



Tax Rate Review Committee

November 2020

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 Jim Scheer
Senator Mike Hilgers
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 FY2021-22 and FY2022-23 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 FY2023-24 and FY2024-25 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 FY2020-21, FY2021-22 and FY2022-23, (3) revenue projections for the following biennium using the “historical average” methodology, and (4) an initial pre-session assessment of General Fund appropriations under current law using both agency requests and historical trends.

Projected Shortfall

The projected financial status shows an ending balance \$170.2 million ***below*** the minimum reserve for the upcoming FY21-22 / FY22-23 biennial budget. Although still below the minimum reserve, it’s a significant improvement to what had been shown when FY22/FY23 was the “out years” in the prior financial status.

Revenue Growth

Revenue growth (adjusted for rate and base changes) continues to be below average for the upcoming biennium. Revenue estimates for FY2020-21, FY2021-22, and FY2022-23 are the October 2020 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Revenue growth implied by these current forecasts is 1.4% in FY20-21 and 1.0% in FY21-22 but then start recovering in FY22-23 at 6.0%.

For the “following biennium”, revenue growth is calculated at 6.8% per year using the historical average methodology. The target growth is the historical average of 4.80% but adjusted down to 4.4% to exclude growth that is now negated by indexing of the income tax brackets and other components. Under this cyclical methodology, this above average growth offsets the low growth in FY21 and FY22 to get the five year average back to the historical average.

It should be noted that these calculated amounts for FY24 and FY25 are much higher than the unofficial estimates prepared by the Nebraska Dept. of Revenue (NDR) and Legislative Fiscal Office (LFO) using IHS Economics and Moody’s forecasting information. A cautionary note is that it’s unknown if the historical cyclical trend will prove applicable in the current COVID 19 pandemic environment.

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 (FY2021-22 and FY2022-23) reflect agency requests for the items shown while estimated increases for the following biennium

(FY23-24 and FY2024-25) are based on historical trends. No new or expanded programs in the agency requests are included. Note that in some instances *rationales for the FY22 and FY23 requests are incomplete as these requests are currently under analysis.*

Overall the projected budget results in a budget growth of 1.3% in FY2021-22 and 3.6% in FY2022-23, a 2.4% two year average. To some extent the low growth, especially in the first year, relates to deleting items in the FY20-21 budget that otherwise would have been FY19-20 deficits. The most significant is the \$55.2 million appropriated to the Governors Emergency Program related to the 2019 flooding.

The lower growth also reflects relatively modest growth in Medicaid and other DHHS aid programs which collectively average a 2.7% increase per year over the biennium. This includes increases due to a 2.5% provider rate increase partially offset by a significant savings due to a higher Medicaid match rate (FMAP) and elimination of the Health Insurance Provider Fee (HIPF) payment.

	Projected Increase to FY21 Base Year	FY2021-22	FY2022-23	Two Yr total	% of Total
1	TEEOSA Aid to Schools (General Funds only)	32,710,005	85,723,878	118,433,883	39.6%
2	Provider rates, DHHS aid programs	37,234,957	75,313,919	112,548,876	37.6%
3	Salaries & Health Insurance (University+Colleges)	23,297,367	47,229,785	70,527,152	23.6%
4	Salaries & Health Insurance (Agencies)	20,149,383	40,807,747	60,957,130	20.4%
5	Medicaid (other than FMAP, provider rates, expansion)	18,414,024	38,431,080	56,845,104	19.0%
6	Special Education	5,776,994	11,698,413	17,475,407	5.8%
7	Nebraska Career Scholarships	4,000,000	8,000,000	12,000,000	4.0%
8	Staffing, programs, equipment (Corrections)	3,189,341	7,859,103	11,048,444	3.7%
9	Community Colleges	3,589,542	7,304,718	10,894,260	3.6%
10	Developmental Disability aid (other than FMAP, provider r	4,794,035	6,031,616	10,825,651	3.6%
11	Operating inflation+DAS rates (State Agencies)	4,833,319	5,171,366	10,004,685	3.3%
12	Retirement, K-12 School / Judges / Patrol	2,860,068	4,560,068	7,420,136	2.5%
13	Homestead Exemption	617,000	5,702,850	6,319,850	2.1%
14	Governors Emergency Program	(55,240,974)	(55,240,974)	(110,481,948)	-36.9%
15	Federal Medicaid Match rate (FMAP, op & aid)	(24,749,867)	(29,536,986)	(54,286,853)	-18.1%
16	Health Insurance Provider Fee (HIPF)	(15,478,738)	(15,478,738)	(30,957,476)	-10.3%
17	Capital Construction	(6,732,905)	(10,342,446)	(17,075,351)	-5.7%
18	All Other	3,086,303	3,867,968	6,954,270	2.3%
19	Total	62,349,854	237,103,367	299,453,220	100.0%
20	Annual Percent Change	1.3%	3.6%	2.4%	

Cash Reserve Fund

In this financial status the unobligated ending balance in the Cash Reserve Fund (CRF) is projected at \$611.0 million. This is higher than the \$412.3 million estimate at the end of the 2020 session. With the revised forecasts in October 2020 the FY21 forecast was increased by \$285.4 million above the previous forecast which was also the certified forecast. Normally the amount above certified would all go to the CRF. However under the provisions of LB1107 the amount above certified less any allocated to the income tax credit for property taxes is transferred to the CRF. In this case the provisions of LB1107 result in a \$86.7 million increase in the credit. Therefore the CRF transfer is \$198.7 or the \$285.4 million above certified revenues less the \$86.7 million increase in the credit. A more detailed description of income tax credit under LB1107 can be found on page 11.

Please note that this increase in the CRF (and income tax credit) are based on the current forecast. Actual amounts will not be known until FY20-21 is completed

FY2020-21 Deficits

As of this point in time, requests for FY2020-21 supplemental General Funds (aka deficits) have not yet been totally submitted and the amount is not yet available. The original \$5 million allocation is retained in the financial status.

Nebraska Property Tax Incentive Act (LB 1107)

The Nebraska Property Tax Incentive Act was included as part of LB1107 enacted in August. The act provides a refundable income tax credit or credit against franchise tax for any taxpayer who pays school district taxes, which is property taxes levied by a school district or school system, excluding property taxes levied for bonded indebtedness and property taxes levied as a result of an override of limits on property tax levies approved by voters. When enacted, the credit amount was set at \$125 million for the first year (FY20-21) and then would increase over the next three years depending on whether General Fund revenues increased above a 3.5% rate. Based on the forecasts at the revenue increase were well below the 3.5% level and it was estimated that the credit amount would remain at the \$125 million level for both FY21-22 and FY22-23.

However, with the revised revenue forecasts at the October meeting of the Nebraska Economic Forecast Advisory Board (NEFAB) the 3.5% threshold increase became relevant for FY20-21. With the revised forecast the percent increase (not rate and base adjusted growth) in FY20-21 went from 1.2% to 7% which is well above the threshold and resulted in an increase of the credit from \$125 million to \$211.7 million in FY21-22. And under the bill, the subsequent year is the prior year level plus revenue increase above 3.5%, the credit stays at \$211.7 million in FY22-23 even though there is a decline in revenue.

Note also that the 7.0% increase in FY20-21 revenue compared to FY19-20 is only because \$280 million of income tax was shifted from FY20 to FY21. This caused a 10% swing in the percent increase as it reduced the prior year and added to the current year. Excluding this shift, the increase in revenue would have been -4.1% and the credit would have remained at \$125 million for both FY21-22 and FY22-23.

