

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

**July 17, 2023**

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 Tom Briese

Senator Lou Ann Linehan

Senator Robert Clements

Interim Tax Commissioner – Glen White

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

FY2022-23 was completed on June 30, 2023. Net receipts exceeded the forecast by the small amount, and revenue growth was positive, but below one percent.

1. Actual receipts for FY2022-23 were \$6.368 billion, which was \$3 million above the forecast used at Sine Die of the 2023 Session (the April 2023 forecast of the Nebraska Economic Forecast Advisory Board (NEFAB)). The April 2023 forecast was the “certified forecast” as the April forecast lowered the previous estimates. LB 531, enacted in 2023 with the emergency clause, included a transfer from the Cash Reserve Fund to the General Fund of \$10 million- in FY2022-23, which was included on the Sine Die 2023 General Fund financial Status under 2023 revenue bills. This additional \$10 million, added to the April forecast amount of \$6.365 billion, indicated a total of \$6.375 billion in receipts for FY2022-23, and while the actual net receipts exceeded the April forecast, total actual net receipts were below the \$6.375 billion by \$7 million.
2. Tax rate and base adjusted revenue growth for FY2022-23 actual receipts is 0.4% compared to the 3.9% growth calculated per the April forecast. Nominal (actual unadjusted) change from the prior year is 0.3%. The main reason that the tax rate and base adjusted growth rate declined from the rate calculated pursuant to the April forecast is the amount of the adjustment made for the LB1107 income tax credit for property taxes paid was updated from the statutorily authorized amount to the actual amounts claimed for tax year 2022, which was \$380 million. This adjustment lowered the tax rate and base adjusted growth rate for FY2022-23. The adjustment included for FY2023-24 for purposes of calculating rate and base adjusted growth is the statutorily authorized credit amount, which explains why the resulting growth rate for FY2023-24 increased from 4.0% (calculated at April forecast) to 7.6% (calculated at actual receipts).
3. The projected General Fund financial status for the current biennium increases with the projected ending balance going from \$275.8 *above* the minimum reserve to \$339.3 million *above* the minimum reserve. This increase is largely due to a \$90 million estimated lapse of General Fund appropriations at the end of the recently completed FY22/FY23 biennium. Because of the timing of encumbrances, an actual number will not be known until the first part of September.
4. With net receipts exceeding the certified forecast for FY2022-23 by \$2,989,660, this amount will be transferred to the Cash Reserve Fund (CRF) at the beginning of FY2023-24. The CRF is projected at an unobligated balance of \$828.8 million at the end of FY2024-25, taking into consideration transfers that are authorized over the next two years. This balance is projected to be 13% of revenue and 15.5% of expenditures for FY2024-25.

## Current General Fund Financial Status

(With FY2022-23 Actual Revenue & Expenditures)

	Actual FY2022-23	Upcoming Biennium		Est for Following Biennium	
		FY2023-24	FY2024-25	FY2025-26	FY2026-27
<b>1 BEGINNING BALANCE</b>					
2 Beginning Cash Balance	2,494,107,852	1,853,785,088	627,451,963	685,380,864	573,965,619
3 Cash Reserve transfers-automatic	(1,287,998,995)	(2,989,660)	0	0	0
4 Carryover obligations from FY21	0	(556,254,947)	0	0	0
4a Est lapse FY23 carryover obligations	0	90,000,000	0	0	0
5 Allocation for potential deficits	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
6 Unobligated Beginning Balance	1,206,108,857	1,379,540,481	622,451,963	680,380,864	568,965,619
<b>7 REVENUES &amp; TRANSFERS</b>					
8 Net Receipts	6,367,989,660	6,437,125,900	6,378,284,765	6,322,043,808	6,323,294,308
9 General Fund transfers-out (current law)	(518,053,459)	(1,399,760,000)	(946,009,886)	(944,137,382)	(968,066,840)
10 General Fund transfers-in (current law)	in forecast	in forecast	in forecast	0	0
11 Cash Reserve transfers	(50,000,000)	(440,000,000)	1,000,000	0	0
12 Accounting Adjustment	1,037,796	0	0	0	0
13 General Fund Net Revenues	5,800,973,997	4,597,365,900	5,433,274,879	5,377,906,426	5,355,227,468
<b>14 APPROPRIATIONS</b>					
15 Expenditures / Appropriations	5,153,297,766	5,125,672,253	5,125,672,253	5,125,672,253	5,125,672,253
16 Mainline Budget Adjustments (2023 session)	0	204,629,372	200,914,815	210,015,938	210,015,938
17 Projected budget increase, following biennium	0	0	0	107,927,605	217,313,058
18 2023 "A" Bills	0	19,152,793	43,758,910	40,705,876	43,220,931
19 General Fund Appropriations	5,153,297,766	5,349,454,418	5,370,345,978	5,484,321,672	5,596,222,180
<b>20 ENDING BALANCE</b>					
21 \$ Ending balance (per Financial Status)	1,853,785,088	627,451,963	685,380,864	573,965,619	327,970,907
22 \$ Ending balance (at Min. Reserve 3.0%)			346,061,249		332,578,100
23 Excess (shortfall) from Minimum Reserve			<b>339,319,616</b>		<b>(4,607,193)</b>
24 Biennial Reserve (%)			6.1%		3.0%
<u>General Fund Appropriations</u>					
25 Annual % Change - Appropriations (w/o deficits)	6.4%	4.3%	0.3%	2.0%	2.0%
26 Two Year Average	3.5%	--	2.3%	--	2.0%
27 Est. Revenue Growth (rate/base adjusted)	0.4%	7.6%	3.7%	3.5%	4.7%
28 Two Year Average	9.6%	--	5.6%	--	4.1%
29 Five Year Average	9.3%	--	8.8%	--	4.0%
30 Unadjusted % change over prior year	0.3%	1.1%	-0.9%	-0.9%	0.0%
31 <u>On-Going Revenues vs Appropriations</u>	725,301,745	(307,561,944)	70,929,766	(91,366,292)	(223,430,704)

