

2024 Planning Committee Report

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Executive Summary

The goals of the Planning Committee sessions during the 2024 Interim were to examine trends in state revenues and expenditures, and to contextualize them within shifting demographics and changes. As we approach a new budget cycle with significant fiscal challenges, and continue to address the perennial concerns over high property taxes; the Planning Committee sought to investigate our revenues over time and the balances of those revenues geographically and per capita. These investigations were conducted around the backdrop of the 2024 Special Session focused on property taxes and were split by that special session.

Local Taxes and State Aid to Counties

The results of our inquiry were to discover that, as expected, less populous counties in the state raised higher amounts of revenue per capita. Nebraska is high amongst the states for the most counties with fewer than 1000 residents as Nebraska has 12 such counties. The smallest county by population is Blaine County with 435 residents. Not surprisingly Blaine County has the highest per-resident collection of property and state aid to counties. In contrast, the three most populous counties in the state receive some of the lowest combined property tax and aid to counties per capita.

An analysis of school district per-pupil spending yielded similar results. Smaller school districts generally had higher per-pupil rates and larger school districts generally had lower per-pupil rates. This finding matches the trends in other states. The relationship with size and the largest school districts was not as strong as with counties. Some of the largest school districts were slightly more towards the middle in per-student spending. This finding was also not surprising and may correlate to the effects of concentrated poverty in those districts.

Property Taxes

When we examined property tax increases on a statewide basis, the total property taxes collected, minus the LB 1107 income tax credits given, was 35% higher in 2023 than in 2003, when adjusted for inflation (using the CPI for the adjustment). In that same time period, Nebraskan's median income, when adjusted for inflation using the same metric, grew by 29%. Nebraska's population also grew by 13.8% during that same time. Adjusted for inflation then, property taxes (minus the 1107 credit) collected statewide grew by 21.7% per capita while the median income of Nebraska grew by 29%.

Using these figures to understand the property tax issue in Nebraska suggests that while the raw total dollar amount of property taxes collected has gone up precipitously in the last 20 years, and surely individuals in some areas of the state are paying more in adjusted property tax dollars, the problem may have more variance in individual regions of the state than previously suspected. In adjusted dollars, on a per-person basis, the property tax increases have slightly outpaced inflation. Nevertheless population growth indicates that taken **as a whole** Nebraska property taxes did not grow as quickly as median income on a per capita basis when adjusted for inflation.

It is quite clear that the State's work to lower property taxes has had an impact on these results. Without including the LB 1107 tax credits, the adjusted increase in property taxes is much higher. Additionally the

State's takeover of responsibility for Community College funding further reduced the increase in property taxes. Nebraskan's property taxes, on a statewide basis, were lower because of these interventions.

Looking at statewide per capita and median incomes, however, fails to see the nuance of the property tax concerns in the state. Statewide property tax valuations have increased by 84% in adjusted dollars. A deeper dive into where valuations have increased most quickly would provide more information about which Nebraskans are paying more than the averages. A deeper dive into median incomes across industries and geography would also provide more information about who is paying more in adjusted dollars for property taxes. These areas were beyond the scope of what the Committee could accomplish this interim.

Other State Taxes

Between 2003 and 2023, the total statewide (and local) sales tax collected increased by 15% when adjusted for inflation. This amount is less than the increase in total property taxes collected (35% when the LB 1107 tax credits are part of the calculations). The committee did not explore changes in total income taxes collected in the same time period in part because of the ongoing changes to the income tax structure based on the recent changes still going into effect.

State Expenditures

Next, the Committee turned to expenditures. General fund appropriations increased by 28% between 2003 and 2023. General fund revenue increased by 31% over the same time period. Because of differences in how the budget was structured over this time, it is not possible to do line-by-line comparisons of every budget item. Some programs were discontinued, others began during this period.

The agencies included in the budget in 2003 remain consistent in 2023, with their share of the overall budget remaining relatively stable. However, allocations for correctional services and courts have increased, while funding for universities and health and human services has declined as a percentage of the total budget. For example, University/College appropriations were 44.7% of Agency operations in 2002-2003 and 37.6% in 2022-2023.

Another "expenditure" category of interest is the cash reserve fund/rainy day fund. Nebraska's rainy day fund level is at the second highest level since 2016, despite a recent drawdown of funds. This is also higher than the 50- state median, and the regional median for states bordering Nebraska. Senators all agreed maintaining current limits on the rainy day fund is appropriate.

Detailed Analysis

We began in June by analyzing revenues by county, specifically focusing on (1) property taxes, and (2) state aid to local subdivisions.

These two revenue sources were examined by county, both in total and per capita (total revenue divided by the county's population). The next two sections provide a summary of these revenue sources, and then we show the total population, the total revenue amounts, and per capita figures by county.¹

Revenue by County

1. Property tax – property taxes levied are total property taxes levied, including amounts reimbursed under the homestead exemption program and other property tax programs.

- Total property taxes levied 2022: \$5,021,777,069
- Total property value 2022: \$285,347,316,925
- 2022 to 2023 property values increased in every county and property tax rates declined in all counties except for Arthur, Boyd and Dundy.

2. State aid to local subdivisions

- Total state aid to local subdivisions: \$2,393,289,141
- State aid to counties: \$212,482,444
- State aid to villages: \$248,080,320
- State aid to school districts: \$1,360,164,385
- Other state aid: \$572,561,991*²

Total State Tax Dollars Allocated to All Local Governments by Category

for Fiscal Year 2022-2023

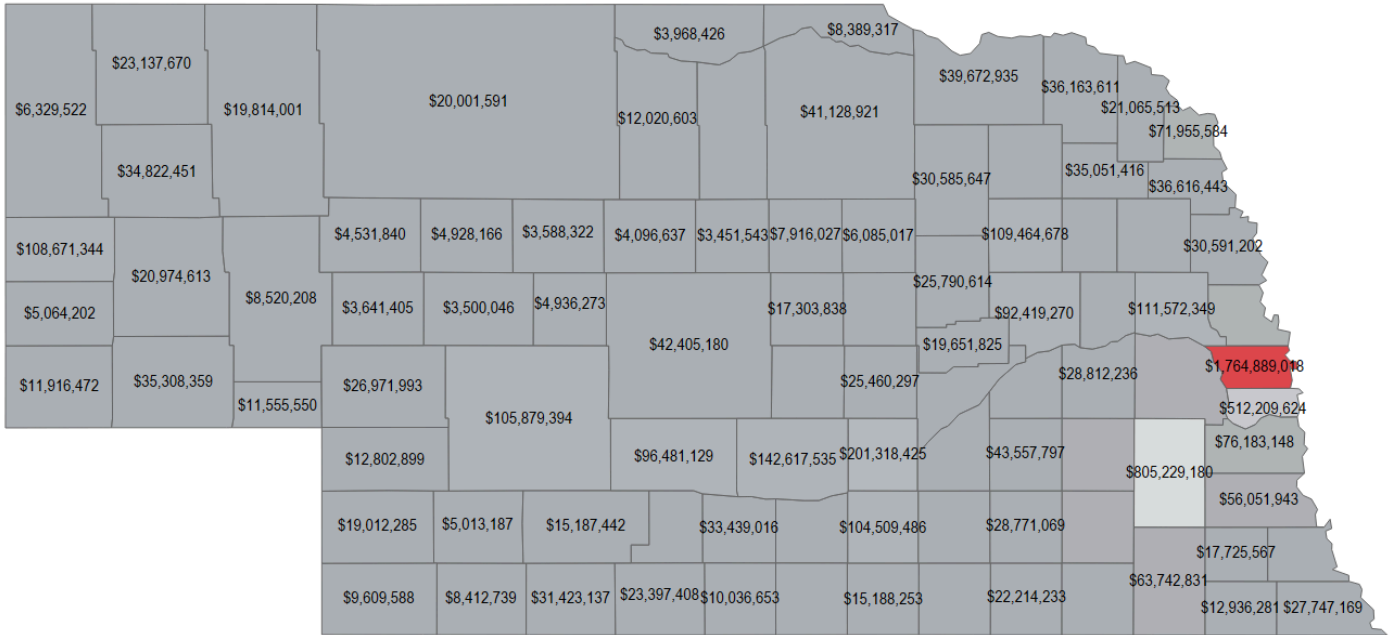
State Aid to Schools (TEEOA)	\$1,071,351,786.00
Property Tax Credit Act	313,000,000.00
Special Education Payments	229,124,362.00
Highway User Revenue Distribution to Cities	202,599,191.39
Highway User Revenue Distribution to Counties	202,342,586.15
Homestead Exemptions	119,332,119.42
Community College Foundation and Equalization Aid	109,804,330.00
State Temporary School Fund	59,688,237.31
Municipal Equalization Fund (MEF)	29,755,742.79
County Public Health Aid	17,293,439.22
Convention Center and Arena Turnback to Cities	15,725,386.18
Insurance Premium Distributions to Counties	6,139,857.94
Mutual Finance Assistance Fund	4,000,000.00
Water Sustainability	13,117,467.32
Nebraska Resources Development Fund	14,635.30
Total Tax Dollars Distributed	\$2,393,289,141.02

¹ The source for this data is the Nebraska Department of Revenue and the United State Census Bureau American Community Survey for 2022.

