



Clear thinking for
a stronger Nebraska

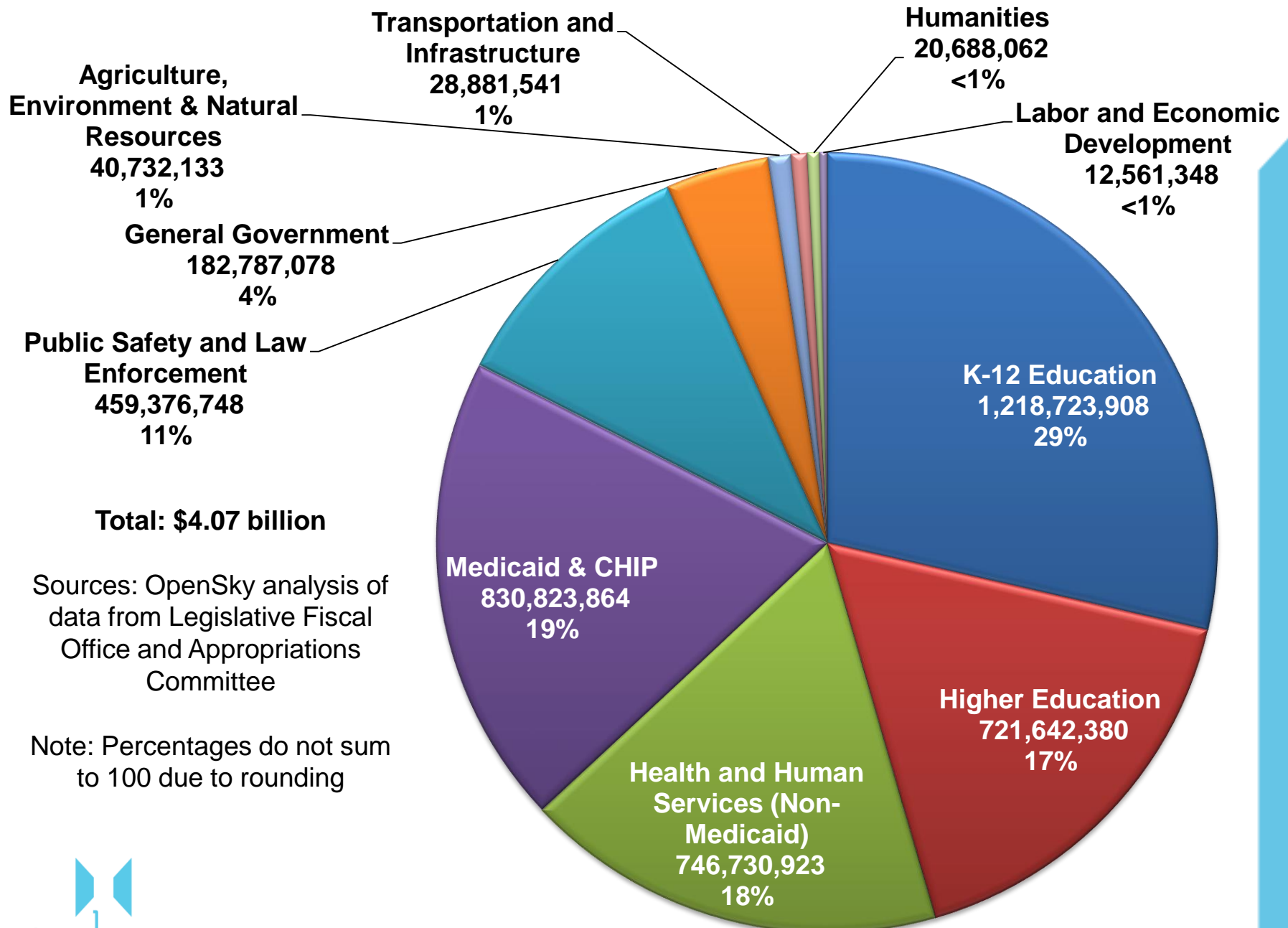
About OpenSky Policy Institute

We are a non-partisan think tank focused on fiscal policy in Nebraska.

Our mission is to improve opportunities for every Nebraskan by providing impartial and precise research, analysis, education, and leadership.

Education, Health Care Top Spending

Proposed General Fund Appropriations, FY 15-16

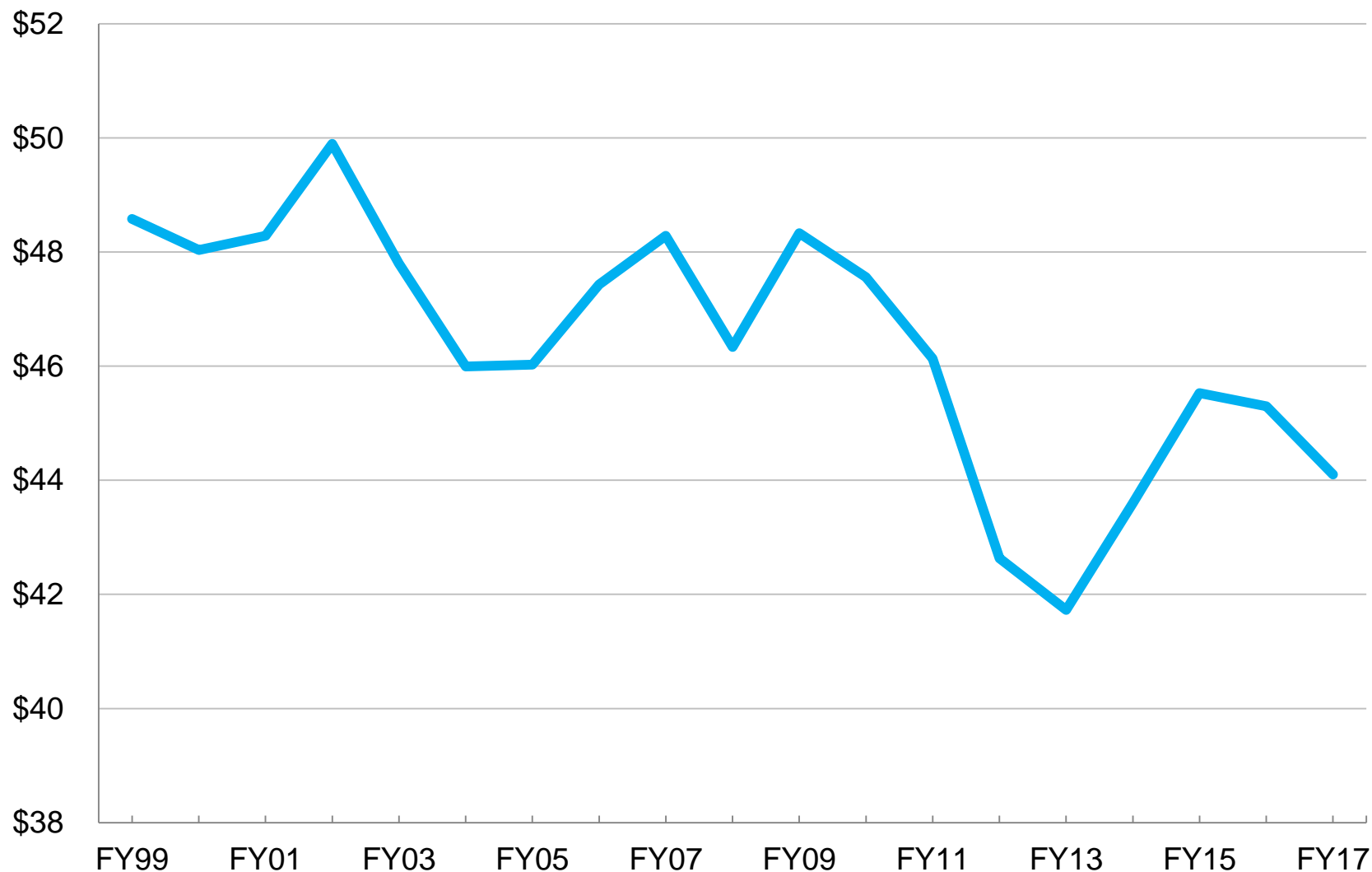


Sources: OpenSky analysis of data from Legislative Fiscal Office and Appropriations Committee