<b>CASH RESERVE FUND</b>	FY2022-23	FY2023-24	FY2024-25	Estimated	Estimated
				FY2025-26	FY2026-27
Beginning Balance	927,522,595	1,547,851,590	858,282,425	831,823,625	781,823,625
Excess of certified forecasts (line 3 in Status)	1,287,998,995	2,989,660	0	0	0
To/from Gen Fund current law	50,000,000	0	0	0	0
To/from Gen Fund (LB531-2023 & LB818-2023)	(10,000,000)	440,000,000	(1,000,000)	0	0
To Nebr Capital Construction Fund (NCCF)	(216,120,000)	(182,623,825)	(25,458,800)	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	(80,000,000)	0	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	2,000,000	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)	0	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)	0	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 School Safety and Security Fund (LB705-2023)	(10,000,000)	0	0	0	0
Projected Unobligated Ending Balance	1,547,851,590	858,282,425	831,823,625	781,823,625	731,823,625
Projected Balance - End of 2023 Session	1,547,851,590	855,292,765	828,833,965	778,833,965	728,833,965
Difference	0	2,989,660	2,989,660	2,989,660	2,989,660

## Changes in the Financial Status since Sine Die 2023

(millions of dollars)	FY24/FY25 Biennium	FY26/FY27 Biennium
<b>1. Variance: Sine Die 2023 -----&gt;</b>	<b>275,805,556</b>	<b>(81,701,495)</b>
2. Carryover obligations from FY22	10,834	10,834
3. FY23 Actual vs Est General Fund Net Receipts	(7,010,340)	(7,010,340)
4. FY23 Actual vs Est Transfers-In	0	0
5. FY23 Actual vs Est Transfers-Out	0	0
6. FY23 Actual vs Est CRF transfers-automatic	(2,989,660)	(2,989,660)
7. FY23 Actual vs Est Accounting adjustment	1,037,796	1,037,796
8. Assumed lapse, FY23 unexpended	90,000,000	90,000,000
9. Adjust LB 565 fiscal impact due to operative date	200,000	200,000
10. Adjust LB 727 fiscal impact due to operative date	(1,641,500)	(1,641,500)
11. Recalculate minimum reserve	(15,893,070)	(2,312,829)
12. Total \$ Change Since Sine Die	63,514,060	77,094,301
<b>13. Current Financial Status -----&gt;</b>	<b>339,319,616</b>	<b>(4,607,194)</b>

### Accounting Adjustments:

Most of the "accounting adjustments" are transfers-out that are authorized in statute but not in specific amounts such as legislatively enacted transfers or occur on a deficit basis like the Dept. of Revenue tax enforcement transfer per tax amnesty legislation.

Transfer-Out Fund 21540 & 21541 Dept. of Revenue enforcement	(750,000)
Transfer-Out to Mutual Finance Assistance Fund, cash flow	(4,710,000)
Transfer-Out State Patrol drug purchases	(49,300)
All other accounting adjustments	6,547,096
Total Accounting adjustment	1,037,796

### Lapse of Unexpended FY2022-23 Funds

At the end of this past biennium (FY22 & FY23) 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 \$90 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 0.9% of the amount appropriated

# FY2022-23 Actual General Fund Receipts

Table 1 compares the various forecasts with actual receipts for FY2022-23. Table 2 shows actual receipts and adjusted growth for FY2022-23 and the previous five years, Table 3 shows a chronology of the FY2022-23 forecasts and Table 4 provides historical revenues.

