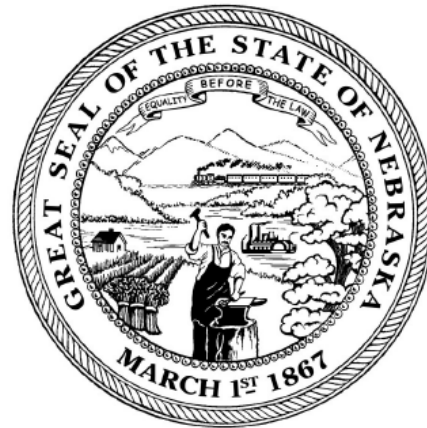


# State of Nebraska



## Mid-Biennium Budget Adjustments 2017-2019 Biennium Executive Budget Presentation



Pete Ricketts  
Governor

January 10, 2018

## Revenue Since 2017 – 2019 Budget Adopted

- Ended FY 2016-17 with actual General Fund tax receipts \$34.2 million lower than forecast
- October Nebraska Economic Forecasting Advisory Board (NEFAB) reduced revenue forecasts for the 2017-2019 biennium by a combined \$223.9 million
  - FY 2017-18: \$100.4 million
  - FY 2018-19: \$123.5 million

# Preparing for Budget Cuts and Adjustments

- On October 27, issued spending restraint memorandum to cabinet agencies instructing them to continue:
  - Hiring freeze, except for mission critical positions
  - Travel ban on non-essential out-of-state travel
  - Limited technology and equipment purchases
  - Work with grantees to reduce discretionary grants in aid
- Asked other agencies, boards and commissions to also continue spending restraint efforts
- Hiring freeze has helped reduce state headcount by 500, or about 4%

# Preparing for Budget Cuts and Adjustments

- Instructed State Budget Division to reduce allotment of current FY 2017-18 appropriations by one percent each quarter beginning with third fiscal quarter in January
- Advised agencies, boards and commissions to prepare for downward adjustments to appropriations for both FY 2017-18 and FY 2018-19

# 2018 Mid-Biennium Budget Priorities

- Balances the budget without tax increases
- Sets the state up for tax relief that fits within the budget
- Continuing investment in Department of Corrections with bed space and additional staff positions, protecting existing investments
- Finances growth in child welfare system as office launches task force to examine division's operations and finances
- Maintains investment in K-12 TEEOSA School Aid and Special Education Aid
- Two year budget growth of 0.2% compared to original FY 2016-17 budget

# 2018 Mid-Biennium Budget Recommendations

- Address \$173 million projected budget gap from minimum reserve
  - \$103.2 million of total General Fund appropriation reductions
    - \$77.1 million of across-the-board reductions
    - \$25.1 million of specific reductions
    - \$1.1 million of reappropriation reductions
  - \$21.7 million involving transfers to/from the General Fund and agency cash funds
  - Net \$54.8 million increase for agency mid-biennium requests
  - \$108 million transfer from the Cash Reserve Fund
- Maintain an unobligated Cash Reserve Fund balance of \$274 million during current biennium and replenishes to over \$500 million at end of next biennium

# 2018 Mid-Biennium Budget Recommendations

- General Fund Budget Highlights:
  - Across-the-board reductions of 2% in FY 2017-18 and 4% in FY 2018-19
    - Approximately \$3.1 billion, or 71%, of budget excluded from across-the-board reductions
  - Specific reductions, including:
    - \$19.7 million for TEEOSA in FY 2018-19 per November 2017 Nebraska Department of Education estimate
    - \$1.9 million total in savings in FY 2018-19 related to health insurance increases lower than estimated
  - Reappropriation reductions of 4%, after accounting for prior year obligations and where not excluded

# 2018 Mid-Biennium Budget Recommendations

- General Fund Budget Highlights:
  - Transfers to the General Fund from agency funds, such as
    - Insurance Cash Fund: \$3 million
    - Game and Parks Capital Maintenance Fund: \$4.5 million
    - Health and Human Services Cash Fund: \$2.6 million
    - Nebraska Progress Loan Repayment Fund: \$1.0 million
    - State Visitors Promotion Fund: \$1.0 million
  - Reduces transfers from the General Fund to the Water Sustainability Fund by \$1.5 million in FY 2017-18 and \$3.5 million in FY 2018-19
    - Continues to allow \$11 million in awards each fiscal year



# 2018 Mid-Biennium Budget Recommendations

- General Fund Budget Highlights:
  - Agency Mid-Biennium Budget Adjustment Requests
    - \$35.1 million total net increase over two fiscal years for child welfare and public assistance
    - \$15.0 million increase in FY 2018-19 for reduced federal Medicaid match rate
    - \$2.5 million fund source shift in Beatrice State Developmental Center appropriation in FY 2017-18

# 2018 Mid-Biennium Budget Recommendations

- General Fund Budget Highlights:
  - Agency Mid-Biennium Budget Adjustment Requests
    - \$3.7 million increase for TEEOSA in FY 2017-18 for lower than estimated insurance premium tax
    - \$3.1 million increase each fiscal year for Homestead Exemption Program for higher local government tax loss than estimated
    - \$1.3 million reduction in FY 2017-18 and \$2.0 million reduction in FY 2018-19 for Personal Property Exemption Program due to lower local government tax loss than estimated
    - \$0.5 million increase in FY 2018-19 for state contribution to defined benefit retirement plans