Note: Percentages do not sum to 100 due to rounding

General Fund Appropriations Have Declined

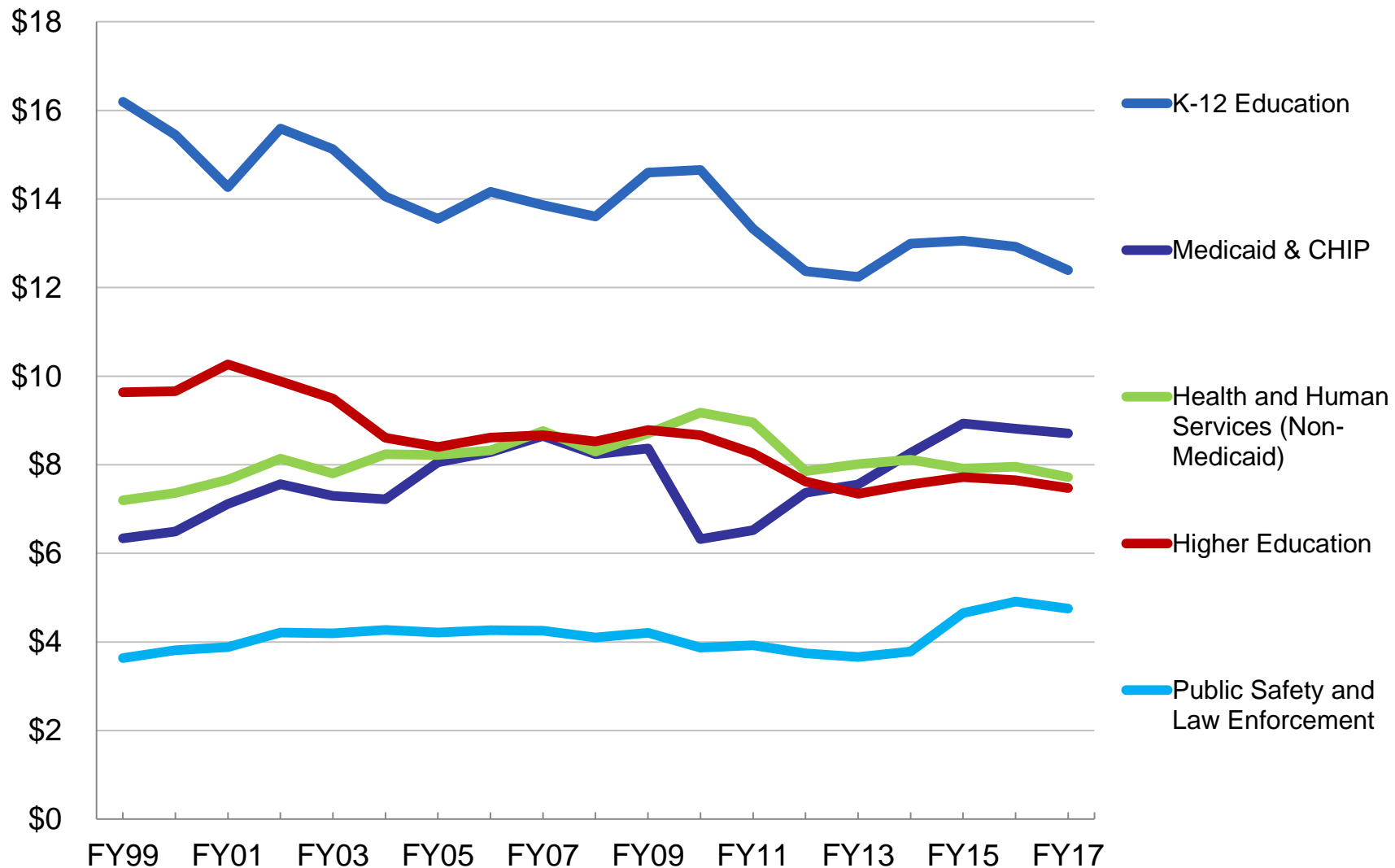
General Fund Appropriations per \$1,000 of NE Personal Income,
FY 98-99 to FY 16-17



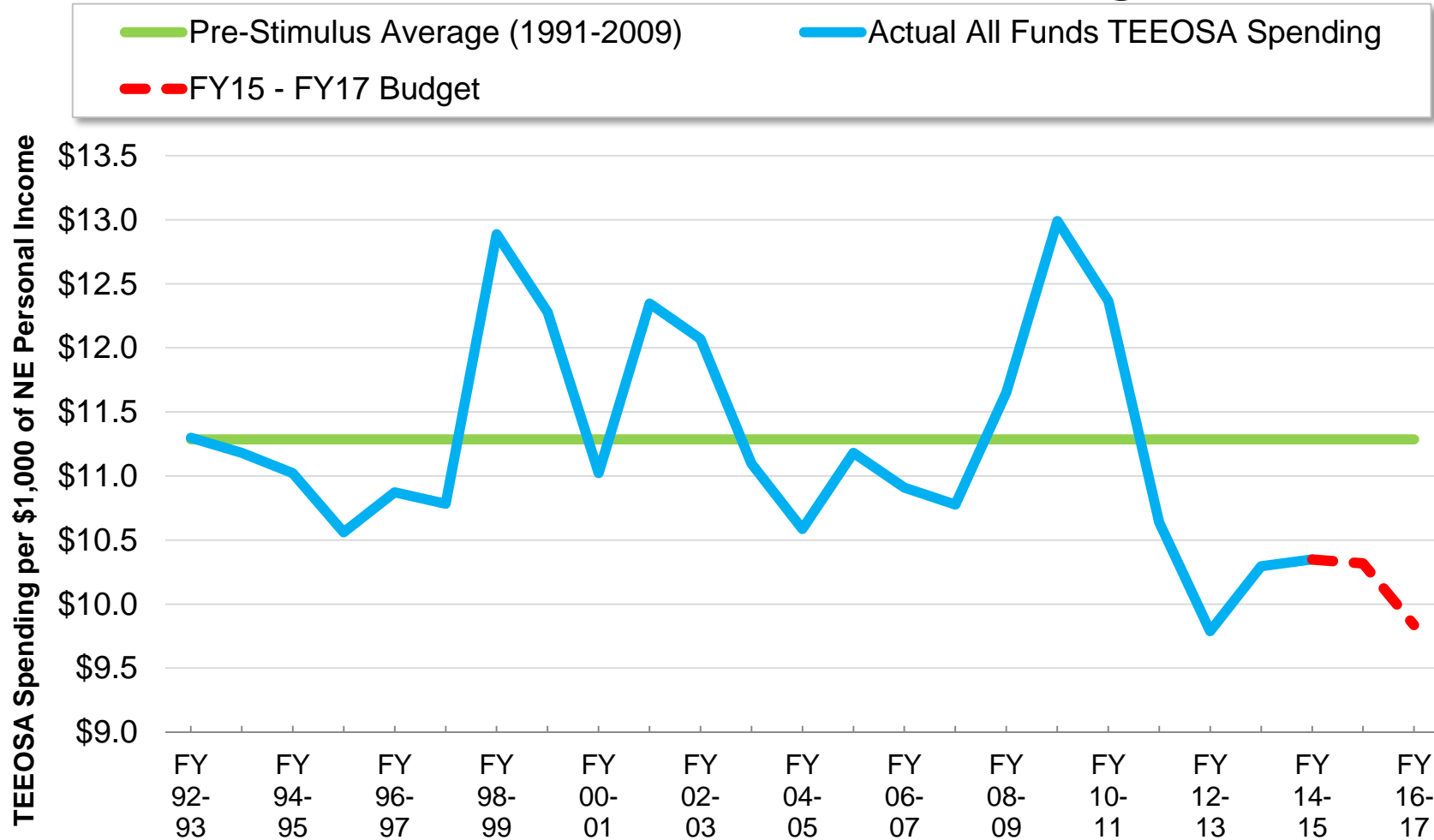
Sources: NE Department of Administrative Services Accounting Division, Legislative Fiscal Office, Nebraska Economic Forecasting Board, and US Bureau of Economic Analysis data.

