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November 17, 2022

Mr. Patrick O'Donnell
Clerk of the Nebraska Legislature
Room 2028, State Capitol
Lincoln, NE 68509-4604

Dear Mr. O'Donnell,

As required by Neb. Rev. Stat. sec. 77-2715.01 (2), I am submitting to you at the direction of the Tax Rate Review Committee, this letter and its attachments as the annual report of the Committee for 2022. The attachments include reports presented to and reviewed by the Committee on July 18, 2022, and November 17, 2022. At each meeting the Committee determined there was no need to call the Legislature into special session to adjust tax rates.

The attachments also include the revenue volatility report required under by Neb. Rev. Stat. sec. 50-419.02. Starting in 2016 and every two years thereafter, the Legislative Fiscal Analyst shall prepare this report to append to the Tax Rate Review Committee annual report.

Lastly, as required by Neb. Rev. Stat. sec. 77-2715.01(2), this report incorporates by reference the most recent tax expenditure report prepared by the Department of Revenue, as set forth by Neb. Rev. Stat. sec. 77-382. This report is accessible at:

https://revenue.nebraska.gov/sites/revenue.nebraska.gov/files/doc/2022_Tax_Expenditure_Report_0.pdf

If you have any questions, please contact me.

Respectfully submitted on behalf of the Committee.

A handwritten signature in blue ink, appearing to read 'Keisha Patent'.

Keisha Patent
Legislative Fiscal Analyst

Tax Rate Review Committee

November 2022

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

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

**Senator Mike Hilgers
Senator Dan Hughes
Senator John Stinner
Senator Lou Ann Linehan
Tony Fulton**

Prepared by the Legislative Fiscal Office

Summary

This report includes a current projected General Fund Financial Status for the upcoming FY2023-24 and FY2024-25 Biennial Budget. This biennium had been shown as the “out years” in previous financial status. For planning purposes, this report also incorporates a new estimated financial status for the “out years” bringing in the FY2025-26 and FY2026-27 biennium. Assumptions for construction of the status for the upcoming biennium and estimates for the following biennium are discussed individually later in this report.

These estimates are based on (1) current law, (2) October Forecast Board projections for FY2022-23, FY2023-24, and FY2024-25, (3) revenue projections for the following biennium, and (4) an initial pre-session assessment of General Fund appropriations under current law using both agency requests and historical trends.

Projected Surplus

The projected financial status shows an ending balance \$1.920 billion above the minimum reserve for the upcoming FY23-24 / FY24-25 biennial budget. This is a significant improvement to what had been shown in the prior financial status.

Revenue Growth

Revenue growth (adjusted for rate and base changes) is below average for the upcoming biennium. Revenue estimates for FY2022-23, FY2023-24, and FY2024-25 are the October 2022 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Revenue growth implied by these current forecasts is 5.1% in FY2022-23, and 2.5% in FY2023-24, and 3.3% in FY2024-25.

LFO Prelim estimates for FY2025-26 and FY2026-27 are the average of all forecasts (LFO IHS, LFO Moody’s, NDR IHS, and NDR Moody’s). Rate and base adjusted growth in FY2025-26 is 3.6% and in FY2026-27 is 4.5% for a two year average of 4.1%. Five year average growth for the status period is 3.8%.

Spending Growth

For purposes of this report, projected spending growth is not derived based on what results in a balanced budget but is our best estimate of the costs of maintaining existing programs and services. These estimates reflect a basic continuation budget, including only those increases related either to entitlement programs, legislative intent, or costs to implement previously enacted legislative actions and reflect existing statute and policies. This then provides a benchmark from which policy makers can examine the changes to statute and policy choices that are necessary to then actually balance the budget.

In many cases, the projected increases for the upcoming biennial budget (FY2023-24 and FY2024-25) reflect agency requests for the items shown while estimated increases for the following biennium (FY2025-26 and FY2026-27) are based on historical trends. No new or expanded programs in the agency requests are included. Note that in some instances *rationales for the FY24 and FY25 requests are incomplete as these requests are currently under analysis.*

Overall, the projected budget results in a budget growth of 4.5% in FY2023-24 and 1.6% in FY2024-25, a 3.1.% two year average. The growth rate in the first year is largely due to general operations and salary increases, annualizing 2022 budget adjustments, and inflationary increases occurring in the first year of the biennium. However, growth in the second year declines considerably, largely due to a more than 8% decline in TEEOSA.

Cash Reserve Fund

In this financial status, the unobligated ending balance in the Cash Reserve Fund (CRF) is projected at \$2.309 billion. This is higher than the \$1.245 billion estimate at the end of the 2022 session. The revised October 2022 forecast, the FY2022-23 forecast increased by \$620.625 million above the certified forecast. Please note that this increase in the Cash Reserve Fund is based on the current forecast. Actual amounts will not be known until FY22-23 is completed.

General Fund Financial Status

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

Table 1 Projected General Fund Financial Status

	Current Year FY2022-23	Upcoming Biennium		Est for Following Biennium	
		FY2023-24	FY2024-25	FY2025-26	FY2026-27
1 BEGINNING BALANCE					
2 Beginning Cash Balance	2,494,107,852	1,370,475,678	1,527,528,696	2,301,904,837	3,028,304,015
3 Cash Reserve transfers-automatic	(1,287,998,911)	(620,625,000)	0	0	0
4 Carryover obligations from FY21	(552,107,552)	0	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	654,001,390	744,850,678	1,522,528,696	2,296,904,837	3,023,304,015
7 REVENUES & TRANSFERS					
8 Net Receipts (LFO methodology)	6,445,000,000	6,475,000,000	6,555,000,000	6,699,627,000	6,891,471,000
9 General Fund transfers-out (current law)	(517,853,459)	(337,010,000)	(332,010,000)	(322,010,000)	(322,010,000)
10 General Fund transfers-in (current law)	in forecast	0	0	0	0
11 Cash Reserve transfers (current law)	(50,000,000)	0	0	0	0
12 2023 General Fund transfers-out	0	0	0	0	0
13 2023 General Fund transfers-in	0	0	0	0	0
14 2023 Revenue Bills	0	0	0	0	0
15 General Fund Net Revenues	5,877,146,541	6,137,990,000	6,222,990,000	6,377,617,000	6,569,461,000
16 APPROPRIATIONS					
17 Expenditures / Appropriations (2022 Session)	5,125,672,253	5,125,672,253	5,125,672,253	5,125,672,253	5,125,672,253
20 2023 Mainline Budget Items	35,000,000	229,639,729	317,941,606	317,941,606	317,941,606
21 Projected budget increase, following biennium	0	0	0	202,603,963	426,780,287
2023 Floor Actions	0	0	0	0	0
22 2023 State Claims	0	0	0	0	0
23 2023 "A" Bills	0	0	0	0	0
24 General Fund Appropriations	5,160,672,253	5,355,311,982	5,443,613,859	5,646,217,822	5,870,394,146
25 ENDING BALANCE					
26 \$ Ending balance (per Financial Status)	1,370,475,678	1,527,528,696	2,301,904,837	3,028,304,015	3,722,370,869
27 \$ Ending balance (at Min. Reserve 3.0%)			381,868,855		444,145,131
28 Excess (shortfall) from Minimum Reserve			1,920,035,982		3,278,225,738
29 Biennial Reserve (%)			21.3%		32.3%
General Fund Appropriations					
30 Annual % Change - Appropriations (w/o deficits)	6.4%	4.5%	1.6%	3.7%	4.0%
31 Two Year Average	3.5%	--	3.1%	--	3.8%
32 Est. Revenue Growth (rate/base adjusted)	5.1%	2.5%	3.3%	3.6%	4.6%
33 Two Year Average	11.9%	--	2.9%	--	4.1%
34 Five Year Average	10.2%	--	8.6%	--	3.8%
35 Unadjusted % change over prior year	1.5%	0.5%	1.2%	2.2%	2.9%
36 On-Going Revenues vs Appropriations	801,474,289	782,678,019	779,376,142	731,399,179	699,066,855

Changes to the Financial Status

The General Fund Financial Status for the FY24/FY25 biennium has significantly improved since the July meeting of the Tax Rate Review Committee as shown below.

Table 2 Chronology of the Financial Status

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

Variance from Minimum Reserve			FY23/24	FY25/26
			Biennium	Biennium
		FY22-23		
July 2022 Tax Rate Review Committee		445.8	52.1	na
Revenue Forecasts (October 2022)		620.6	2,489.0	na
Automatic transfer to CRF		0.0	(620.6)	na
Change in Minimum Reserve		0.0	(53.5)	na
Post NEFAB Forecast 10/29/21			1,866.9	na
Change in Transfers Out		10.0	0.0	na
Allocation for Deficits in Excess of \$5 million		(30.0)	(30.0)	na
TEEOSA School Aid revisions (Nov 2022 joint meeting)		0.0	207.0	na
2023 Budget (estimated)		0.0	(123.8)	na
November 2021 Tax Rate Review Committee			1,920.1	3,278.8

The largest change in the financial status is the increase in revenue available over the upcoming biennium (\$1.814 billion). This change is based on the changes in the NEFAB forecasts on October 28, 2022, for FY2022-23, FY2023-24, and FY2024-25. The amount above the forecast in FY2022-23, \$620.6 million, is estimated to be transferred to the Cash Reserve Fund once the fiscal year is completed. Amounts in FY2023-24 and FY2024-25, less the change in the minimum reserve, are available for purposes of the financial status.

State agency requests for deficits for FY2022-23 exceed the \$5 million allocation for deficits by a considerable amount. Pending decisions on the agencies' requests, the allocation for deficits for FY2022-23 has been increased by an additional \$30 million for purposes of the financial status.

The estimate provided pursuant to the statutorily required joint meeting of the Department of Education, Legislative Fiscal Office, DAS Budget Office, and Department of Revenue Property Assessment Division for TEEOSA is lower for the biennium than the estimates originally included in the FY2023-24/FY2024-25 biennium planning estimates. The estimate for the General Fund portion of TEEOSA is \$1.015 billion for FY2023-24 and \$927 million for FY2024-25. This results in decreased General Funds amounting to \$18 million in FY2023-24 and an additional decrease of \$88.0 million in FY2024-25. This increases the amount available for the financial status by \$207 million, based on estimates from the previous biennium.

The amount allocated for the FY2023-24/FY2024-25 biennium, other than TEEOSA, is \$123.8 million higher than originally estimated. This increase is largely due to increases in state employee salaries, inflationary increases, and general operations increases, as discussed in the section on General Fund Appropriations.

General Fund Revenues

Revenue Forecasts

The FY2021-22 actual receipts were \$624.0 million above the February 2022 forecasts of the Nebraska Economic Forecast Advisory Board (NEFAB). Rate and base adjusted revenue growth was 18.7% compared to the February forecasted 10.7%. The FY2022-23 forecast was certified in July and, other than adjustments for legislation enacted in the 2022 session, remained unchanged because the NEFAB was not scheduled to meet until October 2022.

At the October 28, 2022 meeting, the NEFAB increased their forecasts for FY2022-23 by \$620.6 million. The NEFAB also set the forecast for the first time for FY2023-24 and FY2024-25. The forecasts exceeded the LFO preliminary estimates by \$809.5 million FY2023-24 and \$1.059 billion in FY2024-25 for a two year total of \$1.868 billion. These forecasts yield a projected adjusted revenue growth of 2.5% in FY2023-24 and 3.3% in FY2024-25, an average growth of 2.9%. While this two year growth is below the historical average, the FY2022-23 growth of 5.1% brings the three year average growth to 3.6%.

Following Biennium (FY26 and FY27)

The NEFAB does not make official forecasts for the following biennium or what's commonly referred to as the "out years." "Out year" estimates have traditionally been derived by the Legislative Fiscal Office (LFO) using a "capped" historical average methodology. This "smoothing" technique derives "out year" revenue estimates by calculating the level of revenues that would yield a five year average growth (FY23 to FY27) roughly equal to the 40 year historical average (5.4%) less 0.25%, which is the projected impact of indexing the tax brackets as enacted in 2014 (LB987). Inherent in this methodology is the concept that within any five-year period, below average revenue growth in some years will be offset by above average growth in others and is visually seen in the line graph of historical adjusted revenue growth (Table 5 on page 7). The "capped" provision of this methodology means that the derived growth needed in the out years to achieve the historical average cannot be higher than the "above average" growth years nor lower than the "below average" growth years. Using the methodology has generally allowed for the Legislature to budget to the average over the five year period.

Over the past 41 years, there were 16 years in which revenue growth was "below average" (1.7% average) and 25 years in which revenue growth was above average (8.1% average). Because the revenue growth in the NEFAB forecasts is below average, using this methodology the revenue growth needed to yield a 5.1% five year average is 7.4% in both FY2025-26 and FY2026-27.

Alternative methods are also available for purposes of deriving revenue estimates for the following biennium. In addition to LFO's historical average methodology, both the Nebraska Dept. of Revenue (NDR) and Legislative Fiscal Office (LFO) have calculated revenue estimates for these two "out years" using the same models and input from IHS Economics (now S&P Global) and Moody's Analytics, the national forecasting services used as input into the tax forecast models.

In prior years, LFO has been reluctant to use "out year" forecast estimates for projecting revenue for the "out years" because there is some tendency of the forecasts to flatten out and follow current trends into those years without picking up changes in the trend line. However, LFO has determined it is prudent to deviate from its historical methodology in projecting revenue for the FY2025-26 and FY2026-27 biennium for several reasons.

In the past two fiscal years, extraordinary circumstances, including federal stimulus programs, have led to two consecutive record revenue growth years. The five year average for the period FY2018-19 to FY2022-23 was

10.1%, which is nearly double the historical average. The revenue growth in FY2020-21 was 13.5% and FY2021-22 was 18.7%, both record highs at the time they were recorded, and so much higher than previous years' growth rates that these two years alone drove up the historical average, in use since 1981, from 4.8% to 5.4%.