Table 1 FY2022-23 Actual Receipts vs Forecast

	July 2022 FY2022-23	Oct 2022 FY2022-23	Feb 2023 FY2022-23	Cert April 2023 FY2022-23	Actual FY2022-23	\$ Variance July 2022	\$ Variance Oct 2022	\$ Variance Feb 2023	\$ Variance Cert April 2023
<b>GROSS RECEIPTS</b>									
Sales and Use	3,227,682,000	3,297,121,000	3,297,121,000	3,292,144,000	3,252,191,162	24,509,162	(44,929,838)	(44,929,838)	(39,952,838)
Individual Income	3,647,358,000	4,044,219,000	4,044,219,000	4,004,721,000	3,991,494,197	344,136,197	(52,724,803)	(52,724,803)	(13,226,803)
Corporate Income	564,236,000	698,582,000	698,582,000	791,055,000	825,102,980	260,866,980	126,520,980	126,520,980	34,047,980
Miscellaneous	223,352,000	270,026,000	270,026,000	290,064,000	333,267,500	109,915,500	63,241,500	63,241,500	43,203,500
<b>Total Gross Receipts</b>	<b>7,662,628,000</b>	<b>8,309,948,000</b>	<b>8,309,948,000</b>	<b>8,377,984,000</b>	<b>8,402,055,838</b>	<b>739,427,839</b>	<b>92,107,838</b>	<b>92,107,838</b>	<b>24,071,838</b>
<b>REFUNDS &amp; CREDITS</b>									
City Sales Tax	603,664,000	620,314,000	620,314,000	676,592,000	668,367,865	64,703,865	48,053,865	48,053,865	(8,224,135)
State Sales and Use	153,851,000	148,108,000	148,108,000	137,681,000	120,783,094	(33,067,906)	(27,324,906)	(27,324,906)	(16,897,906)
Sales tax to Hwy Funds	112,226,000	112,689,000	112,689,000	112,282,000	111,414,881	(811,119)	(1,274,119)	(1,274,119)	(867,119)
CSI Turnback	14,343,000	16,010,000	16,010,000	15,589,000	15,725,386	1,382,386	(284,614)	(284,614)	136,386
Individual Income	852,199,000	844,219,000	844,219,000	954,721,000	985,542,138	133,343,138	969,532,138	141,323,138	30,821,138
Corporate Income	101,936,000	123,582,000	123,582,000	116,055,000	132,138,250	30,202,250	(712,080,750)	8,556,250	16,083,250
Miscellaneous	34,000	26,000	26,000	64,000	94,564	60,564	(123,487,436)	68,564	30,564
<b>Total Refunds/Credits</b>	<b>1,838,253,000</b>	<b>1,864,948,000</b>	<b>1,864,948,000</b>	<b>2,012,984,000</b>	<b>2,034,066,179</b>	<b>195,813,179</b>	<b>169,118,179</b>	<b>169,118,179</b>	<b>21,082,179</b>
<b>NET RECEIPTS</b>									
Sales and Use	2,343,598,000	2,400,000,000	2,400,000,000	2,350,000,000	2,335,899,936	(7,698,064)	(64,100,064)	(64,100,064)	(14,100,064)
Individual Income	2,795,159,000	3,200,000,000	3,200,000,000	3,050,000,000	3,005,952,059	210,793,059	(194,047,941)	(194,047,941)	(44,047,941)
Corporate Income	462,300,000	575,000,000	575,000,000	675,000,000	692,964,729	230,664,729	117,964,729	117,964,729	17,964,729
Miscellaneous	223,318,000	270,000,000	270,000,000	290,000,000	333,172,936	109,854,936	63,172,936	63,172,936	43,172,936
<b>Total Net Receipts</b>	<b>5,824,375,000</b>	<b>6,445,000,000</b>	<b>6,445,000,000</b>	<b>6,365,000,000</b>	<b>6,367,989,660</b>	<b>543,614,660</b>	<b>(77,010,340)</b>	<b>(77,010,340)</b>	<b>2,989,660</b>
<b>ADJUSTED GROWTH</b>									
Sales/Use	5.0%	7.5%	7.5%	5.3%	4.1%	na	na	na	na
Ind Income	-9.0%	5.8%	5.8%	1.7%	-1.6%	na	na	na	na
Corp Income	-26.4%	-8.4%	-8.4%	3.9%	-11.0%	na	na	na	na
Misc Receipts	-3.3%	17.9%	17.9%	27.0%	38.0%	na	na	na	na
<b>Total GF Revenues</b>	<b>-6.4%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>3.9%</b>	<b>0.4%</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
<b>TOTAL BY MONTH</b>									
	July 2022 FY2022-23	Oct 2022 FY2022-23	Feb 2023 FY2022-23	Cert April 2023 FY2022-23	Actual FY2022-23	\$ Variance July 2022	\$ Variance Oct 2022	\$ Variance Feb 2023	\$ Variance Cert April 2023
<b>TOTAL BY MONTH</b>									
July	316,930,000	320,435,000	320,435,000	320,435,000	320,430,026	3,500,026	(4,974)	(4,974)	(4,974)
August	552,086,000	578,507,000	578,507,000	578,507,000	578,506,235	26,420,235	(765)	(765)	(765)
September	618,874,000	728,910,000	728,910,000	728,910,000	728,917,629	110,043,629	7,629	7,629	7,629
October	325,440,000	348,654,000	348,654,000	348,655,000	348,653,848	23,213,848	(152)	(152)	(1,152)
November	521,307,000	577,583,000	577,583,000	519,878,000	519,877,726	(1,429,274)	(57,705,274)	(57,705,274)	(274)
December	487,351,000	540,338,000	540,338,000	589,120,000	589,119,272	101,768,272	48,781,272	48,781,272	(728)
January	579,459,000	581,477,000	581,477,000	536,648,000	536,648,485	(42,810,515)	(44,828,515)	(44,828,515)	485
February	372,887,000	445,941,000	445,941,000	462,928,000	462,928,206	90,041,206	16,987,206	16,987,206	206
March	341,639,000	416,385,000	416,385,000	360,451,000	360,451,173	18,812,173	(55,933,827)	(55,933,827)	173
April	590,753,000	722,433,000	722,433,000	693,314,000	693,314,198	102,561,198	(29,118,802)	(29,118,802)	198
May	523,817,000	564,410,000	564,410,000	608,721,000	556,017,111	32,200,111	(8,392,889)	(8,392,889)	(52,703,889)
June	593,832,000	619,927,000	619,927,000	617,433,000	673,125,750	79,293,750	53,198,750	53,198,750	55,692,750
<b>Total GF Revenues</b>	<b>5,824,375,000</b>	<b>6,445,000,000</b>	<b>6,445,000,000</b>	<b>6,365,000,000</b>	<b>6,367,989,660</b>	<b>543,614,660</b>	<b>(77,010,340)</b>	<b>(77,010,340)</b>	<b>2,989,660</b>