Projected General Fund Financial Status

November 5, 2020	Current Year FY2020-21	Upcoming Biennium		Following Biennium	
	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
1 BEGINNING BALANCE					
2 Beginning Cash Balance	710,599,887	575,350,241	158,695,489	121,025,225	210,380,552
3 Cash Reserve transfers-automatic	(10,655,528)	(198,738,000)	0	0	0
4 Carryover obligations from FY20	(341,227,220)	0	0	0	0
5 Lapse FY20 reappropriations	0	0	0	0	0
6 Allocation for potential deficits	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	358,717,139	371,612,241	153,695,489	116,025,225	205,380,552
8 REVENUES & TRANSFERS					
9 Net Receipts (NEFAB Oct 2020 + LFO prelim)	5,286,000,000	4,920,000,000	5,275,000,000	5,590,000,000	5,926,000,000
10 General Fund transfers-out	(310,600,000)	(286,800,000)	(286,800,000)	(283,500,000)	(283,500,000)
11 General Fund transfers-in in forecast		0	0	0	0
12 Cash Reserve transfers (current law)	30,000,000	0	0	0	0
13 2021 Cash Reserve transfers (new)	0	0	0	0	0
14 2021 Revenue Bills	0	0	0	0	0
15 General Fund Net Revenues	5,005,400,000	4,633,200,000	4,988,200,000	5,306,500,000	5,642,500,000
16 APPROPRIATIONS					
17 Expenditures / Appropriations (2020 Session)	4,783,766,898	4,783,766,898	4,783,766,898	4,783,766,898	4,783,766,898
18 2021 Mainline Budget Items	5,000,000	62,349,854	237,103,366	237,103,366	237,103,366
19 Projected budget increase, following biennium	0	0	0	191,274,408	380,432,152
20 2021 State Claims	0	0	0	0	0
21 2021 "A" Bills	0	0	0	0	0
22 General Fund Appropriations	4,788,766,898	4,846,116,752	5,020,870,264	5,212,144,673	5,401,302,417
23 ENDING BALANCE					
24 \$ Ending balance (per Financial Status)	575,350,241	158,695,489	121,025,225	210,380,552	446,578,135
25 \$ Ending balance (at Min. Reserve 3.0%)			291,204,240		322,427,919
26 Excess (shortfall) from Minimum Reserve			(170,179,015)		124,150,216
27 Biennial Reserve (%)			1.2%		4.2%
<u>General Fund Appropriations</u>					
28 Annual % Change - Appropriations (w/o deficits)	3.4%	1.3%	3.6%	3.8%	3.6%
29 Two Year Average	3.6%	--	2.4%	--	3.7%
<u>General Fund Revenues</u>					
30 Est. Revenue Growth (rate/base adjusted)	1.4%	1.0%	6.0%	6.8%	6.8%
31 Two Year Average	3.1%	--	3.5%	--	6.8%
32 Five Year Average	4.0%	--	4.4%	--	4.4%
33 Unadjusted % change over prior year	7.0%	-6.9%	7.2%	6.0%	6.0%
34 <u>On-Going Revenues vs Appropriations</u>	191,633,102	(212,916,752)	(32,670,265)	94,355,327	241,197,583
CASH RESERVE FUND					
	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
1 Beginning Balance	426,307,702	412,263,230	611,001,230	611,001,230	611,001,230
2 Excess of certified forecasts (line 3 in Status)	10,655,528	198,738,000	0	0	0
3 To/from Gen Fund per current law	(30,000,000)	0	0	0	0
4 To Nebr Capital Construction Fund (NCCF)	(54,700,000)	0	0	0	0
5 From Gov Emergency Fund (LB1009-2020)	60,000,000	0	0	0	0
6 Projected Unobligated Ending Balance	412,263,230	611,001,230	611,001,230	611,001,230	611,001,230

Chronology of Projected Financial Status

(millions of dollars)	FY20/FY21 Biennium	FY22/FY23 Biennium	FY24/FY25 Biennium
Variance from Minimum Reserve: Sine Die 2020 Session	0.9	(787.4)	na
1 Revenue Forecasts (October 2020)	285.4	710.5	--
2 Automatic transfer to CRF	0.0	(198.7)	--
3 Change in Minimum Reserve	(8.2)	(14.8)	--
Variance from Minimum Reserve: NEFAB Forecast 10/29/20	278.1	(290.5)	na
4 Revised estimate of FY22/FY23 projected budget (2 yr total)	0.0	120.3	--
5 Deficit requests vs \$5M allocation	0.0	0.0	--
6 Change in Minimum Reserve	0.0	0.0	--
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NOTES:

Item 1 Revised Revenue Forecasts:

Revised NEFAB forecast for FY20-21	\$285.4 million
Original NEFAB forecasts vs LFO Prelim for FY21-22	118.0 million
Original NEFAB forecasts vs LFO Prelim for FY22-23	307.0 million
Three Year Total	710.5 million

Item 4 Revised Estimated Spending versus Planning Numbers (millions of dollars)

Because this shows the impact on available funds, positive numbers mean lower appropriations and negative amounts mean increased appropriations.

<u>Item</u>	<u>FY21--22</u>	<u>FY22-23</u>	<u>Total</u>
Education - Revised TEEOSA estimates (Nov 2020 Joint Meeting)	(9.2)	4.2	(5.0)
Revenue - Homestead exemption	(2.0)	(4.2)	(6.2)
Retirement - defined benefit plans	(1.9)	(2.5)	(4.3)
DHHS - DD client increases (waiver, transition, etc..)	(3.6)	(3.6)	(7.1)
DHHS - Medicaid (eligibility, utilization, specific items)	(1.1)	(1.5)	(2.7)
DHHS - FMAP	24.7	29.5	54.3
DHHS - Medicaid (HIPF provider fee)	15.5	15.5	31.0
DHHS - Medicaid (expansion)	16.6	17.2	33.8
DHHS - Child Welfare (eligibility, utilization)	4.6	9.5	14.1
All - Health insurance (4%/year vs 6%/yr)	3.3	6.9	10.2
Revised estimate of budget increases, all other	(1.3)	3.5	2.2
Total	45.7	74.6	120.3

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 a month or several month period. The Cash Reserve Fund also serves as a "rainy day fund" in that revenues in excess of a "certified forecast" are transferred from the General Fund to Cash Reserve fund at the end of a fiscal year. 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.

At the end of the 2019 legislative session, the unobligated balance was projected at \$322.4 based on an estimated \$45 million transfer related to the April Nebraska Economic Forecast Advisory Board (NEFAB) forecast for FY2018-19 being above the certified amount. The projected unobligated balance increased to \$455.2 million when FY2018-19 actual receipts were \$132.9 million above the April forecast. The balance was projected to increase to \$731 with the revised forecasts in October 2020 (+\$160.9 million) and February 2020 (+115.0 million) and then decline back to \$647.5 million due to using \$83.6 million to help cover costs related to the COVID-19 pandemic.

During the break in the legislative session, FY19-20 was completed and the actual receipts were \$265 million **below** the prior forecast which had been projected to be \$275 million above the certified forecast. For FY19-20 most of this was due to the extension of the income tax filing date from April to July which shifted an estimated \$280 million from FY19-20 into FY20-21. The final changes were a transfer of \$60 million of unused COVID-19 funds back to the CRF and then \$30 million back to the General Fund to assist in covering the first year costs of LB1107. This left the projected balance at \$412.3 million.

Based on the revised October 2020 forecasts and the calculation of CRF transfers in LB1107, the balance is projected to increase by \$198.7 million to an unobligated balance of \$611 million.

Table 1 Cash Reserve Fund

	Actual FY2020-21	Estimated FY2021-22	Estimated FY2022-23	Estimated FY2023-24	Estimated FY2024-25
Beginning Balance	426,307,702	412,263,230	611,001,230	611,001,230	611,001,230
Excess of certified forecasts (line 3 in Status)	10,655,528	198,738,000	0	0	0
To/from Gen Fund per current law	(30,000,000)	0	0	0	0
To Nebr. Capital Construction Fund (NCCF)	(54,700,000)	0	0	0	0
From Gov Emergency Fund (LB 1009)	60,000,000	0	0	0	0
Ending Balance	<u>412,263,230</u>	<u>611,001,230</u>	<u>611,001,230</u>	<u>611,001,230</u>	<u>611,001,230</u>

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. These would take place in July of the fiscal year following completion of that year.

Actual receipts for FY2019-20 (\$4,939,762,611) were \$10,655,528 above the certified forecast of \$4,929,107,083. However actual receipts were over \$265 million below the last forecast due to the extension of the income tax filing deadline from April 2020 to July 2020. The latest estimate was that \$280 million shifted from FY2019-20 to FY2020-21 due to this filing change.