Appropriations Trends in Major Budget Areas

General Fund Appropriations per \$1,000 of NE Personal Income,
FY 98-99 to FY 16-17



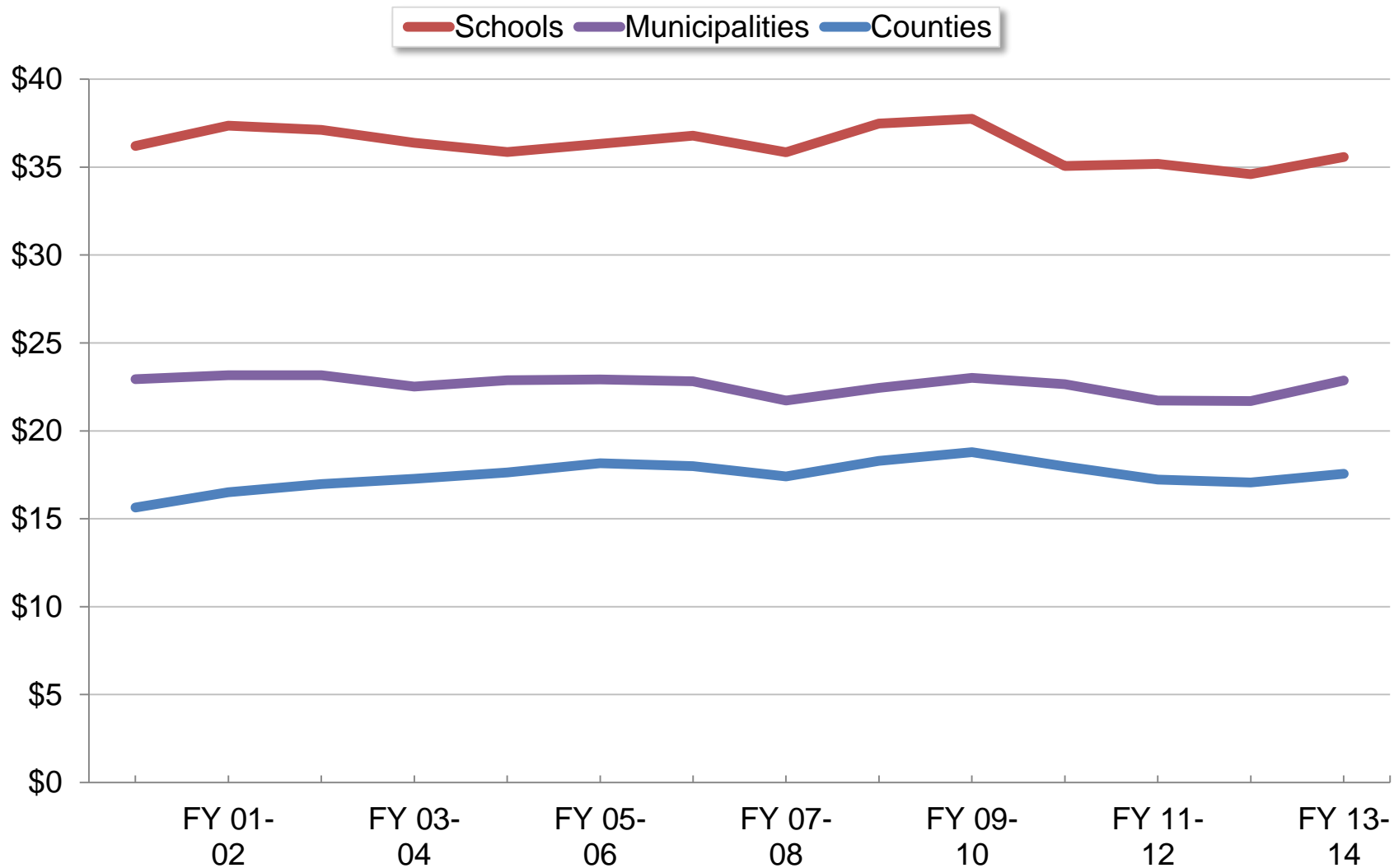
State's School Funding Commitment below Historic Average



Sources: Spending data from Legislative Fiscal Office; Personal Income from US Bureau of Economic Analysis; Personal Income growth projections from Nebraska Economic Forecasting Advisory Board and Congressional Budget Office.

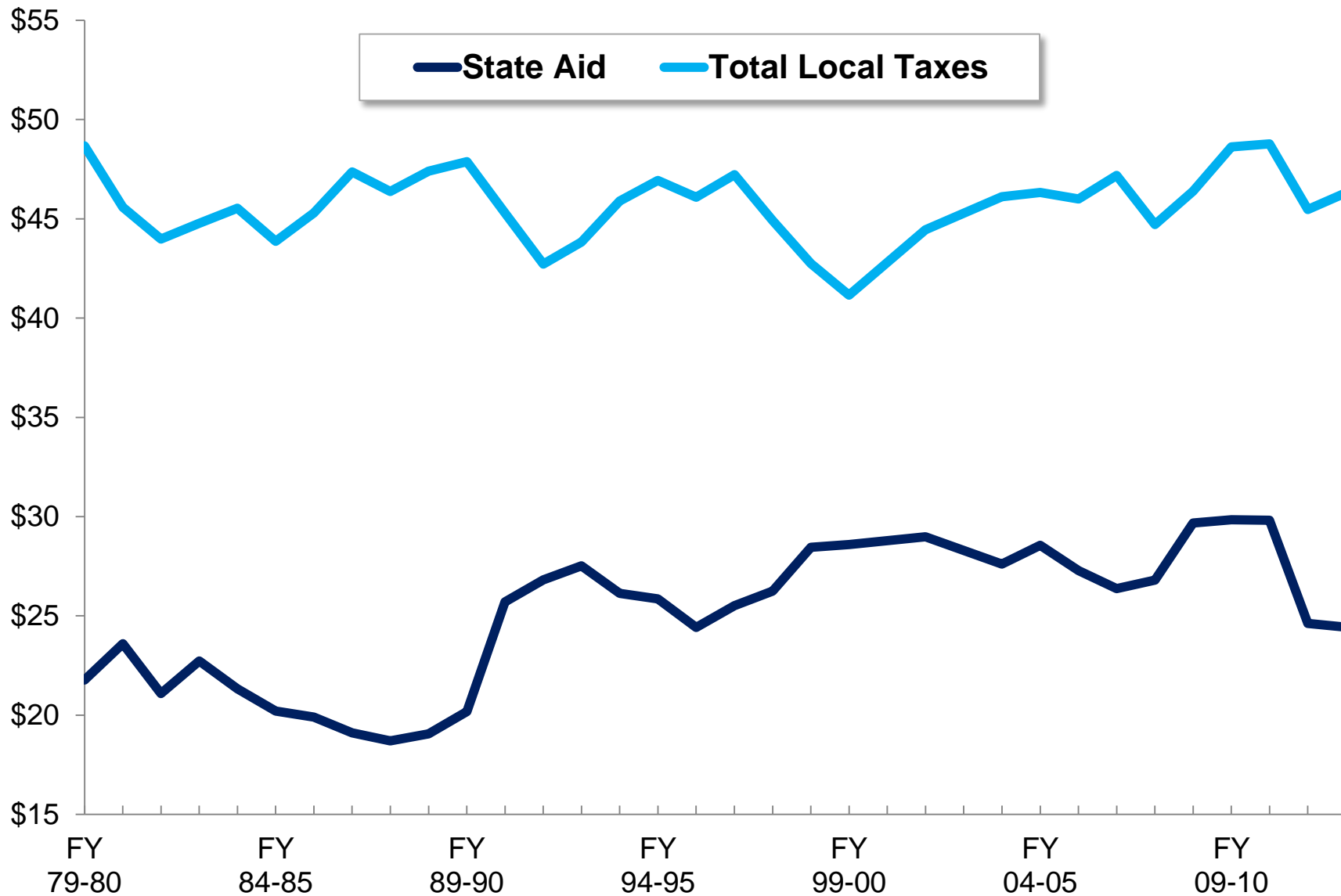
Local Spending Has Not Increased in Recent Years