This extraordinary revenue growth occurred not just in Nebraska, but in most other states. It is uncertain as to whether these increases are due solely to economic conditions or to a broadening of the base in some regard. Additionally, it is uncertain whether there is a correction to be anticipated in terms of a negative growth rate for a period of time. In the past, there has normally been a downward trend in revenue growth that corresponds with the upwards trend. The historical average methodology at this point in time does not account for a corresponding downward trend that adequately accounts for the extraordinary revenue growth the state has seen the previous two years, in light of the fact that the highest revenue growth years are not accounted for in the five-year average calculation in the current status, which only includes FY2022-23 through FY2026-27.

Additionally, in preparing the volatility report, attached to the annual Tax Rate Review Committee Report, it became apparent that the state has followed a rather predictable trend in forecast errors. Since FY1984-85, there has been a regular pattern of actual receipts exceeding the forecast one year prior for a period of four to five years, followed by a period of two to four years of actual receipts coming in lower than the forecast one year prior. These forecast errors on the negative side have corresponded with recessions, and in most instances, budget shortfalls. Following the end of FY21-22, the state has had four consecutive years of actual receipts exceeding the forecast one year prior, and it seems highly unlikely, following the pattern, that this will continue indefinitely.

For these reasons, LFO has determined the best methodology in these circumstances is to use the LFO and NDR forecast estimates for FY26 and FY27 to project the revenue in those years.

The NEFAB forecasts and projected "out year" revenue estimates are shown in Table 3. LFO Prelim estimates for FY2025-26 and FY2026-27 are the average of all forecasts (LFO IHS, LFO Moody's, NDR IHS, and NDR Moody's). Rate and base adjusted growth in FY2025-26 is 3.6% and in FY2026-27 is 4.5% for a two year average of 4.1%. Five year average growth for the status period is 3.8%.

Table 3 - General Fund Revenue Forecasts

	NEFAB FY2022-23	NEFAB FY2023-24	NEFAB FY2024-25	LFO Prelim FY2025-26	LFO Prelim FY2026-27
<u>Actual/Forecast</u>					
Sales and Use Tax	2,400,000,000	2,500,000,000	2,600,000,000	2,688,855,000	2,777,473,000
Individual Income Tax	3,200,000,000	3,250,000,000	3,275,000,000	3,356,511,000	3,463,213,000
Corporate Income Tax	575,000,000	475,000,000	450,000,000	427,561,000	432,510,000
Miscellaneous receipts	270,000,000	250,000,000	230,000,000	226,700,000	218,275,000
Total General Fund Revenues	6,445,000,000	6,475,000,000	6,555,000,000	6,699,627,000	6,891,471,000
<u>Adjusted Growth</u>					
Sales and Use Tax	7.5%	3.5%	4.0%	3.3%	3.2%
Individual Income Tax	5.8%	4.3%	3.6%	4.7%	5.5%
Corporate Income Tax	-8.1%	-8.0%	1.6%	2.0%	5.8%
Miscellaneous receipts	17.9%	-1.8%	-4.0%	-7.8%	1.9%
Total General Fund Revenues	5.1%	2.5%	3.3%	3.6%	4.6%
Two Yr Average	11.9%	--	2.9%	--	4.1%
Five Yr Average	10.2% [▲]	--	8.6% [▲]	--	3.8% [▲]

A comparison of the LFO Historical Methodology and the average of the LFO and NDR forecasts for FY26 and FY27 is shown in Table 4. In addition to the total difference in status shown in the table, the minimum reserve for the FY26/27 biennium would increase by \$24.6 million.

Table 4 – Comparison of FY26 and FY27 Estimates

Based on Oct 2022	Average	LFO Historical
Revenue Forecasts	(All Forecasts)	Ave Methodology
Forecast (\$1,000)		
FY25-26 Prelim	6,679,627	6,999,000
FY26-27 Prelim	6,897,471	7,439,200
Growth Rate (Rate and Base Adjusted)		
FY25-26 Prelim	3.6%	7.4%
FY26-27 Prelim	4.6%	7.4%
Two Year Ave	4.1%	7.4%
Five Year Ave	3.8%	5.1%
\$ Difference from Status		
FY25-26 Prelim	0	312,232
FY26-27 Prelim	0	529,615
Total		841,847

The annual growth rate (rate and base adjusted) since 1981, including the projected revenue shown in the current status, is shown in Table 5, and the actual and projected General Fund revenues since FY2000-01 are shown in Table 6.

Table 5 – General Fund Revenue Growth (Rate and Base Adjusted) Since 1981

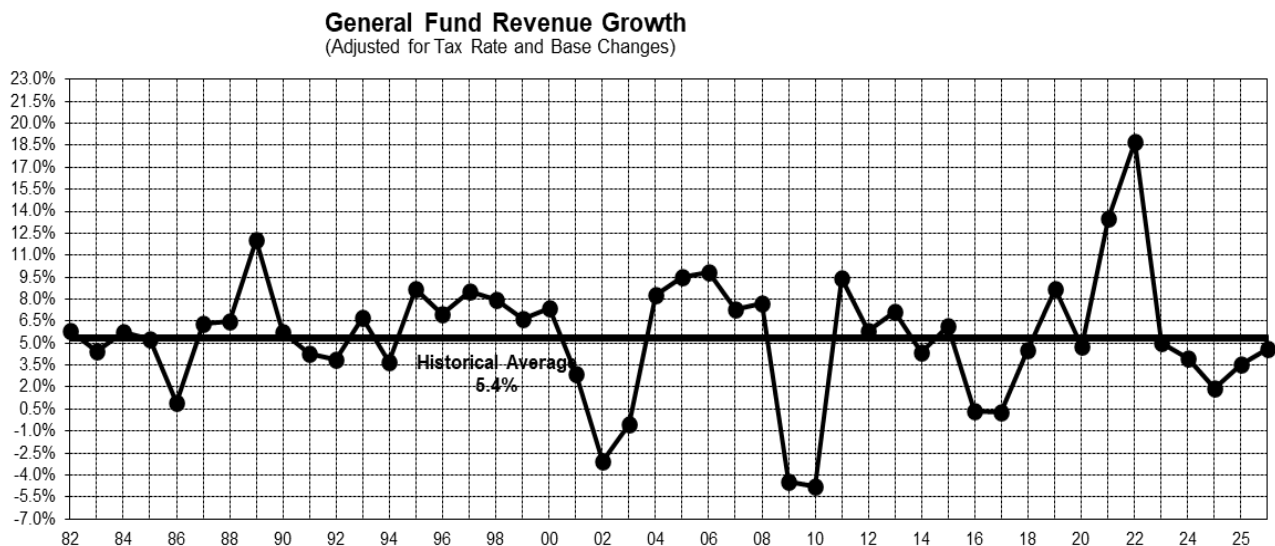


Table 6 - Actual and Projected General Fund Revenues

Fiscal Year	Sales and Use Tax	Individual Income Tax	Corporate Income Tax	Miscellaneous Taxes and Fees	Total Net Receipts	Adjusted Growth**
FY 2000-01	905,023,176	1,233,363,553	138,040,082	180,435,044	2,456,861,855	2.9%
FY 2001-02	918,889,782	1,159,810,647	107,628,074	179,180,246	2,365,508,749	-3.0%
FY 2002-03	1,028,931,065	1,129,421,651	111,597,405	186,449,714	2,456,399,835	-0.5%
FY 2003-04	1,114,374,321	1,249,890,025	167,429,431	187,033,230	2,718,727,007	8.3%
FY 2004-05	1,231,011,089	1,400,076,680	198,380,442	207,726,086	3,037,194,297	9.5%
FY 2005-06	1,263,678,691	1,545,338,061	262,295,456	280,875,316	3,352,187,524	9.9%
FY 2006-07	1,303,826,416	1,650,895,394	213,027,010	240,582,953	3,408,331,773	7.3%
FY 2007-08	1,321,867,139	1,726,145,405	232,851,654	225,298,373	3,506,162,571	7.7%
FY 2008-09	1,326,161,017	1,600,418,236	198,483,786	232,405,148	3,357,468,187	-4.4%
FY 2009-10	1,289,796,877	1,514,830,114	154,332,137	245,720,545	3,204,679,673	-4.8%
FY 2010-11	1,372,784,033	1,735,208,600	154,944,966	236,717,493	3,499,655,092	9.4%
FY 2011-12	1,436,909,373	1,822,884,254	234,266,237	201,828,916	3,695,888,780	5.9%
FY 2012-13	1,474,942,641	2,101,912,041	275,562,990	199,940,938	4,052,358,610	7.2%
FY 2013-14	1,524,793,763	2,060,758,896	306,591,027	225,264,546	4,117,408,232	4.4%
FY 2014-15	1,535,419,516	2,205,463,903	346,477,378	217,738,529	4,305,099,326	6.2%
FY 2015-16	1,528,023,310	2,221,088,817	307,669,694	251,199,454	4,307,981,275	0.3%
FY 2016-17	1,548,388,848	2,224,840,053	264,439,713	228,103,331	4,265,771,945	0.3%
FY 2017-18	1,602,737,358	2,360,595,935	313,689,521	289,972,959	4,566,995,773	4.5%
FY 2018-19	1,658,107,133	2,545,680,039	423,737,571	268,853,778	4,896,378,521	8.7%
FY 2019-20	1,848,235,959	2,445,647,485	391,163,752	254,715,415	4,939,762,611	4.8%
FY 2020-21	2,009,748,270	3,130,599,324	571,220,324	247,474,510	5,959,042,428	13.5%
FY 2021-22	2,133,152,081	3,243,237,593	715,152,736	257,452,292	6,348,994,702	18.7%
FY 2022-23 NEFAB	2,400,000,000	3,200,000,000	575,000,000	270,000,000	6,445,000,000	5.0%
FY 2023-24 NEFAB	2,500,000,000	3,250,000,000	475,000,000	250,000,000	6,475,000,000	2.6%
FY 2024-25 NEFAB	2,600,000,000	3,275,000,000	450,000,000	230,000,000	6,555,000,000	3.3%
FY 2025-26 LFO Prelim	2,688,855,000	3,356,511,000	427,561,000	226,700,000	6,699,627,000	3.6%
FY 2026-27 LFO Prelim	2,777,473,000	3,463,213,000	432,510,000	218,275,000	6,891,471,000	4.6%
Current 5 Year Status	5.0%	3.9%	1.9%	3.6%	4.6%	
Above Average Years (27)	6.0%	9.9%	14.4%	3.9%	8.1%	
Below Average Years (19)	2.6%	3.0%	-2.7%	1.4%	2.2%	
Historical Average	4.5%	6.3%	6.3%	1.3%	5.4%	

General Fund Transfers-Out

This area tabulates funds that are transferred from the General Fund to another fund within the state treasury. These items have the same effect as an appropriation in that they reduce available funds, but are not expended as such and thus are shown under the revenue category (see line 9 on the Financial Status).

Table 7 - General Fund Transfers Out

	Current Yr	Biennial Budget		Following Biennium	
	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27
Property Tax Credit Fund	▼ (310,000,000)	(310,000,000)	(310,000,000)	(310,000,000)	(310,000,000)
Water Resources Cash Fund	▼ (3,300,000)▼	0▼	0▼	0▼	0▼
Cultural Preservation Endowment Fund (with LB142)	▼ (1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Water Sustainability Fund	▼ (11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)
NCCF- Corrections overcrowding	0	0	0	0	0
Prison Overcrowding Contingency Fund	0	0	0	0	0
Nebraska Revolving Loan Fund (per LB1107-2020)	(5,000,000)	0	0	0	0
Hall of Fame Trust Fund (LB 42-2021)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Customized Job Training Cash Fund (LB 391-2021)	0	0	0	0	0
Nebraska Film Office Cash Fund (2021)	0	0	0	0	0
Public Advocacy Cash Fund (2021)	(520,000)	0	0	0	0
Municipal gas emergency act (LB131-2021)	0	0	0	0	0
Municipal Inland Port Authority Act (LB156-2021)	(5,000,000)	(5,000,000)	0	0	0
Shovel-Ready Capital Recovery/Investt Act (LB566-2021)	(15,000,000)▼	0	0	0	0
Water Recreation Enhancement Fund (STARWARS) (LB	(100,000,000)	0	0	0	0
NCCF - Fund shifts and new projects (LB 1011-2022)	(40,723,459)	0	0	0	0
Jobs & Econ Development Initiative (STARWARS) (LB 1C	(20,000,000)	0	0	0	0
Governors Emergency Fund (for Peru Levee) (LB 1011-2	(5,000,000)	0	0	0	0
Community College State Dependents Fund (LB 1011-202	(1,000,000)	0	0	0	0
Economic Recovery Act (LB 1024-2022)	0	(10,000,000)	(10,000,000)▼	0	0
LB 1102 Nebr Environmental Response Act (LB 1102-202	(300,000)▼	0	0	0	0
<i>General Fund Transfers-Out (Current Law)</i>	<i>(517,853,459)</i>	<i>(337,010,000)</i>	<i>(332,010,000)</i>	<i>(322,010,000)</i>	<i>(322,010,000)</i>

Property Tax Credit Cash Fund

Under this program transfers are made to the Property Tax Credit Cash Fund at the discretion of the Legislature. Based on the amount of funds available, monies are then allocated to counties by the ratio of the real property valuation in the county to the real property valuation in the state. Counties then allocate funds as credit to each tax payer again based on their proportionate value. Enacted in 2007, the amount available for credits was \$105 million in FY07-08, and \$115 million in FY08-09 through FY13-14. During the 2014 session, the FY14-15 amount was increased to \$140 million. In the 2015 session, the credit was increased by \$64 million increase to a total of \$204 million.

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

In the 2019 session, the credit amount was increased in the mainline budget bill to \$275 million per year starting in FY2019-20. In the 2021 session, the amount was increased to \$300 million for FY21-22, and \$313 million for FY22-23.

The General Fund transfer amounts shown here are all \$3 million less than the credit amount. This is because the credit amount is funded through these General Fund transfers plus any interest that will be earned on the fund balance from the time of transfer to the time of reimbursement payments to the counties and credits calculated but unpaid relating to properties receiving homestead exemptions.