The provisions of LB1107 created a new calculation for purposes of automatic transfers to the Cash Reserve Fund for the next three years. Normally the amount above certified would all go to the CRF. However under the provisions of LB1107 the amount above certified less any allocated to the income tax credit for property taxes is transferred to the CRF. In this case the provisions of LB1107 result in a \$86.7 million increase in the credit. Therefore the CRF transfer is \$198.7 or the \$285.4 million above certified revenues less the \$86.7 million increase in the credit. A more detailed description of income tax credit under LB1107 can be found on page 11

Cash Reserve Fund Transfer	GF Revenue Forecast	Certified	\$ Amount > Certified (prior yr)	Less:\$ to Credit	\$ Amount to CRF	CRF balance (after transfer)
FY2020-21	5,286,000	5,000,589	--	--	--	412,263
FY2021-22	4,920,000	4,920,000	285,411	86,673	198,738	611,001
FY2022-23	5,275,000	5,275,000	0	0	0	611,001
FY2023-24	5,590,000	5,590,000	0	182,800	0	611,001
FY2024-25	5,926,000	5,926,000	0	--	0	611,001

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 the 2017 Session, the Legislature transferred a total of \$173 million to the General Fund to assist in balancing the budget and to help replenish the reserve to the statutory minimum level consisting of \$125 million in FY18 and \$48 million in FY19.

In the 2020 session LB1107 which contained the ImagiNE Nebraska Act, Nebraska Transformational Projects Act, and Nebraska Property Tax Incentive Act included a \$30 million transfer from the CRF to the General Fund to help pay for the first year \$125 million cost of Property Tax Incentive Act

Transfers To & From Other Funds

In the 2019 session, the enacted budget transfers \$54.7 million from the Cash Reserve Fund to the Nebraska Capital Construction Fund to cover several construction projects primarily two additional high security housing units (384 beds) for the Dept. of Correctional Services.

In the 2020 session, LB 1198 was enacted March 25, 2020 to provide funding to help cover the costs related to the COVID-19 outbreak. After this bill was enacted the Legislature suspended the session until July 20. The bill transferred \$83,619,600 from the Cash Reserve Fund to Governor’s Emergency Cash Fund for FY2019-20. The original allocation was as follows: Local response efforts (\$38,156,700), DHHS staffing (\$4,004,000), Surge staffing for veterans hospitals & DHHS care facilities (\$13,000,000), COVID-19 Lab Testing (\$515,000), UNMC lab equipment, software programming and personnel (\$2,500,000), UNMC UV light boxes (\$100,000), and UNMC knowledge center (\$343,900). This left an available reserve of \$25,000,000

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act, P.L. 116-136 (CARES Act) was enacted. In that law, Nebraska was allocated \$1.25 billion through the Coronavirus Relief Fund. Of this amount, \$166 million went directly to Douglas County and the remaining \$1.083 billion to the State of Nebraska. The Governor credited these funds to the Governor’s Emergency Program-COVID19. These federal funds could be used for basically the same things that were authorized under LB1198. Because of this only \$19.2 million had been expended through FY19-20. LB1009 enacted in August transferred \$60 million of the unused funds back to the Cash Reserve Fund.

Table 2 Cash Reserve Fund – Historical Balances

Fiscal Yr	Beginning Balance	Direct Deposit and Interest	Automatic Transfers	Legislative Transfers	Cash Flow	Ending Balance	Balance as % of revenue
FY1992-93	26,937,043	0	na	(9,500,000)	0	17,437,043	1.1%
FY1993-94	17,437,043	0	3,063,462	7,250,000	0	27,750,505	1.7%
FY1994-95	27,750,505	0	(8,518,701)	1,250,000	0	20,481,804	1.2%
FY1995-96	20,481,804	0	(20,481,804)	18,189,565	0	18,189,565	1.0%
FY1996-97	18,189,565	0	19,740,786	3,032,333	0	40,962,684	2.0%
FY1997-98	40,962,684	0	91,621,018	0	0	132,583,702	6.3%
FY1998-99	132,583,702	0	111,616,422	(98,500,000)	0	145,700,124	6.9%
FY1999-00	145,700,124	0	20,959,305	(24,500,000)	0	142,159,429	5.9%
FY2000-01	142,159,429	0	77,576,670	(49,500,000)	0	170,236,099	6.9%
FY2001-02	170,236,099	0	0	(60,170,000)	0	110,066,099	4.7%
FY2002-03	110,066,099	66,476,446	0	(87,400,000)	(30,000,000)	59,142,545	2.4%
FY2003-04	59,142,545	59,463,461	0	(61,577,669)	30,000,000	87,028,337	3.2%
FY2004-05	87,028,337	8,170,556	108,727,007	(26,758,180)	0	177,167,720	5.8%
FY2005-06	177,167,720	0	261,715,297	(165,266,227)	0	273,616,790	8.2%
FY2006-07	273,616,790	0	259,929,524	(17,458,523)	0	516,087,791	15.1%
FY2007-08	516,087,791	0	191,436,773	(161,978,767)	0	545,545,797	15.6%
FY2008-09	545,545,797	0	116,976,571	(84,330,505)	0	578,191,863	17.2%
FY2009-10	578,191,863	0	0	(110,990,237)	0	467,201,626	14.6%
FY2010-11	467,201,626	0	0	(154,000,000)	0	313,201,626	8.9%
FY2011-12	313,201,626	8,422,528	145,155,092	(33,439,198)	(4,461,676)	428,878,372	11.6%
FY2012-13	428,878,372	0	104,789,781	(154,008,427)	4,461,676	384,121,402	9.5%
FY2013-14	384,121,402	0	285,292,610	49,651,294	0	719,065,306	17.5%
FY2014-15	719,065,306	0	96,721,232	(87,951,112)	0	727,835,426	16.9%
FY2015-16	727,835,426	0	84,599,532	(81,779,850)	0	730,655,108	17.0%
FY2016-17	730,655,108	0	0	(50,000,000)	0	680,655,108	16.0%
FY2017-18	680,655,108	150,000	0	(340,930,772)	0	339,874,336	7.4%
FY2018-19	339,990,065	0	61,995,773	(68,436,714)	0	333,549,124	6.8%
FY2019-20	333,549,124	0	176,378,521	(83,619,600)	0	426,307,702	8.6%
FY2020-21 Est	426,307,702	0	10,655,528	(24,700,000)	0	412,263,230	7.8%
FY2021-22 Est	412,263,230	0	198,738,000	0	0	611,001,230	12.4%
FY2022-23 Est	611,001,230	0	0	0	0	611,001,230	11.6%
FY2023-24 Est	611,001,230	0	0	0	0	611,001,230	10.9%
FY2024-25 Est	611,001,230	0	0	0	0	611,001,230	10.3%

General Fund Revenues

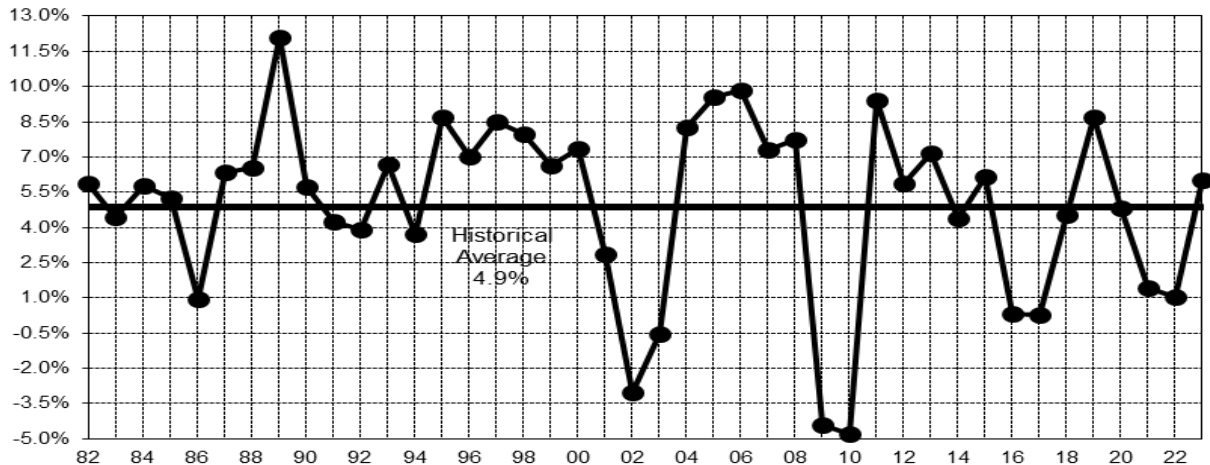
General Fund Revenue Forecasts

Revenue estimates for FY2020-21, FY2021-22 and FY2022-23 are the October 2020 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Rate and base adjusted revenue growth implied by the forecasts for the FY22/FY23 biennium average 3.5% (1.0% in FY21-22 and 6.0% in FY22-23). When including the 1.4% growth in the FY20-21 forecast, there is an average growth of 2.8% over the three years that affect the financial status for the upcoming biennium. This reflects growth below the 4.8% historical 39 year average.