Local Spending per \$1,000 of Nebraska GDP, FY 00-01 to FY 13-14



State Aid and Local Taxes Have Mirrored Each Other

Aid and Taxes per \$1,000 of Nebraska Personal Income



Sources: US Census Bureau, *Survey of State & Local Governments*; US Bureau of Economic Analysis

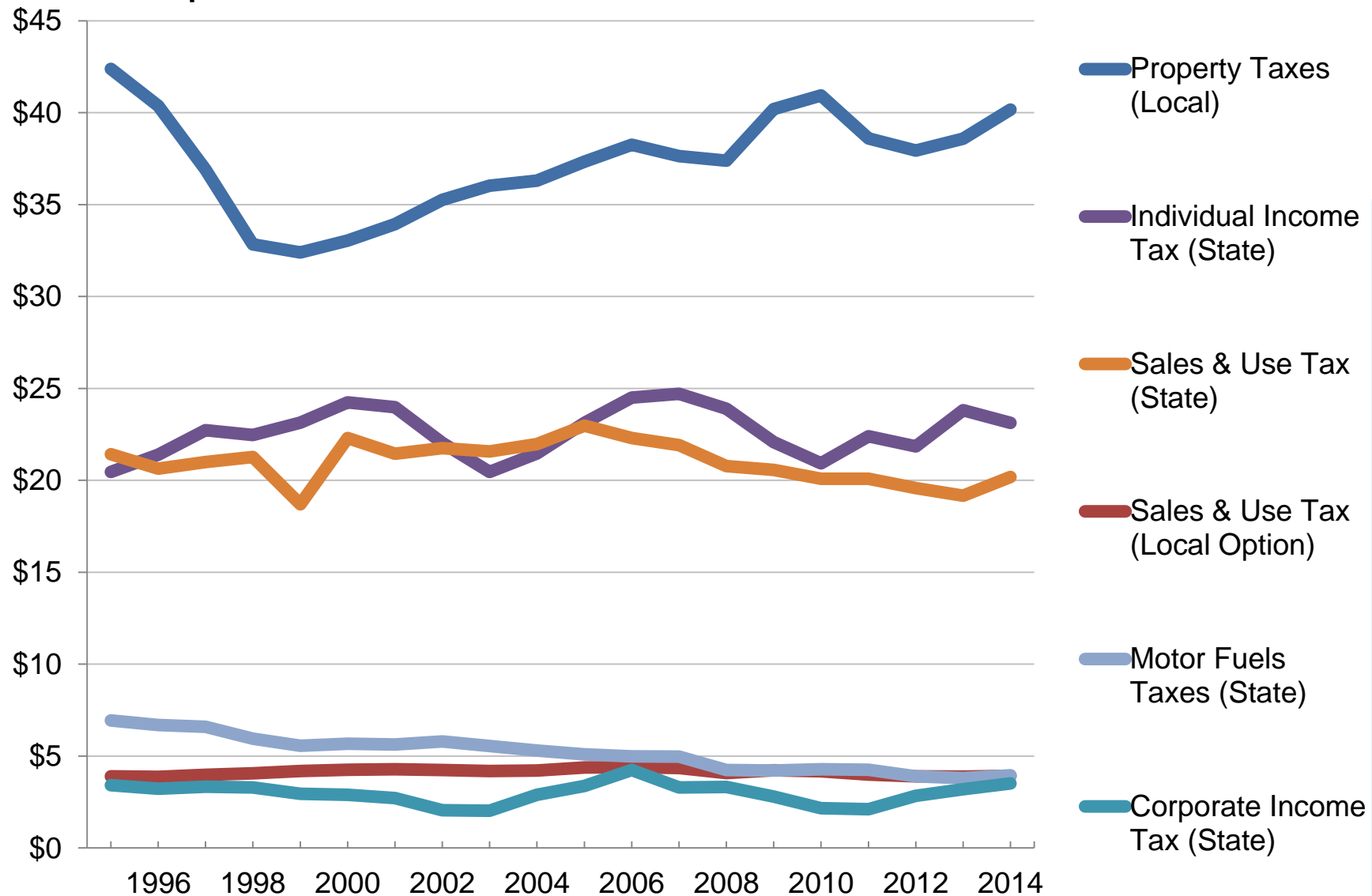
Local Governments Increasingly Reliant on Property Taxes

Property Taxes as Share of Total Revenues, FY 00-01 and FY 13-14

	FY 00-01	FY 13-14
Schools	44.8%	49.9%
Counties	30.2%	35.8%
Municipalities	10.5%	11.3%
Total	28.7%	32.5%

