780,399	399	399
August	501,278,000	546,580,000	546,580,000	546,580,287	45,302,287	287	287
September	524,662,000	625,462,000	625,462,000	625,462,702	100,800,702	702	702
October	291,641,000	319,839,000	319,839,000	319,838,515	28,197,515	(485)	(485)
November	484,470,000	506,336,000	545,570,000	545,561,070	61,091,070	39,225,070	(8,930)
December	415,593,000	475,013,000	509,988,000	509,989,947	94,396,947	34,976,947	1,947
January	432,160,000	449,960,000	495,085,239	495,085,239	62,925,239	45,125,239	0
February	299,061,000	334,602,000	441,675,777	441,675,777	142,614,777	107,073,777	0
March	206,833,000	248,953,000	278,572,000	419,055,933	212,222,933	170,102,933	140,483,933
April	494,740,000	555,936,000	563,058,000	938,508,434	443,768,434	382,572,434	375,450,434
May	448,198,000	469,845,000	530,657,000	583,109,294	134,911,294	113,264,294	52,452,294
June	479,170,000	510,890,000	556,929,000	612,543,105	133,373,105	101,653,105	55,614,105
Total GF Revenues	4,879,610,000	5,355,000,000	5,725,000,016	6,348,994,703	1,469,384,703	993,994,703	623,994,686

Table 2 Actual Receipts and Adjusted Growth

	Actual FY2016-17	Actual FY2017-18	Actual FY2018-19	Actual FY2019-20	Actual FY2020-21	Actual FY2021-22
GROSS RECEIPTS						
Sales and Use	2,171,815,346	2,227,862,718	2,323,766,414	2,550,432,397	2,746,553,548	3,074,312,574
Individual Income	2,658,320,142	2,811,053,259	2,995,220,724	2,901,208,799	3,699,016,446	3,986,522,071
Corporate Income	317,877,308	355,713,385	465,815,238	432,059,215	642,787,525	788,317,225
Miscellaneous	228,108,875	290,514,168	269,431,444	254,760,474	247,487,690	257,462,295
Total Gross Receipts	5,376,121,671	5,685,143,530	6,054,233,820	6,138,460,885	7,335,845,209	8,106,614,164
REFUNDS & CREDITS						
City Sales Tax	410,163,428	423,550,028	432,135,164	489,132,760	522,704,311	584,618,788
State Sales and Use	129,249,901	113,159,286	141,849,001	111,269,736	108,541,691	245,291,674
Sales tax to Highway Funds	74,054,661	76,676,926	78,843,507	87,777,306	94,686,153	102,347,729
CSI Turnback	9,958,507	11,739,120	12,831,609	14,016,636	10,873,123	8,902,302
Individual Income	433,480,089	450,457,324	449,540,685	455,561,314	568,417,122	743,284,478
Corporate Income	53,437,595	42,023,864	42,077,667	40,895,463	71,567,201	73,164,489
Miscellaneous	5,543	541,209	578,009	45,059	13,180	10,003
Total Refunds/Credits	1,110,349,724	1,118,147,757	1,157,855,642	1,198,698,274	1,376,802,781	1,757,619,463
NET RECEIPTS						
Sales and Use	1,548,388,849	1,602,737,358	1,658,107,133	1,848,235,959	2,009,748,270	2,133,152,081
Individual Income	2,224,840,053	2,360,595,935	2,545,680,039	2,445,647,485	3,130,599,324	3,243,237,593
Corporate Income	264,439,713	313,689,521	423,737,571	391,163,752	571,220,324	715,152,736
Miscellaneous	228,103,332	289,972,959	268,853,435	254,715,415	247,474,510	257,452,292
Total Net Receipts	4,265,771,947	4,566,995,773	4,896,378,178	4,939,762,611	5,959,042,428	6,348,994,703
ADJUSTED GROWTH						
Sales/Use	1.7%	1.6%	4.5%	7.2%	7.9%	13.3%
Ind Income	1.1%	5.9%	9.0%	3.6%	16.4%	21.9%
Corp Income	-11.8%	17.6%	30.2%	1.7%	23.9%	57.9%
Misc Receipts	0.2%	-6.5%	3.9%	6.3%	4.1%	14.8%
Total GF Revenues	0.3%	4.5%	8.7%	4.8%	13.5%	22.1%