Table 3 General Fund Revenue Forecasts

	NEFAB FY2020-21	NEFAB FY2021-22	NEFAB FY2022-23	LFO Prelim FY2023-24	LFO Prelim FY2024-25
Actual/Forecast					
Sales and Use Tax	1,910,000,000	1,910,000,000	2,095,000,000	2,185,000,000	2,272,000,000
Individual Income Tax	2,765,000,000	2,490,000,000	2,655,000,000	2,850,000,000	3,077,000,000
Corporate Income Tax	385,000,000	335,000,000	345,000,000	358,000,000	387,000,000
Miscellaneous receipts	226,000,000	185,000,000	180,000,000	197,000,000	190,000,000
Total Forecast	5,286,000,000	4,920,000,000	5,275,000,000	5,590,000,000	5,926,000,000
Adjusted Growth					
Sales and Use Tax	2.9%	3.1%	6.3%	4.3%	4.0%
Individual Income Tax	3.3%	-1.1%	6.4%	8.5%	8.6%
Corporate Income Tax	-14.3%	6.7%	3.3%	10.0%	10.0%
Miscellaneous receipts	-2.3%	-1.7%	4.3%	2.3%	3.1%
Total GF Receipts	1.4%	1.0%	6.0%	6.8%	6.8%
Two Yr Average	3.1%	--	3.5%	6.4%	6.8%
Five Yr Average	4.0%	--	4.4%	4.0%	4.4%

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



It's very difficult to look at the current revenue forecasts for the five year financial status and compare one year to the next because there are so many large items that affect each year differently. These are the types of adjustments that are made for purposes of calculating rate and base adjusted revenue growth.

A perfect example is the first item on the following table. The shift of \$280 million of income tax from FY20 to FY21 due to the extension of the income tax filing deadline until July 2020. This single item causes a \$560 million (10%) difference in comparing one year to the next.

Major Items Affecting Yearly Comparisons	FY2019-20	FY2020-21	FY2021-22	FY2022-23
COVID-19 related tax filing deadline extension	(280,000,000)	280,000,000	0	0
Flood related tax filing deadline extension	20,000,000	0	0	0
2020 Fed Tax Changes (CARES Act)	0	(125,593,000)	(67,123,000)	(57,361,000)
Taxation of military retirement (LB 153-2020)	0	0	(5,431,000)	(13,339,000)
Property Tax Relief Credit (LB 1107-2020) (Oct NEFAB)	0	(125,000,000)	(211,672,849)	(211,672,849)
Legislative enacted cash fund transfers	65,416,628	53,795,957	0	0
Total of Items Shown	(194,583,372)	83,202,957	(284,226,849)	(282,372,849)
Difference compared to prior year	na	277,786,329	(367,429,806)	1,854,000

Following Biennium (FY2024 and FY2025)

The NEFAB does not make official forecasts for the following biennium or what's commonly referred to as the "out years". Although different methodologies could be utilized, the revenue estimates used for the following biennium (FY23-24 and FY24-25) are 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 (FY21 to FY25) roughly equal to the 39 year historical average (4.8%) less .25% which is the projected impact of indexing the tax brackets as enacted in 20104 (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.

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. Over the past 39 years, there were 15 years in which revenue growth was "below average" (1.4% average) and 24 years in which revenue growth was above average (7.4% average).

Because the revenue growth in the NEFAB forecasts is below average, the revenue growth needed to yield a 4.4% five year average is 6.8% in both FY23-24 and FY24-25.

Alternative methods are also available for purposes of deriving revenue estimates for the following biennium. In addition to the historical average methodology used in the financial status, 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 HIS Economics (previously Global Insight) and Moody's, the national forecasting services used as input into the tax forecast models. While these forecasts work well for the 1 to 3 year forecasts, when extended further they have a tendency to flatten out and follow the 3 year trend into the 4th and 5th year. In other words, they have difficulty picking up changes in the trend. The historical average methodology has been used since 1991 and the "smoothing" technique used for the most part relies on the trend changes.

As shown in Table 4, the preliminary estimates for the two “out years” arrived at using the historical average concept (as used in the Financial Status) are much higher than the unofficial estimates prepared by the Nebraska Dept. of Revenue (NDR) and Legislative Fiscal Office (LFO) using IHS Economics and Moody’s forecasting information. A cautionary note is that it’s unknown if the historical cyclical trend will prove applicable in the current COVID 19 pandemic environment.

Table 4 Comparison of "Out Year" Forecasts

Based on Oct 2020 Revenue Forecasts	Current Status	Average (IHS Econ)	Average (All Forecasts)	High Est NDR-IHS	Low Est LFO-MOODY
Dollar Forecast (thousands of \$)					
FY2023-24 Prelim	5,590,000	5,359,455	5,357,903	5,435,964	5,355,294
FY2024-25 Prelim	5,926,000	5,538,784	5,528,422	5,538,627	5,451,838
Calculated Growth (rate and base adjusted)					
FY2023-24 Prelim	6.8%	2.8%	2.8%	4.1%	2.7%
FY2024-25 Prelim	6.8%	4.4%	4.3%	3.1%	3.0%
Two Year Average	6.8%	3.6%	3.5%	3.6%	2.9%
Five Year Average	4.4%	3.1%	3.1%	3.1%	2.8%
\$ Difference from Status					
FY2023-24	0	(230,545)	(232,098)	(154,036)	(234,706)
FY2024-25	0	(387,216)	(397,578)	(387,373)	(474,162)
Cumulative Total	0	(617,761)	(629,676)	(541,409)	(708,868)

Nebraska Property Tax Incentive Act (LB 1107)

The Nebraska Property Tax Incentive Act was included as part of LB1107 enacted in August. The act provides a refundable income tax credit or credit against franchise tax for any taxpayer who pays school district taxes, which is property taxes levied by a school district or school system, excluding property taxes levied for bonded indebtedness and property taxes levied as a result of an override of limits on property tax levies approved by voters. The following shows the calculation of the credit amount under the bill by year.

Fiscal Yr Impact	Income Tax	Property Tax	Calculation of credit amount
	Year	Year	
FY 2020-21	2020	2019	Fixed amount at \$125 million
FY 2021-22	2021	2020	Prior Yr + growth over 3.5% *
FY 2022-23	2022	2021	Prior Yr max + growth over 3.5% *
FY 2023-24	2023	2022	Prior Yr max + growth over 3.5% *
FY 2024-25	2024	2023	Fixed amount at \$375 million

If the Cash Reserve Fund (CRF) is below \$500 million, the growth over 3.5% is distributed 50% to increasing the credit and 50% to the CRF. If the CRF is above \$500 million, the growth over 3.5% is distributed 100% to increasing the credit.

The two figures below show first the calculation of dollar amounts relative to the 3.5% increase threshold and then the calculation of the dollar amount for calculating the credit rate.

Calculation of \$ Amount > 3.5%	GF Revenue Forecast	% Change over Prior Yr	\$ Increase > 3.5%	Amount To CRF	Amount To Credit
FY2019-20 Actual	4,939,763	--	--	--	
FY2020-21	5,286,000	7.0%	--	--	
FY2021-22	4,920,000	-6.9%	173,346	86,673	86,673
FY2022-23	5,275,000	7.2%	0	0	0
FY2023-24	5,590,000	6.0%	182,800	0	182,800
FY2024-25	5,926,000	6.0%	130,375	0	(19,473)

Amount of Income Tax Credit	Prior Yr Amount	Amount from > 3.5%	Estimated Credit Amt
FY2020-21	125,000	0	125,000
FY2021-22	125,000	86,673	211,673
FY2022-23	211,673	0	211,673
FY2023-24	211,673	182,800	394,473
FY2024-25	394,473	(19,473)	375,000

NOTE THAT THE 3.5% IS THE INCREASE OVER THE PRIOR YEAR AND NOT A RATE OR BASE ADJUSTED RATE. The FY20-21 increase in revenue based on the October 2020 NEFAB forecast is 7.0% above FY19-20 only because \$280 million of income tax was shifted from FY20 to FY21. Excluding this shift, the increase in revenue would have been -4.1% and the credit would have remained at \$125 million for both FY21-22 and FY22-23.