# General Fund Budget Adjustments by Type

<b>Adjustment Type</b>	<b>FY 2017-18 Amount</b>	<b>FY 2018-19 Amount</b>	<b>Biennial Total</b>
<b><u>Appropriation Reductions</u></b>			
New Appropriation Reductions	(27,798,811)	(74,318,968)	(102,117,779)
<i>Across-the-Board Reductions</i>	(25,691,044)	(51,371,504)	(77,062,548)
<i>Specific Reductions</i>	(2,107,767)	(22,947,464)	(25,055,231)
Reappropriation Reductions	(1,108,408)	0	(1,108,408)
<b>Total Appropriation Reductions</b>	<b>(28,907,219)</b>	<b>(74,318,968)</b>	<b>(103,226,187)</b>
<b><u>Agency Cash Fund Transfers to/from General Fund</u></b>			
Specific Fund Transfers to the General Fund	0	16,681,347	16,681,347
Reduction of Transfers from the General Fund	1,500,000	3,470,000	4,970,000
<b>Total Transfers Impact</b>	<b>1,500,000</b>	<b>20,151,347</b>	<b>21,651,347</b>
<b>Total Impact of Appropriation Reductions and General Fund Transfers</b>	<b>30,407,219</b>	<b>94,470,315</b>	<b>124,877,534</b>
<b><u>Other Budget Actions</u></b>			
Cash Reserve Fund Transfers to the General Fund	108,000,000	0	108,000,000
Agency Mid-Biennium Requests - Appropriation Increases	16,939,049	37,909,869	54,848,918

## General Fund Financial Status

	Actual	Current Biennium		Next Biennium	
	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
<b>1 Beginning Balance</b>					
2 Beginning Cash Balance	\$531,652,199	\$247,728,174	\$152,287,736	\$226,751,806	\$291,841,128
3 Cash Reserve Fund transfer-Automatic					
4 FY2016-17 carryover obligations/reappropriations		(213,728,661)			
<b>4a Lapse of FY17 unexpended/unobligated balance (2018 Session)</b>		<b>1,108,408</b>			
5 Allocation for potential deficits			(5,000,000)	(5,000,000)	(5,000,000)
6 Unobligated Beginning Balance	531,652,199	35,107,921	147,287,736	221,751,806	286,841,128
<b>7 Revenues</b>					
8 Net Receipts (October 2017 NEFAB + LFO Hist. Avg.)	4,262,606,737	4,505,000,000	4,675,000,000	4,924,000,000	5,259,000,000
9 General Fund transfers - out (Property Tax Credit)	(202,000,000)	(221,000,000)	(221,000,000)	(221,000,000)	(221,000,000)
9a General Fund transfers - out (All Other)	(15,100,000)	(13,970,000)	(12,770,000)	(11,500,000)	(11,500,000)
9b <b>Reduction in General Fund transfers - out (2018 Session)</b>		<b>1,500,000</b>	<b>3,470,000</b>		
10 <b>General Fund transfers - in (2018 Session)</b>		<b>0</b>	<b>16,681,347</b>		
11 Cash Reserve Fund transfers (current)		125,000,000	48,000,000		
12 <b>Cash Reserve Fund transfers (2018 Session)</b>		<b>108,000,000</b>			<b>(252,000,000)</b>
13 <b>Tax Policy Legislation - Restructure Property Tax Credit funding</b>			<b>221,000,000</b>	<b>221,000,000</b>	<b>221,000,000</b>
13a <b>Tax Policy Legislation - Refundable Tax Credit (base) + IIT &amp; CIT Rate Reductions</b>			<b>(223,790,000)</b>	<b>(276,090,000)</b>	<b>(302,890,000)</b>
13b <b>Tax Policy Legislation - Transfer Out to Job Training Cash Fund</b>			<b>(5,000,000)</b>	<b>(5,000,000)</b>	
13c <b>Tax Policy Legislation - Lapse Property Tax Credit Cash Fund balance to GF</b>			<b>5,000,000</b>		
14 General Fund Net Revenues	4,045,506,737	4,504,530,000	4,506,591,347	4,631,410,000	4,692,610,000
<b>15 Appropriations</b>					
16 Actual / Appropriations (as of 2017 Session)	4,329,430,762	4,398,012,616	4,463,415,777	4,463,415,777	4,463,415,777
17 <b>Claims Bill</b>		<b>197,331</b>			
18 <b>Agency Mid-Biennium Requests</b>		<b>16,939,049</b>	<b>37,909,869</b>	<b>39,909,869</b>	<b>39,909,869</b>
19 <b>Specific Adjustments</b>		<b>(2,107,767)</b>	<b>(22,947,464)</b>	<b>(22,947,464)</b>	<b>(22,947,464)</b>
20 <b>Across-the-Board Reductions</b>		<b>(25,691,044)</b>	<b>(51,371,504)</b>	<b>(51,371,504)</b>	<b>(51,371,504)</b>
21 <b>Tax Policy Legislation - NDR one-time cost; Reallocate Personal Property Exemption to RTC</b>			<b>120,599</b>	<b>(16,686,000)</b>	<b>(17,187,000)</b>
22 <b>Next Biennium - 3% annual appropriation growth</b>				<b>149,000,000</b>	<b>288,000,000</b>
23 General Fund Appropriations	4,329,430,762	4,387,350,185	4,427,127,277	4,561,320,678	4,699,819,678
<b>24 Ending Balance</b>					
25 Dollar ending balance	247,728,174	152,287,736	226,751,806	291,841,128	279,631,450
26 \$ Ending balance at Calculated Reserve	255,518,699		225,825,598		278,177,820
27 Variance from Calculated Reserve	(7,790,526)		<b>926,208</b>		<b>1,453,630</b>
28 Biennial Reserve (%)	2.9%		2.5%		3.0%
29 Annual % Change - Appropriations (w/ Deficits)	1.9%	1.0%	0.9%	3.0%	3.0%
30 Two Year Average (w/ Deficits)	2.7%	--	0.9%	--	3.0%
30a Two Year Average (w/out FY17 Deficits)	3.5%	--	0.2%	--	3.0%
31 Annual % Change - Revenues (Structural/Nominal)	-0.8%	4.1%	4.7%	4.4%	6.6%
32 Two Year Average	-0.9%	--	4.4%	--	5.5%
33 Structural Receipts v. Expend./Approps.	(284,474,025)	(177,997,288)	(20,423,277)	75,089,322	244,790,322