² “Other State Aid” includes the homestead exemption reimbursement, real property tax credit, Resources Development Fund, Water Sustainability Fund, County Public Health Aid, and community college aid. We do not include other state aid in our analysis.

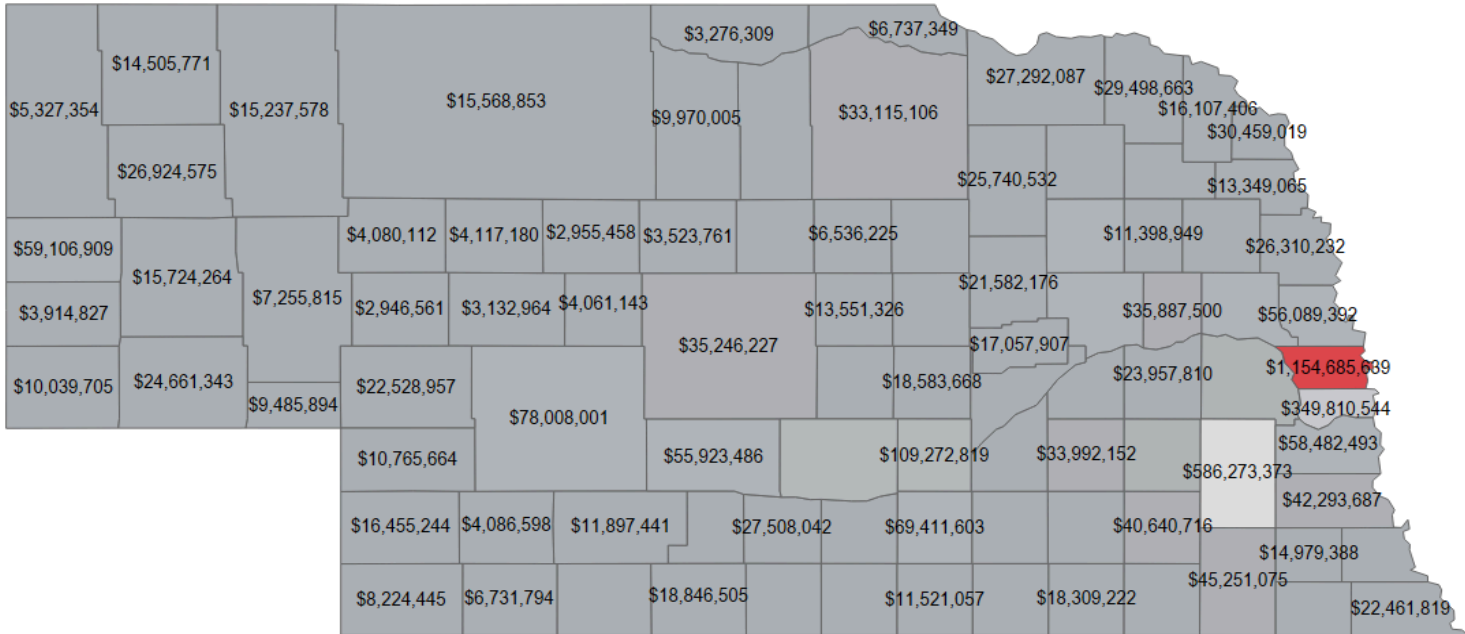
Revenue (property tax + state aid) by county, fiscal year 2022.

Median revenue is \$25,460,297



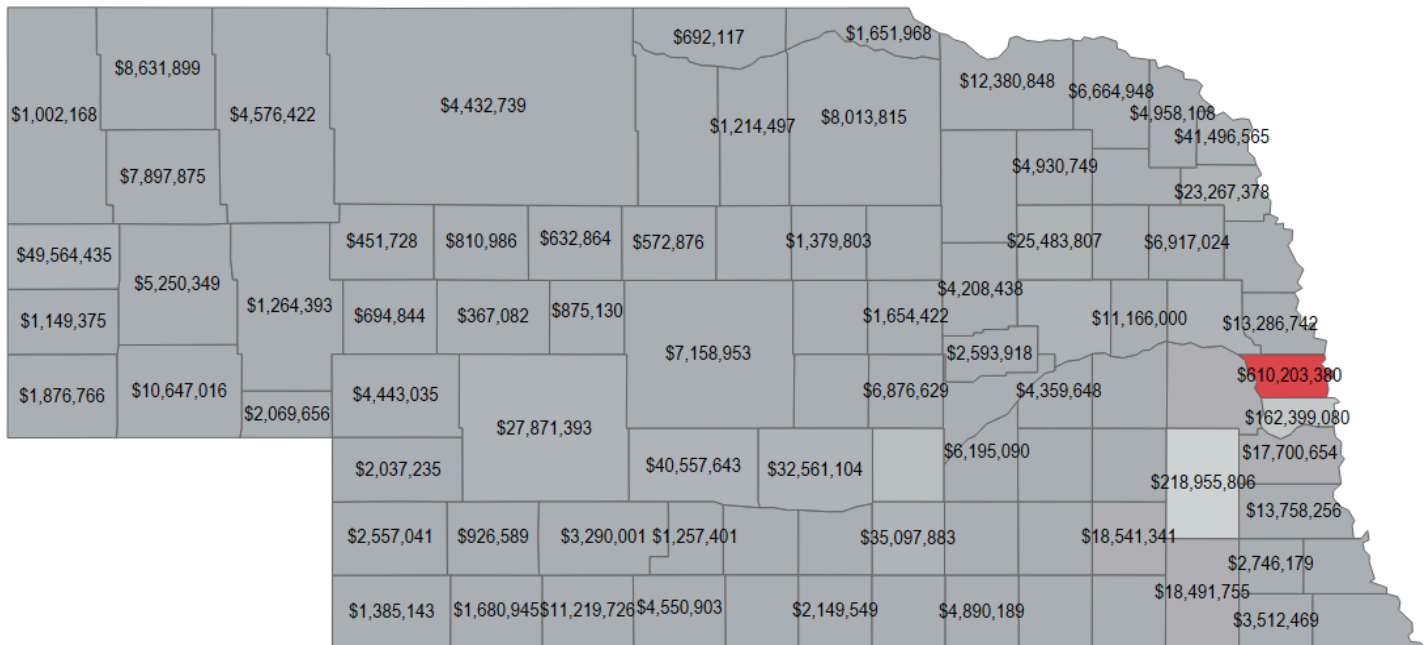
Property tax by county, fiscal year 2022.

Includes county, city/village, and school district property tax collections. On average 78% of total revenue by county is property taxes.



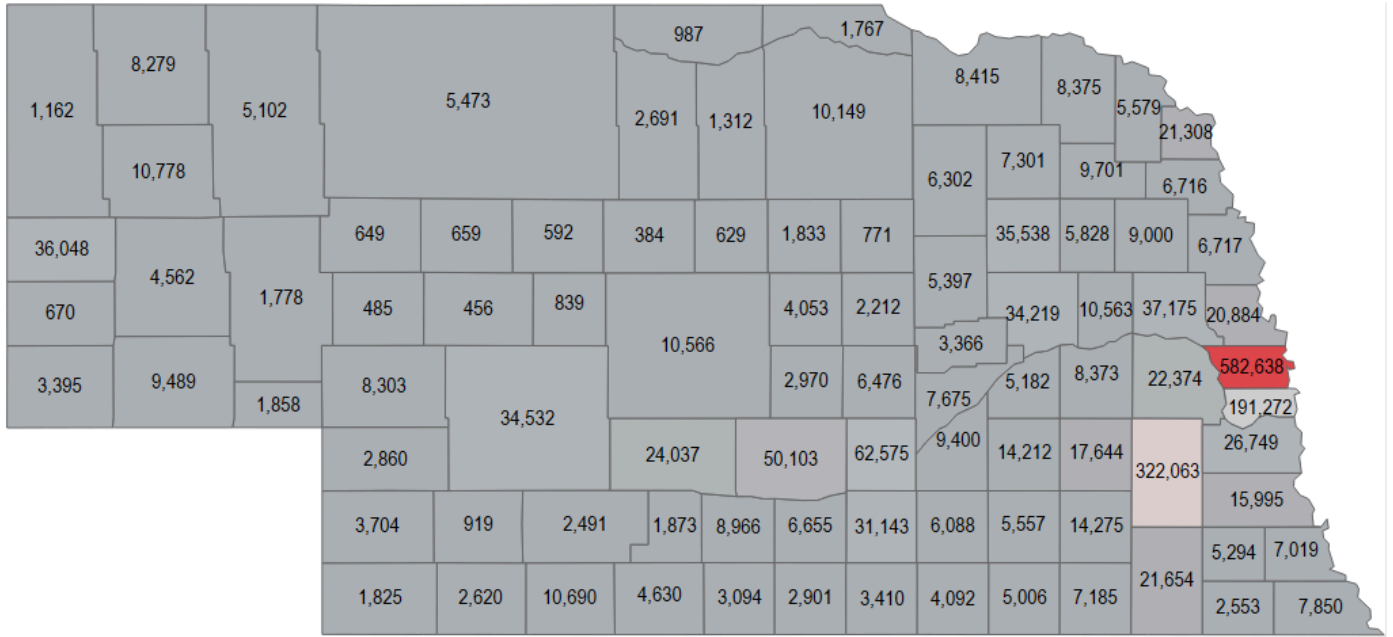
State aid by county, fiscal year 2022.

