

EDITOR'S NOTE: As our state and nation continue to confront the COVID-19 pandemic, state fiscal and federal policies will play key roles in ensuring the physical and economic health of Nebraska and its residents. OpenSky Policy Institute staff will be continuously analyzing state and federal policies that impact Nebraskans during this national emergency. This analysis is part of that effort. [You can access more of our pandemic-response policy analysis here](#). We also remind you that OpenSky staff are working remotely during the pandemic response. [Remote contact information for staff members can be found here](#).

Nebraska's forecasting board revised its revenue projections upward on Feb. 28, just as the Coronavirus pandemic was beginning to impact the U.S. economy.¹ As the economic impact of the pandemic continues to materialize, Nebraska may want to consider joining other states in revisiting its revenue projections to get a clearer understanding of how the virus is impacting our economy and revenues. For example, the cancelation of several major events in Omaha may significantly change what the state can expect to receive in sales tax receipts compared to February's projections.

Nebraska could reconvene the forecasting board, according to Nebraska statute 77-27,158,² which states "additional (forecasting board) meetings may be held at the call of the chairperson of the board, by a joint call of the Governor and the chairperson of the board, or by a joint call of the chairperson of the Executive Board of the Legislative Council and the chairperson of the board."

Some states now expecting less revenue; New York considering forecast revisions

Earlier this month, two states -- Colorado and Hawaii -- revised their revenue forecasts downward in the initial wake of the pandemic. Alaska also expects to see less revenue than previously projected and New York's governor has asked that the state's comptroller revisit state revenue projections to take into account the economic impact of COVID-19.³

Among the state's that revised their forecasts:

- Colorado reduced its FY 20 forecast by 3.1% -- or nearly \$400 million⁴ -- and reduced its FY 21 forecast by 5.6% -- or \$750 million.

¹ Omaha World-Herald, "Nebraska tax revenue forecast rises \$140 million over two years despite coronavirus worries" accessed at https://www.omaha.com/news/state_and_regional/nebraska-tax-revenue-forecast-rises-million-over-two-years-despite/article_be7434a3-8eb3-5679-8261-25661fdb4373.html on March 19, 2020.

² Nebraska Legislature, "Nebraska Revised Statute 77-27,156," accessed at https://nebraskalegislature.gov/laws/statutes.php?statute=77-27_156 on March 19, 2020.

³ Governor.ny.gov, "Governor Cuomo Asks New York State Comptroller Tom Dinapoli to Revisit Revenue Projections in Light of Market Impact of Novel Coronavirus," accessed at <https://www.governor.ny.gov/news/governor-cuomo-asks-new-york-state-comptroller-tom-dinapoli-revisit-revenue-projections-light> on March 19, 2020.

⁴ Colorado Legislative Council Staff, March 2020|Economic and Revenue Forecast," accessed at <https://leg.colorado.gov/sites/default/files/images/lcs/marchforecast.pdf> on March 19, 2020.

- Hawaii reduced its FY 20 forecast by .3% -- or \$22 million -- and reduced its FY 21 forecast by 4.0% -- or \$297 million.⁵

Alaska now expects 3.8% -- or \$300 million -- less in FY 20 and 7.9% -- or \$600 million -- in FY 21 than was originally projected. Along with the impact of the coronavirus, Alaska officials also say a slumping oil economy contributed to lower revenue projections.⁶

The average decrease in projections for the state's mentioned above was 2.4% for FY 20 and 5.8% for FY 21. If Nebraska were to experience such decreases, the state's FY 20 projections would be reduced by \$125 million and FY 21 projections would be reduced by \$300 million. This would wipe out the surplus Nebraska was projected to experience in FY 21 and would leave the state with a cash reserve of \$440 million. Presently the cash reserve balance is projected to be \$731 million at the end of FY 21.⁷

Forecasting services noting virus' impact on the economy

IHS Global Insight and Moody's Analytics, which each produce economic forecasts that serve as guideposts for Nebraska's revenue projections, have both recently noted that coronavirus will have a major economic impact.

IHS Global Insight has revised its forecast for 2020 global GDP growth to .7%. Growth below 2% is classified as a global recession. The organization now predicts that a recession will start in the second quarter of this year.⁸

Moody's Analytics is expecting significant hits to the U.S. economy in the first half of 2020 with a projected decline in GDP of as much as 5%.⁹ Moody's also projects a sharp increase in unemployment because of the virus, the level to which will depend on how aggressive the fiscal policy response is to support small businesses and households. Moody's projects that the economy should stabilize sometime in 2021 but that it could take until quarter three for the stabilization to occur.

Conclusion

⁵ Honolulu Civil Beat, "Coronavirus Forecast To Take \$300 Million Bite Out Of Hawaii Tax Revenues," accessed at <https://www.civilbeat.org/2020/03/coronavirus-forecast-to-take-300-million-bite-out-of-hawaii-tax-revenues/> on March 20, 2020.

⁶ Alaska Public Media, "Oil prices, driven lower by COVID-19 outbreak, will increase state deficit, Alaska officials say," accessed at <https://www.alaskapublic.org/2020/03/16/oil-prices-driven-lower-by-covid-19-outbreak-will-increase-state-deficit-alaska-officials-say/> on March 19 2020.

⁷ Nebraska Legislature, "Appropriations Committee Budget Proposal, Mid-Biennium Budget Adjustments FY2019-20 and FY2020-21," accessed at <https://www.nebraskalegislature.gov/pdf/reports/fiscal/2020proposal.pdf> on March 20, 2020.

⁸ IHS Markit, "The global economy: Headed for a recession," accessed at <https://ihsmarkit.com/research-analysis/the-global-economy-headed-for-recession.html> on March 19, 2020.

⁹ Moody's Analytics, "COVID-19 and U.S. CRE Property & Transaction Markets," accessed at <https://ma.moody.com/rs/961-KCJ-308/images/3.19.20%20-%20COVID-19%20-%20The%20Potential%20Effects%20on%20the%20US%20Economy%2C%20CRE%20Sectors%2C%20and%20CRE%20Finance%20Markets.pdf> on March 20, 2020.

The onset of the COVID-19 pandemic and its impact on the economy highlights how new challenges can rise up quickly and dramatically alter a state's fiscal landscape. It could be helpful for Nebraska to revisit its revenue projections to get a more current picture of how the pandemic will impact our fiscal status and also to get a better understanding of what resources state leaders will have to confront this historic crisis.