Water Resources Cash Fund

These transfers were originally enacted by LB 701 (2007). The bill included transfers of \$2.7 million in both FY07-08 and FY08-09 and intent language for a \$2,700,000 General Fund transfer to occur annually from FY2009-10 through FY2018-19. LB229 enacted during the 2011 Session increased this transfer amount from \$2.7 million to \$3.3 million per year with no change in the FY2018-19 sunset. Under this language the transfers expire starting in FY2019-20. LB 298 enacted in the 2019 legislative session extends the \$3.3 million transfer for four more years, FY2019-20 through FY2022-23.

Nebraska Cultural Preservation Endowment Fund

The Cultural Preservation Endowment Fund was originally created in 1998 with a transfer of \$5 million from the General Fund. LB 1165 (2008) provided for an additional \$5 million for the endowment fund through a \$1 million transfer from the Cash Reserve Fund and another \$4 million from the General Fund provided over a series of years. LB 384 in 2021 included intent to transfer \$1 million per year beginning in 2021.

Water Sustainability Fund

This fund was created through LB906 passed in the 2014 session. Monies for the fund came from General Fund transfers; \$21 million in FY2014-15. Of this transfer, \$10 million is considered one-time as it was financed by a like transfer from the Cash Reserve Fund to the General Fund. Intent language was included that \$11 million General Funds be transferred to the Water Sustainability Fund each year beginning in FY2015-16.

Community College State Dependents Fund

This includes a cash fund appropriation supported by a General Fund transfer of \$500,000 in FY21-22, and a \$1 million appropriation and transfer (General to Cash) in FY22-23. This is for a pilot program that would offer tuition reimbursement for dependents of state employees enrolled in one of the state's 6 community colleges. This program is designed to target dependents who begin their program of study between ages of 18-25 years old, and would provide tuition reimbursement (a maximum of 65 credit hours per student) for those dependents of state employees who earn a grade of C or higher upon completion of a course. Reimbursement checks would be administered by DAS Benefits Administration (Prog 606) and would be issued directly to state employees. A separate cash fund was established to account for the expenditures.

Governors Emergency Fund (for Peru Levee)

The project includes a cash fund appropriation and transfer from the Cash Reserve Fund to the Governor's Emergency Cash Fund of \$5 million in FY 2022-23 to assist the Peru levee, which was damaged in the historic flooding of 2019. The levee along the Missouri River was breached and flooded the town of Peru. Since then, the Army Corps of Engineers has designated the Peru levee eligible for federal funding to repair the damages. Peru needs to have funding available up front for this project and the transfer would enable the town to qualify for federal funds to help restore the levee that retains flood waters from entering the town.

STARWARS Funding (LB 1023)

This proposal provides for transfers from the General Fund to the Jobs & Economic Development Initiative Fund (\$20 million) and Water Recreation Enhancement Fund (\$100 million) in FY 2022-23. Coupled with an \$80 million transfer from the Cash Reserve Fund to the Jobs & Economic Development Initiative Fund provides a total of \$200 million. These funds are to utilize Nebraska's water resources by creating and upgrading recreational areas throughout the state. Not only would this increase tourism and recreational activity, but also help mitigate flooding and preserve communities drinking water. In one instance, the City of Lincoln's

drinking water has been degrading with recent flooding from the Platte River. One potential project would be to establish a reservoir between Omaha and Lincoln. This reservoir would impact local communities by establishing cleaner drinking water and boost economic growth to support the increased recreational activity in the area.

NCCF - Fund shifts and new projects

In 2022, enacted budget adjustments shifted funding for three existing capital construction projects from General Funds to the Nebraska Capital Construction Fund (NCCF) amounting to \$14.25 million. Another \$26.5 million was transferred for 5 new projects for a total transfer of \$23.8 million. This includes a doubling of the State Patrol Crime Lab space.

NCCF		FY2021-22	FY2022-23	2 Yr Total
Construction	Corrections - Security System Upgrades (fund shift NCCF)	0	1,250,000	1,250,000
Construction	Corrections - Capital Infrastructure and Maintenance (fund shift N	0	2,000,000	2,000,000
Construction	DAS - Capitol HVAC Funding , fund shift (NCCF)	0	11,000,000	11,000,000
Construction	Military - Bellevue Readiness Center Construction, state match	0	7,600,000	7,600,000
Construction	Military - Phase 2 HVAC & Interior Remodel	0	201,800	201,800
Construction	Military - Readiness Centers' Backup Generator Construction	0	457,500	457,500
Construction	Military - State-Federal Cost Share Projects	0	534,950	534,950
Construction	NETC - KUON-TV Transmitter replacement	0	800,000	800,000
Construction	State Patrol - Crime Lab Expansion	0	16,879,209	16,879,209
	General Fund Transfer to NCCF	0	40,723,459	40,723,459

General Fund Transfers In

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

Table 8 - General Fund Transfers-In

	Current Yr	Following Biennium		Following Biennium	
	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27
Securities Act Cash Fund (FY21 revised)	24,000,000	0	0	0	0
Dept of Insurance Cash Fund	8,000,000	0	0	0	0
Tobacco Products Admin Cash Fund	7,000,000	0	0	0	0
State Settlement Cash Fund	295,957	0	0	0	0
<i>Transfers-In already in the forecast</i>	39,295,957	0	0	0	0
None	0	0	0	0	0
<i>General Fund Transfers-In 2020 Session</i>	0	0	0	0	0
Total General Fund Transfers-In	39,295,957	0	0	0	0

Such transfers are shown in Table 8. In the 2021 session, the enacted budget included transfers-in of \$33.3 million in FY2021-22 and \$39.3 million in FY2022-23. Also included is cancellation of a \$2.25 million of the \$28 million FY21 transfer of Securities Act funds due to lack of adequate cash flow. The transfer-in amounts are lower than the past few years as heavy transfers from these funds in prior years have drawn down the balances to the point where a higher transfer is not sustainable.

Cash Reserve Fund

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

In this financial status, the unobligated ending balance in the CRF is projected at \$2.309 billion. This is higher than the \$1.245 billion estimate at the end of the 2022 session. In the revised October 2022 forecast, the FY2022-23 forecast increased by \$620.625 million above the certified forecast. Please note that this increase in the CRF is based on the current forecast. Actual amounts will not be known until FY22-23 is completed.

Table 9 - Status of the Cash Reserve Fund

CASH RESERVE FUND	FY2022-23	FY2023-24	FY2024-25	Estimated	Estimated
				FY2025-26	FY2026-27
Beginning Balance	927,522,595	1,688,141,506	2,308,766,506	2,308,766,506	2,258,766,506
Excess of certified forecasts (line 3 in Status)	1,287,998,911	620,625,000	0	0	0
To/from Gen Fund per current law	50,000,000	0	0	0	0
To Nebr Capital Construction Fund (NCCF)	(215,580,000)	0	0	0	0
From Gov Emergency Fund (LB1009-2020)	0	0	0	0	0
To University Next project (LB1107-2020)	0	0	0	(50,000,000)	(50,000,000)
To US Spacecom fund (2021 & 2022)	0	0	0	0	0
To Site & Building Develop Fund, electrical systems	0	0	0	0	0
To Econ Recovery Contingency (LB 1024-2022)	0	0	0	0	0
To Perkins County Canal Fund	(53,500,000)	0	0	0	0
To Jobs & Econ Develop Initiative (STARWARS)	(80,000,000)	0	0	0	0
To Nebr Rural Projects Act (LB 788-2022)	(50,000,000)	0	0	0	0
To Trail Develop/Improve Fund (LB 813-2022)	(8,300,000)	0	0	0	0
To Rural Workforce Housing fund (LB 1071)	(30,000,000)	0	0	0	0
To Surface Water Irrigation Fund (LB 1074)	(50,000,000)	0	0	0	0
To Intern Nebraska Cash Fund (LB 1167)	(20,000,000)	0	0	0	0
To Site & Building Fund, US Strategic Command fa	(20,000,000)	0	0	0	0
To Military Base Development fund (LB 1233)	(30,000,000)	0	0	0	0
To Middle Income Housing fund (LB 1252)	(20,000,000)	0	0	0	0
Projected Unobligated Ending Balance	1,688,141,506	2,308,766,506	2,308,766,506	2,258,766,506	2,208,766,506

Excess of Certified Forecasts

Shown on line 3 of the Financial Status, revenues in excess of "certified" forecasts are required by statute to be transferred from the General Fund to the Cash Reserve Fund (CRF). These would take place in July of the fiscal year following completion of that year.

The provisions of LB1107 created a new calculation for purposes of automatic transfers to the CRF through FY22-23. Previously, the amount above certified would all go to the CRF. However, under the provisions of LB1107, the amount transferred to the CRF is the amount above the certified forecast less any amount net receipts exceed 103.5% of the previous year's net receipts. Under LB 1107, this amount that net receipts exceed 103.5% of the previous year's net receipts was added to the calculation of the income tax credit for

property taxes paid to schools. As a result, in FY21-22, the CRF transfer based on actual FY20-21 receipts was \$198.7 million, or the \$285.4 million above certified revenues less the \$86.7 million increase in the credit.

The Legislature amended the calculation of the LB 1107 income tax credit to a fixed amount in LB 873 in 2022, but did not amend the provision relating to the transfer to the Cash Reserve Fund. As a result, the amount net receipts exceed 103.5% of the previous year's net receipts, rather than increasing the amount of the income tax credit for property taxes paid to schools is retained in the General Fund. In FY22-23, the CRF transfer based on actual FY21-22 receipts was \$1.287 billion, or the \$1.469 billion above certified revenues less the \$181 million retained in the General Fund.

Transfers-To & From General Fund

Unlike the automatic transfers that occur after the close of the fiscal year and are statutorily required, other transfers can take place as specifically enacted by the Legislature. In FY21-22 and FY22-23, the Legislature enacted a transfer from the General Fund to the Cash Reserve Fund of \$50 million each year.

Transfers To & From Other Funds

In the 2021 session, the enacted budget a \$50 million transfer to the US Space Command Headquarters Assistance Fund. This transfer was eliminated in the 2022 session, as the Legislature enacted \$577.3 million of additional transfers to several additional funds. These funds are listed in Table 2.

NCCF - Corrections Facilities

In the 2022 session, the Governor included funding for a new multi-custody level correctional facility with capacity to house approximately 1,512 inmates. This \$270 million project was proposed to be financed by transfers from the CRF to the Nebraska Capital Construction Fund (NCCF) (\$175 million), unappropriated funds remaining in the NCCF (\$66 million), and funds from the Prison Overcrowding Contingency Fund (\$15 million). After the transfers to the NCCF, the Governor's recommendation then included a \$240 million NCCF appropriation to authorize expenditure of those funds.

The budget adjustments included a \$175 million from the CRF to the Nebraska Capital Construction Fund (NCCF). Coupled with the \$66.3 million from funds transferred to the NCCF in 2021 and unappropriated remains provides a total of \$241 million. However, the enacted budget did not include the appropriation authority to expend those funds at this time.

NCCF - University Agricultural Innovation facility

The USDA is creating the Agricultural Research Service National Center for Regenerative and Resilient Precision Agriculture on the Nebraska Innovation Campus. In LB 703, the University proposed to create a companion facility located adjacent to the National Center. This facility would serve as an incubator providing an array of supports for Nebraska's agricultural entrepreneurs and startup companies. The project would be funded with \$25 million from the University with \$25 million in private or other funding matching funds.

The 2022 budget adjustments included a \$25 million transfer from the CRF to the Nebraska Capital Construction Fund (NCCF) with a corresponding NCCF appropriation to the University of Nebraska.

NCCF - YRTC Kearney housing and renovation

LB792 as introduced appropriated \$15,046,000 from the General Fund for new construction, renovation, and equipment replacement at the Youth Rehabilitation and Treatment Center-Kearney. This included: 1)

construction of two new housing units; 2) renovation of the Washington-Lexington building; 3) replacement of the campus fire pump and 4) replacement of the kitchen service elevator. The Governor recommended \$15,580,000 of ARPA funds be used for the project. The 2022 budget adjustments included a \$15,580,000 transfer from the CRF to the NCCF and corresponding NCCF appropriation.

Perkins County Canal Fund

The Governor's budget recommendation included \$400 million of Cash Reserve Funds and \$100 million of ARPA funds for the Perkins County Canal Project. LB 1015 enacted the Perkins County Canal Project Act that authorizes the state to develop a canal to divert water out of Colorado and into an associated storage facility in Nebraska consistent with the authorization in the 1923 South Platte River Compact and protect Nebraska's water rights under the compact.

The 2022 budget adjustments included a \$53.5 million transfer from the CRF to the Perkins County Canal Project Fund within the Department of Natural Resources. The purpose of the funds are for the department to contract with an independent firm to determine the cost of a canal, potential for water that could be diverted, the timeline of permitting, and drinking water benefits that may exist for the cities of Lincoln and Omaha from the canal's construction. Findings must be presented at a public hearing to the Appropriations Committee of the Legislature on or before December 31, 2022. Expenditures may also be made for permitting and land options (but not actual land purchases) pursuant to any canal as outlined by the South Platte River Compact.

Jobs & Economic Development Initiative Fund (STARWARS)

LB 406 enacted in the 2021 legislative session created the Statewide Tourism and Recreational Water Access and Resource Sustainability (STARWARS) special legislative committee. This committee was tasked with conducting studies related to economic development and public safety at: (1) the Lake McConaughey region of Keith County, (2) Knox County region that lies north of State Highway 12 and extends to the South Dakota border and includes Lewis and Clark Lake and Niobrara State Park, and (3) the Platte River and its tributaries from Columbus to Plattsmouth.

The proposals of the special STARWARS committee were subsequently incorporated into LB 1023. The 2022 enacted budget adjustments created two new cash funds; the Jobs and Economic Development Initiative (JEDI) Fund under the Dept. of Natural Resources and the Water Recreation Enhancement Fund under the Game and Parks Commission. The 2022 budget adjustments included an \$80 million transfer from the CRF to the JEDI Fund and \$120 million in transfers from the General Fund.

Nebraska Rural Projects Act

LB 40 in 2021 created the Nebraska Rural Projects Act and provided a \$5 million per year General Fund appropriation, intended for 10 years providing a total contribution of \$50 million. The 2022 budget adjustments included a transfer of \$50 million from the CRF and a corresponding cash fund appropriation to the Nebraska Rural Project Fund. The fund will be used to award grants for rail spurs with match requirements outlined in 81-12,211. There was no change to the existing intent of LB 40 therefore this \$50 million is in addition to the existing \$50 million under LB40-2021.