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 10 on the Financial Status on page 4).

Table 5 - General Fund Transfers Out

Excludes CRF Transfers	Actual	Upcoming Biennial Budget		Following Biennium	
	FY2020-21	FY2021-220	FY2022-23	FY2023-24	FY2024-25
Property Tax Credit Fund	(272,000,000)	(272,000,000)	(272,000,000)	(272,000,000)	(272,000,000)
Water Resources Cash Fund	(3,300,000)	(3,300,000)	(3,300,000)	0	0
Cultural Preservation Endowment Fund	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Water Sustainability Fund	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)
Critical Infrastructure Fund	(3,800,000)	0	0	0	0
Rural Workforce Housing Investment Fund	(10,000,000)	0	0	0	0
Middle Income Workforce Housing Investment Fimd	(10,000,000)	0	0	0	0
<i>General Fund Transfers-Out</i>	(310,600,000)	(286,800,000)	(286,800,000)	(283,500,000)	(283,500,000)

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.

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. After multiple alterations of the fiscal year transfers, the final transfers, which averaged \$500,000 were scheduled to expire at the end of FY2016-17. LB957 (2016) extends the transfers at \$500,000 per year starting in FY2017-18 through FY2026-27.

Water Sustainability Fund

This fund was created through LB906 passed in the 2014 session. Monies for the fund came from General Fund transfers; \$21,000,000 in FY2014-15. Of this transfer, \$10,000,000 is considered one-time as it was financed by a like transfer from the Cash Reserve Fund to the General Fund. Intent language was include that \$11,000,000 General Funds be transferred to the Water Sustainability Fund in each fiscal year beginning in FY2015-16.

Critical Infrastructure Facilities Cash Fund

In the 2020 session, \$3.8 million transfer to the Critical Infrastructure Facilities Cash Fund to provide financial assistance to the Gering - Fort Laramie Irrigation District related to temporary repair costs for two tunnels and related canal infrastructure. The funding is intended to reimburse the irrigation district for their portion of temporary repairs.

Rural Workforce Housing Investment Fund

In the 2020 session a \$10 million transfer to the Rural Workforce Housing Investment Fund was provided. LB518 (2017) created a rural workforce housing grant program intended to address housing shortages in rural communities. The grant program initially received funding through a one-time transfer of \$7 million of unallocated funds from the Affordable Housing Trust Fund to the Rural Workforce Housing Investment Fund in 2017 and the funds have been allocated.

Middle Income Workforce Housing Investment Fund

In the 2020 session a \$10 million transfer to the Middle Income Workforce Housing Investment Fund was enacted through LB866. The fund will be used by the Dept. of Economic Development to provide grants to nonprofit development organizations. Grants would require a one-to-one match. Grants would be awarded through FY22-23 or until grant funds are no longer available. If funds remained in the Middle Income Workforce Housing Trust Fund on July 1, 2025, the remaining amount would be transferred to the Affordable Housing Trust Fund.

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.

Historically there have been transfers from three main sources; Securities Act Cash Fund, Tobacco Products Admin Cash Fund, and the Dept. of Insurance Cash Fund. In the 2017 and 2018 session's transfers from these traditional sources amounted \$54.2 million in FY18-19. Because of the significant budget shortfall, cash funds from non-traditional sources were also transferred to the General Fund. In FY18-19 the non-traditional transfers from 47 different funds amounted to \$44.8 million. This included \$7.5 million from the Roads Operations Fund, \$10 million from the Medicaid Intergovernmental Transfer Trust Fund (related to the Health Care Cash Fund), and \$8.5 million from the Game & Parks Capital Maintenance Fund. These transfers are included in the FY2018-19 actual General Fund receipts.

In the 2019 session, enacted transfers returned to more normal levels and mostly from the traditional three main sources; Securities Act Cash Fund, Tobacco Products Admin Cash Fund, and the Dept. of Insurance Cash Fund. Total transfers amounted to \$48.8 million in FY2019-20 and \$50.8 million in FY2020-21. The FY2019-20 amounts are included in the actual receipts and the FY2020-21 amounts are already incorporated into the "Net Receipts" figures of the NEFAB forecast.

At the present time, current law does not provide for any transfers in FY2021-22 and FY2022-23 and as such the revenue forecasts do not include any transfers.

Table 6 General Fund Transfers In

	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
Securities Act Cash Fund	28,000,000	0	0	0	0
Dept of Insurance Cash Fund	13,500,000	0	0	0	0
Tobacco Products Admin Cash Fund	9,000,000	0	0	0	0
State Settlement Cash Fund	295,957	0	0	0	0
Water Sustainability Fund (LB1009)	500,000	0	0	0	0
Total General Fund Transfers-In	51,295,957	0	0	0	0

General Fund Appropriations

Table 7 reflects General Fund totals for the projected budget based on the increases noted in Table 8. These increases are a "best guess" 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 8. A summary breakdown of the projected budget is included in Appendix A.

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 (FY2021-22 and FY2022-23) reflect agency requests for the items shown while estimated increases for the following biennium (FY2023-24 and FY2024-25) are based on historical trends.

Note that in most cases, rationales for the FY2021-22 and FY2022-23 requests are not available as these requests are currently under analysis.

Overall the projected budget results in a budget growth of 1.3% in FY2021-22 and 3.6% in FY2022-23, a 2.4% two year average

Table 7 Projected General Fund Budget

	Current Year FY2020-21	Upcoming Biennial Budget FY2021-22 FY2022-23		Est for Following Biennium FY2023-24 FY2024-25	
Projected Budget					
Agency Operations	1,699,786,897	1,749,423,634	1,801,410,274	1,862,372,278	1,926,464,652
State Aid to Ind/Other	1,490,875,709	1,522,869,164	1,581,509,259	1,644,774,613	1,710,776,805
State Aid to Local Govt	1,554,478,631	1,541,931,198	1,609,667,517	1,676,127,818	1,733,771,037
Construction	38,625,661	31,892,756	28,283,215	28,283,215	28,283,215
Total (w/o deficits)	4,783,766,898	4,846,116,752	5,020,870,265	5,211,557,925	5,399,295,710
Dollar Change					
Operations	--	49,636,737	51,986,640	60,962,005	64,092,374
State Aid to Ind/Other	--	31,993,455	58,640,095	63,265,354	66,002,192
State Aid to Local Govt	--	(12,547,433)	67,736,319	66,460,301	57,643,220
Construction	--	(6,732,905)	(3,609,541)	0	0
Total (w/o deficits)	--	62,349,854	174,753,513	190,687,660	187,737,785
Percent Change					
Agency Operations	--	2.9%	3.0%	3.4%	3.4%
State Aid to Ind/Other	--	2.1%	3.9%	4.0%	4.0%
State Aid to Local Govt	--	-0.8%	4.4%	4.1%	3.4%
Construction	--	-17.4%	-11.3%	0.0%	0.0%
Total (w/o deficits)	--	1.3%	3.6%	3.8%	3.6%

