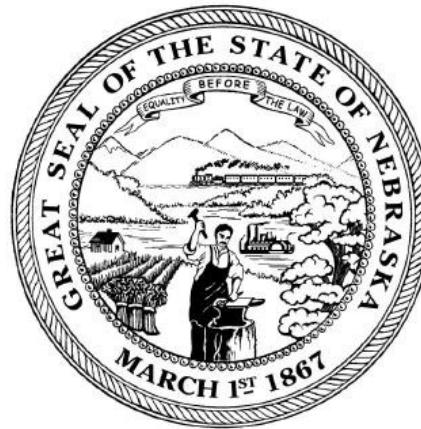


State of Nebraska



Executive Budget Presentation 2023 – 2025 Mid-Biennium



Jim Pillen
Governor

January 18, 2024

2024 Mid-Biennium Budget Overview

- Property Tax Reform
- Comprehensive Cash Fund Analysis
- Control Spending at State and Local Level
- ARPA Funding Review
- Boost our Workforce

Cutting Property Taxes 40%

2024 Property Tax Statements

- 2024 est. property taxes before credits = **\$5 Billion**
- Apply **NEW** credit against property taxes = **-\$1 Billion**
- Front load existing 30% school tax credit = **-\$750 Million**
- Community Colleges off property taxes = **-\$250 Million**

Total Property Taxes = \$3 Billion

Property Tax Reform

- **Step 1) Reduce Property Taxes by 40% in 2024**
 - Cut property taxes paid from \$5 Billion to \$3 Billion
- **Step 2) Automatic Levy Rollback w/ 0% Hard Cap**
 - Simply, when the value of your home goes up, your taxes **DO NOT!**
 - *Levy must be reduced to negate increase in valuation*
 - Allowance for growth, existing debt & vote of the people for taxing entities
- **Step 3) Ensure Long Term Solution**
 - Sustainable credits that grow over time to reduce property tax burden
 - Relief combined with spending controls = Reform

Legislative Priorities

- **ImagiNE Childcare & Workforce Housing**
 - Utilize existing tax credits for employee's childcare & workforce housing efforts
 - Additional \$25 million investment in Rural Workforce Housing
- **ARPA funding for Transportation - \$87.3 Million**
- **Regional Workforce Development**
 - DED will partner with community colleges to fit the workforce needs of every community
- **Nebraska National Guard 100% Income Tax Exemption**
 - Exempts 4,200 Nebraska Guard members pay from income taxes
- **Emerging Bioeconomy**
 - Invest \$2.5 million in growing Nebraska's biomanufacturing and biotechnology

2024 General Fund Adjustments

- **Reduction of \$35 million** – Realigned DHHS Base Appropriation
 - Reflects historical and current underspend without impacting services
- **Reduction of \$10 million** – OCIO Rate Reductions
- **\$20 million** – Increased Funding for Child Welfare Aid Programs
- **\$15 million** – Lincoln Regional Center Staffing Needs
 - One time funding needs to address rise in census & staffing costs
- **\$15 million** – Increased Homestead Exemptions Property Tax Relief
 - Assists Nebraskans over 65 & disabled persons on a fixed income with their property tax burden
- **\$10 million** – Developmental Disability Funding
 - Leverages another \$17.5 million in federal funding
 - Shifts \$27.5 million ARPA funds to be used for highways

Total FY 24 GF Adjustment = + \$14.6 million

2025 General Fund Adjustments

- **Reduction of \$29 million** – Reduced TEEOSA Formula Obligation
 - Reflects fully funded education formula
- **Reduction of \$25 million** – Realigned DHHS Base Appropriation
 - Reflects historical and current underspend without impacting services
- **Reduction of \$3.5 million** – OCIO Rate Reductions
- **\$15 million** – Increased Homestead Exemptions Property Tax Relief
- **\$5 million** – State Marketing to Attract Families to Live the Good Life

Total FY 25 GF Reduction = - \$34.1 million

Historic Mid-Biennium reduction without loss in receipts = - \$19.6 Million

Mid-Biennium Budget Recommendations

- Two-year average spending growth reduced to 1.7% from 2.0%
 - Annual **spending reduction** of 0.5% in fiscal year 2025 from 2024
 - Lapse \$31.3 million in excess General Fund reappropriation
- Transfer \$273.8 million of idle excess cash fund balances for tax reform
 - Reviewed over 500 existing cash funds from \$2.77 billion to \$2.49 billion
- Total General & Cash Reserve Fund reserve increased to \$1.25 billion from previously estimated \$1.1 billion
 - Cash Reserve Fund Balance increased to \$891.7 million or 16.7%