Major State and Local Tax Revenues

Taxes per \$1,000 of Nebraska Personal Income, 1995-2014

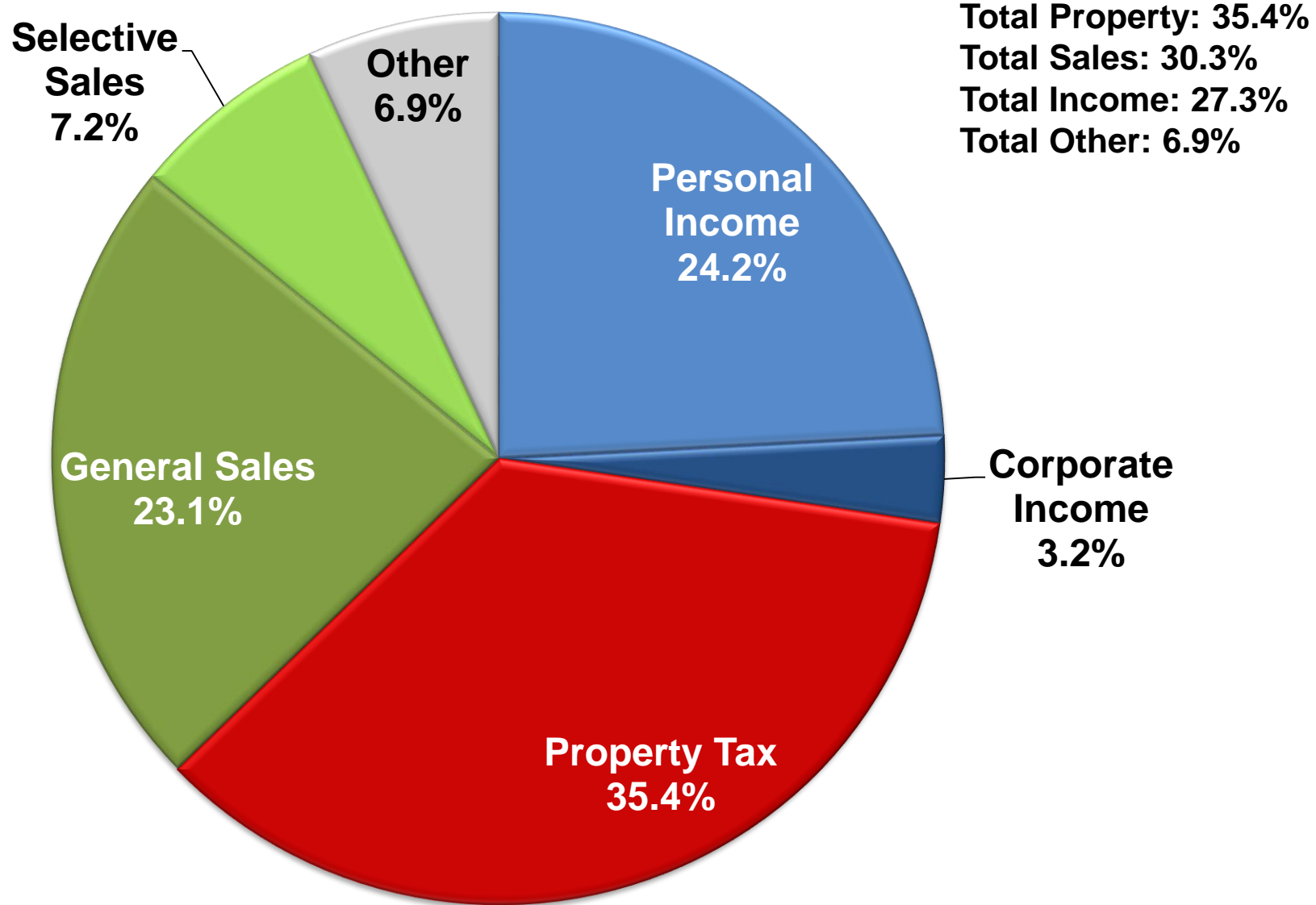


*State data are for fiscal years (2014 = FY 13-14); local data are for calendar years

Sources: Department of Administrative Services Accounting Division, *Annual Budgetary Reports*, and Department of Revenue

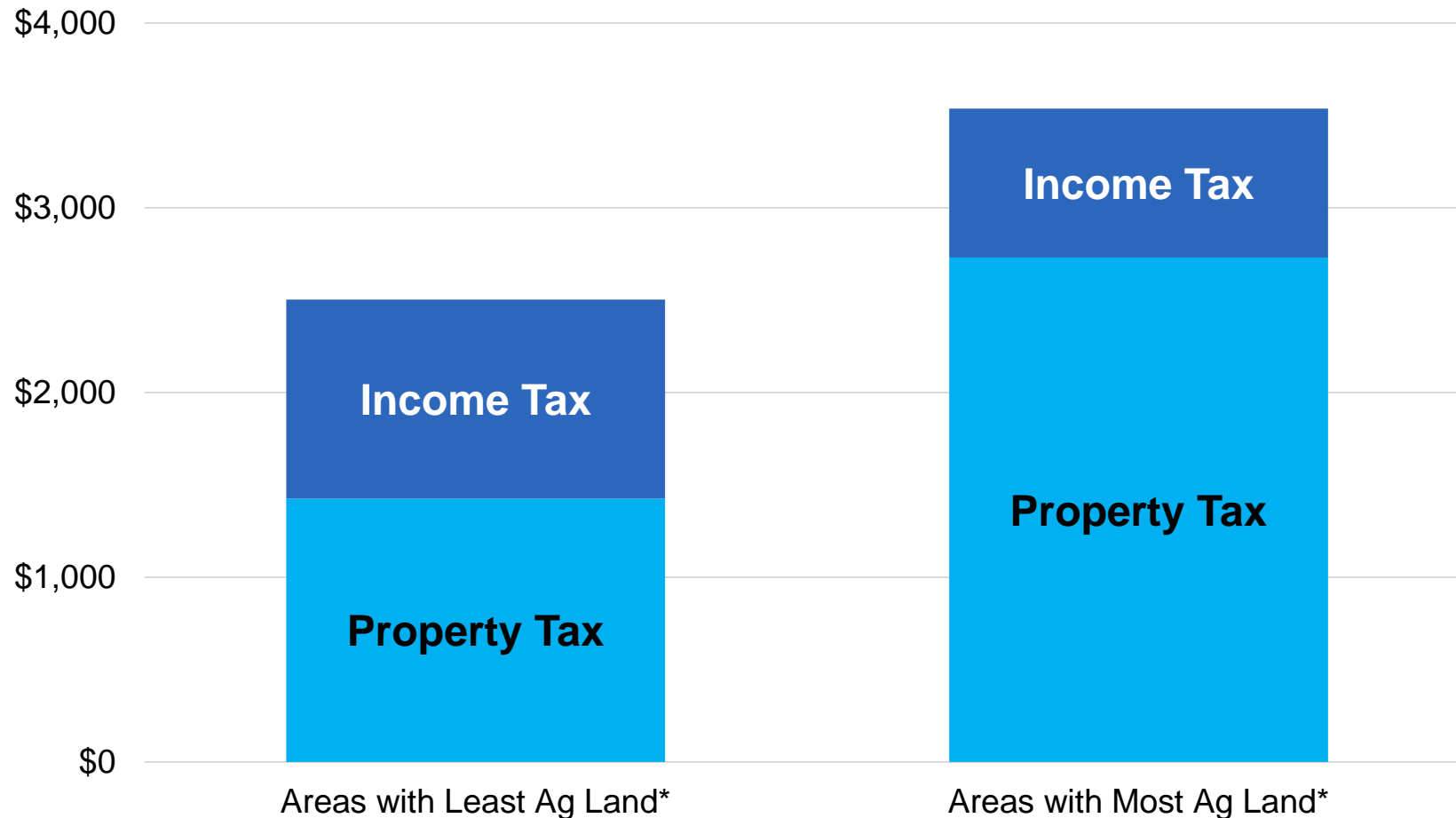
Nebraska's Three-Legged Stool

State and Local Taxes by Type, FY 12-13



Residents in highly agricultural counties pay more in taxes

Property and income taxes per person, 2013



*Areas with Least Ag Land are Nebraska counties consisting of less than 20% agricultural land.
Areas with Most Ag Land are Nebraska counties consisting of more than 60% agricultural land.
Note: Amounts are net of Property Tax Credit and Homestead Exemption
Sources: US Census Bureau, NE Department of Revenue

NE not a high tax or spending state

Nebraska's Rankings (FY13):

- Taxes as Share of Economy: **23rd**
- Taxes Per Capita: **17th**
- Spending as Share of Economy: **35th**
- Spending Per Capita: **22nd**

Department of Revenue

Tax Burden Study

Effective Income Tax Rate By Deciles

	<u>First 7</u>	<u>8th</u>	<u>9th</u>	<u>10th</u>	<u>Top 500</u>
2012	1.74%	3.16%	3.81%	5.04%	4.62%

How Nebraska Stacks Up

Business Climate

- 1st Lowest business tax costs for new firms (2012 Tax Foundation)
- 1st Best tax environment for new firms (2012 US Chamber of Commerce)
- 2nd Best economic climate (2014 Forbes)
- 2nd Best hiring climate (2014 Gallup)
- 3rd Best state for business (2015 Forbes)
- 3rd Best legal climate (2015 U.S. Chamber Institute for Legal Reform)
- 3rd Best pro-business state (2014 Pollina Corporate Real Estate, Inc.)
- 4th Top state for business (2014 CNBC)
- 4th Best state fiscal condition (2015 Mercatus Center)
- 5th Best business friendliness (2015 CNBC)
- 6th Best for taxes and regulation (2012 US Chamber of Commerce)
- 7th Best state for business and careers (2014 Forbes)
- 8th Lowest business costs (2014 Forbes)
- 9th Best business climate (2014 Business Facilities Rankings Report)
- **29th Best business tax climate (2015 Tax Foundation)**