Includes aid to counties, cities/villages, and school districts. On average 22% of total revenue by county is state aid.



Total population by county in 2022.

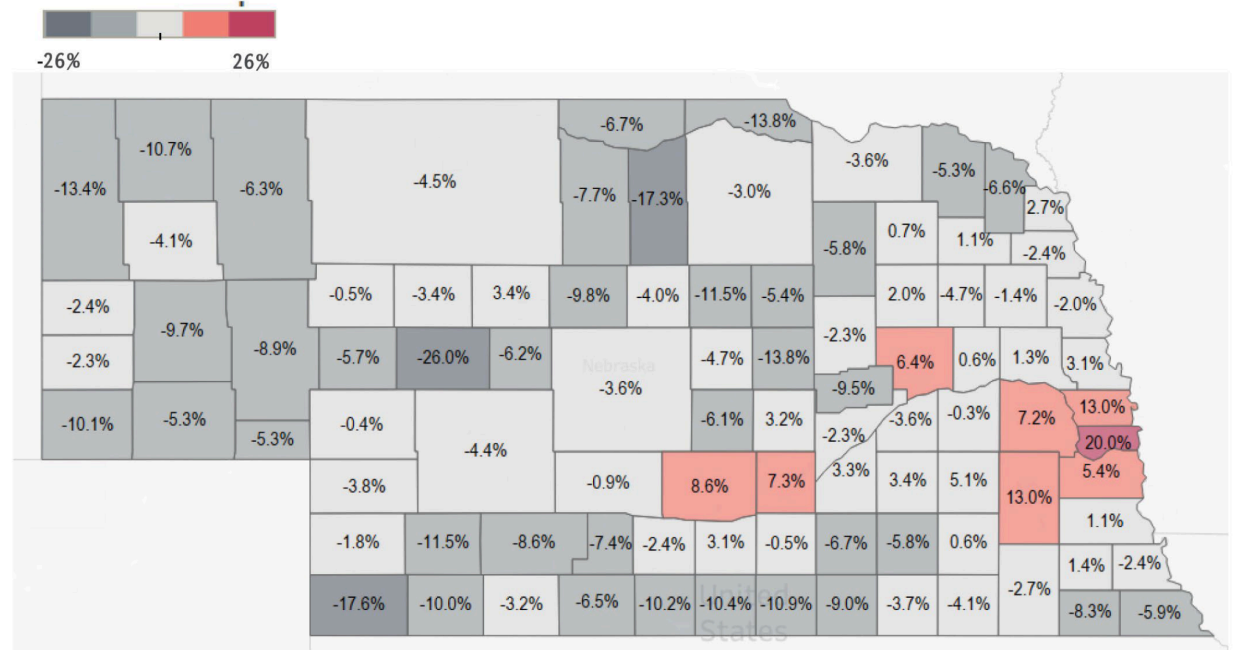
Median county population is 6,088.



Since 2010, Nebraska's population has increased 7.4% but 69 counties have lost population.

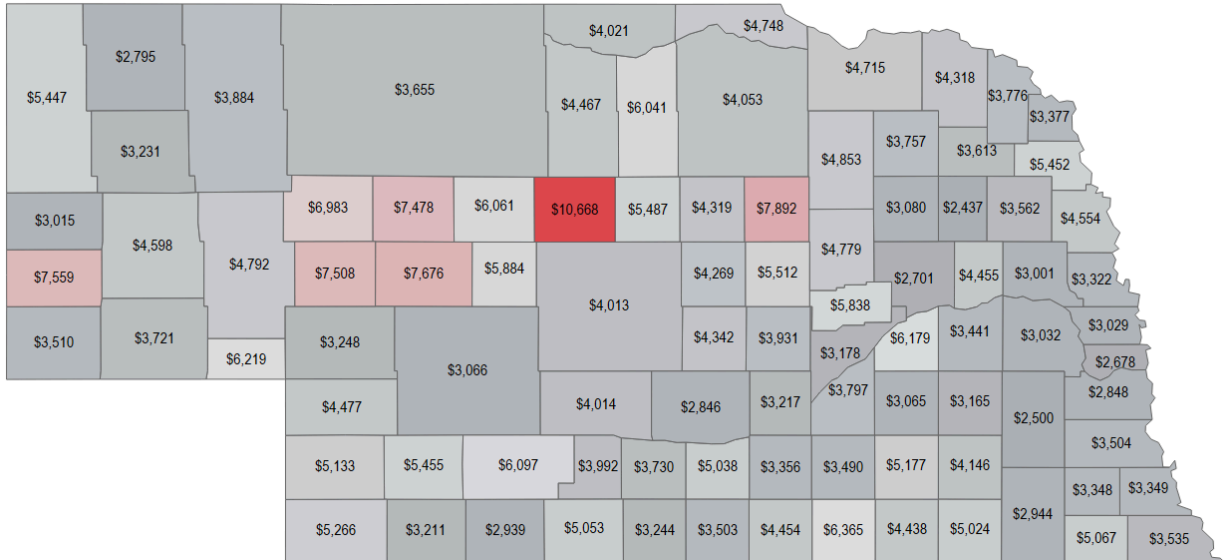
Percent change in population 2010 - 2020

2020 total population = 1,961,504

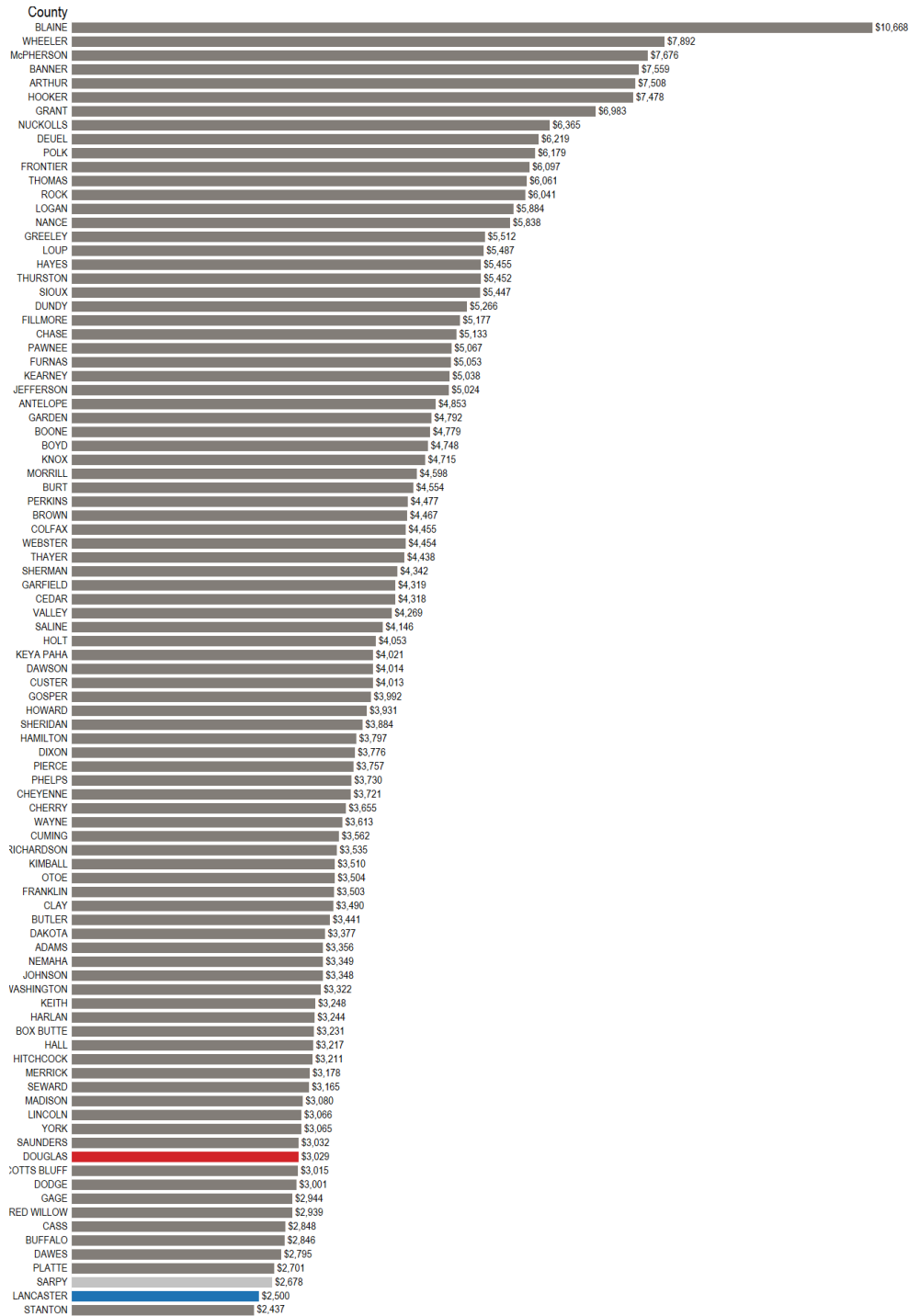


Total revenue (property tax + state aid) / total population or revenue per capita by county, fiscal year 2022.