Trail Development and Maintenance Fund

The 2022 budget adjustments included a transfer from the CRF in the amount of \$8.3 million to a newly created cash fund, the Trail Development and Maintenance Fund. This funding would be utilized by the Game and Parks Commission to provide a grant to a Natural Resources District to facilitate the completion of the Missouri-Pacific (MO-PAC) trail between Lincoln and Omaha.

Rural Workforce Housing Fund

The 2022 budget adjustments included a CRF transfer of \$30 million to the Rural Workforce Housing Fund and a corresponding cash fund appropriation. Enacted in 2018 as part of the Rural Workforce Housing Investment Act (LB518), the Rural Workforce Housing Fund provides competitive matching grants to non-profit development organizations who administer workforce housing investment funds. The funds are invested in eligible projects to increase the supply and reduce the costs of workforce housing in Nebraska's rural communities. LB 1069 (2022) extends that to FY26-27.

Surface Water Irrigation Fund

LB1074 proposed a one-time transfer of \$50 million from the CRF to the Surface Water Irrigation Infrastructure Fund and corresponding cash fund appropriation to the Department of Natural Resources. The funds will be used to award grants to Irrigation Districts for repair or construction or irrigation infrastructure enumerated in the bill. The Department of Natural Resources is allowed discretion in designing criteria and procedures in its grant awarding. Applicants must have 10% of matching funds and no grant may exceed \$5 million. The 2022 budget adjustments included the transfer and cash fund appropriation.

Intern Nebraska Cash Fund

The Intern Nebraska Cash Fund was created by LB945 (2018) and issues grants to businesses for offsetting the cost of hiring interns. The budget adds statutory changes to the Intern Nebraska Act with the intent of increasing access to and use of the program including extending the time period from six to twelve months and adding to the type of institutions for enrollment purposes. The 2022 budget adjustments included a \$20 million transfer from the CRF to the Intern Nebraska Cash Fund and a corresponding cash fund appropriation.

Site and Building Fund, US Strategic Command facility

LB1232 proposed that the Department of Economic Development provide grants to public and private sector initiatives that will improve the military value of military installations by making necessary improvements to buildings and infrastructure, including but not limited to provide a grant for the establishment of the United States Strategic Command Nuclear Command, Control, and Communications public-private-partnership facility. The 2022 budget adjustments included \$20 million transfer to the Site and Building Development fund, with expenditures being permitted once proof has been demonstrated that matching funds are available.

Military Base Development Fund

The 2022 budget adjustments included a transfer of \$30 million from the CRF to the Military Base Development and Support cash fund to be administered by the Department of Veterans' Affairs, which administratively supports the Commission on Military and Veterans' Affairs. The Commission will distribute funding pursuant to their statutory authority to receive and administer funds from state, federal, and other sources to help the state preserve and protect military installations across the state, attract new missions to the state's military installations, and serve Nebraska's military and veteran families.

Of the \$30 million, the Commission would provide \$5 million to fund a documentary about Offutt Air Force Base capturing the history of the installation and demonstrating its current status as a major United States Air Force base. The remaining \$25 million will be utilized to support and contribute, at a maximum 50% match, to various projects on the base. Examples include a pavilion, track and field stadium improvements, walking trails, landscape enhancements, and improvements to base lake.

Middle Income Housing Fund

The Middle-Income Workforce Housing program was established by LB866 (2020) and financed with a \$10 million transfer from the General Fund. The funds would be used by the Dept. of Economic Development to provide grants to nonprofit development organizations with a one-to-one match requirement. Grant funds are to be used for workforce housing development in urban communities. This would include new construction of owner-occupied housing in a neighborhood and community with a demonstrated need for housing that is affordable and attractive to first time homebuyers, middle-income families, and the emerging workforce; substantial repair or rehabilitation of dilapidated housing stock; or upper-story housing development for occupation by a homeowner.

Additional funding for the program was originally proposed in LB1252. The 2022 budget adjustments included a \$20 million transfer from the CRF to the Middle-Income Workforce Investment Fund in FY22-23 and the accompanying cash fund appropriation. The Middle-Income Workforce Housing Program is revolving grant program, as once projects are completed and sold the grant amount is returned to the Department of Economic Development. The Middle-Income Workforce Housing Program stipulates grantees demonstrate ineligibility under HOME or Affordable Housing Trust Fund grants. As ARPA provides presumed eligibility for housing projects that would qualify under HOME or AHTF, this transfer from the Cash Reserve Fund will be used to spur housing development that would otherwise not meet ARPA criteria.

Site and Building Fund, electrical systems (LB 977)

LB977 amended the Site and Building Development Fund to allow the issuance of grants to any city of the second class which partners with public power utilities for purposes of expanding electrical system capacities and enhancing redundancy and resilience. LB977 provides for a transfer of \$15 million from the CRF to the Site and Building Development Fund in FY21-22.

Economic Recovery Contingency Fund (LB 1024)

LB1024 created the Economic Recovery Act. The bill creates the Economic Recovery and Incentives Division within the Dept. of Economic Development (DED) who shall develop a coordinated plan to direct and prioritize the use of grants toward the economic recovery of communities and neighborhoods within qualified census tracts with an emphasis on housing needs, assistance for small businesses, job training, and business development within such communities and neighborhoods. A federally qualified census tract is one in which 50 percent or more of households have an income less than 60 percent of the area median gross income or a poverty rate of at least 25 percent. The bill provides multiple funding sources including creation of the Economic Recovery Contingency Fund and provides for a \$55 million transfer from the CRF to this new fund.

Table 10 - Cash Reserve Fund – Historical Balances

	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	927,522,596	0	1,287,988,911	50,000,000	(577,380,000)	0	1,688,131,507	26.2%
FY2023-24 Est	1,688,131,507	0	620,625,000	0	0	0	2,308,756,507	35.7%
FY2024-25 Est	2,308,756,507	0	0	0	0	0	2,308,756,507	35.2%
FY2025-26 Est	2,308,756,507	0	0	0	(50,000,000)	0	2,258,756,507	33.8%
FY2026-27 Est	2,258,756,507	0	0	0	(50,000,000)	0	2,208,756,507	32.1%

General Fund Appropriations

Table 11 reflects General Fund totals for the projected budget based on the increases noted in Table 12. These increases are a preliminary estimate of budget changes for the upcoming biennial budget and the following biennium. A narrative description of the assumptions used in arriving at these numbers follows Table 11.

These estimates reflect a basic continuation budget, including only those increases related either to entitlement programs, legislative intent, or costs to implement previously enacted legislative actions and reflect existing statute and policies. This then provides a benchmark from which policy makers can examine the changes to statute and policy choices that are necessary to then actually balance the budget.

In many cases, the projected increases for the upcoming biennial budget reflect agency requests for the items shown while estimated increases for the following biennium (FY2025-26 and FY2026-27) are based on historical trends.

Note that in most cases, rationales for the FY2023-24 and FY2024-25 requests are not available as these requests are currently under analysis.

Overall, the projected budget results in a budget growth of 4.5% in FY2023-24 and 1.6% in FY2024-25, a 3.1% two year average.

Table 11 - Projected General Fund Budget

		Upcoming Biennium		Following Biennium	
CALCULATED BUDGET	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27
CALCULATED BUDGET					
Agency Operations	1,873,192,160	1,998,295,837	2,088,189,732	2,172,018,592	2,263,502,007
State Aid to Ind/Other	1,676,849,756	1,765,268,106	1,841,588,894	1,913,301,157	1,988,112,095
State Aid to Local Govt	1,551,708,726	1,545,411,309	1,474,410,078	1,529,307,799	1,587,981,588
Construction	23,921,610	46,336,729	39,425,154	31,590,273	30,798,455
Total GF Appropriations	5,125,672,252	5,355,311,981	5,443,613,858	5,646,217,821	5,870,394,145
DOLLAR CHANGE					
Operations		125,103,677	89,893,895	83,828,860	91,483,415
State Aid to Ind/Other		88,418,350	76,320,788	71,712,262	74,810,938
State Aid to Local Govt		(6,297,417)	(71,001,231)	54,897,721	58,673,789
Construction		22,415,119	(6,911,575)	(7,834,881)	(791,818)
GF Appropriations w/o deficits		229,639,729	88,301,877	202,603,963	224,176,324
PERCENT CHANGE (w/o deficits)					
Agency Operations		6.68%	4.50%	4.01%	4.21%
State Aid to Ind/Other		5.27%	4.32%	3.89%	3.91%
State Aid to Local Govt		-0.41%	-4.59%	3.72%	3.84%
Construction		93.70%	-14.92%	-19.87%	-2.51%
Total GF Percent Change		4.48%	1.65%	3.72%	3.97%

Table 12 - Projected Continuation Budget Increase - Dollar Change over Prior Year

	Biennial Biennium (Biennial Basis)			Following Biennium (Biennial Basis)		
	FY2023-24	FY2024-25	Two Yr Total	FY2025-26	FY2026-27	Two Yr Total
AID TO LOCAL GOVT						
Aid to K-12 Schools (TEEOSA GF only)	(22,934,701)	(111,541,222)	(134,475,922)	37,362,553	77,851,452	115,214,005
Special Education	5,893,112	11,933,551	17,826,663	6,191,451	12,537,688	18,729,138
Community Colleges	4,941,195	10,104,744	15,045,939	4,196,818	8,540,524	12,737,341
Homestead Exemption	7,800,000	14,200,000	22,000,000	6,775,000	13,888,750	20,663,750
Governors Emergency program	0	0	0	0	0	0
All Other (Aid-Local)	(1,997,023)	(1,995,722)	(3,992,746)	371,900	59,045,689	59,417,589
AID TO INDIVIDUALS						
Medicaid	42,185,050	90,117,206	132,302,255	46,691,150	95,483,402	142,174,551
Public Assistance	3,036,469	6,179,214	9,215,683	3,252,741	6,619,329	9,872,070
Child Welfare Aid	8,087,369	22,538,669	30,626,038	9,101,609	18,612,790	27,714,399
Developmental Disability aid	26,485,540	36,350,340	62,835,881	8,439,554	17,216,690	25,656,244
Behavioral Health aid	18,357,779	20,674,503	39,032,282	2,374,642	4,808,649	7,183,291
Children's Health Insurance (SCHIP)	1,414,497	2,892,646	4,307,143	1,544,666	3,158,842	4,703,508
Aging Programs	293,064	593,456	886,520	307,901	623,499	931,400
Nebraska Career Scholarships	6,000,000	6,000,000	12,000,000	0	0	0
Business Innovation Act	(16,760)	(16,760)	(33,520)	0	0	0
Economic Recovery Act (LB1024-2022)	(10,000,000)	(10,000,000)	(20,000,000)	0	0	0
All Other (Aid-Ind)	(7,424,658)	(10,590,135)	(18,014,793)	0	74,810,938	74,810,938
AGENCY OPERATIONS						
Employee Salaries (agencies)	38,581,953	76,915,543	115,497,496	28,670,204	58,343,865	87,014,069
Employee Health Insurance (agencies)	4,786,750	9,537,913	14,324,663	6,689,028	13,779,397	20,468,424
University/Colleges increased funding	35,116,397	68,592,221	103,708,617	39,020,627	79,558,526	118,579,154
Operations increase (all agencies)	21,076,096	24,453,858	45,529,954	3,633,714	7,340,101	10,973,815
Staffing / population costs / medical (Correc	10,537,305	14,259,835	24,797,140	3,722,530	7,445,060	11,167,590
Retirement (Schools, Patrol, Judges)	4,073,839	6,773,839	10,847,678	(600,000)	2,100,000	1,500,000
All Other (Oper)	10,931,337	14,464,363	25,395,701	2,692,758	94,176,172	96,868,930
CONSTRUCTION	22,415,119	15,503,544	37,918,663	(7,834,881)	(8,626,699)	(16,461,580)
TOTAL GENERAL FUND (Biennial Basis)	229,639,729	317,941,606	547,581,335	202,603,963	647,314,664	849,918,627

Aid to Local Governments

State Aid to Schools (TEEOSA)

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

The results of that meeting's spending and valuation assumptions yielded a total TEEOSA number of \$1.015 billion for FY2023-24 and \$927 million for FY2024-25. This results in decreased General Funds amounting to \$22 million in FY2023-24 and an additional decrease of \$111.5 million in FY2024-25.

	Certified Aid	FY	FY	FY	FY
TEEOSA Summary	2022-23	2023-24	2024-25	2025-26	2026-27
Local Effort Rate	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Allowable Growth Rate: Year of Aid	2.50%	2.50%	2.50%	2.50%	2.50%
Allowable Growth Rate: Prior Year	2.50%	2.50%	2.50%	2.50%	2.50%
Cost Growth Factor	1.05%	1.05%	1.05%	1.05%	1.05%
Spending Growth (GFOE)	4.31%	3.69%	3.50%	3.50%	3.50%
Valuation Growth (set on aidcalc pages)	3.87%	5.58%	9.13%	3.52%	3.55%
Formula Students	310,961	313,964	317,197	317,197	317,197
Total Formula Need	3,966,000,902	4,100,336,536	4,248,740,603	4,407,646,548	4,575,073,552
Effective Yield from Local Effort Rate	2,352,337,882	2,489,949,535	2,711,194,303	2,817,053,586	2,927,877,830
Other Actual Receipts	542,276,787	557,135,470	572,401,289	588,085,398	604,199,260
Net Option Funding	125,344,322	128,711,475	132,275,006	135,928,794	139,622,252
Allocated Income Tax	52,618,894	54,197,461	55,823,385	57,498,086	59,223,029
Community Achievement Plan Aid	7,011,951	7,031,035	7,277,112	7,531,849	7,795,552
Total Formula Resources	3,079,589,836	3,237,024,976	3,478,971,095	3,606,097,713	3,738,717,922
Calculated Equalization Aid	886,411,066	863,311,561	769,769,508	801,548,835	836,355,630
Net Option Funding	125,344,322	128,711,475	132,275,006	135,928,794	139,622,252
Allocated Income Tax	52,618,894	54,197,461	55,823,385	57,498,086	59,223,029
Community Achievement Plan Aid	7,011,951	7,031,035	7,277,112	7,531,849	7,795,552
TEEOSA State Aid	1,071,386,233	1,053,251,532	965,145,011	1,002,507,564	1,042,996,463
State General Funds	1,038,686,233	1,015,751,532	927,145,011	964,507,564	1,004,996,463
Insurance Premium Tax (w/o deficit)	28,560,853	37,500,000	38,000,000	38,000,000	38,000,000
Total TEEOSA Aid	1,071,386,233	1,053,251,532	965,145,011	1,002,507,564	1,042,996,463
Change over Prior Yr					
\$ Change	24,370,467	(18,134,701)	(88,106,520)	37,362,553	40,488,898
% Change	2.33%	-1.69%	-8.37%	3.87%	4.04%

The decrease in TEEOSA is largely related to the various data elements such as spending growth and valuation. Overall valuation growth is projected to be much higher for 2023, especially in residential and commercial property, which has a significant impact in equalized school districts. This is a major contributing factor to a more than 8% decline in TEEOSA funding in FY24-25.