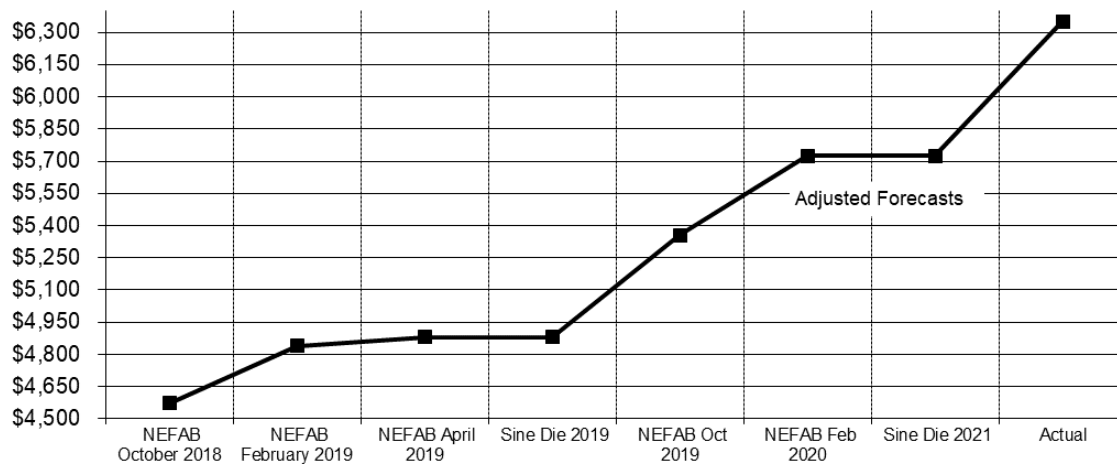
	Actual FY2016-17	Actual FY2017-18	Actual FY2018-19	Actual FY2019-20	Actual FY2020-21	Actual FY2021-22
TOTAL BY MONTH						
July	234,585,213	267,909,749	279,849,780	284,883,132	605,327,625	311,584,399
August	410,484,016	405,007,342	422,129,588	462,019,974	513,474,994	546,580,287
September	437,022,598	456,056,442	510,217,946	551,908,013	526,837,912	625,462,702
October	233,404,182	244,584,930	247,188,116	289,723,434	304,606,936	319,838,515
November	358,594,439	375,539,555	390,491,204	431,787,603	481,813,865	545,561,070
December	342,069,150	414,747,893	387,480,224	472,926,836	436,466,930	509,989,947
January	376,472,404	421,100,753	389,711,888	467,698,460	452,901,868	495,085,239
February	267,168,525	296,461,256	296,444,299	314,532,626	448,511,856	441,675,777
March	326,793,056	305,529,563	343,629,209	380,216,046	362,680,035	419,055,933
April	477,844,853	514,218,591	659,642,842	344,906,572	525,270,179	938,508,434
May	401,525,307	392,124,524	439,242,511	430,175,786	720,225,248	583,109,294
June	399,808,204	473,715,175	530,350,572	508,984,128	580,924,979	612,543,105
Total GF Revenues	4,265,771,947	4,566,995,773	4,896,378,178	4,939,762,611	5,959,042,428	6,348,994,703

Table 3 Chronology of FY2021-22 Revenue Forecasts

	FY2021-22 Revenue Forecasts (Thousands of \$)					Change Due to:			
	Sales/Use	Individual	Corporate	Misc	Total	Forecast	Bills	Other	Total
Board Est-Oct 2020	1,910,000	2,490,000	335,000	185,000	4,920,000				
Board Est-Feb 2021	2,005,000	2,515,000	370,000	195,000	5,085,000	267,000	0	(102,000)	165,000
Board Est-April 2021	2,005,000	2,480,000	400,000	195,000	5,080,000	40,000	0	(45,000)	(5,000)
Sine Die-2021 Session	1,992,687	2,314,067	350,229	222,627	4,879,610	(0)	(10,869)	(189,521)	(200,390)
Board Est-October 2021	2,050,000	2,540,000	540,000	225,000	5,355,000	475,390	0	0	475,390
Board Est-February 2022	2,180,000	2,700,000	605,000	240,000	5,725,000	370,000	0	0	370,000
Sine Die-2022 Session	2,180,000	2,700,000	605,000	240,000	5,725,000	0	0	0	0
Actual Receipts FY2021-22	2,133,152	3,243,238	715,153	257,452	6,348,995	623,995	0	0	623,995
Change from first NEFAB forecast to actual	223,152	753,238	380,153	72,452	1,428,995	1,776,385	(10,869)	(336,521)	1,428,995