Table 8 - Projected Continuation Budget Increase - Dollar Change over Prior Year

Change over Prior Year	Projected Growth		Upcoming Biennial Budget		Est for Following Biennium	
	FY19-20	FY20-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
<u>Aid to Local Governments</u>						
Aid to K-12 Schools (TEEOSA GF only)	3.2%	5.0%	32,710,005	53,013,874	52,952,574	43,742,977
Special Education	2.5%	2.5%	5,776,994	5,921,419	6,069,455	6,221,191
Community Colleges	3.5%	3.5%	3,589,542	3,715,176	3,880,207	4,016,014
Homestead Exemption	0.6%	5.0%	617,000	5,085,850	3,204,086	3,300,208
Governors Emergency program	--	--	(55,240,974)	0	0	0
All Other (Aid-Local)	--	--	0	0	353,980	362,829
<u>Aid to Individuals / Other</u>						
Medicaid	0.7%	4.5%	6,328,478	39,506,015	41,544,963	43,414,487
Public Assistance	3.7%	3.7%	3,176,469	3,287,645	3,262,713	3,376,908
Child Welfare Aid	2.3%	2.5%	4,007,136	4,429,083	8,127,497	8,493,235
Developmental Disability aid	3.3%	2.9%	5,223,429	4,642,368	6,684,862	6,952,256
Behavioral Health aid	2.5%	2.5%	1,799,888	1,844,886	1,896,285	1,943,692
Children's Health Insurance (SCHIP)	11.0%	2.5%	2,619,878	662,068	1,442,732	1,507,654
Aging Programs	2.2%	2.2%	261,492	268,030	306,303	313,960
Nebraska Career Scholarships	--	--	4,000,000	4,000,000	4,000,000	0
Business Innovation Act	--	--	4,000,000	0	0	0
All Other (Aid-Ind)	--	--	576,685	0	0	0
<u>State Agency Operations</u>						
Employee Salaries (agencies)	2.5%	2.5%	16,130,906	16,479,148	17,905,544	18,353,182
Employee Health Insurance (agencies)	4.0%	4.0%	4,018,477	4,179,216	6,168,277	6,538,374
University/Colleges increased funding	3.5%	3.5%	23,297,367	23,932,418	26,826,098	27,692,402
Operations increase (all agencies)	3.2%	0.2%	4,833,319	338,047	3,146,875	3,209,813
Exclude FY20 deficits moved to FY21	--	--	(3,900,000)	0	0	0
Staffing / programs / medical (Corrections)	--	--	3,189,341	4,669,762	3,722,530	3,722,530
Retirement (Schools, Patrol, Judges)	--	--	2,860,068	1,700,000	400,000	1,700,000
All Other (Oper)	--	--	(792,741)	688,049	2,747,820	2,823,438
<u>Capital Construction</u>						
	Reaff	Reaff	(6,732,905)	(10,342,446)	(3,368,391)	(1,895,797)
<u>Total General Fund-Annual Increase</u>			62,349,854	174,753,513	191,274,408	189,157,744
Biennial Basis			62,349,854	237,103,366	191,274,408	380,432,152

Aid to Local Governments

State Aid to Schools (TEEOSA)

The agency request did not include any additional funds for TEEOSA. It's 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 \$1.087 billion for FY2021-22 and \$1.14 billion for FY2022-23. This results in increased General Funds amounting to \$32.7 million in FY21-22 and an additional \$53.0 million in FY22-23.

TEEOSA Summary	All Funds FY2020-21	All Funds FY2021-22	All Funds FY2022-23	All Funds FY2023-24	All Funds FY2024-25
School Disbursements	1.61%	3.67%	4.07%	3.50%	3.50%
Property Valuations (assessed)	2.13%	2.21%	2.99%	2.31%	2.40%
Property Valuations (used in formula)	3.88%	4.34%	4.62%	3.48%	3.56%
Adjusted to Assessed Valuation Ratio	100.49%	100.81%	100.82%	100.82%	100.82%
Cost Growth Factor	4.50%	5.00%	5.00%	5.00%	5.00%
Local Effort Rate	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Total Formula Need	3,743,010,300	3,886,381,091	4,058,919,057	4,209,735,920	4,357,076,677
Effective Yield from Local Effort Rate	2,163,481,367	2,257,451,433	2,361,635,389	2,443,740,204	2,530,682,748
Net Option Funding	116,432,806	119,720,045	123,849,846	126,875,965	131,316,624
Allocated Income Tax	49,403,946	51,874,143	53,430,368	55,033,279	58,665,475
Other Actual Receipts	526,673,075	541,563,793	556,903,931	572,163,405	588,418,641
Community Achievement Plan Aid	6,604,831	6,675,277	6,946,446	7,189,499	7,441,131
Total Formula Resources	2,862,596,024	2,977,284,692	3,102,765,980	3,205,002,352	3,316,524,620
Calculated Equalization Aid	880,414,276	909,096,397	956,153,077	1,004,733,568	1,040,552,058
Net Option Funding	116,432,806	119,720,045	123,849,846	126,875,965	131,316,624
Allocated Income Tax	49,403,946	51,874,143	53,430,368	55,033,279	58,665,475
Community Achievement Plan Aid	6,604,831	6,675,277	6,946,446	7,189,499	7,441,131
TEEOSA State Aid	1,052,855,858	1,087,365,863	1,140,379,737	1,193,832,311	1,237,975,288
State General Funds	1,022,555,858	1,055,265,863	1,108,279,737	1,161,232,311	1,204,975,288
Insurance Premium Tax (w/o deficit)	30,300,000	32,100,000	32,100,000	32,600,000	33,000,000
Total TEEOSA Aid	1,052,855,858	1,087,365,863	1,140,379,737	1,193,832,311	1,237,975,288
Dollar Change from prior year - Total	(13,056,991)	34,510,005	53,013,874	53,452,574	44,142,977
Percent Change from prior year - Total	-1.2%	3.3%	4.9%	4.7%	3.7%
Dollar Change from prior year - GF	(13,681,908)	32,710,005	53,013,874	52,952,574	43,742,977
Percent Change from prior year - GF	-1.3%	3.2%	5.0%	4.8%	3.8%

Other than the cost growth factor returning to 5% in FY2021-22 the increase in TEEOSA is all related to the various data elements such as spending growth and valuation. Although overall valuation growth is lower than spending growth, the growth in valuation used in the formula is actually higher than spending growth keeping the TEEOSA growth modest. This is because continued declines in agricultural land valuations keep down the overall valuation growth while continued higher growth in residential and commercial & industrial valuation increases the valuation in equalization districts.

This table simply provides a chronology of the changes to the TEEOSA estimate since Sine Die.

Chronology of TEEOSA Estimates	All Funds FY2020-21	All Funds FY2021-22	All Funds FY2022-23	All Funds FY2023-24	All Funds FY2024-25
NDE Jan Calc and Sine Die 2020	1,052,855,858	1,076,766,483	1,143,711,108	na	na
Valuation, 2020 from 2.78% DPAT Est to 2.21% DPAT certified	0	(1,401,474)	(1,628,241)	na	na
Valuation; 2021 (2.20% est to 2.99% DPAD est)	0	0	(19,250,221)	na	na
Spending growth: FY21 2.83% to 3.67% (revised budget)	0	10,717,684	11,361,466	na	na
Spending growth: FY22 4.0% to 4.07% (first budget to budget)	0	0	3,705,196	na	na
Spending growth: FY23 3.7% to 3.5%	0	0	0	na	na
Student Growth Adjustment (est to NDE)	0	1,807,598	1,709,496	na	na
New School Adjustment (est to NDE)	0	(1,861,696)	(1,993,532)	na	na
Adjust other receipts (MIPS to \$2.5 level)	0	1,337,268	2,764,465	na	na
Adjust Insurance Premium (NDI estimates)	0	0	0	na	na
Total Change - NDE Jan 2020	0	10,599,380	(3,331,371)	na	na
October 2020 Joint Meeting	1,052,855,858	1,087,365,863	1,140,379,737	1,193,832,311	1,237,975,288

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.

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 included at the same rate as the basic allowable growth rate under the K-12 school spending limitation (2.5% per year). The agency request nor projected budget includes any increase in funding.

Homestead Exemption

The agency request includes a \$4.1 million reduction to eliminate the FY20 deficit that had to be included in the FY21 appropriation. Then the agency had requested a roughly 5% per year increase in exemption costs. The net change reflects a 0.6% in FY22 and 5.0% in FY22 based on Dept. of Revenue best estimate at this time. The agency request was included in the projected budget. This could possibly change when final data for FY20-21 is available.

Aid to Community Colleges

A 3.5% per year annual increase is included for the following biennium budget reflecting increased state aid to support operations budget increases. This increase amounts to about a \$3.6 million per year increase.

Governors Emergency Program

The FY20-21 base appropriation included \$55.2 million which was funded to cover costs associated with the spring 2019 flooding. This \$55.2 million would normally have been a FY19-20 deficit.

However because the legislative session was suspended to July, FY19-20 had been completed and the funds had to be added to the FY20-21 appropriation. As a one-time item, this \$55 million is reduced from the baseline budget

Aid to Individuals/Other

Children's Health Insurance (SCHIP)

For the upcoming biennium, the projected budget includes no increase in eligibility and utilization (based on the agency request) and a reduction due to an increase in the basic federal match rate (FMAP). This projected budget includes a 2.5% per year increase in provider rates which was not included in the agency request.