Median revenue per capita is \$4,013.



Total revenue (property tax + state aid) per capita by county, fiscal year 2022 *color has been added to identify Douglas, Lancaster and Sarpy Counties in the list



The analysis of revenues, specifically property tax and state aid to local subdivisions, by county per capita, revealed that many smaller-population counties spend more per person than more populous counties. For example, Grant County's revenue per capita is \$6,983, which is \$4,305 more per person than Sarpy County's \$2,678. Larger counties, such as Lancaster and Sarpy, have some of the lowest per capita spending in the state, despite having some of the highest total revenue collections.

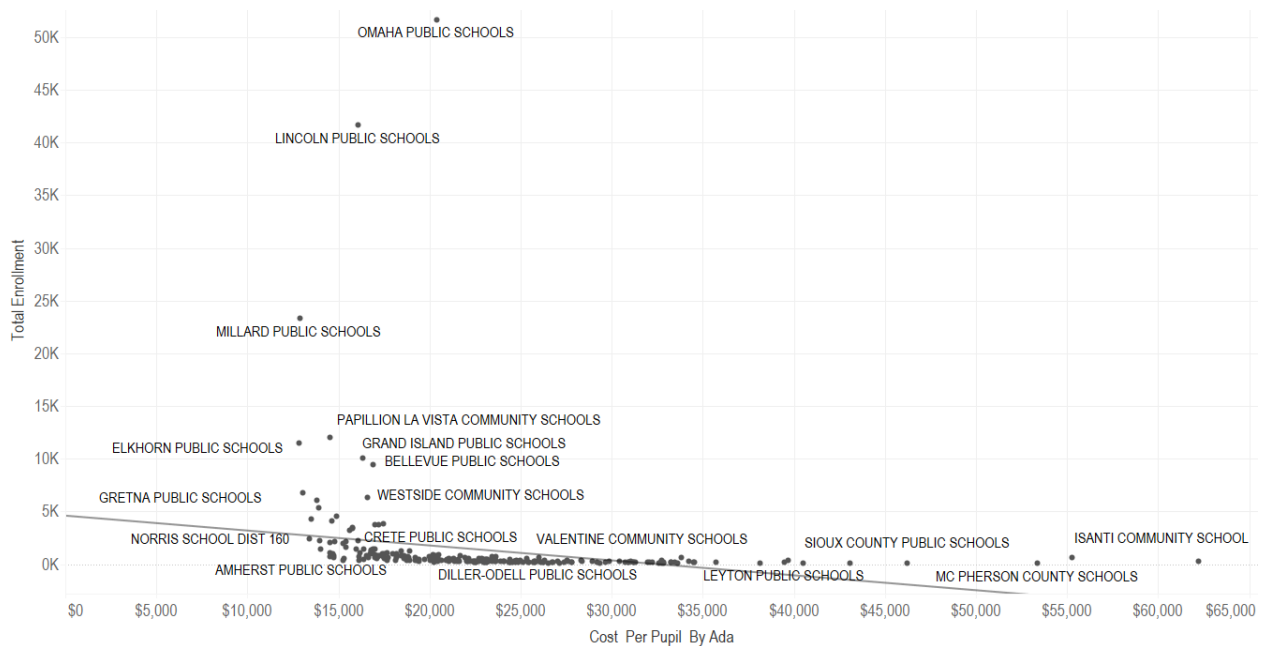
Committee Members discussed reasons why smaller counties might have higher per-person costs, including challenges with economies of scale, and scope, as well as the need to maintain service levels despite declining populations. This analysis also raised new questions about trends in revenue over time, including school district spending, and other sources of revenue in counties such as sales tax.

School District Spending by Student

In September, the analysis of revenue per capita was extended to public school districts in Nebraska. Per pupil funding was analyzed for Nebraska's 244 school districts.

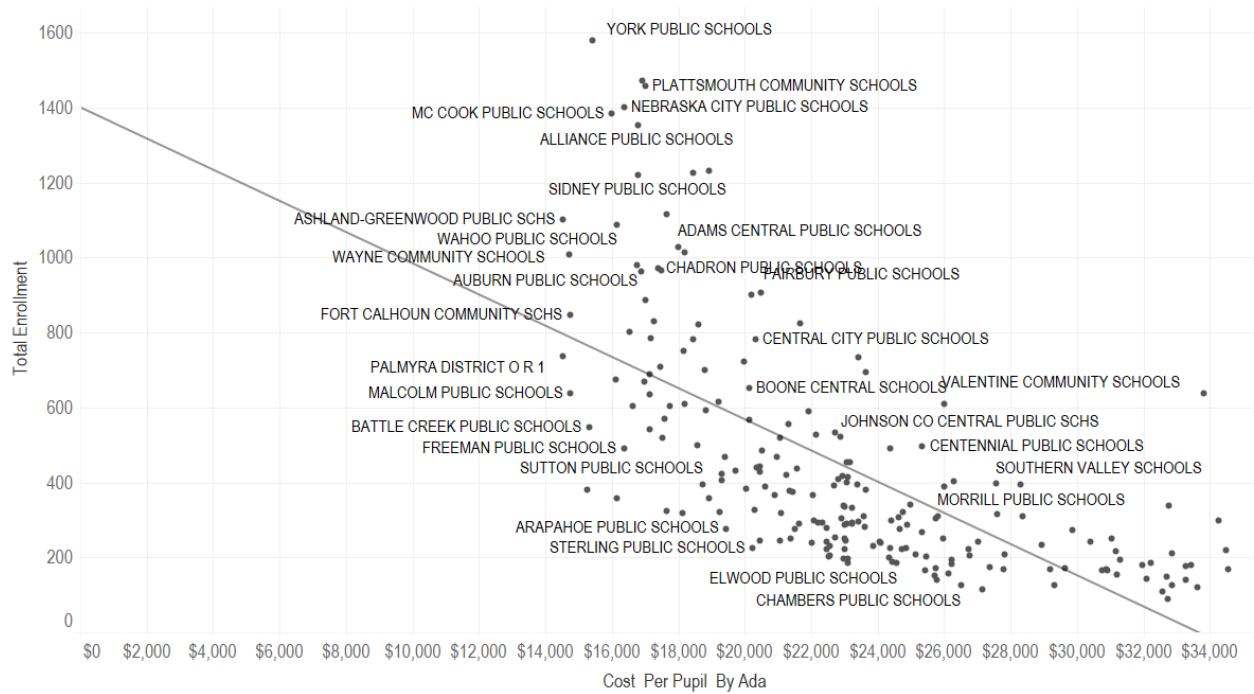
A similar pattern to revenue per capita by county was identified. Smaller school districts, like smaller counties, spend more per student than larger school districts. This finding is not specific to Nebraska and was identified in other states as well, using data from the United States Census Bureau. The next few images show this pattern in cost per pupil (pupil count is based on average daily attendance) provided by Nebraska for school districts.³ Different portions of the first graph are shown for additional detail.

Per Pupil Funding FY 2022: All Nebraska districts



³ Using data from the Nebraska Department of Education for Fiscal Year 2022 (See: (Source: https://www.education.ne.gov/wp-content/uploads/2023/02/2122AFR_PPC.pdf).

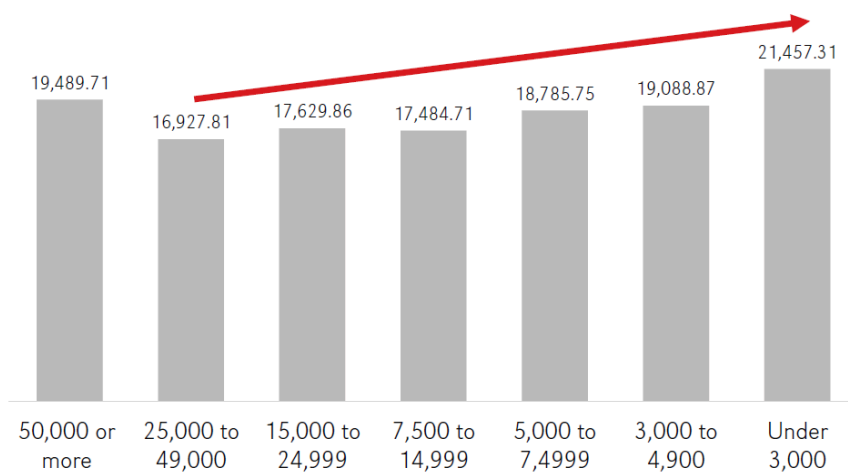
Per Pupil Funding FY2022 for Districts Spending \$14,000 to \$35,000



As mentioned, the pattern in Nebraska, of smaller school districts, on average, spending more per student is also identified in other states. The next graph, compiled by the U.S. Census Bureau using their school finance data, is the average per pupil spending by school district size for all states. Outside of the largest size school districts (50,000 students plus), as size decreases cost per student increases.