## Cash Reserve Fund Status

	Current	Next Biennium		Following Biennium	
	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
1 Beginning Balance	730,655,108	680,655,108	331,874,336	273,869,207	273,869,207
2 Transfer Amounts Above Forecasts					
3 To/From General Fund (current)		(125,000,000)	(48,000,000)		
4 <b>To/From General Fund (2018 Session)</b>		<b>(108,000,000)</b>			<b>252,000,000</b>
5 To NCCF for Central NE Veterans Home		(43,015,459)			
6 <b>Reduce Transfer to NCCF for Central NE Veterans Home</b>		<b>2,300,000</b>			
7 From Oral Health Training and Services Fund excess		150,000			
8 To Transportation Infrastructure Bank	(50,000,000)				
9 To NCCF for DCS Reception and Treatment Center		(75,215,313)			
10 To NCCF for Capitol HVAC			(10,005,129)		(10,431,585)
11 Ending Balance	680,655,108	331,874,336	273,869,207	273,869,207	515,437,622

# Budget Summary

- Balances the budget without tax increases
- Sets the state up for tax relief that fits within the budget
- Continuing investment in Department of Corrections
- Finances growth in child welfare system
- Maintains investment in K-12 TEEOSA School Aid and Special Education Aid
- Two year budget growth of 0.2% compared to original FY 2016-17

# Nebraska Property Tax Cuts and Opportunity Act

- Nebraska's families and job creators need tax relief to continue to grow our state
- Tax relief must fit within the budget, and will work with senators within this framework
- Three major components
  - Refundable tax credit on state taxes for property taxes paid
    - Targets property tax relief for Nebraskans
  - Reductions in top individual and corporate income tax rates
  - Funding for workforce development

# Nebraska Property Tax Cuts and Opportunity Act

- Property tax cuts are the top priority
- Refundable tax credit for property taxes paid
  - Beginning with 2018 tax year
  - Eligibility: People who pay state taxes in Nebraska
    - Owner-occupied homesteads
    - Resident agricultural and horticultural land and agricultural improvements
  - Restructures funding from existing property tax credit program beginning in FY 2018-19 and existing personal property exemption program beginning in FY 2019-20
  - Includes mechanism for triggered future increases based on actual General Fund tax receipts relative to certified forecast



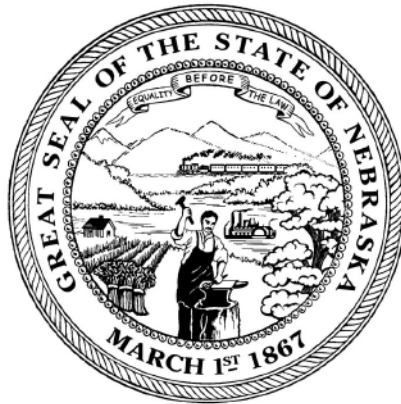
# Nebraska Property Tax Cuts and Opportunity Act

- Uses existing tax credits to reduce top individual income tax rate
  - Tax rate decreases from 6.84% to 6.75% effective Jan. 1, 2019, and then to 6.69% effective Jan. 1, 2020
- Uses existing tax credits to reduce top corporate income tax rate
  - Tax rate decreases from 7.81% to 6.75% effective Jan. 1, 2019, and then to 6.69% effective Jan. 1, 2020
- Additional \$5 million for workforce development in each of FY 2018-19 and FY 2019-20

# State of Nebraska



## Mid-Biennium Budget Adjustments 2017-2019 Biennium Executive Budget Presentation



## Questions and Answers?