There is also a \$2.7 million increase in General Fund to fully annualize the expiration of the enhanced Federal match rate. The Affordable Care Act included an additional 23% enhanced match rate which was added to the basic match rate. In the ACA this was to expire Sept 2019 (end of FFY2019). The SCHIP extension bill passed in January 2018 extended the enhanced FMAP to FFY2020 only, at a 11.5% rate. Additional General Funds to replace the expired enhanced FMAP amounted to \$8.1 million in FY19-20 and \$19.1 million in FY20-21 and now \$2.7 million in FY21-22.

Medicaid

For the upcoming biennium, the projected budget is based on the agency request for eligibility and utilization increases, FMAP change, and deletion of funds previously provided for the health insurance provider fee (HIPF) Also included is a 2.5% increase in provider rates which were not included in the agency request.

Overall increase in General Funds is 0.7% in FY21-22 which includes \$19.6 million for eligibility and utilization increases (about 2% per year increase) and \$22.9 million for provider rates (2.5% per year). This is offset by a \$19.6 million reduction in General Funds due to an increase in the federal Medicaid match rate (FMAP) and \$15.5 million reduction due to the HIPF fee,.

Originally there was an estimated \$16.6 million increase to annualize the cost of Medicaid expansion due to the October 1 startup. However, the agency request did not include any additional funding based on signups which had started in August.

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 previous financial status was based on an FMAP of 56.47% in FFY2021 and continued into FFY2022 and FY2023. The actual FFY2021 FMAP will be 56.47% a 0.79% increase. The General Fund savings due to the higher FMAP have been incorporated into the DHHS request and the LFO estimates.

The agency request and projected status for FY22 and FY23 does not include \$15.5 million for a health insurance provider fee previously funded in FY20-21. Nebraska (and other states paid tax liabilities for the tax years of 2013 and 2014 prior to a moratorium on this tax effective for the tax years of 2015 and 2016. That moratorium expired for tax year 2017 but the Continuing Resolution passed January 22, 2018 reinstated a moratorium on this tax for calendar year 2018 only. At the time of setting the FY21 budget it was unclear whether the moratorium would be extended and funding was included in FY20-21. The Further Consolidated Appropriations Act, 2020, Division N, Subtitle E §

502, repealing the annual fee on health insurance providers, applies to calendar years beginning after December 31, 2020 (fee years after the 2020 fee year) so funds are being eliminated for this purpose..

Medicaid	Previous Biennium		Biennial Budget	
	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Base Year appropriation	849,628,184	849,628,184	921,250,222	921,250,222
Federal match rate (FMAP)	(30,840,497)	(67,293,246)	(19,570,000)	(23,322,500)
Utilization	16,319,271	31,206,745	19,573,089	39,517,454
Cost Increases / Provider Rates	17,943,406	36,449,751	22,963,192	46,204,651
Clawback (Phased-Down State Contribution	1,458,514	2,690,851	0	0
Health Insurance Provider Fee (HIPF)	0	15,478,738	(15,478,738)	(15,478,738)
Medicaid expansion - new eligibles and woodwork	0	43,863,305	0	0
Medicaid expansion - savings, women with cancer	0	(802,953)	0	0
DHHS calculating medicaid nursing rates (LB 403)	3,535,538	3,644,524	0	0
Therapeutic foster care	2,259,715	2,278,237	0	0
Halfway House rates, Behavioral Health level	0	217,347	0	0
Increase certain behavioral health provider rates	0	3,888,739	0	0
Workers with Disabilities LB 323	0	0	116,710	180,948
Medicaid Aid Clawback	0	0	(367,417)	(367,417)
Tetanus Vaccine Coverage	0	0	151,817	154,094
Transition to DD HCBS Waiver	0	0	(1,083,156)	(1,083,156)
Tetanus Vaccine Coverage (medicaid expansion)	0	0	22,981	29,157
Total – New Appropriation	860,304,131	921,250,222	927,578,700	967,084,715
Annual \$ Change (excluding deficits)	10,675,947	60,946,091	6,328,478	39,506,015
Annual % Change (excluding deficits)	1.3%	7.1%	0.7%	4.3%

Public Assistance

For the upcoming biennium, the agency requested no change in funding for this program in either FY21-22 or FY21-23. The request includes no increase for eligibility, utilization, or rate increases.

The projected budget includes no changes in eligibility or utilization but does include 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, just a small reduction due to the FMAP change.

The projected budget also assumed no change in eligibility or utilization but does includes a 2.5% provider rate increase.

Developmental Disability Aid

The agency request includes several items for additional funding including funding for new graduates transitioning (\$1.2 million FY22, \$2.5 million FY23), reduce the waiting list (\$1.6 million FY22, \$2.9 million FY23) and court ordered custody cases (\$2.4 million each year). The request did not include any funding for provider rate increases.

In the projected budget, funding for developmental disability aid increases by only 3.3% in FY21-22 and 2.9% in FY22-23.

This includes funding a 2.5% rate increase in FY21 and FY22 costing \$3.9 million in FY21 and \$9.0 million in FY23). Also included is funding for new graduates transitioning (\$1.2 million FY22, \$2.5 million FY23), and court ordered custody cases (\$2.4 million each year). The requested funding for the wait list is not included here.

The request and projected budget includes a reduction in General Funds due to the higher FMAP amounting to \$3.5 million in FY22 and \$4.2 million in FY23.

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 \$1.0 million each year for increased behavioral health housing aid and funding for outpatient competency costs (\$.4 million in FY22, \$1.2 million in FY23).

The projected budget does not include either of these issues at this point in time but does include a 2.5% per year increase in provider rates.

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 enacted budget included this proposal with funding provided for the current biennium at \$4 million with intent language that the program would increase to \$16 million in the fourth year.

<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	2,000,000	3,000,000	4,000,000
Total GF impact	0	4,000,000	8,000,000	12,000,000	16,000,000

University of Nebraska: The intent is that the funding support 170 scholarships for eligible student each year for each \$2,000,000 appropriated and further provides that scholarship awards not exceed \$25,000 annually to students who achieve an ACT score of 28 or higher and \$10,000 annually to students who achieve an ACT score of 20 to 27 or are qualified transfer students.

State Colleges: Language indicates intent that the funding support 200 scholarships not to exceed \$10,000 per eligible student each year for each \$1,000,000 appropriated. Intent language accompanying the appropriation provides that to be eligible for the related financial aid, a student would be required to achieve a minimum ACT score of 18 and enroll in a program of study in rangeland management, industrial technology, criminal justice, business administration, education, communications, or computer information systems.

DED: The proposal notes that there would be 200 scholarships given for each \$1,000,000 appropriated. The Department of Economic Development would work in conjunction with the six Community Colleges to award scholarships to freshman students pursuing careers in high-demand areas.

Business Innovation Act

LB334 passed in the 2019 Session repealed the Angel Investment Tax Credit Act and provided intent for the reallocation of the \$4 million per year which was saved due to repeal of the credits. For the first year funds are available, FY2020-21, the \$4 million was allocated to the Governors Emergency program to assist in covering flood damage costs. And then starting in FY2021-22, the bill provided intent language that the \$4,000,000 previously allocated to the Angel Investment Tax Credit Act be allocated the Business Innovation Act in the Department of Economic Development. The projected budget includes the \$4 million each year for the Business Innovation Act.

State Agency Operations

Employee Salary Increases

Although the budget instruction included a 2% per year increase as a “placeholder”, at the present time there has been no collective bargaining agreement. Therefore this projected budget simply includes the same 2.5% annual increase that had been utilized last session. For purposes here this was applied to bargaining and non-bargaining employees.

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 4.0% increase in both years. For state agencies this This projected status includes the 4% per year increase applied to state agencies as well as the University and State Colleges.

Supreme Court

The agency included minimal number of issues, most being annualizing A bills and increases DAS charges. These have been incorporated into the projected budget.