General Fund Financial Status

		Actuals	Current Biennium		Upcoming Biennium	
		FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Beginning Cash Balance	2,494,107,852	1,853,785,060	905,795,484	679,255,171	582,238,952
2	Automatic Adjustments, Potential Deficits	(1,287,998,995)	(431,896,017)	(5,000,000)	(5,000,000)	(5,000,000)
3	Carryover Lapse (new)		31,300,000			
4	Unobligated Beginning Balance	1,206,108,857	1,453,189,043	900,795,484	674,255,171	577,238,952
5	<u>Revenues</u>					
6	Net Receipts - (Actual Adj; Oct NEFAB; Econometric)	6,369,919,558	6,445,000,000	6,365,000,000	6,359,889,250	6,267,131,250
7	General Fund transfers - in		213,531,867	60,276,716		
8	General Fund transfers - out (current)	(568,053,459)	(1,839,760,000)	(945,009,886)	(944,137,382)	(968,066,840)
9	General Fund transfers - out (new)		(2,134,335)	(18,881,755)		
10	New Resident Income Tax Exemption			(5,000,000)	(7,500,000)	(10,000,000)
11	Pioneer Tax Credit			(5,000,000)	(5,000,000)	(5,000,000)
12	Nebraska National Guard Income Tax Exemption			(969,000)	(2,231,000)	(2,016,000)
13	ImagiNE Incentive Credits			(760,000)	1,473,500	13,764,000
14	Tax Reform Initiatives			640,000,000	1,120,000,000	1,160,000,000
15	Property Tax Reform			(975,000,000)	(1,000,000,000)	(1,025,000,000)
16	Front Load Property Tax Incentive Credit				(205,953,800)	(153,438,000)
17	General Fund Net Revenues	5,801,866,099	4,816,637,532	5,114,656,075	5,316,540,568	5,277,374,410
18	<u>Appropriations</u>					
19	Expenditure/Appropriations with Outyear Growth Proj.	5,154,189,896	5,349,434,418	5,370,345,878	5,472,360,326	5,576,415,063
20	2024 Mid-Biennium Budget Adjustments		14,596,673	(34,149,490)	(63,803,539)	(67,203,779)
21	General Fund Appropriations	5,154,189,896	5,364,031,091	5,336,196,388	5,408,556,787	5,509,211,284
22	<u>Ending Balance</u>					
23	Dollar ending balance	1,853,785,060	905,795,484	679,255,171	582,238,952	345,402,078
24	Minimum Biennial Reserve Requirement			343,167,850		328,344,762
25	Variance from Minimum Reserve			336,087,321		17,057,317
26	Annual % Change - Appropriations	7.2%	4.1%	-0.5%	1.4%	1.9%
27	Two Year Average	4.3%	--	1.7%	--	1.6%
28	Annual % Change - Actual, Oct NEFAB, Econometric	0.3%	1.2%	-6.6%	4.0%	-0.2%
29	Structural Receipts v. Expend./Approps.	891,782,596	492,084,606	(241,817,029)	(92,016,219)	(231,836,874)

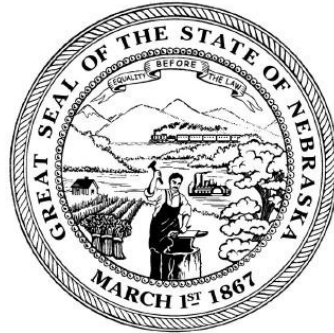
Cash Reserve Fund Status

		Actuals	Current Biennium		Upcoming Biennium	
		FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Beginning Balance	927,522,595	1,547,851,590	923,116,257	891,657,457	891,657,457
2	Transfer Amounts Above Forecasts	1,287,998,995	2,982,492			
3	To/From General Fund (in forecast)	40,000,000	440,000,000	(1,000,000)		
4	To Nebr Capital Construction Fund (NCCF)	(216,120,000)	(166,623,825)	(25,458,800)		
5	To Military Base Development Fund	(30,000,000)				
6	To/From Site & Building Development Fund	(20,000,000)	(2,000,000)			
7	To Intern Nebraska Cash Fund	(20,000,000)				
8	To/From JEDI Fund	(80,000,000)	35,000,000			
9	To Middle Income Housing Fund	(20,000,000)				
10	To NE Rural Projects Act	(50,000,000)				
11	To Perkins County Canal Fund	(53,500,000)	(574,500,000)			
12	To Rural Workforce Housing Fund	(30,000,000)				
13	To Surface Water Irrigation Fund	(50,000,000)				
14	To Trail Development Fund	(8,300,000)				
15	From Governors Emergency Fund		15,841,000			
16	To Accounting Division Revolving Fund		(1,100,000)			
17	To Health & Human Services Cash Fund		(11,320,000)			
18	To NSCS Insurance Risk Loss Trust		(3,000,000)			
19	To Public Safety Fund		(1,115,000)			
20	To Roads Operations Cash Fund	(100,000,000)				
21	To State Building Revolving Fund		(1,400,000)			
22	To Shovel Ready Capital Recovery Fund		(70,000,000)			
23	To Youth Outdoor Education Fund		(10,000,000)			
24	To Public Safety Comm Systems Revolving Fund		(5,000,000)			
25	To Economic Recovery Contingency Fund		(240,000,000)			
26	To Economic Development Cash Fund		(20,000,000)			
27	To Materiel Division Cash Fund		(2,500,000)			
28	To Critical Infrastructure Facilities Fund		(10,000,000)			
29	To State Indemnification Revolving Fund	(18,750,000)				
30	To Revitalize Rural Nebraska Fund (LB531)	(1,000,000)				
31	To School Safety & Security Fund (LB705)	(10,000,000)				
32	To State Insurance Fund			(5,000,000)		
33	Ending Balance	1,547,851,590	923,116,257	891,657,457	891,657,457	891,657,457
34	Balance as Percent of Appropriation	30.0%	17.2%	16.7%	16.5%	16.2%
35	Total General & CRF Reserve		1,266,284,107	1,234,825,307	1,220,002,219	1,220,002,219

State of Nebraska



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Questions and Answers?