Chronology of FY2021-22 Forecasts

Prior forecasts adjusted for subsequent legislation and federal tax changes



Chronology of FY2020-21 Forecasts

Prior forecasts adjusted for subsequent legislation and federal tax changes

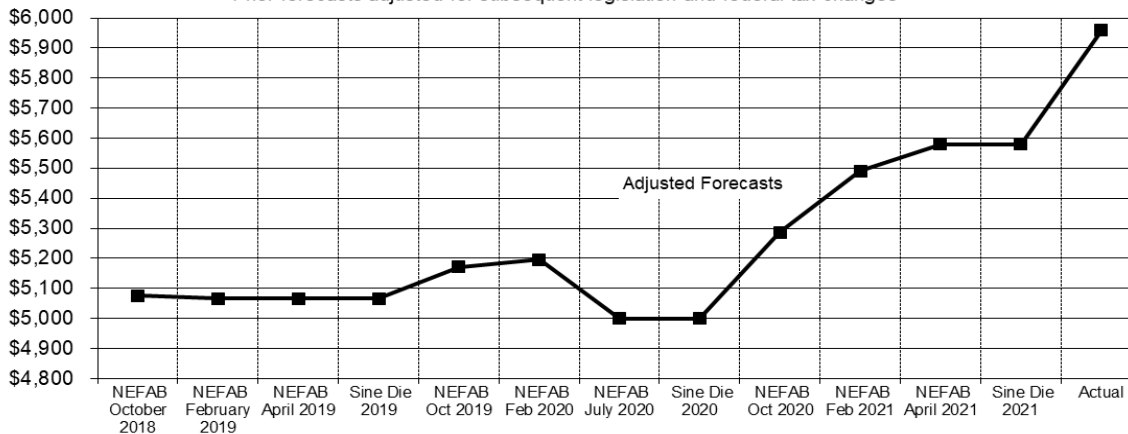
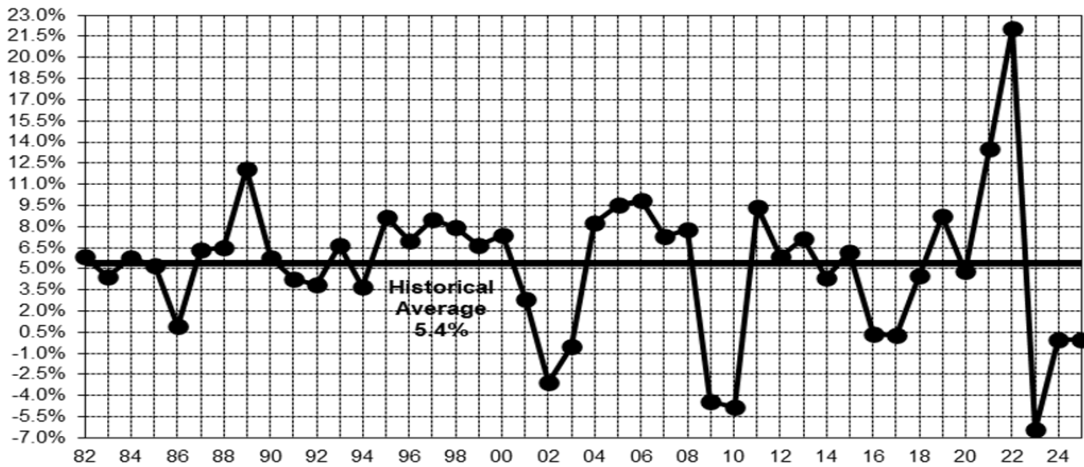


Table 4 Historical and Projected Revenues

	Sales	Individual	Corporate	Miscellaneous	Total	Adjusted Growth
FY 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	4.8%
FY 2020-21 Actual	2,009,748,270	3,130,599,324	571,220,324	247,474,510	5,959,042,428	13.5%
FY 2021-22 Actual	2,133,152,081	3,243,237,593	715,152,736	257,452,292	6,348,994,702	22.1%
FY 2022-23 NEFAB (Feb+bills)	2,343,598,000	2,795,159,000	462,300,000	223,317,525	5,824,374,525	-6.4%
FY 2023-24 LFO Prelim	2,361,186,000	2,678,378,250	417,432,750	208,487,525	5,665,484,525	0.0%
FY 2024-25 LFO Prelim	2,350,972,000	2,559,438,450	385,358,550	200,402,525	5,496,171,525	0.0%
AVERAGE GROWTH (adjusted)						
Five Yr Financial Status (FY21 to FY25 Status)	5.0%	5.2%	8.1%	3.1%	5.3%	
Above Average Years (26)	6.0%	10.1%	14.8%	3.9%	8.3%	
Below Average Years (15)	2.1%	2.5%	-3.1%	0.7%	1.7%	
Historical Average (41 yrs)	4.5%	6.4%	6.4%	1.3%	5.4%	