Average per pupil spending (all states) fiscal Year 2022 by Enrollment Groups

The findings for Nebraska are true in other states



The analysis clearly shows that smaller school districts spend more per student than larger districts. The discussion about school districts paralleled the July conversation on county revenue variation. Senators acknowledged the reasons why smaller districts might incur higher per-student costs.

State Revenues and Expenditures Over Time

The September presentation continued with an emphasis on historical trends in the revenue and expenditure data.

To allow for comparisons over time a set of metrics was identified, and this data is adjusted for the Consumer Price Index (CPI). The set of metrics include: (1) statewide revenue, (2) statewide appropriations, (3) property tax valuations, (4) property taxes levied over time, and (5) median household income of Nebraskans. The last metric allows us to compare how governments' revenue have changed over time in contrast to Nebraskans incomes. Revenue and expenditure data was provided via the Department of Revenue. Income data comes from the United States Census Bureau.

The Consumer Price Index (CPI) measures the average price change over time for common household goods and services, tracking inflation. CPI adjustments help compare costs over time by accounting for changes in purchasing power.

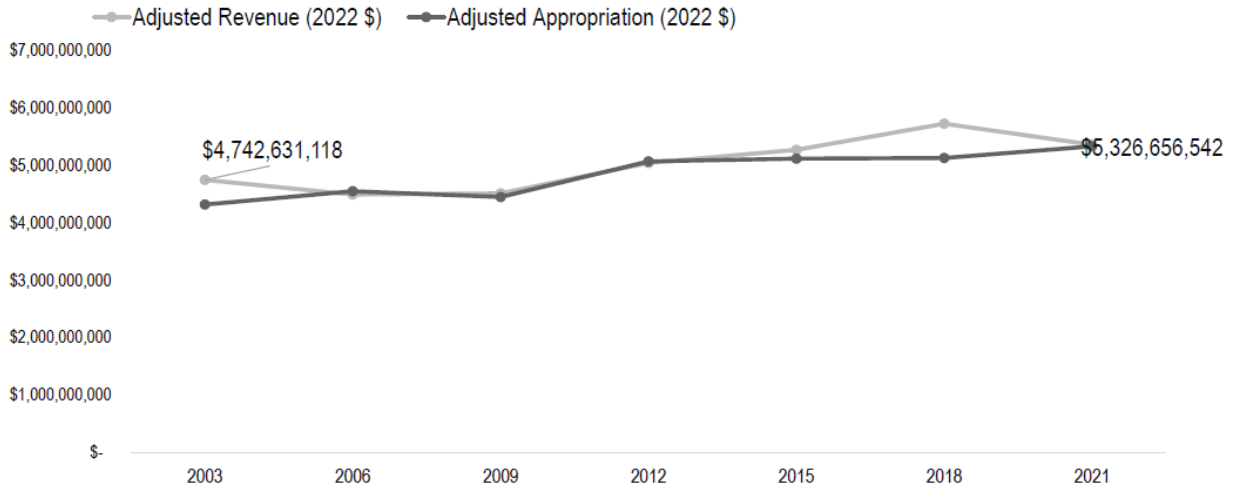
The formula for adjusting a value to account for inflation using the Consumer Price Index (CPI) is:

$$\text{Adjusted Value} = \text{Original Value} \times \left(\frac{\text{CPI in Target Year}}{\text{CPI in Base Year}} \right)$$

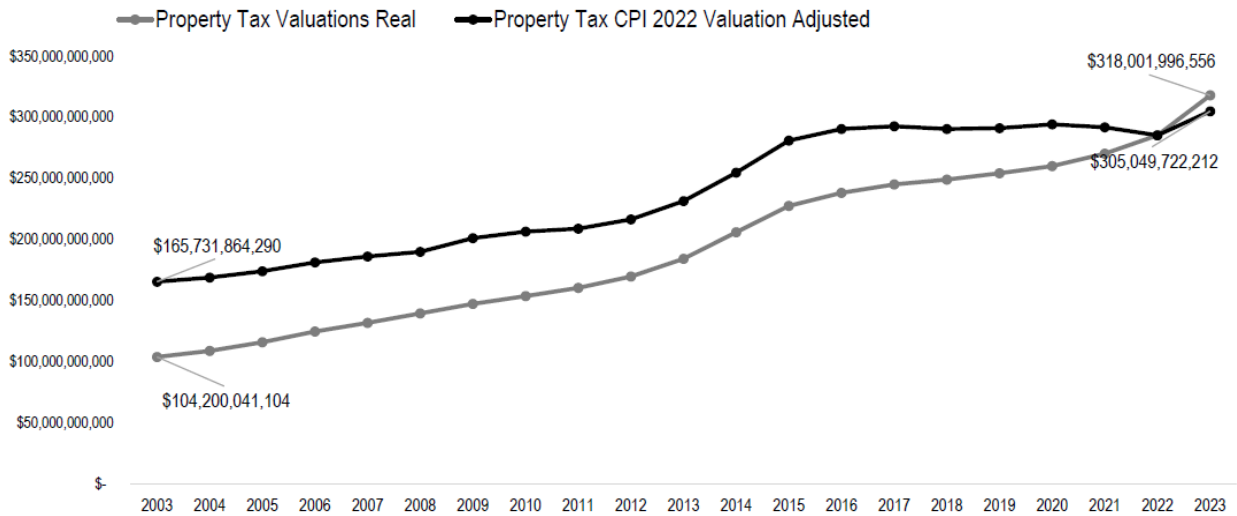
- Original Value is the amount you want to adjust.
- CPI in Target Year is the Consumer Price Index for the year you want to adjust to.
- CPI in Base Year is the Consumer Price Index for the original year of the value.

For consistency across analyses, we adjusted all values to the year 2022. When we report a change in CPI-adjusted values, it reflects actual growth because all values are based on the purchasing power of the same year.

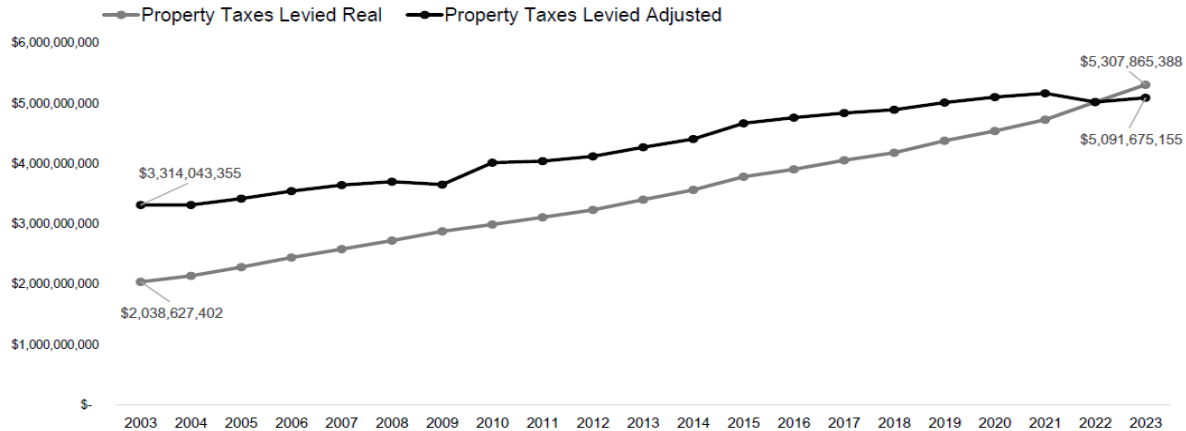
The revenue of Nebraska’s general fund grew by 31% from 2003 to 2024, and appropriations grew by 28%, both in adjusted dollars (2022 CPI).



Property tax valuations increased by 205% in real dollars from 2003 to 2023, or by 84% in adjusted dollars (2022 CPI).