Table 2 Actual Receipts and Adjusted Growth

	Actual FY2018-19	Actual FY2019-20	Actual FY2020-21	Actual FY2021-22	Actual FY2022-23
<b><u>GROSS RECEIPTS</u></b>					
Sales and Use	2,323,766,414	2,550,432,397	2,746,553,548	3,074,312,574	3,252,191,162
Individual Income	2,995,220,724	2,901,208,799	3,699,016,446	3,986,522,071	3,991,494,197
Corporate Income	465,815,238	432,059,215	642,787,525	788,317,225	825,102,980
Miscellaneous	269,431,444	254,760,474	247,487,690	257,462,295	333,267,500
Total Gross Receipts	6,054,233,820	6,138,460,885	7,335,845,209	8,106,614,165	8,402,055,839
<b><u>REFUNDS &amp; CREDITS</u></b>					
City Sales Tax	432,135,164	489,132,760	522,704,311	584,618,788	668,367,865
State Sales and Use	141,849,001	111,269,736	108,541,691	245,291,674	120,783,094
Sales tax to Hwy Funds	78,843,507	87,777,306	94,686,153	102,347,729	111,414,881
CSI Turnback	12,831,609	14,016,636	10,873,123	8,902,302	15,725,386
Individual Income	449,540,685	455,561,314	568,417,122	743,284,478	985,542,138
Corporate Income	42,077,667	40,895,463	71,567,201	73,164,489	132,138,250
Miscellaneous	578,009	45,059	13,180	10,003	94,564
Total Refunds/Credits	1,157,855,642	1,198,698,274	1,376,802,781	1,757,619,463	2,034,066,178
<b><u>NET RECEIPTS</u></b>					
Sales and Use	1,658,107,133	1,848,235,959	2,009,748,270	2,133,152,081	2,335,899,936
Individual Income	2,545,680,039	2,445,647,485	3,130,599,324	3,243,237,593	3,005,952,059
Corporate Income	423,737,571	391,163,752	571,220,324	715,152,736	692,964,730
Miscellaneous	268,853,435	254,715,415	247,474,510	257,452,292	333,172,936
Total Net Receipts	4,896,378,178	4,939,762,611	5,959,042,428	6,348,994,702	6,367,989,661
<b><u>ADJUSTED GROWTH</u></b>					
Sales/Use	4.5%	7.2%	7.9%	13.3%	4.1%
Ind Income	9.0%	3.6%	16.4%	17.1%	-1.6%
Corp Income	30.2%	1.7%	23.7%	49.0%	-11.0%
Misc Receipts	3.9%	6.3%	4.1%	14.8%	38.0%
Total GF Revenues	8.7%	4.8%	13.5%	18.7%	0.4%
<b><u>TOTAL BY MONTH</u></b>					
	Actual FY2018-19	Actual FY2019-20	Actual FY2020-21	Actual FY2021-22	Actual FY2022-23
<b><u>TOTAL BY MONTH</u></b>					
July	279,849,780	284,883,132	605,327,625	311,584,399	320,430,026
August	422,129,588	462,019,974	513,474,994	546,580,287	578,506,235
September	510,217,946	551,908,013	526,837,912	625,462,702	728,917,629
October	247,188,116	289,723,434	304,606,936	319,838,515	348,653,848
November	390,491,204	431,787,603	481,813,865	545,561,070	519,877,726
December	387,480,224	472,926,836	436,466,930	509,989,947	589,119,272
January	389,711,888	467,698,460	452,901,868	495,085,239	536,648,485
February	296,444,299	314,532,626	448,511,856	441,675,777	462,928,206
March	343,629,209	380,216,046	362,680,035	419,055,933	360,451,173
April	659,642,842	344,906,572	525,270,179	938,508,434	693,314,198
May	439,242,511	430,175,786	720,225,248	583,109,294	556,017,111
June	530,350,572	508,984,128	580,924,979	612,543,105	673,125,750
Total GF Revenues	4,896,378,178	4,939,762,611	5,959,042,428	6,348,994,703	6,367,989,660



Table 3 Chronology of FY2022-23 Revenue Forecasts

	Sales/Use	Individual	Corporate	Misc	Total Forecast	Change in Forecast			
						Base	Bills	Other	Total
<b>FY2022-23</b>									
<b>Board Est-Oct 2020</b>	2,095,000	2,655,000	345,000	180,000	5,275,000				
Board Est-Feb 2021	2,145,000	2,670,000	368,000	185,000	5,368,000	195,000	0	(102,000)	93,000
Board Est-April 2021	2,145,000	2,670,000	368,000	185,000	5,368,000	45,000	0	(45,000)	0
Sine Die-2021 Session	2,119,794	2,477,629	310,601	219,333	5,127,358	0	(51,121)	(189,522)	(240,642)
Board Est-October 2021	2,180,000	2,700,000	450,000	225,000	5,555,000	427,642	0	0	427,642
Board Est-February 2022	2,350,000	2,900,000	475,000	235,000	5,960,000	405,000	0	0	405,000
Sine Die-2022 Session	2,343,598	2,795,159	462,300	223,318	5,824,375	0	(135,625)	0	(135,625)
Board Est-October 2022	2,400,000	3,200,000	575,000	270,000	6,445,000	620,625	0	0	620,625
Board Est-February 2023	2,400,000	3,200,000	575,000	270,000	6,445,000	0	0	0	0
Board Est-April 2023	2,350,000	3,050,000	675,000	290,000	6,365,000	(80,000)	0	0	(80,000)
Sine Die 2023 Session	2,350,000	3,050,000	675,000	300,000	6,375,000	0	10,000	0	10,000
Actual Receipts FY2022-23	2,335,900	3,005,952	692,965	333,173	6,367,990	(7,010)	0	0	(7,010)
Change: First NEFAB to Actual	240,900	350,952	347,965	153,173	1,092,990	1,606,258	(176,747)	(336,522)	1,092,990