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	30,000,000	0	466,963,230	7.8%
FY2021-22	466,963,230	0	535,259,366	50,000,000	(124,700,000)	0	927,522,596	14.6%
FY2022-23 Est	927,522,596	0	1,287,988,911	50,000,000	(577,380,000)	0	1,688,131,507	29.0%
FY2023-24 Est	1,688,131,507	0	0	0	0	0	1,688,131,507	29.8%
FY2024-25 Est	1,688,131,507	0	0	0	0	0	1,688,131,507	30.7%

(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 2022 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				5,125,672,253	5,125,672,253
<u>Aid to Local Governments</u>					
Aid to K-12 Schools (TEEOSA GF only)	1.3%	4.4%	2.8%	13,026,034	59,478,512
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%	3,639,000	7,387,170
Aid to ESU's	2.5%	2.5%	2.5%	353,980	716,809
Aid to Counties	--	--	--	(2,000,000)	(2,000,000)
Other (Aid-Local)	--	--	--	(351,003)	(712,531)
<u>Aid to Individuals / Other</u>					
Medicaid	4.7%	4.9%	4.8%	44,227,698	92,554,942
Public Assistance	3.5%	3.5%	3.5%	3,036,469	6,179,214
Child Welfare Aid	4.5%	7.7%	6.1%	8,087,369	22,538,669
Developmental Disability aid	15.2%	4.9%	10.0%	26,485,540	36,350,340
Behavioral Health aid	24.7%	2.5%	13.6%	18,357,779	20,674,503
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
Economic Recovery Act (LB1024-2022)	--	--	--	(10,000,000)	(10,000,000)
All Other (Aid-Ind)	--	--	--	368,406	(2,496,679)
<u>Agency Operations</u>					
Employee Salaries - State Agencies	3.0%	2.9%	3.0%	19,412,971	39,311,267
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%	35,116,397	68,592,221
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 / population costs / medical (Corrections)	--	--	--	3,722,530	7,445,060
Retirement (defined benefit plans)	--	--	--	2,100,000	2,100,000
All Other (Oper)	--	--	--	(2,031,481)	(692,905)
<u>Construction</u>	93.7%	-14.9%	39.4%	22,415,119	15,503,544
Total General Fund Increases (Biennial Basis)	4.2%	3.8%	4.0%	214,970,237	415,801,265
Projected Appropriation per Financial Status				5,340,642,490	5,541,473,518

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 1.3% in FY24 and 4.3% in FY25. This is based on a 3.5% per year estimate in school spending and a valuation growth of 4.0% in FY24 per DPAD estimate and 2.4% in FY25.

Special Education Increases for FY24 and FY25 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. Also included is a \$6 million increase in FY25 for annualizing the use of ARPA funds 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. In addition, there is a large \$19.5 million base increase to restore funding for the one-time use of carryover funds in FY23.

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. In addition, there is a large \$16.5 million base increase to restore funding for the one-time use of carryover funds in FY23.

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.

Economic Recovery Act (LB1024-2022) included a one-time \$10 million appropriation in FY22-23. This is then deleted going forward into the next biennium.

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 prior to the latest data. 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, a 6% per year increase in health insurance is included for the following biennium, similar to the prior biennium.

University and State Colleges Funding Although shown as a separate item, the calculated amounts are based on applying the same salary and health insurance increases as noted for state employees planning purposes, and applying them to both the University and State Colleges. Also included is funding to annualize two bills passed in 2022; LB792 Rural Health Complex which had a cost of \$500,000 FY23 \$9,000,000 FY24, \$15,000,000 FY25 and LB1068 Behavioral Health \$2,600,000 each year starting in FY23-24.

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 enacted FY22/FY23 biennial budget. These are dollar amounts needed to complete funding of previously approved projects. The large increase in FY24 reflect the replacement of using NCCF monies in FY23 for the State Capitol HVAC project.