Property taxes levied increased 160% in real dollars from 2003 to 2023, or by 54% in adjusted dollars (2022 CPI).⁴

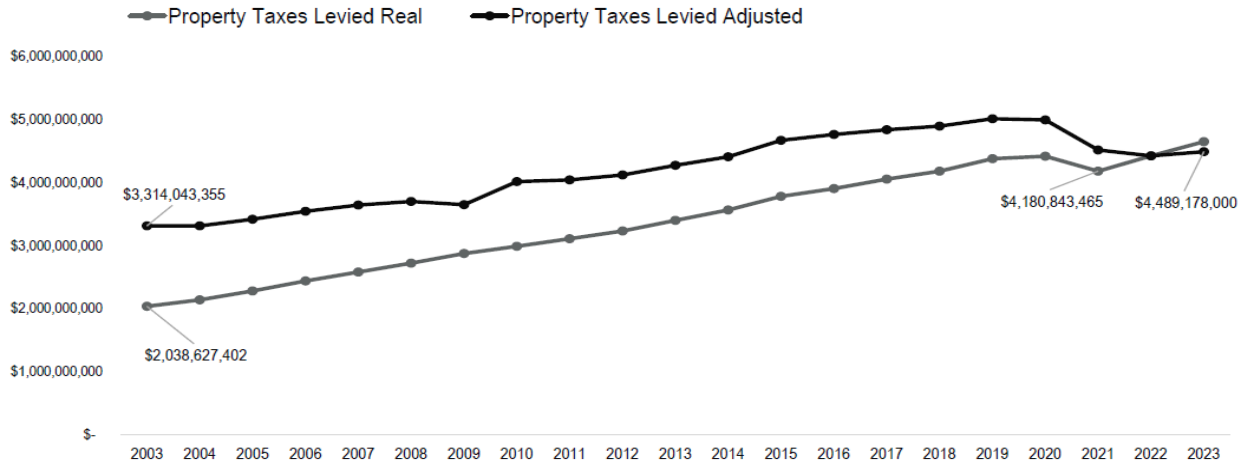


In 2020, LB 1107 property tax credits began. The following list provides the total amount of credits.

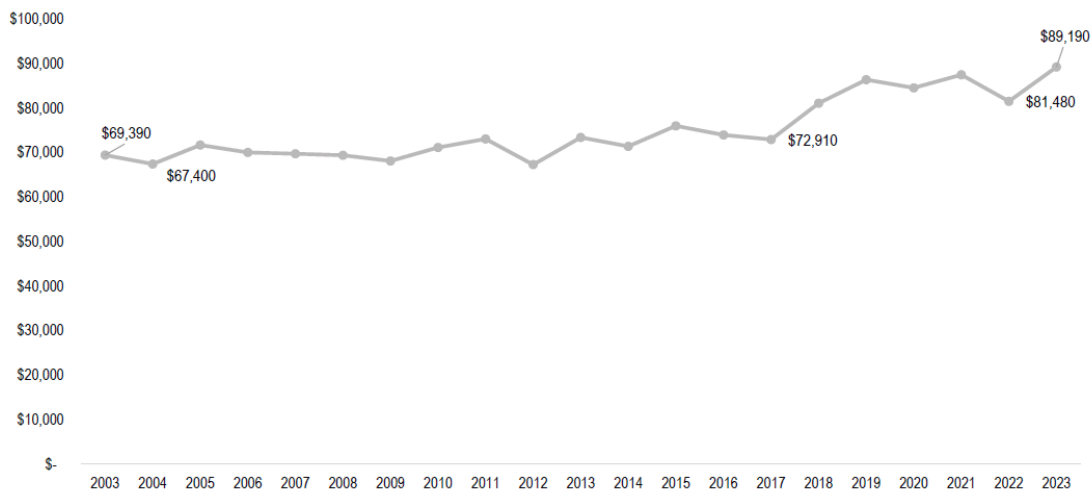
- 2020 \$125 million school tax
- 2021 \$548 million school tax
- 2022 \$548 million school tax, \$50 million community college tax
- 2023 \$560 million school tax, \$100 million community college tax
- 2024 100% of community college tax

As mentioned, in reports available on the Nebraska Department of Revenue website did not account for credits. Accounting for credits (using the numbers listed above provided by the Nebraska Department of Revenue), property taxes levied increased by 128% in real dollars or by 35% in adjusted dollars (2022 CPI).

⁴ * However, this initial data from the Nebraska Department of Revenue **did not** account for LB1107 which provides credits for property taxes. The next graph accounts for LB 1107.



Finally, to compare how a household's income has changed to the budget revenue of the Nebraska government, we analyze median household income over the same time period. Median household income in adjusted dollars (2022 CPI), grew by 29% from 2003 to 2023.

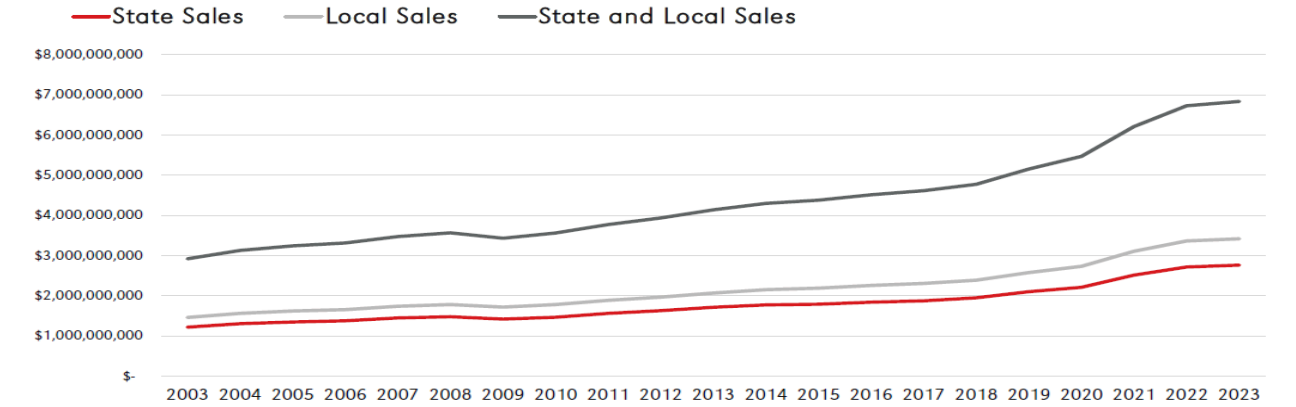


To summarize, after adjusting for the 2022 CPI, we observed real increases across all metrics:

- General fund revenue grew by 31% from 2003 to 2023/2024.
- General fund appropriations rose by 28% over the same period.
- Property tax valuations increased by 84% from 2003 to 2023.
- Total property taxes levied, adjusted for credits, grew by 35% from 2003 to 2022.

For context, median income in Nebraska, also adjusted to the 2022 CPI, grew by 29% from 2003 to 2023. Later we added data on sales tax over time.

We also added some analysis of sales tax over the same time period. The total amount collected in state and local sales tax not adjusted (shown), grew by 57% from 2003 to 2023. Adjusted for 2022 CPI state and local sales tax have grown 15%.



The analysis shows that property tax valuations and tax levies in the state have increased, along with the general fund. While median income for Nebraskans has also risen, property taxes and appropriations have grown slightly more than the median household income over the same period, all adjusted for 2022 CPI.

Senators considered what an appropriate rate of increase should be in the metrics they have control over. To help evaluate this, they inquired about how the state's expenditures/appropriations have changed over the same period.

2003: General Fund Overview

To conduct an analysis of change over time of state expenditures, we examine just the general fund budget in two time periods, 2003 and 2023 corresponding to the time beginning and end point of the previous analysis. Data for the general fund budget was garnered from the state legislature's website.⁵

2003

General Fund Overview

Table 12 contains a summary of the Appropriations Enacted General Fund budget for the FY2003-04 and FY2004-05 biennium. Subsequent sections of this report contain a more detailed explanation of the various increases and reductions which are included in the totals shown below. The average spending growth for the two years of the biennium is 2.5%.