Quality of Life

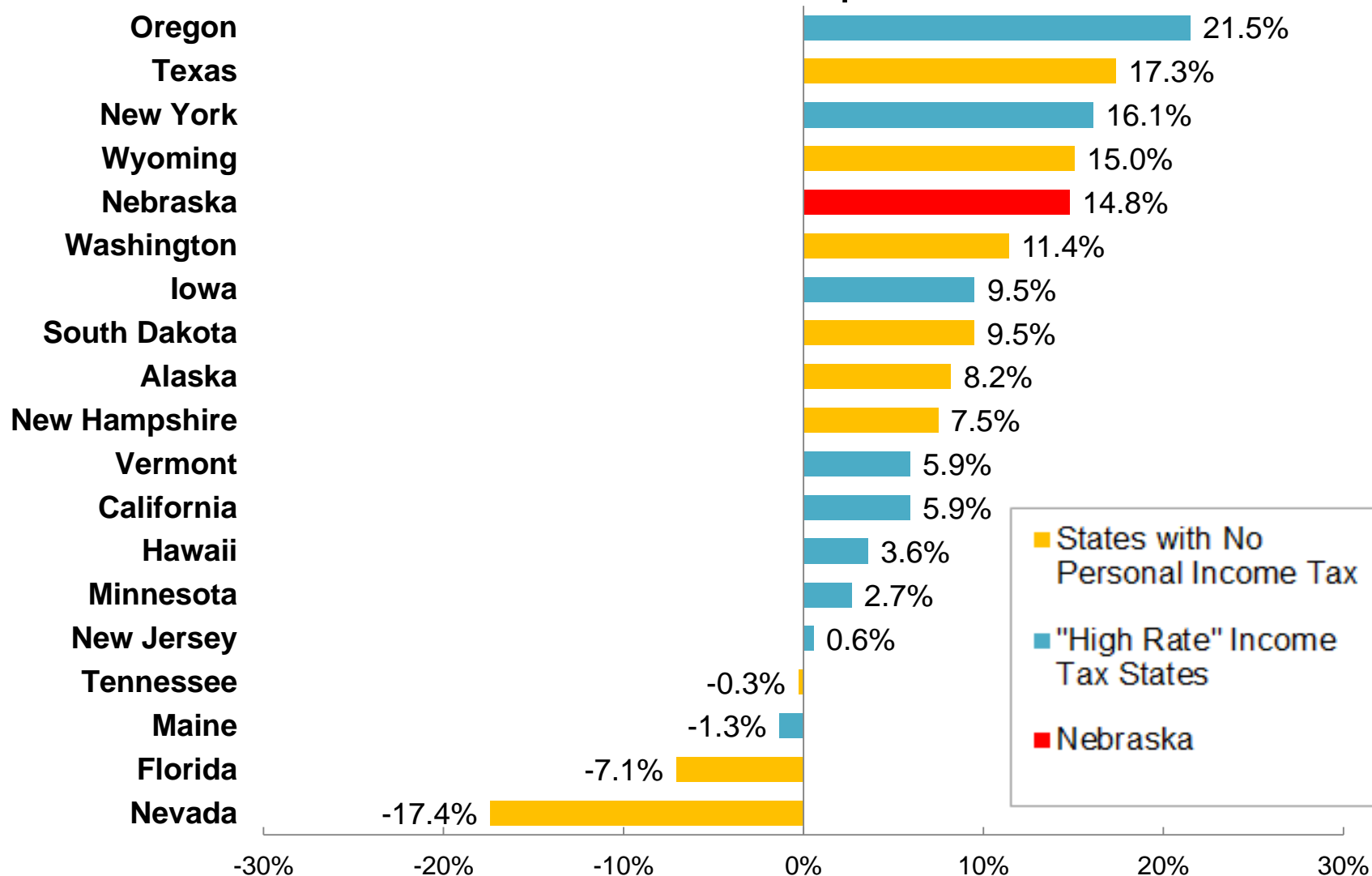
- 2nd Lowest unemployment rate (2014 US Bureau of Labor Statistics)
- 2nd Highest per capita income, adjusted for regional price parities (2014 Bureau of Economic Analysis)
- 7th Highest Well-Being index score (2014 Gallup)

Growth in Real GDP Per Capita, 2005-2014

State	Growth	State	Growth	State	Growth	State	Growth
North Dakota	61.3%	Massachusetts	9.4%	Kentucky	3.7%	Idaho	-0.2%
Oregon	21.5%	Alaska	8.2%	Hawaii	3.6%	Tennessee	-0.3%
Texas	17.3%	Utah	7.6%	Louisiana	3.5%	Michigan	-0.9%
New York	16.1%	New Hampshire	7.5%	Ohio	3.3%	Maine	-1.3%
Wyoming	15.0%	Pennsylvania	6.9%	Mississippi	2.9%	South Carolina	-3.1%
Nebraska	14.8%	Arkansas	6.5%	Minnesota	2.7%	New Mexico	-3.5%
Oklahoma	14.5%	Maryland	6.0%	Virginia	2.1%	Georgia	-5.0%
West Virginia	12.0%	Vermont	5.9%	Alabama	1.2%	Arizona	-5.8%
Washington	11.4%	California	5.9%	Indiana	0.9%	Florida	-7.1%
Montana	10.4%	Wisconsin	4.6%	North Carolina	0.7%	Delaware	-9.6%
Kansas	9.9%	Illinois	4.3%	New Jersey	0.6%	Nevada	-17.4%
Iowa	9.5%	Rhode Island	3.9%	Missouri	0.3%		
South Dakota	9.5%	Colorado	3.9%	Connecticut	0.2%	US Average	5.2%

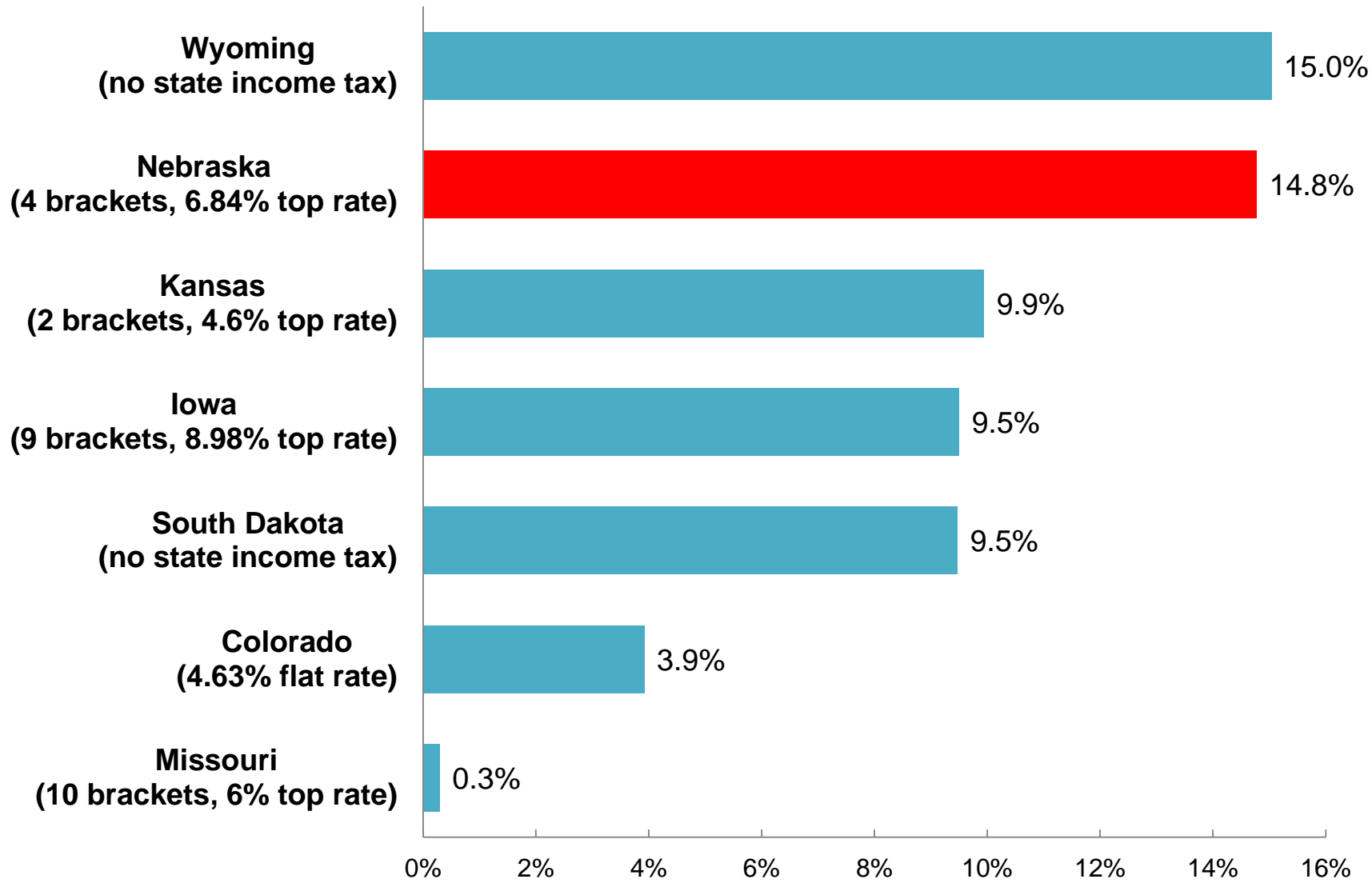
Economic Growth in States with High Income Taxes and No Income Taxes