Special Education

The agency request included a 10% increase for both FY21-22 and FY22-23 which is the maximum authorized by statute. Statute provides for a 10% cap on increases in Special Education reimbursement starting in FY14-15 as amended by LB974-2014. The previous cap was 5%. The projection for FY22 and FY23 includes a 2.5% per year increase which is the basic allowable growth rate for those two school years for school districts.

Homestead Exemption

The agency requested \$7.8 million and \$14.2 million in additional funding for the homestead exemption program. The agency request was included in the projected budget. This could possibly change when final data for FY22-23 is available.

Aid to Community Colleges

A 4.5% per year annual increase is included for the following biennium budget reflecting increased state aid to support operations budget increases and a 1% increase in dual credit. This increase amounts to \$4.9 million the first year and an additional \$5.1 million the second year.

Aid to Individuals/Other

Medicaid

For the upcoming biennium, the projected budget is based on annualizing the increase in provider rates included in the 2022 budget adjustments, a 2% increase in utilization, and General Fund savings due to the FMAP change. Also included is a 2.5% increase in provider rates, which were not included in the agency request. Other agency requests in the Medicaid program are not included.

Each year the Federal Medical Assistance Percentage (FMAP) rate changes based on a federal formula based on state personal income and per capita data. The result of these changes are adjustments to the federal government's share of coverage for Medicaid expenses, which in turn impacts the GF for payment of Medicaid services. The FMAP was 56.47% in FFY2021, 57.8% in FFY 2022, and 57.87 in FFY23. The FMAP will be 58.60 in FFY24, a 0.73% increase from FFY23. The additional 6.2% FMAP during the federal public health emergency will be in effect through at least December 31, 2022, and it is anticipated that this increase will likely continue through the end of state FY2022-23. It is as of yet unclear if the additional FMAP will go beyond state FY23 into the upcoming biennium.

Public Assistance

For the upcoming biennium, the agency requested no increase for eligibility, utilization, or rate increases. The projected budget includes a basic growth rate of 3.5%. This reflects no growth for eligibility and utilization and includes 5% per year increase in child care rates and a 2.5% per year increase in other provider rates.

Child Welfare

Like Public Assistance for the upcoming biennium, the agency request includes no increase for eligibility, utilization, or rate increases.

The projected budget assumes 2% growth in eligibility or utilization, includes a 2.5% provider rate increase, and the annualization of the 2022 enacted budget provider rate increases.

Developmental Disability Aid

The agency request includes several items for additional funding including funding for new graduates transitioning (\$1.1 million FY24, \$2.2 million FY25), reduce the waiting list (\$5 million FY24, \$10 million FY25) and DD priority one offers (\$1.5 million in FY24 and \$3 million in FY25). The request did not include any funding for provider rate increases.

The projected budget restores \$19.5 million in carryover funds for provider rates in the 2022 enacted budget adjustments to annualize those provider rates and annualizes LB 376. 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.

Behavioral Health Aid

This area includes substance abuse and mental health aid. Similar to Public Assistance and Child Welfare, the agency request includes no increase for eligibility or utilization. The agency did request \$4 million in FY24 and \$4.9 million in FY25 for a 988 Call Center.

The projected budget does not include this issue, but does restore \$16.5 million in carryover funds for provider rates in the 2022 enacted budget adjustments to annualize those provider rates and includes a 2.5% per year increase in provider rates.

Aid to the Arts

In the 2021 session, the Legislature appropriated \$7.5 million to the Arts Council to be used as matching funds to assist in the renovation of the Museum of Nebraska Art, including existing space and additional gallery space for the Nebraska Art Collection. This was a one-time General Fund appropriation for this purpose, and as such, there is a reduction in the base in FY2023-24 and FY2024-25.

Nebraska Career Scholarships (University, State Colleges, DED)

In the 2020 session, the Governor’s budget recommendation included funding and distribution language for the Nebraska Career Scholarship Program through the University of Nebraska, State Colleges, and Community Colleges (through Dept. of Economic Development). The 2020 enacted budget adjustments included funding in the first year at \$4 million with intent language that the program would increase to \$16 million in the fourth year. Additional funding was added to the DED portion of the program in LB 380 in 2021 and reallocated to both community colleges (\$3 million in FY23) and private nonprofit Nebraska postsecondary institutions (\$2 million in FY23).

<u>Nebraska Career Scholarships</u>	<u>FY2019-20</u>	<u>FY2020-21</u>	<u>FY2021-22</u>	<u>FY2022-23`</u>	<u>FY2023-24</u>
University of Nebraska	0	2,000,000	4,000,000	6,000,000	8,000,000
State Colleges	0	1,000,000	2,000,000	3,000,000	4,000,000
Dept of Economic Development (DED)	0	1,000,000	3,000,000	5,000,000	5,000,000
Total GF impact	0	4,000,000	9,000,000	14,000,000	17,000,000

State Agency Operations

Employee Salary Increases

Although the budget instruction included a 5% per year increase as a “placeholder”, at the present time there has been no collective bargaining agreement. This projected budget simply includes the annual increase accounted for in the budget instructions.

Employee Health Insurance

At the present time insurance rates and cost increases for FY2021-22 and FY2022-23 are unknown. However, the DAS budget instructions included a 4% increase in both years. This projected status includes the 4% per year increase applied to state agencies.

State Patrol

The agency included a number of issues, including cost increases in DAS rates, the salary and health insurance increases as included in the budget instructions, gasoline cost increase, vehicle purchases, and additional salary increases above the salary instructions. Included in the projected budget are the issues related to DAS charges, salaries, and health insurance only.

Dept. of Correctional Services

The Dept. of Correctional Services included a variety of items included in their request. The items included in the projected budget include inmate per diem costs, salary and pay adjustments, and a general base adjustment. The items included totaled \$19.4 million in FY23-24 and \$20.1 million in FY24-25. The general base adjustment was included in the general operations inflation category and is not included here.

	FY23-24	FY24-25
Inmate Per Diem Costs	12,608,671	13,253,352
Salary & Pay Adjustments	226,150	226,150
Salary Increases	6,588,625	6,588,625
Total	19,423,446	20,068,127

University of Nebraska and State Colleges

In the past several biennium, a general overall budget increase has been provided to the University of Nebraska and State Colleges. In the projected budget, these general increases are included at a level to cover estimates of salary and health insurance increased costs. The total increase for the University and State Colleges is 3.8% per year. Also included is the last year of the phase in of the Nebraska Career Scholarships initiated in the 2020 session (see page 22).

Defined Benefit Retirement Plans

The agency request for FY24 and FY25 reflects a modest increase in state support for the defined benefit retirement systems. The increase amounts to \$4.1 million in FY23-24 and \$6.8 million in FY24-25. The agency requested amounts are estimates from the actuaries as to what the funding needs might be. Final funding needs will be communicated in November 2022 following completion of the actuarial experience study and valuations.

	FY23-24	FY24-25
2% of Salary-Class V Schools-Omaha	465,544	965,544
2% of Salary-State Schools	2,295,923	3,295,923
Additional Contribution Requirement-Judges Plan	1,068,463	1,168,463
Additional Contribution Requirement-State Patrol	247,020	1,247,020
Omaha Service Annuity Contribution	(3,111)	96,889
Total	4,073,839	6,773,839

Operations Inflation

The projected budget does not include any general inflationary increases for agency operating budgets. The largest increases in operating costs for the FY24/FY25 biennium related to DAS rate charges in a variety of agencies. However, some agencies also request general inflationary increases. At a statewide level, these amounted to about a \$21.1 million in FY24 and \$24.5 in FY25.

Capital Construction

General Fund dollars included in the projected budget for capital construction reflect reaffirmations only. These are dollar amounts needed to complete funding of projects approved in previous legislative sessions. Nothing is included for new projects in FY23-24 or FY24-25.

Appendix A

Statutory Provisions - Tax Rate Review Committee

Statutory Required Meetings

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

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

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

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

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

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

Annual Report

LB962 enacted in the 2012 legislative session included a new requirement that the Tax Rate Review Committee (TRRC) prepare an annual report of its determinations, submit such report electronically to the Legislature, and append the tax expenditure report required under section 77-382 to such annual report. LB33 enacted in the 2015 legislative session also required the preparation of a volatility report (now section 50-419.02) and append that report to the TRRC annual report.

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

REPORT TO THE TAX RATE REVIEW COMMITTEE

July 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

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

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

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

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

Annual Report

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

<u>Calculation of LB 1107 Credit Amount</u>	<u>Current Law under LB 873</u>	<u>Est per Prior Law FY22 Actual</u>	<u>Difference</u>
FY2020-21 Actual	125,000,000	125,000,000	0
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

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	Following Biennium 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 On-Going Revenues vs Appropriations	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
<u>GROSS RECEIPTS</u>						
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
<u>REFUNDS & CREDITS</u>						
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
<u>NET RECEIPTS</u>						
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
<u>ADJUSTED GROWTH</u>						
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%

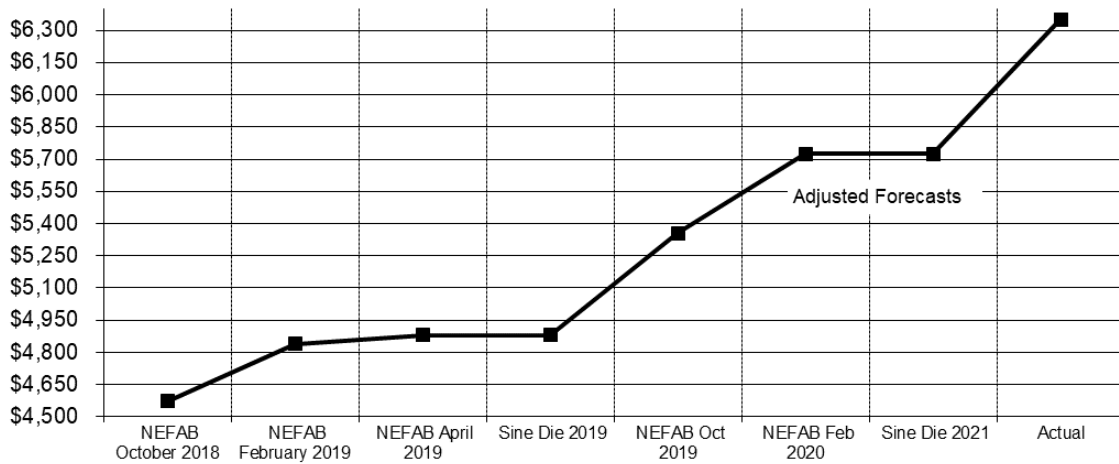
	Actual FY2016-17	Actual FY2017-18	Actual FY2018-19	Actual FY2019-20	Actual FY2020-21	Actual FY2021-22
<u>TOTAL BY MONTH</u>						
July	234,585,213	267,909,749	279,849,780	284,883,132	605,327,625	311,584,399
August	410,484,016	405,007,342	422,129,588	462,019,974	513,474,994	546,580,287
September	437,022,598	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

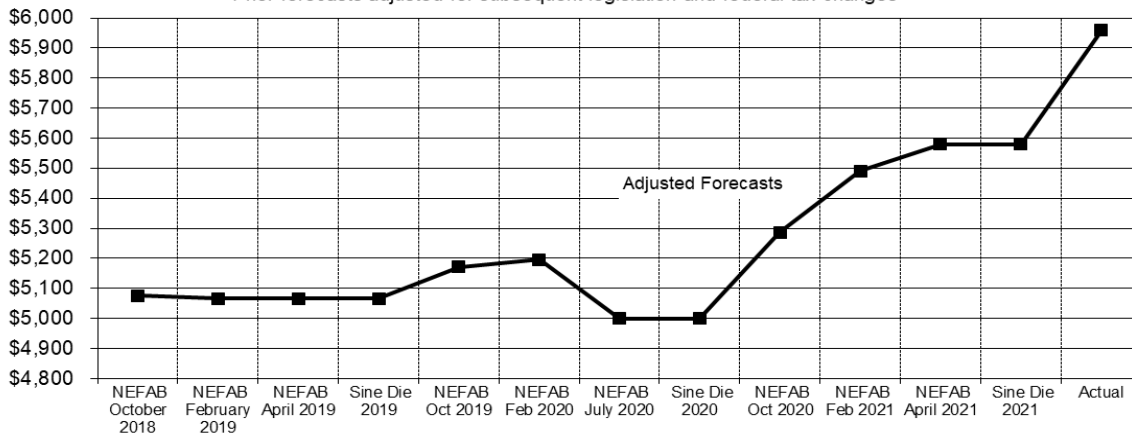
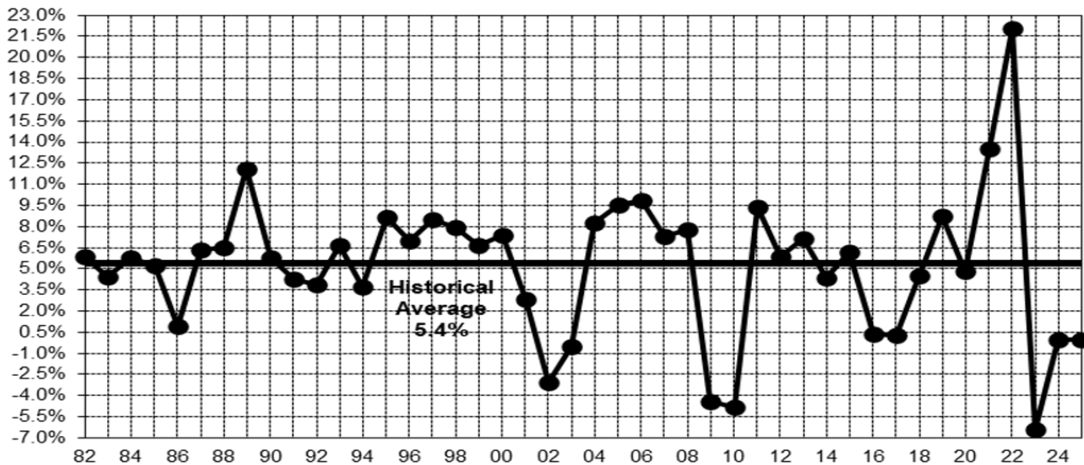


Table 4 Historical and Projected Revenues

	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.