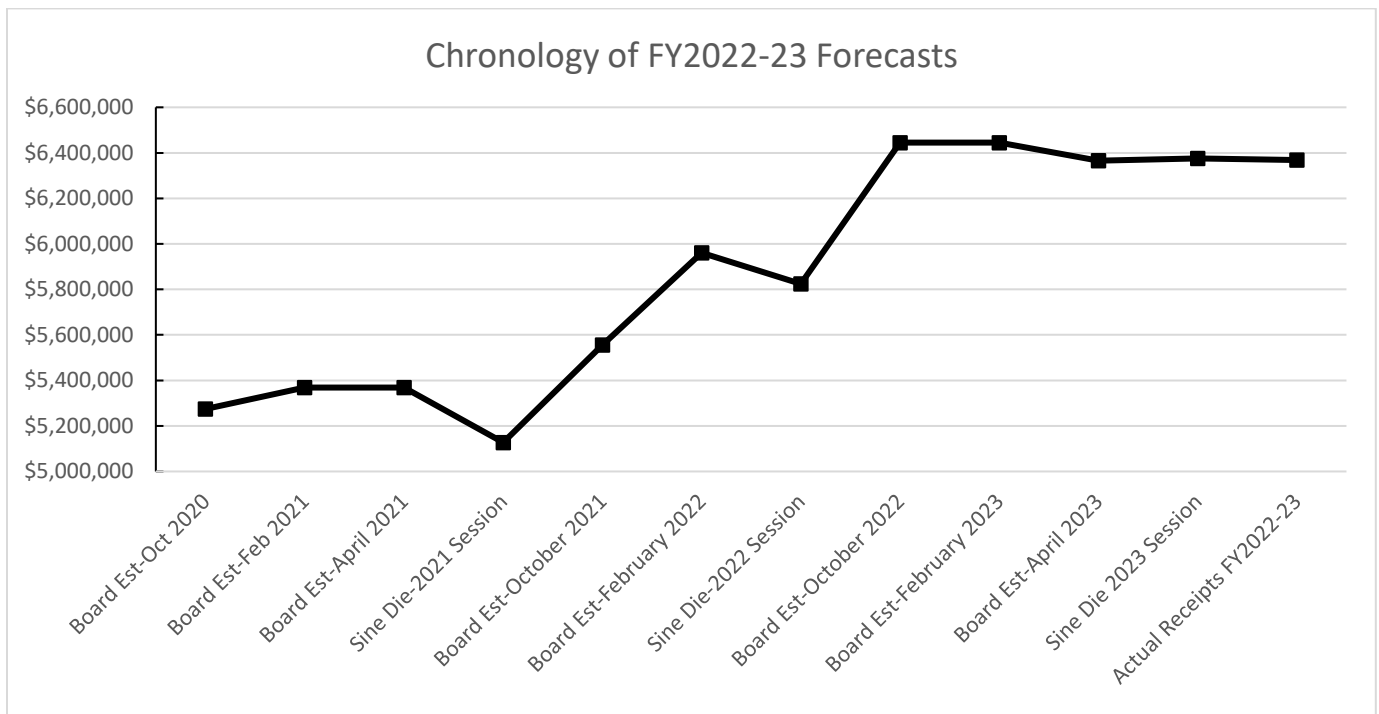
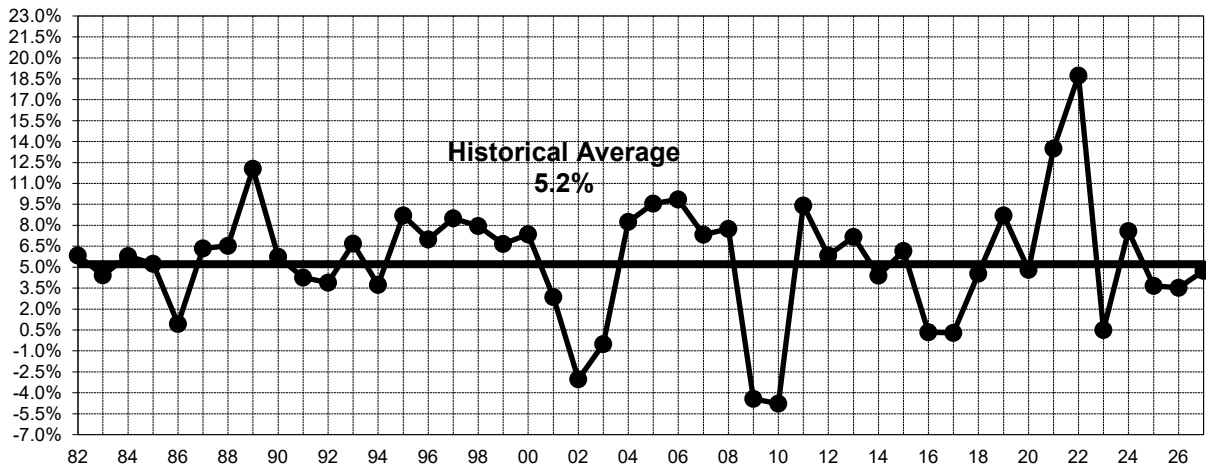