Dept. of Correctional Services

The Dept. of Correctional Services included a variety of items included in their request, the largest items being operation costs for two newly constructed facilities. The following table shows the requested items and those included in the projected budget

Description	Agency Request		TRR Nov 2020 Meeting	
	FY2021-22	FY2022-23	FY2021-22	FY2022-23
Step plan - salaries	1,500,000	3,000,000	1,500,000	3,000,000
Salary Compression	724,777	1,464,048	724,777	1,464,048
Adjust Base for FY 2020 Deficit	(2,300,000)	(2,300,000)	(2,300,000)	(2,300,000)
Rate Increases	895,804	945,468	895,804	945,468
Reception and Treatment Center (RTC) Staffing	2,063,546	4,109,845	2,063,546	4,109,845
LCC High Security Housing Project Staffing	925,795	3,549,258	925,795	3,549,258
LCC High Security Housing Project Staffing	925,795	3,549,258	925,795	3,549,258
Utilities Expense	200,000	200,000	200,000	200,000
Electronic Health Records	0	744,736	0	0
HVAC Server & Leased Computers	779,797	184,864	0	0
Master Plan	350,000	0	0	0
One-Time Cash Fund Appropriation Increase	(750,000)	0	0	0
Radio Replacement	718,600	0	0	0
Workforce Recruitment & Development Program	225,000	450,000	0	0
Total - Issues	6,259,114	15,897,477	4,935,717	14,517,877

The agency request and projected budget do not include any increased funding for inmate per diem costs.

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. For salary, a 2.5% increase was included similar to state agencies. For health insurance, a 4.0% increase was included similar to state agencies.

Also included is the 2nd and 3rd years of the phase in of the Nebraska Career Scholarships initiated in the 2020 session (see page 21).

Defined Benefit Retirement Plans

The agency request for FY22 and FY23 reflects a modest increase in state support for the defined benefit retirement systems. Overall the increase amounts to \$2.8 million in FY21-22 and \$4.6 million in FY22-23. 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 2020 following completion of the actuarial experience study and valuations.

Description	Agency Request		TRR Nov 2020 Meeting	
	FY2021-220	FY2022-23	FY2021-22	FY2022-23
2% of Salary-State Schools	2,139,649	3,139,649	2,139,649	3,139,649
2% of Salary-Class V Schools-Omaha	198,214	398,214	198,214	398,214
Omaha Service Annuity Contribution	(116,131)	(116,131)	(116,131)	(116,131)
Annual Contribution Requirement-Judges Plan	251,206	451,206	251,206	451,206
Annual Contribution Requirement-State Patrol	387,130	687,130	387,130	687,130
Total - Issues	2,860,068	4,560,068	2,860,068	4,560,068

Operations Inflation

The projected budget does not include any general inflationary increases for agency operating budgets. The largest increases in operating costs for the FY22/FY23 biennium related to DAS rate charges in a variety of agencies. At a statewide level, these amounted to about a \$4.8 million in FY22 and \$5.2 in FY23. Most of this increase relates to increased charges from the Office of the Chief Information Officer (OCIO) and will be subject to review by the LFO and Appropriations Committee

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 FY21-22 or FY22-23.

Appendix A Projected Budget – November 2020 TRR Meeting

	w/o Deficits FY2020-21	Nov 2020 TRR Estimate		Change vs Prior Yr FY21-22 (w/o deficits)		Change vs Prior Yr FY22-23 (w/o deficits)		2 Yr Avg % Change
		Total FY2021-22	Total FY2022-23	\$	%	\$	%	
Agency Operations								
University & State /Colleges	669,962,990	694,599,731	718,532,149	24,636,741	3.7%	23,932,418	3.4%	3.6%
Health & Human Services	251,533,219	256,485,722	262,613,455	4,952,503	2.0%	6,127,733	2.4%	2.2%
Correctional Services	236,451,459	244,777,927	256,168,964	8,326,468	3.5%	11,391,037	4.7%	4.1%
Courts	200,285,673	203,233,059	206,129,122	2,947,386	1.5%	2,896,063	1.4%	1.4%
State Patrol	64,448,023	66,963,108	68,523,410	2,515,085	3.9%	1,560,302	2.3%	3.1%
Retirement Board	54,839,932	57,700,000	59,400,000	2,860,068	5.2%	1,700,000	2.9%	4.1%
Revenue	28,992,188	29,480,775	30,091,665	488,587	1.7%	610,889	2.1%	1.9%
Other 39 Agencies	193,273,413	196,183,312	199,951,510	2,909,899	1.5%	3,768,198	1.9%	1.7%
Total-GF Operations	1,699,786,897	1,749,423,634	1,801,410,274	49,636,737	2.9%	51,986,641	3.0%	2.9%
State Aid to Individuals/Others								
Medicaid	921,250,222	927,578,700	967,084,715	6,328,478	0.7%	39,506,015	4.3%	2.5%
Child Welfare Aid	172,174,830	176,181,966	180,611,049	4,007,136	2.3%	4,429,083	2.5%	2.4%
Developmental disabilities aid	157,255,751	162,479,180	167,121,548	5,223,429	3.3%	4,642,368	2.9%	3.1%
Public Assistance	86,756,257	89,932,726	93,220,371	3,176,469	3.7%	3,287,645	3.7%	3.7%
Behavioral Health aid	72,206,614	74,006,502	75,851,388	1,799,888	2.5%	1,844,886	2.5%	2.5%
Childrens Health Insurance (SCHIP)	23,778,754	26,398,632	27,060,700	2,619,878	11.0%	662,068	2.5%	6.7%
Aging Programs	11,722,579	11,984,071	12,252,101	261,492	2.2%	268,030	2.2%	2.2%
Nebraska Career Scholarships	4,000,000	8,000,000	12,000,000	4,000,000	100.0%	4,000,000	50.0%	73.2%
Business Innovation Act	6,020,352	10,020,352	10,020,352	4,000,000	66.4%	0	0.0%	29.0%
Higher Ed Student Aid programs	8,693,430	8,693,430	8,693,430	0	0.0%	0	0.0%	0.0%
Public Health Aid	6,364,407	6,806,907	6,806,907	442,500	7.0%	0	0.0%	3.4%
Community health centers	7,783,060	7,783,060	7,783,060	0	0.0%	0	0.0%	0.0%
All Other Aid to Individuals/Other	12,869,453	13,003,638	13,003,638	134,185	1.0%	0	0.0%	0.5%
Total-GF Aid to Individuals/Other	1,490,875,709	1,522,869,164	1,581,509,259	31,993,455	2.1%	58,640,095	3.9%	3.0%
State Aid to Local Govts								
State Aid to Schools (TEEOSA)	1,022,555,859	1,055,265,864	1,108,279,737	32,710,005	3.2%	53,013,873	5.0%	4.1%
Property Tax Credit	Transfer	Transfer	Transfer	--	--	--	--	--
Special Education	231,079,770	236,856,764	242,778,183	5,776,994	2.5%	5,921,419	2.5%	2.5%
Aid to Community Colleges	103,558,339	107,147,881	110,863,057	3,589,542	3.5%	3,715,176	3.5%	3.5%
Homestead Exemption	101,100,000	101,717,000	106,802,850	617,000	0.6%	5,085,850	5.0%	2.8%
Personal Property Tax Relief Act	0	0	0	0	#DIV/0!	0	100.0%	--
Aid to ESU's	13,613,976	13,613,976	13,613,976	0	0.0%	0	0.0%	0.0%
High ability learner programs	2,342,962	2,342,962	2,342,962	0	0.0%	0	0.0%	0.0%
Early Childhood programs	8,619,357	8,619,357	8,619,357	0	0.0%	0	0.0%	0.0%
Community Based Juvenile Services	6,048,000	6,048,000	6,048,000	0	0.0%	0	0.0%	0.0%
Governors Emergency Program	60,240,974	5,000,000	5,000,000	(55,240,974)	-91.7%	0	0.0%	-71.2%
Resources Development Fund	0	0	0	0	#DIV/0!	0	0.0%	na
Other Aid to Local Govt	5,319,394	5,319,394	5,319,394	0	0.0%	0	0.0%	0.0%
Total-GF Aid to Local Govt	1,554,478,631	1,541,931,198	1,609,667,516	(12,547,433)	-0.8%	67,736,318	4.4%	1.8%
Capital Construction	38,625,661	31,892,756	28,283,215	(6,732,905)	-17.4%	(3,609,541)	-11.3%	-14.4%
Total Appropriations	4,783,766,898	4,846,116,752	5,020,870,265	62,349,854	1.3%	174,753,513	3.6%	2.4%

Appendix B

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