Growth in Real GDP Per Capita, 2005-2014



Nebraska Economic Growth Stronger than Most Neighboring States

Growth in Real GDP Per Capita, 2005-2014



Tax Cuts Over Last Decade

Annual Effects of Tax Cuts Enacted 2005-2015

	Sales Tax	Personal Income Tax	Corporate Income Tax	Estate Tax	Property Tax	Grand Total
FY05	0	0	0	0	0	0
FY06	7,638,000	0	0	0	0	7,638,000
FY07	51,403,000	54,954,000	2,359,000	0	0	108,716,000
FY08	38,665,009	132,465,513	2,741,000	12,443,000	105,079,026	291,393,548
FY09	43,841,065	119,495,313	4,041,000	25,030,000	115,153,883	307,561,261
FY10	56,101,021	131,589,147	34,574,142	25,171,000	117,902,813	365,338,123
FY11	54,385,664	141,391,667	13,586,024	25,573,000	128,309,526	363,245,881
FY12	64,992,010	154,535,280	17,943,277	27,428,319	128,021,875	392,920,761
FY13	101,054,990	176,795,369	45,882,918	28,510,555	126,359,100	478,602,933
FY14	82,194,835	204,011,488	15,466,518	29,033,995	128,499,278	459,206,115
FY15	91,400,290	247,169,477	15,926,865	29,898,166	153,901,072	538,295,870
FY16	97,577,532	274,621,205	16,614,856	31,189,674	218,501,555	638,504,823
FY17	102,660,673	300,641,305	17,527,314	32,902,555	238,897,954	692,629,801
FY18	102,660,673	300,641,305	17,527,314	32,902,555	238,897,954	692,629,801
FY19	114,230,137	334,522,427	19,502,575	36,610,547	241,821,975	746,687,661
FY20	119,857,465	351,002,030	20,463,332	38,414,095	243,685,202	773,422,123
FY21	125,762,012	368,293,469	21,471,419	40,306,491	245,640,217	801,473,607
FY22	131,957,435	386,436,737	22,529,167	42,292,113	247,691,542	830,906,994
FY23	138,458,064	405,473,799	23,639,023	44,375,552	249,843,922	861,790,359
FY24	145,278,934	425,448,685	24,803,554	46,561,628	252,102,334	894,195,135

Budget Highlights FY16-FY17

- Budget growth (2 yr avg) – 3.5% vs. 5.5% historical average (3.7% if mid-biennium adjustments approved)
- 5th lowest growth in 30 years, due primarily to one-time occurrences
- TEEOSA – 2.5% vs 4.7% historical average
- Cash Reserve Balance - \$728.6M (15.7%)
- Property Tax Credit Program - \$64M/yr increase; \$204M/year total
- FY17 balance - **(\$132.6M)**



Clear thinking for a stronger Nebraska

1980's Timeline

1980's recession, followed by farm and bank failures

1983/84- Cash Reserve Fund/Forecasting Advisory Board created

1987- InterNorth (Enron) leaves; BBR report for ConAgra

1987- LB 772- CIT single sales factor adopted; LB 773- decoupled PIT from federal tax liability to federal AGI; LB 775- Employment and Investment Growth Act, including special capital gains exclusion; University of Nebraska Research Initiative