Table 4 Historical and Projected Revenues

	Sales/ Use	Individual Income	Corporate Income	Misc. Receipts	Total GF Receipts	Total GF Receipts
<b><u>ADJUSTED GROWTH</u></b>						
FY2000-01 Actual	905.0	1,233.4	138.1	180.4	2,456.9	2.9%
FY2001-02 Actual	918.9	1,159.8	107.6	179.2	2,365.5	-3.0%
FY2002-03 Actual	1,028.9	1,129.4	111.6	186.4	2,456.4	-0.5%
FY2003-04 Actual	1,114.4	1,249.9	167.4	187.0	2,718.7	8.3%
FY2004-05 Actual	1,231.0	1,400.1	198.4	207.7	3,037.2	9.5%
FY2005-06 Actual	1,263.7	1,545.3	262.3	280.9	3,352.2	9.9%
FY2006-07 Actual	1,303.8	1,650.9	213.0	240.6	3,408.3	7.3%
FY2007-08 Actual	1,321.9	1,726.1	232.9	225.3	3,506.2	7.7%
FY2008-09 Actual	1,326.2	1,600.4	198.5	232.4	3,357.5	-4.4%
FY2009-10 Actual	1,289.8	1,514.8	154.3	245.7	3,204.7	-4.8%
FY2010-11 Actual	1,372.8	1,735.2	154.9	236.7	3,499.7	9.4%
FY2011-12 Actual	1,436.9	1,822.9	234.3	201.8	3,695.9	5.9%
FY2012-13 Actual	1,474.9	2,101.9	275.6	199.9	4,052.4	7.2%
FY2013-14 Actual	1,524.8	2,060.8	306.6	225.3	4,117.5	4.4%
FY2014-15 Actual	1,535.4	2,205.5	346.5	217.7	4,305.1	6.2%
FY2015-16 Actual	1,528.0	2,221.1	307.6	251.2	4,308.0	0.3%
FY2016-17 Actual	1,548.4	2,224.8	264.5	228.1	4,265.8	0.3%
FY2017-18 Actual	1,602.7	2,360.6	313.7	290.0	4,566.9	4.5%
FY2018-19 Actual	1,658.1	2,545.7	423.7	268.8	4,896.4	8.7%
FY2019-20 Actual	1,848.2	2,445.7	391.2	254.7	4,939.8	4.8%
FY2020-21 Actual	2,009.7	3,130.6	571.2	247.5	5,959.0	13.5%
FY2021-22 Actual	2,133.2	3,243.2	715.1	257.4	6,348.9	18.7%
FY2022-23 Actual	2,335.9	3,006.0	693.0	333.2	6,368.0	0.5%
FY2023-24 NEFAB adjusted	2,495.0	3,065.4	567.9	309.0	6,437.2	7.6%
FY2024-25 NEFAB adjusted	2,590.6	2,986.6	505.4	295.7	6,378.3	3.7%
FY2025-26 LFO Prelim	2,645.6	2,924.0	489.9	262.5	6,322.0	3.5%
FY2026-27 LFO Prelim	2,712.2	2,856.5	484.0	270.6	6,323.3	4.7%
<b><u>AVERAGE GROWTH:</u></b>						
Historical Average (42 yrs)	4.4%	6.1%	5.8%	2.0%	5.2%	5.2%
Above Average Years (25)	5.9%	9.6%	14.2%	4.0%	8.0%	8.0%
Below Average Years (16)	2.2%	2.6%	-3.4%	1.6%	1.8%	1.8%
Historical Average (42 yrs)	4.4%	6.1%	5.8%	2.0%	5.2%	5.2%

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



## 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
				Gen Fund	Other Funds				
FY1991-92	31,937,043	0	na	(5,000,000)	0	0	26,937,043	1.8%	1.7%
FY1992-93	26,937,043	0	na	(9,500,000)	0	0	17,437,043	1.1%	1.1%
FY1993-94	17,437,043	0	3,063,462	7,250,000	0	0	27,750,505	1.7%	1.7%
FY1994-95	27,750,505	0	(8,518,701)	7,250,000	(6,000,000)	0	20,481,804	1.2%	1.2%
FY1995-96	20,481,804	0	(20,481,804)	18,189,565	0	0	18,189,565	1.0%	1.0%
FY1996-97	18,189,565	0	19,740,786	3,032,333	0	0	40,962,684	2.0%	2.2%
FY1997-98	40,962,684	0	91,621,018	0	0	0	132,583,702	6.3%	6.9%
FY1998-99	132,583,702	0	111,616,422	(96,500,000)	(2,000,000)	0	145,700,124	6.9%	6.5%
FY1999-00	145,700,124	0	20,959,305	3,500,000	(28,000,000)	0	142,159,429	5.9%	6.1%
FY2000-01	142,159,429	0	77,576,670	(24,500,000)	(25,000,000)	0	170,236,099	6.9%	6.9%
FY2001-02	170,236,099	0	0	(59,800,000)	(370,000)	0	110,066,099	4.7%	4.2%
FY2002-03	110,066,099	66,476,446	0	(87,400,000)	0	(30,000,000)	59,142,545	2.4%	2.3%
FY2003-04	59,142,545	59,463,461	0	(61,191,862)	(385,807)	30,000,000	87,028,337	3.2%	3.4%
FY2004-05	87,028,337	8,170,556	108,727,007	(26,000,000)	(758,180)	0	177,167,720	5.8%	6.5%
FY2005-06	177,167,720	0	261,715,297	0	(165,266,227)	0	273,616,790	8.2%	9.4%
FY2006-07	273,616,790	0	259,929,524	(15,674,107)	(1,784,416)	0	516,087,791	15.1%	16.5%
FY2007-08	516,087,791	0	191,436,773	(60,177,767)	(101,801,000)	0	545,545,797	15.6%	16.8%
FY2008-09	545,545,797	0	116,976,571	(54,990,505)	(29,340,000)	0	578,191,863	17.2%	17.4%
FY2009-10	578,191,863	0	0	(105,000,000)	(5,990,237)	0	467,201,626	14.6%	14.1%
FY2010-11	467,201,626	0	0	(154,000,000)	0	0	313,201,626	8.9%	9.4%
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%	12.4%
FY2012-13	428,878,372	0	104,789,781	(78,000,000)	(76,008,427)	4,461,676	384,121,402	9.5%	10.7%
FY2013-14	384,121,402	0	285,292,610	49,400,000	251,294	0	719,065,306	17.5%	18.7%
FY2014-15	719,065,306	0	96,721,232	(67,701,112)	(20,250,000)	0	727,835,426	16.9%	18.1%
FY2015-16	727,835,426	0	84,599,532	0	(81,779,850)	0	730,655,108	17.0%	17.4%
FY2016-17	730,655,108	0	0	0	(50,000,000)	0	680,655,108	16.0%	15.7%
FY2017-18	680,655,108	265,729	0	(225,000,000)	(115,930,772)	0	339,990,065	7.4%	7.8%
FY2018-19	339,990,065	0	61,995,773	(48,000,000)	(20,436,714)	0	333,549,124	6.8%	7.6%
FY2019-20	333,549,124	0	176,378,178	0	(83,619,600)	0	426,307,702	8.6%	9.2%
FY2020-21	426,307,702	0	10,655,528	0	30,000,000	0	466,963,230	7.8%	10.3%
FY2021-22	466,963,230	0	535,259,365	50,000,000	(124,700,000)	0	927,522,595	14.6%	19.9%
FY2022-23	927,522,595	0	1,287,998,995	40,000,000	(707,670,000)	0	1,547,851,590	24.3%	30.0%
FY2023-24 Est	1,547,851,590	0	2,989,660	440,000,000	(1,132,558,825)	0	858,282,425	13.3%	16.0%
FY2024-25 Est	858,282,425	0	0	(1,000,000)	(25,458,800)	0	831,823,625	13.0%	15.5%
FY2025-26 Est	831,823,625	0	0	0	(50,000,000)	0	781,823,625	12.4%	14.3%
FY2026-27 Est	781,823,625	0	0	0	(50,000,000)	0	731,823,625	11.6%	13.1%
Cumulative	0	181,935,763	4,026,198,076	(597,313,455)	(2,878,996,759)	0	731,823,625		

