

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Tax Rate Review Committee
July 20, 2012

[]

The Tax Rate Review Committee met at 11:30 a.m. on Friday, July 20, 2012, in Room 1003 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a meeting. Members present: Senator John Wightman, Chairperson; Senator Abbie Cornett; Tax Commissioner Doug Ewald; Senator Mike Flood; and Senator Lavon Heidemann. Members absent: None. Also present: Mike Calvert.

SENATOR WIGHTMAN: Let's go ahead and open this meeting of the Tax Rate Review Committee. As you know, we meet periodically, once a year I guess,...

MIKE CALVERT: Twice a year.

SENATOR WIGHTMAN: ...twice, twice a year and consider whether we need to review or we will review anyway the necessity for a tax rate increase or decrease. So with that, I will at this point turn it over to Mike Calvert.

MIKE CALVERT: Okay. For the record, my name is Michael Calvert, Legislative Fiscal Analyst. The report that was sent to you, the Tax Rate Review Committee, is the document that I will be referring to. After I don't know how many years, almost 30 years, you will be relieved to know that this committee finally does have a name in statute, the Tax Rate Review Committee. We went for many, many years without a name, but legislation passed this last session defined the name of the committee. Secondly, it also created an obligation for an annual report. It wasn't specific as to the timing, but I think probably the best thing to do would be at the November meeting of this committee, when it's specified, we will prepare, in addition to this packet, a brief memo or something that will constitute the report and submit that for your approval and then formally file that according to law, as required. It was I think an electronic filing was required. So that would be what I would suggest in terms of meeting that obligation for an annual report. Continuing on, the report that is before you is inclusive of actual fiscal year-end results, ending June 30, 2012. As has always been the case with our July meeting, there are some revisions to the General Fund financial status that was operative when you adjourned sine die this past legislative session. Actual receipts, if you go to page 2 of the summary, actual receipts were about \$52.9 million above the forecast that we used at sine die at the 2012 Session, and that was the February 2012 forecast of the Nebraska Economic Forecasting Advisory Board. That result was actually \$104.8 million above the certified estimate. That was the original budget base estimate after the end of the prior legislative session. So if you go to the financial status on page 3, you'll see, on line 3, Cash Reserve transfer above certified, you'll see that same number of \$104.7 million in the third column. Essentially, the way the law operates is if General Fund receipts exceed the certified estimate, i.e., your budget base for that fiscal year, '11-12 in this particular case, if you exceed that revenue estimate there's an automatic transfer that is initiated by the Tax Commissioner of the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Tax Rate Review Committee
July 20, 2012

same amount above the certified and that goes to the Cash Reserve Fund. So it's an automatic deposit to our rainy-day fund or our savings account, if you will.

SENATOR WIGHTMAN: What's key date?

MIKE CALVERT: That has already occurred.

SENATOR WIGHTMAN: What's the key date on that, Mike?

MIKE CALVERT: I think the transfer certification is by July 15th and it usually occurs by the 15th, 16th, 17th of the month in terms of the actual transfer.

SENATOR WIGHTMAN: Okay. Thank you.

MIKE CALVERT: So it's done within two to three weeks of the end of the fiscal year. Okay? So that has already occurred. The year over year growth on rate base adjusted is about 5.5 percent. A long-run average since the early '80s is about 5 percent. So it was a very average year in terms of overall revenue growth. In terms of a forecast error, that \$104 million is roughly about just under 3 percent on a year ahead estimate, so that actually was a pretty good revenue forecast to begin with in terms of the certified forecast. Changes to the General Fund financial status from sine die are itemized beginning on page 4. Most of the changes relate to some accounting adjustments, all told of about \$5 million. Several of those relate to some transfers. Up until...well, up till and including this year, we have made these adjustments at this meeting in terms of how the financial status has changed. We have met with Department of Revenue. We have talked about this for a number of years, the transfers relating to convention center report are getting larger year by year. We're going to start including that in our revenue forecasts. So we won't have that subsequent adjustment in future years. We're going to build it into the forecasts because they are getting larger and larger year by year and we just need to start doing it on a forecast basis. So, by and large, the changes when we adjourned sine die, the variance to the minimum reserve for FY '12-13 biennium was just a little over \$700,000. After you walk through the adjustments of net receipts exceeding estimates, the transfer out, the accounting adjustments and so on, we are about \$3.9 million below the minimum reserve, so just very small percentage point, tenths of a percentage point below the minimum 3 percent reserve. The rest of the report deals with, more or less, a longer range view in terms of the next budget cycle. It is the same form and format that we have used in the past with respect to current law estimates and consistent with what we've been saying for the last year to 18 months. With the projections into the next biennium, current law cost obligations, and kind of a cyclical revenue estimate, we're still about \$600 million short of meeting our minimum reserve, projecting through June 30, 2015. Now that will all change based on legislative actions that will occur the next couple of sessions, but that is a measure of where we are in terms of sustainability, if you will. And with that, I'll open it to questions.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Tax Rate Review Committee
July 20, 2012

SENATOR WIGHTMAN: Thank you. So the last two months have been above projection. Is that right?

MIKE CALVERT: Yes, I believe so. June might have been a little bit below.

DOUG EWALD: No, we were over by 3.

MIKE CALVERT: The month there it was real close. So I mean we finished the year fine.

SENATOR WIGHTMAN: Now did you say we need to take some official action, Mike, with regard to...

MIKE CALVERT: The only official action that...

SENATOR WIGHTMAN: Other than...

MIKE CALVERT: Well, the board has the opportunity to petition the Governor to call a special session where there is a need to change tax rates.

SENATOR WIGHTMAN: Yeah.

MIKE CALVERT: In the past, you have not.

SENATOR WIGHTMAN: Yes.

SENATOR FLOOD: Mr. Chair, I move that we not petition the Governor for a special session.

SENATOR CORNETT: I'll second that.

SENATOR WIGHTMAN: It's been moved and seconded that we take no action or we not petition the Governor for a special session concerning tax rates. We'll do a roll call vote.

JESSICA SHELURN: Senator Wightman.

SENATOR WIGHTMAN: Yes.

JESSICA SHELURN: Senator Cornett.

SENATOR CORNETT: Yes.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Tax Rate Review Committee
July 20, 2012

JESSICA SHELburn: Commissioner Ewald.

DOUG EWALD: Yes.

JESSICA SHELburn: Senator Flood.

SENATOR FLOOD: Yes.

JESSICA SHELburn: Senator Heidemann.

SENATOR HEIDEMANN: Yes.

SENATOR WIGHTMAN: Motion carried.

SENATOR FLOOD: I move that we adjourn.

SENATOR CORNETT: I second.

SENATOR WIGHTMAN: We are adjourned.