REVENUE VOLATILITY REPORT

November 2022

Report Requirement

Nebraska Revised Statute 50-419.02.

Legislative Fiscal Analyst; revenue volatility report; contents

(1) On November 15, 2016, the Legislative Fiscal Analyst shall prepare and electronically submit a revenue volatility report to the Appropriations Committee of the Legislature. Every two years thereafter the Legislative Fiscal Analyst shall prepare a revenue volatility report to append to the annual report required under section 77-2715.01. The report shall also be posted on the Legislature's web site.

Introduction

Examining revenue volatility as it pertains to Nebraska's General Fund revenue stream could be approached several different ways, such as year over year change in relation to change in some other benchmark, such as change in personal income, wages and salaries or agricultural income—which would fundamentally be an examination of driver variables to a revenue forecasting effort.

Another approach could attempt to disaggregate year over year change in revenue into other components such as changes driven by law (rate and base changes) at the state and federal level as distinguished from an assessment of natural growth due to economic (as noted above), and demographic (population) changes.

However, when viewing the statutory direction for this report, the focus is on assessing the role of the Cash Reserve fund to meet changing conditions for General Fund revenue and budget stability. Specifically, the statute states (emphasis added):

“(2) The report shall:

- (a) Evaluate the tax base and the tax revenue volatility of revenue streams that provide funding for the state General Fund budget;
- b) Identify federal funding included in the state budget and any projected changes in the amount or value of federal funding or potential areas in which federal funding could be lost;
- (c) Identify current and projected balances of the Cash Reserve Fund;*
- (d) Analyze the adequacy of current and projected balances of the Cash Reserve Fund in relation to the tax revenue volatility and the risk of a reduction in the amount or value of federal funding or potential areas in which federal funding could be lost;*
- (e) Include revenue projections for the ensuing two fiscal years included in the impending biennial budget; and
- (f) Contain any other recommendations that the Legislative Fiscal Analyst determines are necessary.”

The emphasis on interaction with the Cash Reserve Fund thus becomes the focus of this report. What follows will address each of these items as set forth in the law.

Section 1: Evaluate the tax base and the tax revenue volatility of revenue streams that provide funding for the state General Fund budget

Volatility, in part, is defined as characteristic of rapid or unexpected change. In this case, unexpected change can be thought of as results at variance to expectations, and in this specific context, revenue results at variance to expectations (forecasts). Any variability can translate in to financial stress (revenue underperforms), or opportunity (revenue exceeds expectations).

Nebraska's state budget process has a useful benchmark in evaluating stress or opportunity—revenue estimates in place for the next fiscal year are defined as a “certified estimate” a determination of the Tax Commissioner and the Legislative Fiscal Analyst. The certified estimate is the sum of the most recent official forecast for the General Fund prior to the end of the legislative session, plus or minus legislation enacted, (state and federal) that would add or subtract to that forecast. Practically speaking, when budget decisions are made final during a session, revenue estimates used to balance are generated about 14 months prior to the end of the fiscal year. Since forecasts and the budget process is a multi-year exercise, any certified forecast is a baseline for subsequent years, and actual results drive periodic forecast revisions that flow forward into the next year or biennium providing the baseline for the next certification for a new fiscal year.

Table 1 displays revenue results for the years listed, as compared to “certified” or “budget based” estimates, actual net receipts and variances.

Most revealing is the clustering of errors, a series of underestimates, followed by a grouping of over estimates. These serial events correlations illustrate how year to year revenue forecasts tend to not rapidly adjust to inflection points (adjust to a changing trend), and perhaps, to some extent reflect a cyclical pattern. Though based on a limited number of observations, the consequence of the clustering and average errors of year ahead forecasts provide useful insights for assessing volatility in the state revenue stream.

In simplest terms, if average errors of years where revenue exceeds forecast are at or above 4% (the “Above Forecast” column) and likewise, negative errors have averaged around 4% (the “Below Forecast” column), it becomes clear that saving excesses in the former case could offset revenue shortages in the latter case. This -4% variability multiplied by the number of years in a below forecast revenue cycle could translate into a dollar amount for a desirable objective to reach as the state enters into the early stages of the revenue shortfall cycle.

Since 1990-91 there have been two cycles of persistent negative forecast errors of four years, one cycle of three years and one cycle of two years which though shorter in time was deeper in terms of the percentage error in each of the two years.

The last four fiscal years with actual data have been positive forecast error. The last two fiscal years, FY2020-21 and FY2021-22, were outliers in regard to the magnitude of the error. This trend in terms of the magnitude of the error could be seen in other states as well due to extraordinary circumstances related to the COVID-19 pandemic stimulus from the federal government and resulting economic conditions.

Assuming the risk is a revenue decline averaging 4% per year, a Cash Reserve Fund balance of at least 12% to 16% of projected revenue is a desirable objective assuming a three year or four year negative forecast cycle. The current Cash Reserve Fund balance fell within this range, at 14.6% in FY2021-22, and is projected to be at 26.2% of projected revenue in FY2022-23.

Additional tables showing net receipts for each of the four major tax types can be found in the appendix. Though each have their own respective patterns of error, generally there is congruence with the overall total net receipt pattern discussed in this section.

Table 1 Actual vs. Projected General Fund Revenues

Fiscal Year	Type	Forecast	Actual	Variance from Forecast		Abs Value	Below	Above
		1 Yr Prior	Receipts	Dollar	Pct	of Error	Forecast	Forecast
FY1984-85	Total	834,300	783,351	(50,949)	-6.11%	6.11%	-6.11%	
FY1985-86	Total	903,100	834,236	(68,864)	-7.63%	7.63%	-7.63%	
FY1986-87	Total	878,121	886,354	8,233	0.94%	0.94%		0.94%
FY1987-88	Total	924,000	1,016,098	92,098	9.97%	9.97%		9.97%
FY1988-89	Total	988,437	1,133,447	145,010	14.67%	14.67%		14.67%
FY1989-90	Total	1,110,883	1,152,709	41,826	3.77%	3.77%		3.77%
FY1990-91	Total	1,334,600	1,367,078	32,478	2.43%	2.43%		2.43%
FY1991-92	Total	1,493,227	1,490,409	(2,818)	-0.19%	0.19%	-0.19%	
FY1992-93	Total	1,537,987	1,524,662	(13,325)	-0.87%	0.87%	-0.87%	
FY1993-94	Total	1,662,548	1,653,753	(8,795)	-0.53%	0.53%	-0.53%	
FY1994-95	Total	1,729,901	1,705,490	(24,411)	-1.41%	1.41%	-1.41%	
FY1995-96	Total	1,834,289	1,836,731	2,442	0.13%	0.13%		0.13%
FY1996-97	Total	1,917,984	2,009,604	91,620	4.78%	4.78%		4.78%
FY1997-98	Total	1,993,835	2,105,451	111,616	5.60%	5.60%		5.60%
FY1998-99	Total	2,102,910	2,123,837	20,927	1.00%	1.00%		1.00%
FY1999-00	Total	2,326,348	2,403,924	77,576	3.33%	3.33%		3.33%
FY2000-01	Total	2,480,701	2,456,862	(23,839)	-0.96%	0.96%	-0.96%	
FY2001-02	Total	2,631,848	2,365,509	(266,339)	-10.12%	10.12%	-10.12%	
FY2002-03	Total	2,723,377	2,456,400	(266,977)	-9.80%	9.80%	-9.80%	
FY2003-04	Total	2,731,975	2,718,726	(13,249)	-0.48%	0.48%	-0.48%	
FY2004-05	Total	2,775,479	3,037,194	261,715	9.43%	9.43%		9.43%
FY2005-06	Total	3,092,258	3,352,188	259,930	8.41%	8.41%		8.41%
FY2006-07	Total	3,216,895	3,408,331	191,436	5.95%	5.95%		5.95%
FY2007-08	Total	3,389,186	3,506,163	116,977	3.45%	3.45%		3.45%
FY2008-09	Total	3,531,746	3,357,468	(174,278)	-4.93%	4.93%	-4.93%	
FY2009-10	Total	3,446,675	3,204,680	(241,995)	-7.02%	7.02%	-7.02%	
FY2010-11	Total	3,421,459	3,499,655	78,196	2.29%	2.29%		2.29%
FY2011-12	Total	3,591,099	3,695,888	104,789	2.92%	2.92%		2.92%
FY2012-13	Total	3,767,066	4,052,358	285,292	7.57%	7.57%		7.57%
FY2013-14	Total	4,020,687	4,117,408	96,721	2.41%	2.41%		2.41%
FY2014-15	Total	4,220,500	4,305,100	84,600	2.00%	2.00%		2.00%
FY2015-16	Total	4,473,856	4,307,981	(165,875)	-3.71%	3.71%	-3.71%	
FY2016-17	Total	4,567,238	4,265,771	(301,467)	-6.60%	6.60%	-6.60%	
FY2017-18	Total	4,605,427	4,566,995	(38,432)	-0.83%	0.83%	-0.83%	
FY2018-19	Total	4,730,734	4,896,378	165,644	3.50%	3.50%		3.50%
FY2019-20	Total	4,929,107	4,939,763	10,656	0.22%	0.22%		0.22%
FY2020-21	Total	5,000,589	5,959,042	958,453	19.17%	19.17%		19.17%
FY2021-22	Total	4,879,610	6,348,995	1,469,385	30.11%	30.11%		30.11%
Average (FY92 to FY22, 30 yr)					2.93%	0.00%	-4.3%	6.7%
Standard Deviation (FY92 to FY22, 30 yr)					7.70%	6.10%	3.5%	3.6%

Section 2: Identify federal funding included in the state budget and any projected changes in the amount or value of federal funding or potential areas in which federal funding could be lost

Table 2 summarizes federal fund expenditures for FY2011-12 and FY2021-22 by functional categories and by agency/functional category description.

Each segment of the table is sorted from largest to smallest expenditure volume. By far, the largest function/agency is Human Resources/DHHS (Health and Human Services System), which primarily is comprised of Medicaid expenditures.

Medicaid is a state federal partnership where the fund mix between the two is largely driven by the FMAP, which is the calculated ration of cost share between a state and the federal government. The formula is driven by average personal income growth in a state in relation to other states, with the end result being that if a state's personal income performs better in relation to that of other states, then that state will see a decreasing cost share from the federal program. Though not the only driver of volatility, (medical cost factors, eligibility and participation rates are relevant), changes in the FMAP are very significant. Fortunately, means exist to project such changes in advance of finalizing budgets, thus adjustments can usually be readily made.

Higher Education/University segments are primarily Pell Grants and direct grants for research. K-12 Education/Dept. of Education are primarily pass through programs, flowing to local school districts. In the past two years, significant funds were also received at both K-12 and post-secondary levels pursuant to Elementary and Secondary School Emergency Relief Funds, Higher Education Emergency Relief Funds, and other distributions in the CARES Act, Consolidated Appropriations Act of Dec. 2020, and American Rescue Plan Act (ARPA). Most of these funds were distributed to the educational institution directly. Disruptions in federal funding flows would be felt at that level.

In the previous two fiscal years, COVID-19 relief funds pursuant to the CARES Act, Consolidated Appropriations Act of Dec. 2020, and American Rescue Plan Act (ARPA) increased the amount of federal funding into the state. Pursuant to the CARES Act, the state received \$1.084 billion in Coronavirus Relief Fund monies, of which \$1.083 billion was expended. The state also received \$1.40 billion Coronavirus State Fiscal Recovery Funds pursuant to ARPA. These funds were largely targeted to industries that suffered harm as a result of the COVID-19 pandemic or costs directly associated with the pandemic. A portion of this funding offset state agency General Fund expenditures for incurred costs related to COVID and personnel expenses. Additional funding (excluding CRF or CSFRF monies) received pursuant to the federal COVID relief bills, including an enhanced FMAP during the federal public health emergency, also offset General Fund expenditures.

As a result, federal expenditures for FY2021-22 reflected in Table 2 on page 5, are larger in certain agencies (e.g. DHHS), or were expended in different agencies (e.g. Military Dept.) as a result of the allocation of this funding.

Beyond the largest categories, the size of federal flows drop off significantly. Note that federal funds flowing to the Department of Transportation are classified as Cash Funds, since deposits are made to the

state fund supporting roads operations and construction, thus, under current law the connection to the General Fund is much more remote than some other federal funding flows.

The degree of connection to the General Fund budget thus would seem to be greatest with the Human Resources classification of federal funds, primarily Medicaid, which accounts for 44% of all federal funds. The remainder, except for some of the smaller categories, would seem to be somewhat more remotely connected. The fundamental question would then seem to be, in the event of federal fund reductions, to what extent is the state obligated or inclined to pick up the additional cost with state resources. In the case of Medicaid, the cost share structure supersedes that choice. In the case of other categories, past experience has shown that this decision becomes a case-by-case decision as a part of the annual budget process. Questions as to whether or not to adjust K-12 school aid via the school aid formula would have to be addressed; or policy decisions would have to be made whether an expanded role for state funded research or broadened involvement in student financial assistance in the higher education area, all in response to diminished federal financial support.