(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.

## FY26/FY27 Following Biennium

Pursuant to Legislative Rule 8, section 7, the Appropriations Committee and Revenue Committee met on April 20, 2023, and voted to approve three percent (unadjusted) revenue growth in each year of the FY26 and FY27 biennium, and 2% budget growth in each year of the FY26 and FY27 biennium. These increases were based on the net revenue receipts and appropriations estimates presented for the base year, FY2024-25, at the time of the meeting, which were the February 2023 NEFAB revenue forecast for FY2024-25 and the Appropriations Committee budget recommendation for the second year of the biennium.

### Revenue

The estimated net revenue receipts approved at the time were \$6,751,650,000 for FY2025-26 and \$6,954,199,500 for FY2026-27. At this point in time, net receipts for FY2025-26 and FY2026-27 are adjusted only for 2023 legislation enacted as shown in Table 5.

Table 5 Revenue Impact of 2023 Legislation

	NEFAB FY2023-24	NEFAB FY2024-25	LFO Prelim FY2025-26	LFO Prelim FY2026-27
<b><u>Forecast - April 2023</u></b>				
Sales and Use Tax	2,500,000,000	2,600,000,000	2,655,650,000	2,735,319,500
Individual Income Tax	3,150,000,000	3,225,000,000	3,294,000,000	3,392,820,000
Corporate Income Tax	575,000,000	525,000,000	536,000,000	552,080,000
Miscellaneous receipts	275,000,000	260,000,000	266,000,000	273,980,000
<b>Total General Fund Revenues</b>	<b>6,500,000,000</b>	<b>6,610,000,000</b>	<b>6,751,650,000</b>	<b>6,954,199,500</b>
<b><u>2023 Session Legislation</u></b>				
Sales and Use Tax	(5,014,000)	(9,382,000)	(10,028,400)	(23,095,360)
Individual Income Tax	(85,120,900)	(239,349,850)	(369,994,100)	(536,314,240)
Corporate Income Tax	(6,722,100)	(18,681,150)	(46,072,500)	(68,074,400)
Miscellaneous receipts	33,982,900	35,697,765	(3,511,192)	(3,421,192)
<b>Total 2023 Session Legislation</b>	<b>(62,874,100)</b>	<b>(231,715,235)</b>	<b>(429,606,192)</b>	<b>(630,905,192)</b>
<b><u>Total GF Revenues - July 2023 Certification</u></b>				
Sales and Use Tax	2,494,986,000	2,590,618,000	2,645,621,600	2,712,224,140
Individual Income Tax	3,064,879,100	2,985,650,150	2,924,005,900	2,856,505,760
Corporate Income Tax	568,277,900	506,318,850	489,927,500	484,005,600
Miscellaneous receipts	308,982,900	295,697,765	262,488,808	270,558,808
<b>Total Adjusted General Fund Revenues</b>	<b>6,437,125,900</b>	<b>6,378,284,765</b>	<b>6,322,043,808</b>	<b>6,323,294,308</b>