Table 12 General Fund Budget

	w/o Deficits FY2002-03	Per 2003 Session		Change over Prior Yr (without deficits)				Two Yr Average
		FY2003-04	FY2004-05	FY2003-04 \$	FY2003-04 %	FY2004-05 \$	FY2004-05 %	
<u>AGENCY OPERATIONS</u>								
University/Colleges	448,707,592	427,535,958	437,816,604	(21,171,634)	-4.7%	10,280,646	2.4%	-1.2%
Health/Human Services System	189,807,430	195,115,592	200,302,176	5,308,162	2.8%	5,186,584	2.7%	2.7%
Correctional Services	117,101,371	130,914,594	130,287,791	13,813,223	11.8%	(626,803)	-0.5%	5.5%
Courts	54,389,576	54,950,666	55,748,194	561,090	1.0%	797,528	1.5%	1.2%
State Patrol	39,266,782	39,648,855	41,259,860	382,073	1.0%	1,611,005	4.1%	2.5%
Revenue	20,403,047	20,500,608	21,050,960	187,651	0.9%	460,262	2.3%	1.6%
Other 46 Agencies	134,052,946	130,898,898	133,085,678	(3,154,048)	-2.4%	2,186,780	1.7%	-0.4%
Total-GF Operations	1,003,728,744	999,655,261	1,019,560,263	(4,073,483)	-0.4%	19,905,002	2.0%	0.8%
<u>STATE AID TO INDIVIDUALS</u>								
Medicaid	400,248,752	416,751,984	476,790,382	16,503,232	4.1%	60,008,398	14.4%	9.1%
Public Assistance	137,176,998	178,283,984	200,321,799	41,106,986	30.0%	22,037,815	12.4%	20.8%
Developmental disabilities	54,519,634	56,264,621	58,032,370	1,744,987	3.2%	1,767,749	3.1%	3.2%
Behavioral Health aid	31,756,515	31,405,597	30,919,130	(350,918)	-1.1%	(486,467)	-1.5%	-1.3%
Higher Ed Student Aid programs	5,874,210	5,795,794	5,802,794	(78,416)	-1.3%	7,000	0.1%	-0.6%
Aging Programs	5,696,975	5,696,975	5,696,975	0	0.0%	0	0.0%	0.0%
Water Conservation Fund	2,715,610	2,715,610	2,715,610	0	0.0%	0	0.0%	0.0%
Public Health Aid	2,911,792	2,911,792	2,911,792	0	0.0%	0	0.0%	0.0%
All Other Aid to Individuals/Other	6,711,308	5,607,948	7,695,735	(1,103,360)	-16.4%	2,087,787	37.2%	7.1%
Total-GF Aid to Individuals/Other	647,611,794	705,434,305	790,856,587	57,822,511	8.9%	85,422,282	12.1%	10.5%
<u>STATE AID TO LOCAL GOVT</u>								
State Aid to Schools (TEEOSA)	647,477,820	625,915,582	607,697,160	(21,562,238)	-3.3%	(18,218,422)	-2.9%	-3.1%
Special Education	146,164,827	153,473,068	161,146,721	7,308,241	5.0%	7,673,553	5.0%	5.0%
Aid to Community Colleges	65,158,738	62,376,556	63,203,664	(2,782,182)	-4.3%	827,108	1.3%	-1.5%
Homesleat Exemption	37,880,000	43,000,000	45,200,000	5,120,000	13.5%	2,200,000	5.1%	9.2%
Aid to Cities	13,148,625	11,313,762	11,313,762	(1,834,863)	-14.0%	0	0.0%	-7.2%
Aid to ESU's	12,347,996	10,618,003	10,618,003	(1,729,993)	-14.0%	0	0.0%	-7.3%
Aid to Counties	5,545,356	4,990,820	4,990,820	(554,536)	-10.0%	0	0.0%	-5.1%
County jail cost reimbursement	3,910,000	3,519,000	3,519,000	(391,000)	-10.0%	0	0.0%	NA
County Property Tax Relief	4,505,374	0	0	(4,505,374)	-100.0%	0	na	-100.0%
Other Aid to Local Govt	15,772,708	14,478,220	14,478,220	(1,294,488)	-8.2%	0	0.0%	-4.2%
Total-GF Aid to Local Govt	951,911,444	929,685,011	922,167,350	(22,226,433)	-2.3%	(7,517,661)	-0.8%	-1.6%
<u>CAPITAL CONSTRUCTION</u>								
	18,044,257	20,515,031	19,046,316	2,470,774	13.7%	(1,468,715)	-7.2%	2.7%
TOTAL GENERAL FUNDS	2,621,296,239	2,655,289,608	2,751,630,516	33,993,369	1.3%	96,340,908	3.6%	2.5%

⁵ (See: https://nebraskalegislature.gov/pdf/reports/fiscal/2003budget_0910.pdf)

2023: General Fund Budget as Enacted in the 2024 Session⁶

Table 14 General Fund Budget as Enacted in the 2024 Session

	W/o deficits FY2022-23	Per 2024 Session		Change vs Prior Yr FY23-24 (w/o deficits)		Change vs Prior Yr FY24-25 (w/o deficits)		2 Yr Avg % Change
		Adj Total FY2023-24	Adj Total FY2024-25	\$	%	\$	%	
Agency Operations								
University & State Colleges	704,132,488	724,181,629	759,253,617	20,049,141	2.8%	35,071,988	4.8%	3.8%
Health & Human Services	291,885,024	353,435,016	355,679,902	61,549,992	21.1%	2,244,886	3.8%	10.4%
Correctional Services	289,961,758	341,607,765	362,905,164	51,646,007	17.8%	21,297,399	3.1%	11.9%
Courts	204,357,073	219,318,106	232,815,953	14,961,033	7.3%	13,497,847	6.0%	6.7%
State Patrol	70,282,670	82,953,661	90,739,673	12,670,991	18.0%	7,786,012	5.0%	13.6%
Retirement Board	57,826,161	60,972,169	66,700,303	3,146,008	5.4%	5,728,134	3.6%	7.4%
Revenue	30,222,159	31,044,458	35,914,869	822,299	2.7%	4,870,411	2.2%	9.0%
Other Agencies	224,524,827	251,543,223	260,942,035	27,018,396	12.0%	9,398,812	4.9%	7.8%
Total-GF Operations	1,873,192,160	2,065,056,027	2,164,951,516	191,863,867	10.2%	99,895,489	4.4%	7.5%
State Aid to Individuals/Others								
Opportunity Scholarships	0	0	9,250,000	0	--	9,250,000	--	na
Workforce Development	0	0	0	0	--	0	--	na
Medicaid	991,653,018	1,007,479,783	1,012,640,639	15,826,765	1.6%	5,160,856	0.5%	1.1%
Child Welfare Aid	179,864,054	202,837,350	182,756,746	22,973,296	12.8%	(20,080,604)	-9.9%	0.8%
Developmental disabilities aid	174,638,509	185,955,731	197,567,183	11,317,222	6.5%	11,611,452	6.2%	6.4%
Public Assistance	89,156,005	66,130,054	76,380,054	(23,025,951)	-25.8%	10,250,000	15.5%	-7.4%
Behavioral Health aid	74,311,162	69,505,211	70,132,211	(4,805,951)	-6.5%	627,000	0.9%	-2.9%
Childrens Health Insurance (SCHIP)	26,433,262	26,384,947	26,246,298	(48,315)	-0.2%	(138,649)	-0.5%	-0.4%
Nebr Broadband Bridge Act	19,795,788	19,795,788	19,795,788	0	0.0%	0	0.0%	0.0%
Business Innovation Act	19,251,162	19,234,402	19,234,402	(16,760)	-0.1%	0	0.0%	0.0%
Aging Programs	11,722,579	11,722,579	11,722,579	0	0.0%	0	0.0%	0.0%
Public Health Aid	11,314,060	11,314,060	11,314,060	0	0.0%	0	0.0%	0.0%
Nebraska Career Scholarships	14,050,000	19,107,500	20,240,000	5,057,500	36.0%	1,132,500	5.9%	20.0%
Higher Ed Student Aid programs	9,093,430	9,593,430	9,593,430	500,000	5.5%	0	0.0%	2.7%
Health Aid	6,877,196	6,877,196	7,352,196	0	0.0%	475,000	6.9%	3.4%
Nebraska Rural Projects Act	4,896,460	4,896,460	4,896,460	0	0.0%	0	0.0%	0.0%
All Other Aid to Individuals/Other	33,937,821	35,178,130	33,416,531	1,240,309	3.7%	(1,761,599)	-5.0%	-0.8%
Total-GF Aid to Individuals/Other	1,666,849,756	1,696,012,621	1,712,538,577	29,162,865	1.7%	16,525,956	1.0%	1.4%
State Aid to Local Govts								
State Aid to Schools (TEEOA)	1,038,686,234	1,028,056,655	1,010,135,323	(10,629,579)	-1.0%	(17,921,332)	-1.7%	-1.4%
Property Tax Credit	313 mil (transfer)	363 mil (transfer)	398 mil (transfer)	--	--	--	--	--
Community College Future Fund	0	0	254 mil (transfer)	--	--	--	--	--
Special Education - General Fund	235,724,474	235,724,474	235,724,474	0	0.0%	0	0.0%	0.0%
Special Education - Ed Future Fund	0	227 mil (transfer)	206 mil (transfer)	--	--	--	--	--
Aid to Community Colleges	109,804,330	111,939,172	114,116,711	2,134,842	1.9%	2,177,539	1.9%	1.9%
Homestead Exemption	121,300,000	142,700,000	149,000,000	21,400,000	17.6%	6,300,000	4.4%	10.8%
Aid to ESU's	13,613,976	13,613,976	13,613,976	0	0.0%	0	0.0%	0.0%
Aid to Counties programs	2,000,000	0	0	(2,000,000)	-100.0%	0	--	-100.0%
High ability learner programs	2,342,962	2,342,962	2,342,962	0	0.0%	0	0.0%	0.0%
Early Childhood programs	11,119,357	11,119,357	11,119,357	0	0.0%	0	0.0%	0.0%
Community Based Juvenile Services	5,798,000	5,798,000	5,798,000	0	0.0%	0	0.0%	0.0%
Governors Emergency Program	5,000,000	5,000,000	5,000,000	0	0.0%	0	0.0%	0.0%
Other Aid to Local Govt	16,319,394	15,976,531	9,319,394	(342,863)	-2.1%	(6,657,137)	-41.7%	-24.4%
Total-GF Aid to Local Govt	1,561,708,727	1,572,271,127	1,556,170,197	10,562,400	0.7%	(16,100,930)	-1.0%	-0.2%
Capital Construction								
	23,921,610	21,303,928	21,303,928	(2,617,682)	-10.9%	0	0.0%	-5.6%
TOTAL-MAINLINE BUDGET	5,125,672,253	5,354,643,703	5,454,964,218	228,971,450	4.5%	100,320,515	1.9%	3.2%

Between the two years there are differences in how elements of the state budget are reported that make some more detailed analysis different. However, both general fund budgets largely identify the following major categories that allow for comparison, agency operations, aid to individuals, aid to local government, capital construction, and the total of the general fund.