In terms of ongoing federal grant programs, the risk of reductions cannot be judged at this time. All will be subject to future actions by the federal government.

Table 2 Nebraska State Agencies – Federal Fund Expenditures by Functional Area

Function	Fund	FY2011-12	FY2021-22	% of Total FY21-22	Avg Annual % Change
Human Resources	Federal	1,487,501,838	3,161,218,985	63.63%	7.83%
Higher Education	Federal	542,599,432	685,755,729	13.80%	2.37%
K-12 Education	Federal	424,864,378	670,639,071	13.50%	4.67%
Public Safety	Federal	69,715,151	281,503,523	5.67%	14.98%
Natural Resources	Federal	72,153,811	60,097,313	1.21%	-1.81%
Gen Govt	Federal	34,289,486	23,781,146	0.48%	-3.59%
Criminal Justice	Federal	23,409,704	49,905,751	1.00%	7.86%
Construction	Federal	26,970,507	29,426,249	0.59%	0.88%
Misc Education	Federal	4,228,013	6,132,336	0.12%	3.79%
Transportation	Federal	467,384	36,403	0.00%	-22.53%
State Total	Federal	2,686,199,704	4,968,496,506	100.00%	6.34%

Table 3 Nebraska State Agencies – Federal Fund Expenditures by Agency

Agency	Function	FY2011-12	FY2021-22	% of Total FY21-22	Avg Annual % Change
HHS System	Human Resources	1,440,704,593	3,088,033,229	62.15%	7.92%
Education	K-12 Education	424,864,378	670,639,071	13.50%	4.67%
University of Nebraska	Higher Education	494,119,402	630,924,702	12.70%	2.47%
Military Dept	Public Safety	65,432,253	278,908,238	5.61%	15.60%
State Colleges	Higher Education	46,811,554	54,831,027	1.10%	1.59%
Environment and Energy	Natural Resources	61,657,377	47,902,115	0.96%	-2.49%
Labor	Human Resources	42,394,482	40,987,275	0.82%	-0.34%
Capital Construction	Construction	35,326,363	29,426,249	0.59%	-1.81%
Veterans Affairs	Human Resources	0	27,546,427	0.55%	
Economic Development	Gen Govt	29,789,111	21,500,936	0.43%	-3.21%
Correctional Services	Criminal Justice	1,405,447	20,916,397	0.42%	31.00%
Crime Commission	Criminal Justice	10,064,718	16,208,750	0.33%	4.88%
State Patrol	Criminal Justice	7,924,994	10,367,290	0.21%	2.72%
Game & Parks	Natural Resources	6,835,598	7,083,835	0.14%	0.36%
Agriculture	Natural Resources	2,969,102	4,081,577	0.08%	3.23%
Library Commission	Misc Education	2,650,709	3,857,876	0.08%	3.82%
Blind/Visually Impaired	Human Resources	3,463,459	3,622,581	0.07%	0.45%
State Treasurer	Gen Govt	1,580,064	1,531,120	0.03%	-0.31%
All Other		8,206,102	10,127,812	0.20%	2.13%
State Total		2,686,199,706	4,968,496,507	100.00%	6.34%

Section 3. Identify current and projected balances of the Cash Reserve Fund

Table 4 depicts the projected flow by fiscal year for the Cash Reserve Fund as set forth in current law.

Table 5 itemizes fund balances and transaction summaries in and out of the fund since its inception. This table also includes the ending balance as a percent of revenue for the fiscal year shown. Note that the suggestion in the first section of this report that a guideline balance of 16% has only been approached in the last fifteen years.

Since inception and through the early years of the fund, the ending balance had been sustained at levels well below 10%. However, inspection of Table 1 clearly shows forecast errors in the early 90's were generally smaller, perhaps influencing the perceived need for an appropriate fund balance. As errors in estimates became larger in the early 2000's, cash reserve balances began to grow as a percentage of revenue, reaching 17.2% upon early stages of the "Great Recession" beginning around 2009. Since that time, there have been two subsequent periods of budget shortfall requiring drawdowns of the Cash Reserve Fund, in the aftermath of the "Great Recession" and again in FY2017-18 and FY2018-19, which also followed a period of negative forecast error. Balances as a percentage of revenue have steadily increased since FY2018-19 to reach an all-time high.

Current estimates through the next biennium project a peak at above 35% of projected revenue and a gradual drift downward as the balance as percent of annual revenue will approach 32%.

Table 4 Cash Reserve Fund

CASH RESERVE FUND	FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27
Beginning Balance	466,963,230	927,522,595	1,688,141,506	2,308,766,506	2,308,766,506	2,258,766,506
Excess of certified forecasts (line 3 in Status)	535,259,365	1,287,998,911	620,625,000	0	0	0
To/from Gen Fund per current law	50,000,000	50,000,000	0	0	0	0
To Nebr Capital Construction Fund (NCCF)	(54,700,000)	(215,580,000)	0	0	0	0
From Gov Emergency Fund (LB1009-2020)	0	0	0	0	0	0
To University Next project (LB1107-2020)	0	0	0	0	(50,000,000)	(50,000,000)
To US Spacecom fund (2021 & 2022)	0	0	0	0	0	0
To Site & Building Develop Fund, electrical systems	(15,000,000)	0	0	0	0	0
To Econ Recovery Contingency (LB 1024-2022)	(55,000,000)	0	0	0	0	0
To Perkins County Canal Fund	0	(53,500,000)	0	0	0	0
To Jobs & Econ Develop Initiative (STARWARS)	0	(80,000,000)	0	0	0	0
To Nebr Rural Projects Act (LB 788-2022)	0	(50,000,000)	0	0	0	0
To Trail Develop/Improve Fund (LB 813-2022)	0	(8,300,000)	0	0	0	0
To Rural Workforce Housing fund (LB 1071)	0	(30,000,000)	0	0	0	0
To Surface Water Irrigation Fund (LB 1074)	0	(50,000,000)	0	0	0	0
To Intern Nebraska Cash Fund (LB 1167)	0	(20,000,000)	0	0	0	0
To Site & Building Fund, US Strategic Command fa	0	(20,000,000)	0	0	0	0
To Military Base Development fund (LB 1233)	0	(30,000,000)	0	0	0	0
To Middle Income Housing fund (LB 1252)	0	(20,000,000)	0	0	0	0
Projected Unobligated Ending Balance	927,522,595	1,688,141,506	2,308,766,506	2,308,766,506	2,258,766,506	2,208,766,506

Table 5 Cash Reserve Fund – Historical Balances

	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	927,522,596	0	1,287,988,911	50,000,000	(577,380,000)	0	1,688,131,507	26.2%
FY2023-24 Est	1,688,131,507	0	620,625,000	0	0	0	2,308,756,507	35.7%
FY2024-25 Est	2,308,756,507	0	0	0	0	0	2,308,756,507	35.2%
FY2025-26 Est	2,308,756,507	0	0	0	(50,000,000)	0	2,258,756,507	33.8%
FY2026-27 Est	2,258,756,507	0	0	0	(50,000,000)	0	2,208,756,507	32.1%

Section 4. Analyze the adequacy of current and projected balances of the Cash Reserve Fund in relation to the tax revenue volatility and the risk of a reduction in the amount or value of federal funding or potential areas in which federal funding could be lost

Section 1 of this report identifies a level equivalent to about 12% to 16% of revenue in the fiscal year as a Cash Reserve Fund balance as coverage for the next cyclical downturn. This safety net would be intended to mitigate the need for budget reductions or revenue increases to reach short term balance.

During the 2009 regular, special, and 2010 regular session, \$259 million in cash reserve transfers were used to help balance General Fund budgets through that time period. With that context, a balance of an equivalent of 16% of revenues, or around \$1.03 billion, would seem excessive. However, spending reductions and one-time cash fund transfers during the 2009-2010 sessions played a significant role, as did almost \$600 million of federal assistance (that came in the form of general stabilization, education funding assistance, FMAP and child care enhancements) that directly offset General Fund costs.

During the 2021 and 2022 sessions, significant federal funds flowed into the state to address the disruption of COVID-19 on the state's economy. These funds were targeted to offset the economic and health care costs of the pandemic. See Section 2 for discussion. During this time period, transfers out of the Cash Reserve Fund were \$124.7 million in FY2020-21 and \$577.38 million in FY2021-22, while at the same time transferring in \$100 million from the General Fund in addition to the automatic transfers. Unlike during the "Great Recession," the transfers out were largely for one-time items and not for the purposes of balancing the General Fund budget. General Fund revenue was sufficient to meet budgetary obligations during that time period.

If federal assistance seems unlikely during future revenue shortfalls and/or recessions, then a Cash Reserve Fund balance of 16% of revenue may be inadequate when the state first enters a downward revenue cycle. Obviously, what cannot be determined is the depth and duration of revenue weakness that is unable to sustain a current law budget, which also will influence what may be adequate. Thereafter, the size of a draw down to help manage budget imbalances becomes discretionary to be judged along with other options to return to budget balance.

There appears to be no mechanism to reasonably anticipate future federal funding decisions that may alter inflows to the state, or anticipating a state response to such speculation, making any expectation of quantifying additional Cash Reserve fund balances as a safety net impractical.

Section 5. Include revenue projections for the ensuing two fiscal years included in the impending biennial budget

Current official General Fund forecasts have been set for FY2022-23, FY2023-24, and FY2024-25.

The revenue forecasts shown in Table 5 for the General Fund are the most current arrived at by the Nebraska Economic Forecasting Advisory Board on October 28, 2022. Revisions to the current and ensuing two fiscal years will occur in February and April 2023. After the end of this fiscal year the ensuing two fiscal years will be revised again in October 2023 and February 2024. After conclusion of FY2023-24, the last fiscal year will be revised again in October 2024, and February and April 2025. For

context, a graph of prior year revenue growth and estimates for the current forecasts is included. Note that all percentage growth rates are adjusted for tax rate and base changes. This is a visual reminder of the cyclical nature of General Fund revenue growth over recent years.

Table 6 General Fund Revenue Forecasts

	NEFAB FY2022-23	NEFAB FY2023-24	NEFAB FY2024-25	LFO Prelim FY2025-26	LFO Prelim FY2026-27
Actual/Forecast					
Sales and Use Tax	2,400,000,000	2,500,000,000	2,600,000,000	2,688,855,000	2,777,473,000
Individual Income Tax	3,200,000,000	3,250,000,000	3,275,000,000	3,356,511,000	3,463,213,000
Corporate Income Tax	575,000,000	475,000,000	450,000,000	427,561,000	432,510,000
Miscellaneous receipts	270,000,000	250,000,000	230,000,000	226,700,000	218,275,000
Total General Fund Revenues	6,445,000,000	6,475,000,000	6,555,000,000	6,699,627,000	6,891,471,000
Adjusted Growth					
Sales and Use Tax	7.5%	3.5%	4.0%	3.3%	3.2%
Individual Income Tax	5.8%	4.3%	3.6%	4.7%	5.5%
Corporate Income Tax	-8.1%	-8.0%	1.6%	2.0%	5.8%
Miscellaneous receipts	17.9%	-1.8%	-4.0%	-7.8%	1.9%
Total General Fund Revenues	5.1%	2.5%	3.3%	3.6%	4.6%
Two Yr Average	11.9%	--	2.9%	--	4.1%
Five Yr Average	10.2%	--	8.6%	--	3.8%

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



Section 6. Contain any other recommendations that the Legislative Fiscal Analyst determines are necessary.

No recommendations at this time.

APPENDIX

Table 7 Actual vs. Projected Revenues – Sales Tax

Fiscal Year		Forecast 1 Yr Prior	Actual Receipts	Variance from Forecast		Abs Value of Error	Below Forecast	Above Forecast
				Dollar	Pct			
FY1984-85	Sales	dna	300,534					
FY1985-86	Sales	dna	310,391					
FY1986-87	Sales	353,540	345,158	(8,382)	-2.37%	2.37%	-2.37%	
FY1987-88	Sales	370,000	393,149	23,149	6.26%	6.26%		6.26%
FY1988-89	Sales	400,000	430,078	30,078	7.52%	7.52%		7.52%
FY1989-90	Sales	449,981	444,231	(5,750)	-1.28%	1.28%	-1.28%	
FY1990-91	Sales	563,000	547,373	(15,627)	-2.78%	2.78%	-2.78%	
FY1991-92	Sales	605,305	592,442	(12,863)	-2.13%	2.13%	-2.13%	
FY1992-93	Sales	607,616	586,355	(21,261)	-3.50%	3.50%	-3.50%	
FY1993-94	Sales	666,458	648,847	(17,611)	-2.64%	2.64%	-2.64%	
FY1994-95	Sales	675,270	683,852	8,582	1.27%	1.27%		1.27%
FY1995-96	Sales	731,522	711,002	(20,520)	-2.81%	2.81%	-2.81%	
FY1996-97	Sales	756,697	755,908	(789)	-0.10%	0.10%	-0.10%	
FY1997-98	Sales	792,903	803,805	10,902	1.37%	1.37%		1.37%
FY1998-99	Sales	764,009	744,651	(19,358)	-2.53%	2.53%	-2.53%	
FY1999-00	Sales	887,759	900,427	12,668	1.43%	1.43%		1.43%
FY2000-01	Sales	940,400	905,023	(35,377)	-3.76%	3.76%	-3.76%	
FY2001-02	Sales	963,000	918,890	(44,110)	-4.58%	4.58%	-4.58%	
FY2002-03	Sales	1,043,145	1,028,931	(14,214)	-1.36%	1.36%	-1.36%	
FY2003-04	Sales	1,142,146	1,114,374	(27,772)	-2.43%	2.43%	-2.43%	
FY2004-05	Sales	1,172,491	1,231,011	58,520	4.99%	4.99%		4.99%
FY2005-06	Sales	1,251,982	1,263,679	11,697	0.93%	0.93%		0.93%
FY2006-07	Sales	1,266,446	1,303,826	37,380	2.95%	2.95%		2.95%
FY2007-08	Sales	1,293,053	1,321,867	28,814	2.23%	2.23%		2.23%
FY2008-09	Sales	1,358,932	1,326,161	(32,771)	-2.41%	2.41%	-2.41%	
FY2009-10	Sales	1,343,559	1,289,797	(53,762)	-4.00%	4.00%	-4.00%	
FY2010-11	Sales	1,365,000	1,372,784	7,784	0.57%	0.57%		0.57%
FY2011-12	Sales	1,424,967	1,436,909	11,942	0.84%	0.84%		0.84%
FY2012-13	Sales	1,479,906	1,474,943	(4,963)	-0.34%	0.34%	-0.34%	
FY2013-14	Sales	1,499,996	1,524,794	24,798	1.65%	1.65%		1.65%
FY2014-15	Sales	1,536,422	1,535,420	(1,002)	-0.07%	0.07%	-0.07%	
FY2015-16	Sales	1,614,273	1,528,023	(86,250)	-5.34%	5.34%	-5.34%	
FY2016-17	Sales	1,607,111	1,548,388	(58,723)	-3.65%	3.65%	-3.65%	
FY2017-18	Sales	1,625,000	1,602,737	(22,263)	-1.37%	1.37%	-1.37%	
FY2018-19	Sales	1,685,000	1,658,107	(26,893)	-1.60%	1.60%	-1.60%	
FY2019-20	Sales	1,750,000	1,848,236	98,236	5.61%	5.61%		5.61%
FY2020-21	Sales	1,765,000	2,009,748	244,748	13.87%	13.87%		13.87%
FY2021-22	Sales	1,992,687	2,133,152	140,465	7.05%	7.05%		7.05%
Average (FY92 to FY22, 30 yr)					0.52%	0.00%	-2.5%	3.9%
Standard Deviation (FY92 to FY22, 30 yr)					3.90%	2.63%	1.4%	2.3%