<b>2023 Session Bills</b>	<b>FY2023-24</b>	<b>FY2024-25</b>	<b>FY2025-26</b>	<b>FY2026-27</b>	<b>Type</b>
LB 138 Change provisions related to motor vehicles	(4,300,838)	(4,303,088)	(4,303,088)	(4,303,088)	Misc
LB 191 Business and Labor omnibus bill	(2,057,769)	(2,057,769)	(2,057,769)	(2,057,769)	Misc
LB 243 Change property tax provisions	0	50,673,750	67,915,500	100,105,500	Ind
LB 243 Change property tax provisions	0	16,891,250	22,638,500	33,368,500	Corp
LB 376 Change provisions related to alcohol licenses	10,800	2,415	2,415	2,415	Misc
LB 514 Change election provisions	(137,750)	(137,750)	(137,750)	(137,750)	Misc
LB 562 Adopt E-15 Access Standard Act	(767,000)	(1,753,300)	(3,085,900)	(2,457,400)	Ind
LB 562 Adopt E-15 Access Standard Act	0	(113,700)	(266,100)	(200,600)	Corp
LB 727 Change tax provisions	(5,014,000)	(9,382,000)	(10,028,400)	(23,095,360)	Sales
LB 727 Change tax provisions	1,172,500	2,898,000	2,985,000	3,075,000	Misc
LB 727 Change tax provisions	(2,855,900)	(5,593,300)	(6,436,700)	(6,475,340)	Ind
LB 727 Change tax provisions	(619,100)	(1,540,700)	(2,013,900)	(2,228,300)	Corp
LB 753 Opportunity Scholarships Act	0	(18,750,000)	(18,750,000)	(18,750,000)	Ind
LB 753 Opportunity Scholarships Act	0	(6,250,000)	(6,250,000)	(6,250,000)	Corp
LB 754 Change income tax provisions	(81,498,000)	(263,927,000)	(409,637,000)	(608,737,000)	Ind
LB 754 Change income tax provisions	(6,103,000)	(27,668,000)	(60,181,000)	(92,764,000)	Corp
<b>Total-Revenue Legislation by Bill</b>	<b>(102,170,057)</b>	<b>(271,011,192)</b>	<b>(429,606,192)</b>	<b>(630,905,192)</b>	
LB 531 Change Economic Recovery Act	0	0	0	0	Misc
Cash Fund Transfers In - Budget bills	39,295,957	39,295,957	0	0	Misc
<b>Total Revenue Bills to Add to Net Receipts</b>	<b>(62,874,100)</b>	<b>(231,715,235)</b>	<b>(429,606,192)</b>	<b>(630,905,192)</b>	
LB 243 Change property tax provisions	0	(246,499,886)	(287,127,382)	(311,056,840)	Transfer
LB 565 Natural Resources omnibus bill	0	0	0	0	Transfer
<b>Subtotal - GF Transfers Out</b>	<b>0</b>	<b>(246,499,886)</b>	<b>(287,127,382)</b>	<b>(311,056,840)</b>	
<b>Total - All Revenue Legislation</b>	<b>(102,170,057)</b>	<b>(517,511,078)</b>	<b>(716,733,574)</b>	<b>(941,962,032)</b>	

## **Appropriations**

Approved estimated increases in appropriations for FY2025-26 were \$107,927,605 and \$217,313,058 for FY2026-27. These estimates do not include any adjustments at this time. Estimates related to appropriations for the following biennium are for planning purposes. These estimates do not include ongoing amounts for 2023 "A" bills, which are shown on a separate line on the financial status or the ongoing baseline budget amounts included in the enacted 2023 biennial budget.

Table 6 shows an estimated breakdown of projected increases and percentage growth by budget category to arrive at the estimated increases.

Table 6 Projected Budget Increases-Following Biennium

	Annual % Change			Projected Increases	
	FY25-26	FY26-27	2 Yr Avg	FY2025-26	FY2026-27
<b><u>AID TO LOCAL GOVT</u></b>					
Aid to K-12 Schools (TEEOSA GF only)	1.74%	2.34%	2.04%	16,125,608	38,141,035
Special Education	--	--	--	0	0
Community Colleges	2.00%	2.00%	2.00%	2,282,334	4,610,315
Homestead Exemption	3.00%	3.00%	3.00%	4,008,000	8,136,240
Governors Emergency program	--	--	--	0	0
All Other (Aid-Local)	--	--	--	0	0
<b><u>AID TO INDIVIDUALS</u></b>					
Medicaid	2.00%	2.00%	2.00%	19,505,467	39,401,042
Public Assistance	0.00%	1.00%	0.50%	0	836,187
Child Welfare Aid	2.00%	2.00%	2.00%	3,954,262	7,987,610
Developmental Disability aid	2.00%	2.00%	2.00%	3,951,344	7,981,714
Behavioral Health aid	2.00%	2.00%	2.00%	1,707,644	3,449,441
Children's Health Insurance (SCHIP)	2.37%	2.37%	2.37%	634,233	1,281,151
Aging Programs	--	--	--	0	0
Nebraska Career Scholarships	--	--	--	0	0
Business Innovation Act	--	--	--	0	0
Economic Recovery Act (LB1024-2022)	--	--	--	0	0
All Other (Aid-Ind)	--	--	--	0	0
<b><u>AGENCY OPERATIONS</u></b>					
Employee Salaries (agencies)	2.40%	2.39%	2.40%	17,936,578	36,231,887
Employee Health Insurance (agencies)	2.00%	4.00%	3.00%	2,220,227	6,749,489
University/Colleges increased funding	1.44%	1.59%	1.52%	10,594,780	22,427,625
Operations increase (all agencies)	2.00%	2.00%	2.00%	3,464,302	6,997,891
Staffing / population costs / medical (Corrections)	--	--	specific	3,722,530	7,445,060
Retirement (Schools, Patrol, Judges)	--	--	specific	(66,831)	2,100,000
All Other (Oper)	2.00%	2.00%	2.00%	3,746,231	9,395,474
<b><u>CONSTRUCTION</u></b>	<b>66.38%</b>	<b>0.00%</b>	<b>33.19%</b>	<b>14,140,896</b>	<b>14,140,896</b>
<b><u>TOTAL GENERAL FUND (Biennial Basis)</u></b>	<b>2.01%</b>	<b>2.00%</b>	<b>2.01%</b>	<b>107,927,605</b>	<b>217,313,058</b>