⁶ (See: https://nebraskalegislature.gov/pdf/reports/fiscal/2003budget_0910.pdf)

Comparison of the 2003 and 2023 budgets

	Fiscal Year 2002/2003 Actual	Fiscal Year 2022/2023 Actual	Percent Change Actual	Fiscal Year 2002/2003 Adjusted to 2022 CPI	Fiscal Year 2022/2023 Adjusted to 2022 CPI	Percent Change Adjusted
Total General Fund Agency Operations	\$1,003,728,744 38% of total budget	\$1,873,192,160 37% of total budget	87%	\$1,505,593,116	\$1,835,728,317	22%
Total General Fund Aid to Individuals	\$647,611,794 25% of total budget	\$1,666,849,756 33% of total budget	157%	\$971,417,691	\$1,633,512,761	68%
Total General Fund Aid to Local Government	\$951,911,444 36% of total budget	\$1,561,708,727 30% of total budget	64%	\$1,427,867,166	\$1,530,474,552	7%
Capital Construction	\$18,044,257 .7% of total budget	\$23,921,610 .5% of total budget	33%	\$27,066,386	\$23,443,178	-13%
Total Mainline Budget	\$2,621,296,239	\$5,125,672,253	96%	\$3,931,944,359	\$5,023,158,808	28%

All categories of the budgets saw an increase in expenditure from 2003 to 2023. The total general fund budget, unadjusted for CPI grew by 96%. However, when adjusted to 2022 CPI, these increases align closely with overall revenue growth observed in prior analyses. For example, the overall budget increased by 28% adjusted by the 2022 CPI. State aid to local governments has risen by just 7%; however, local government revenue largely relies on property taxes, which have seen a larger increase over the same period as noted in the previous analysis (35%). Adjusted capital construction spending has decreased over time. One category, however, increased by 68%, aid to individuals, so this category was explored in more detail.

Aid to Individuals

As noted, line items have changed in the budget over time. New legislation has created new spending, and how spending is reported has changed over time to be more detailed. To try to make an accurate comparison over time the budgets were examined in detail to prepare the following table (not just the summary tables provided in the budgets). The numbers reported are directly from the budget, but how they are reported here they may differ slightly to be able to make the over time comparisons.

Aid to Individuals/Others	Fiscal Year 02/03 Actual	Percent of Total	Fiscal Year 22/23 Actual	Percent of Total
Medicaid	\$400,248,752	61.8%	\$991,653,018	59.5%
Child Welfare Aid		9.0%	\$58,059,267	10.8%
			*Reported as part of public assistance	
Developmental Disabilities Aid	\$54,519,634	8.4%	\$174,638,509	10.5%
Public Assistance	\$137,176,998*	21.2%	\$89,156,005	5.3%
Behavioral Health Aid	\$31,756,515	4.9%	\$74,311,162	4.5%
All Other Aid to Individuals/Other	\$6,711,308	1.0%	\$33,937,821	2.0%
Children's Health Insurance (SCHIP)		\$25,456* were using Heath Care Cash Fund	\$26,433,262	1.6%
Nebraska Broadband Bridge Act	NA		\$19,795,788	1.2%
Business Innovation Act	NA		\$19,241,162	1.2%
Nebraska Career Scholarships	NA		\$14,050,000	0.8%
Aging Programs	\$5,696,975	0.9%	\$11,722,579	0.7%
Public Health Aid	\$2,911,792	0.4%	\$11,314,060	0.7%
Higher Ed Student Aid programs	\$5,874,210	0.9%	\$9,093,430	0.5%
Health Aid	\$2,911,792	0.4%	\$6,877,196	0.4%
Nebraska Rural Projects Act	NA		\$4,896,464	0.3%
Water Conservation Fund	\$2,715,610	0.4%	\$1,806,112*reported in other	0.1%
Opportunity Scholarships	NA		\$0	
Workforce Development	NA		\$0	
TOTAL	\$647,611,794		\$1,666,849,756	

One source of the increased spending in the aid to individuals category derives from new programs including: the Broadband Bridge Act, Business Innovation Act, Nebraska Careers Scholarships and the Nebraska Rural Projects Act, all of which did not exist in 2003. We can also expect this category to continue to grow as spending is added for programs like Workforce Development which has been legislated, but appropriations have not yet been set. Another source of increase was spending on several health programs, including Medicaid, which grew to \$174.6 million. We should expect healthcare related expenses to continue to increase.

As noted, the adjusted change in the overall budget for agency operations was just about 22%. We examined some of the notable changes in agency operations in detail.

Agency Operations	FY 02/03	Percent of Budget	FY 22/23	Percent of Budget
University/Colleges	\$448,707,592	44.7%	\$704,132,488	37.6%
Health/Human Services System	\$189,807,430	18.9%	\$291,885,024	15.6%
Correctional Services	\$117,101,371	11.7%	\$289,961,758	15.5%
Courts	\$54,389,576	5.4%	\$204,357,073	10.9%
State Patrol	\$39,266,782	3.9%	\$70,282,670	3.8%
Retirement Board	\$15,389,214* reported in Other Agencies	1.5%	\$57,826,161	3.1%
Revenue	\$20,403,047	2.0%	\$30,222,159	1.6%
Other Agencies	\$134,052,946	13.4%	\$224,524,827	12.0%
Total General Fund Operations	\$1,003,728,744		\$1,873,192,160	

The agencies included in the budget in 2003 remain consistent in 2023, with their share of the overall budget remaining relatively stable. However, allocations for correctional services and courts have increased, while funding for universities and health and human services has declined as a percentage of the total budget.

Overall, summarizing several analyses of expenditure over time, the budget has grown in line with revenue. While the functions of the state general fund budget have remained consistent, there have been some notable shifts in funding levels within these areas.

Rainy Day Fund

Another expenditure category of interest to the committee is the cash reserve fund/rainy day fund. Nebraska's rainy day fund level is at the second highest since 2016, despite a recent drawdown of funds. This is also higher than the 50- state median, and the regional median for states bordering Nebraska. Senators all agreed that maintaining current limits on the rainy day fund is appropriate.

Nebraska Revised Statute 77-4602 governs actual General Fund net receipts and the process by which the State Treasurer shall transfer funds and originated by the passage of LB38 in 1993. If the actual General Fund net receipts exceeded the estimated General Fund net receipts, the State Treasurer was to transfer the excess amount into the Cash Reserve. LB38 stated this would happen every three-month period. LB1290 (1996) changed the timeline to be every fiscal year. This section remained unchanged until 2019.

In 2019, Senator John Stinner introduced and passed LB638. As laid out in LB638, when actual General Fund net receipts exceeded the estimated General Fund net receipts, the State Treasurer would transfer such excess amount into the Cash Reserve such that it would not exceed sixteen percent of the total budgeted General Fund expenditures. Should the Legislature wish to budget greater than sixteen percent of the total budgeted General Fund expenditures into the Cash Reserve, they could do so. It was not until the First Special Session of the 108th Legislature in which there was another change.

LB34 (2024, First Special Session) struck the provisions relating to transfers into the Cash Reserve when actual General Fund net receipts exceeded estimated General Fund net receipts. Prior to LB34, the transfer amount was based on meeting a percentage threshold of the total budgeted General Fund expenditures. With the passage of LB34, transfers into the Cash Reserve are based on a certain percentage threshold of actual General Fund net receipts over estimated General Fund net receipts. Section 3 of 77-4602 now reads:

(3)(a) Within fifteen days after the end of each fiscal year, the Tax Commissioner shall determine actual General Fund net receipts for the most recently completed fiscal year minus estimated General Fund net receipts for such fiscal year as certified pursuant to sections 77-4601 and 77-4603.

(b) If actual General Fund net receipts for the most recently completed fiscal year exceed estimated General Fund net receipts for such fiscal year, the Tax Commissioner shall certify the excess amount to the State Treasurer. The State Treasurer shall transfer the excess amount to the Cash Reserve Fund, except as otherwise provided in subdivision (3)(c) of this section.

(c) If actual General Fund net receipts for the most recently completed fiscal year exceed one hundred three percent of actual General Fund net receipts for the previous fiscal year, the transfer described in subdivision (3)(b) of this section shall be modified as follows:

(i) The amount transferred to the Cash Reserve Fund shall be reduced by the excess amount calculated under subdivision (3)(c) of this section; and

(ii) Such excess amount shall be transferred to the School District Property Tax Relief Credit Fund.

Said another way, the transfers to the Cash Reserve are no longer based on total budgeted General Fund expenditures. Rather, the transfers occur when the actual General Fund net receipts exceed estimated General Fund net receipts by more than 100% but less than 103%.

Figure 1: Days of Cash, Rainy Day Funds, 2000 to 2024