Table 8 Actual vs. Projected Revenues – Individual Income Tax

Fiscal Year		Forecast 1 Yr Prior	Actual Receipts	Variance from Forecast		Abs Value of Error		Below Forecast	Above Forecast
				Dollar	Pct				
FY1984-85	Ind	dna	324,586						
FY1985-86	Ind	dna	357,181						
FY1986-87	Ind	340,000	365,762	25,762	7.58%	7.58%		7.58%	
FY1987-88	Ind	380,000	437,742	57,742	15.20%	15.20%		15.20%	
FY1988-89	Ind	417,773	479,732	61,959	14.83%	14.83%		14.83%	
FY1989-90	Ind	467,812	501,134	33,322	7.12%	7.12%		7.12%	
FY1990-91	Ind	590,900	609,431	18,531	3.14%	3.14%		3.14%	
FY1991-92	Ind	652,878	658,634	5,756	0.88%	0.88%		0.88%	
FY1992-93	Ind	688,000	690,351	2,351	0.34%	0.34%		0.34%	
FY1993-94	Ind	738,000	722,361	(15,639)	-2.12%	2.12%	-2.12%		
FY1994-95	Ind	783,000	746,718	(36,282)	-4.63%	4.63%	-4.63%		
FY1995-96	Ind	825,189	846,547	21,358	2.59%	2.59%		2.59%	
FY1996-97	Ind	863,000	944,117	81,117	9.40%	9.40%		9.40%	
FY1997-98	Ind	895,272	981,644	86,372	9.65%	9.65%		9.65%	
FY1998-99	Ind	1,028,363	1,078,523	50,160	4.88%	4.88%		4.88%	
FY1999-00	Ind	1,130,000	1,180,363	50,363	4.46%	4.46%		4.46%	
FY2000-01	Ind	1,229,295	1,233,364	4,069	0.33%	0.33%		0.33%	
FY2001-02	Ind	1,339,309	1,159,811	(179,498)	-13.40%	13.40%	-13.40%		
FY2002-03	Ind	1,338,700	1,129,422	(209,278)	-15.63%	15.63%	-15.63%		
FY2003-04	Ind	1,307,056	1,249,890	(57,166)	-4.37%	4.37%	-4.37%		
FY2004-05	Ind	1,262,599	1,400,077	137,478	10.89%	10.89%		10.89%	
FY2005-06	Ind	1,439,950	1,545,338	105,388	7.32%	7.32%		7.32%	
FY2006-07	Ind	1,517,377	1,650,895	133,518	8.80%	8.80%		8.80%	
FY2007-08	Ind	1,630,350	1,726,145	95,795	5.88%	5.88%		5.88%	
FY2008-09	Ind	1,750,074	1,600,418	(149,656)	-8.55%	8.55%	-8.55%		
FY2009-10	Ind	1,675,000	1,514,830	(160,170)	-9.56%	9.56%	-9.56%		
FY2010-11	Ind	1,630,000	1,735,209	105,209	6.45%	6.45%		6.45%	
FY2011-12	Ind	1,758,137	1,822,884	64,747	3.68%	3.68%		3.68%	
FY2012-13	Ind	1,862,137	2,101,912	239,775	12.88%	12.88%		12.88%	
FY2013-14	Ind	2,039,395	2,060,759	21,364	1.05%	1.05%		1.05%	
FY2014-15	Ind	2,207,703	2,205,464	(2,239)	-0.10%	0.10%	-0.10%		
FY2015-16	Ind	2,298,471	2,221,089	(77,382)	-3.37%	3.37%	-3.37%		
FY2016-17	Ind	2,427,203	2,224,840	(202,363)	-8.34%	8.34%	-8.34%		
FY2017-18	Ind	2,425,000	2,360,596	(64,404)	-2.66%	2.66%	-2.66%		
FY2018-19	Ind	2,471,000	2,545,680	74,680	3.02%	3.02%		3.02%	
FY2019-20	Ind	2,625,100	2,445,647	(179,453)	-6.84%	6.84%	-6.84%		
FY2020-21	Ind	2,606,536	3,130,599	524,063	20.11%	20.11%		20.11%	
FY2021-22	Ind	2,314,067	3,243,238	929,171	40.15%	40.15%		40.15%	
Average (FY92 to FY22, 30 yr)					2.87%	0.00%	-6.8%	8.9%	
Standard Deviation (FY92 to FY22, 30 yr)					10.41%	7.60%	4.5%	4.5%	

Table 9 Actual vs. Projected Revenues – Corporate Income Tax

Fiscal Year		Forecast 1 Yr Prior	Actual Receipts	Variance from Forecast		Abs Value of Error	Below	Above
				Dollar	Pct		Forecast	Forecast
FY1984-85	Corp	dna	48,959					
FY1985-86	Corp	dna	54,559					
FY1986-87	Corp	72,000	67,424	(4,576)	-6.36%	6.36%	-6.36%	
FY1987-88	Corp	65,000	73,781	8,781	13.51%	13.51%		13.51%
FY1988-89	Corp	50,000	80,624	30,624	61.25%	61.25%		61.25%
FY1989-90	Corp	70,000	71,948	1,948	2.78%	2.78%		2.78%
FY1990-91	Corp	54,800	81,948	27,148	49.54%	49.54%		49.54%
FY1991-92	Corp	100,380	103,617	3,237	3.22%	3.22%		3.22%
FY1992-93	Corp	105,000	102,755	(2,245)	-2.14%	2.14%	-2.14%	
FY1993-94	Corp	110,000	113,143	3,143	2.86%	2.86%		2.86%
FY1994-95	Corp	118,000	123,924	5,924	5.02%	5.02%		5.02%
FY1995-96	Corp	120,422	126,801	6,379	5.30%	5.30%		5.30%
FY1996-97	Corp	131,000	137,338	6,338	4.84%	4.84%		4.84%
FY1997-98	Corp	133,230	142,150	8,920	6.70%	6.70%		6.70%
FY1998-99	Corp	138,000	135,034	(2,966)	-2.15%	2.15%	-2.15%	
FY1999-00	Corp	143,000	140,022	(2,978)	-2.08%	2.08%	-2.08%	
FY2000-01	Corp	140,952	138,040	(2,912)	-2.07%	2.07%	-2.07%	
FY2001-02	Corp	148,913	107,628	(41,285)	-27.72%	27.72%	-27.72%	
FY2002-03	Corp	133,700	111,597	(22,103)	-16.53%	16.53%	-16.53%	
FY2003-04	Corp	120,008	167,429	47,421	39.52%	39.52%		39.52%
FY2004-05	Corp	149,271	198,380	49,109	32.90%	32.90%		32.90%
FY2005-06	Corp	185,950	262,295	76,345	41.06%	41.06%		41.06%
FY2006-07	Corp	218,677	213,027	(5,650)	-2.58%	2.58%	-2.58%	
FY2007-08	Corp	241,200	232,852	(8,348)	-3.46%	3.46%	-3.46%	
FY2008-09	Corp	214,490	198,484	(16,006)	-7.46%	7.46%	-7.46%	
FY2009-10	Corp	169,814	154,332	(15,482)	-9.12%	9.12%	-9.12%	
FY2010-11	Corp	185,000	154,945	(30,055)	-16.25%	16.25%	-16.25%	
FY2011-12	Corp	200,000	234,266	34,266	17.13%	17.13%		17.13%
FY2012-13	Corp	230,000	275,563	45,563	19.81%	19.81%		19.81%
FY2013-14	Corp	265,000	306,591	41,591	15.69%	15.69%		15.69%
FY2014-15	Corp	263,000	346,477	83,477	31.74%	31.74%		31.74%
FY2015-16	Corp	329,124	307,670	(21,454)	-6.52%	6.52%	-6.52%	
FY2016-17	Corp	310,000	264,440	(45,560)	-14.70%	14.70%	-14.70%	
FY2017-18	Corp	265,000	313,689	48,689	18.37%	18.37%		18.37%
FY2018-19	Corp	308,000	423,738	115,738	37.58%	37.58%		37.58%
FY2019-20	Corp	325,000	391,164	66,164	20.36%	20.36%		20.36%
FY2020-21	Corp	408,393	571,220	162,827	39.87%	39.87%		39.87%
FY2021-22	Corp	350,229	715,153	364,924	104.20%	104.20%		104.20%
Average (FY92 to FY22, 30 yr)					15.2%	18.5%	-9.6%	23.6%
Standard Deviation (FY92 to FY22, 30 yr)					24.9%	20.2%	7.4%	17.0%

Table 10 Actual vs. Projected Revenues – Miscellaneous Receipts

Fiscal Year		Forecast 1 Yr Prior	Actual Receipts	Variance from Forecast		Abs Value of Error		Below	Above
				Dollar	Pct			Forecast	Forecast
FY1984-85	Misc	dna	109,272						
FY1985-86	Misc	dna	112,105						
FY1986-87	Misc	112,581	108,010	(4,571)	-4.06%	4.06%	-4.06%		
FY1987-88	Misc	109,000	111,426	2,426	2.23%	2.23%		2.23%	
FY1988-89	Misc	120,664	143,013	22,349	18.52%	18.52%		18.52%	
FY1989-90	Misc	123,090	135,396	12,306	10.00%	10.00%		10.00%	
FY1990-91	Misc	125,900	128,326	2,426	1.93%	1.93%		1.93%	
FY1991-92	Misc	134,664	135,716	1,052	0.78%	0.78%		0.78%	
FY1992-93	Misc	137,371	145,201	7,830	5.70%	5.70%		5.70%	
FY1993-94	Misc	148,090	169,402	21,312	14.39%	14.39%		14.39%	
FY1994-95	Misc	153,631	150,996	(2,635)	-1.72%	1.72%	-1.72%		
FY1995-96	Misc	157,156	152,381	(4,775)	-3.04%	3.04%	-3.04%		
FY1996-97	Misc	167,287	172,241	4,954	2.96%	2.96%		2.96%	
FY1997-98	Misc	172,430	177,852	5,422	3.14%	3.14%		3.14%	
FY1998-99	Misc	172,538	165,629	(6,909)	-4.00%	4.00%	-4.00%		
FY1999-00	Misc	165,589	183,112	17,523	10.58%	10.58%		10.58%	
FY2000-01	Misc	170,054	180,435	10,381	6.10%	6.10%		6.10%	
FY2001-02	Misc	180,626	179,180	(1,446)	-0.80%	0.80%	-0.80%		
FY2002-03	Misc	207,832	186,450	(21,382)	-10.29%	10.29%	-10.29%		
FY2003-04	Misc	162,765	187,033	24,268	14.91%	14.91%		14.91%	
FY2004-05	Misc	191,118	207,726	16,608	8.69%	8.69%		8.69%	
FY2005-06	Misc	214,376	280,875	66,499	31.02%	31.02%		31.02%	
FY2006-07	Misc	214,395	240,583	26,188	12.21%	12.21%		12.21%	
FY2007-08	Misc	224,583	225,298	715	0.32%	0.32%		0.32%	
FY2008-09	Misc	208,250	232,405	24,155	11.60%	11.60%		11.60%	
FY2009-10	Misc	258,302	245,721	(12,582)	-4.87%	4.87%	-4.87%		
FY2010-11	Misc	241,459	236,717	(4,742)	-1.96%	1.96%	-1.96%		
FY2011-12	Misc	207,995	201,829	(6,166)	-2.96%	2.96%	-2.96%		
FY2012-13	Misc	195,023	199,941	4,918	2.52%	2.52%		2.52%	
FY2013-14	Misc	216,296	225,265	8,969	4.15%	4.15%		4.15%	
FY2014-15	Misc	213,375	217,739	4,364	2.05%	2.05%		2.05%	
FY2015-16	Misc	231,988	251,199	19,211	8.28%	8.28%		8.28%	
FY2016-17	Misc	222,924	228,103	5,179	2.32%	2.32%		2.32%	
FY2017-18	Misc	290,427	289,973	(454)	-0.16%	0.16%	-0.16%		
FY2018-19	Misc	266,734	268,853	2,120	0.79%	0.79%		0.79%	
FY2019-20	Misc	229,007	254,716	25,709	11.23%	11.23%		11.23%	
FY2020-21	Misc	220,660	247,475	26,815	12.15%	12.15%		12.15%	
FY2021-22	Misc	222,627	257,452	34,825	15.64%	15.64%		15.64%	
Average (FY92 to FY22, 30 yr)					4.8%	13.0%	-3.4%	7.7%	
Standard Deviation (FY92 to FY22, 30 yr)					17.6%	14.9%	2.7%	7.0%	