1988- Syracuse Tax Study completed

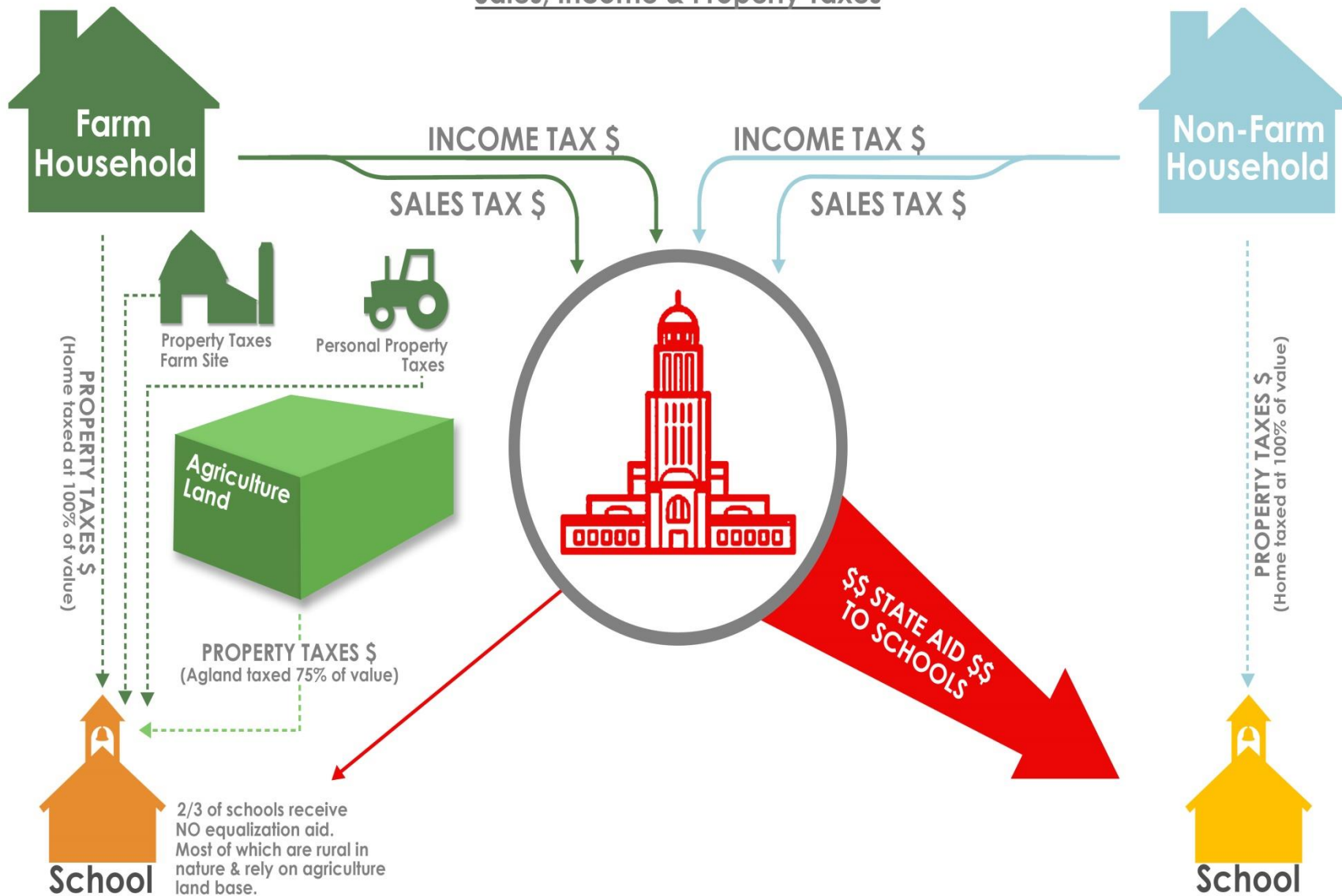


Clear thinking for a stronger Nebraska

FUNDING SCHOOLS

Comparing Farm Households to Non-Farm Households

Sales, Income & Property Taxes





Clear thinking for a stronger Nebraska

State Investments in K-12 Public Education

- State Aid (TEEOSA Formula)
 - Equalization Aid
 - Allocated Income Tax
 - Net Option Funding
- Other state sources are not included in the formula - Special Education, for example

Calculating Equalization Aid

Needs

-

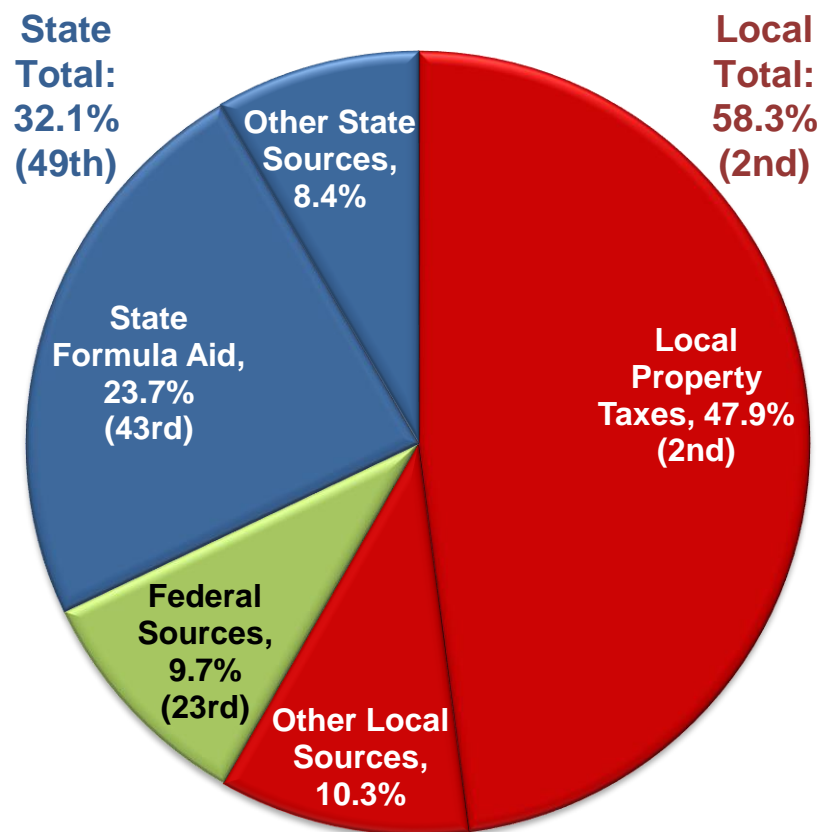
Resources

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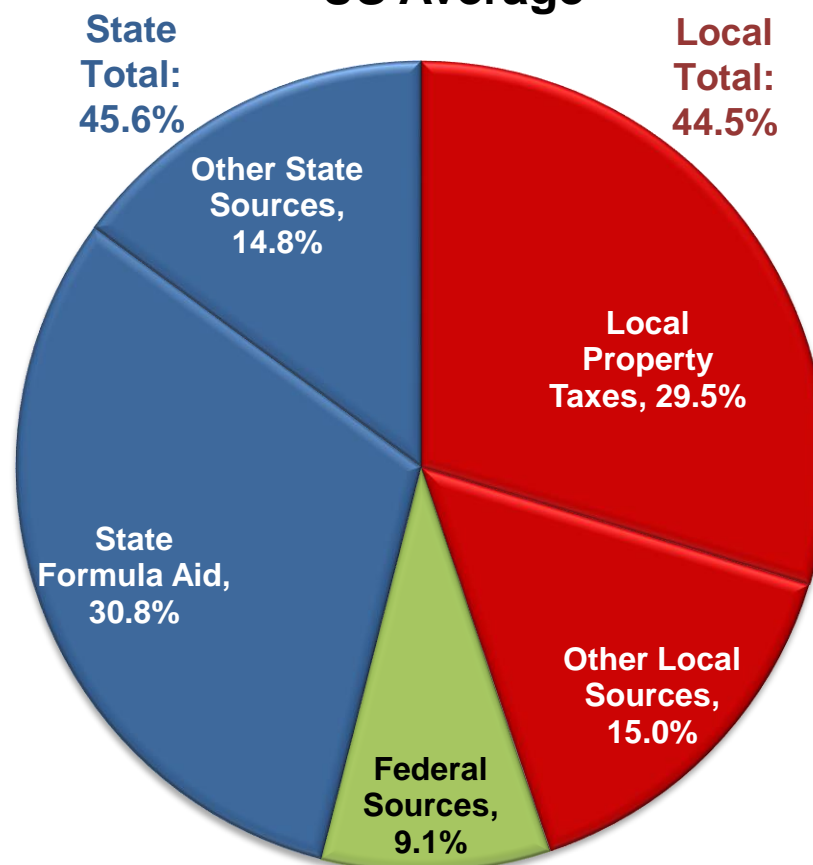
Equalization Aid

How NE Compares to the National Average in Education Funding

Nebraska



US Average



Source: US Census Bureau, 2013 Annual Survey of School System Finances

“Poverty Allowance” in Nebraska

- In the “needs” of a school district in the funding formula.
- Based upon estimated expenditures to educate students in poverty
- Poverty = the number of students who are income-eligible for free meals
- Plan - student mobility, parent involvement, instructional services, specialized services, professional development, and plan evaluation for students in poverty.

Child Poverty in NE is Growing

	All under 6 at 100% poverty			
	2000	2013	Growth	Growth %
United States	4,101,689	5,828,542	1,726,853	42.10%
Illinois	161,727	210,655	48,928	30.25%
Iowa	29,202	40,424	11,222	38.43%
Minnesota	41,403	62,337	20,934	50.56%
Missouri	77,253	113,168	35,915	46.49%
Nebraska	19,380	34,939	15,559	80.28%
Colorado	44,237	76,351	32,114	72.60%
Kansas	32,253	54,738	22,485	69.71%
Wyoming	6,319	7,320	1,001	15.84%
South Dakota	11,948	14,084	2,136	17.88%

Number of children in deep poverty is increasing

	All under 6 at 50% poverty			
	2000	2013	Growth	Growth %
United States	1,874,192	2,691,214	817,022	43.59%
Illinois	79,587	94,895	15,308	19.23%
Iowa	12,049	18,192	6,143	50.98%
Minnesota	16,473	24,622	8,149	49.47%
Missouri	35,550	54,676	19,126	53.80%
Nebraska	7,903	17,268	9,365	118.50%
Colorado	18,606	29,680	11,074	59.52%
Kansas	12,939	22,436	9,497	73.40%
Wyoming	2,388	3,286	898	37.60%
South Dakota	5,707	5,861	154	2.70%

School Funding Systems and Poverty:

How States Can Fund Schools to Meet the Growing Needs of Students in Poverty

Michael Griffith, Senior Policy Analyst,
Education Commission of the States