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**Capitol View  
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**Be Careful with the Increased Revenue Forecast**

The Nebraska Economic Forecasting Advisory Board says it anticipates the state will take in $204 million more in tax receipts this year than previously anticipated. The governor says that means “we can deliver even more property tax relief on top of what I had already proposed in my budget.”

Analysts at one think tank say the increase comes from a technicality of which lawmakers were warned when they passed their latest tax fix Band-Aid (LB1107) last session. Looking ahead, state revenues are projected to remain relatively flat in large part because of the increased cost of the property tax credit (relief) they had promised.

Beyond the political rhetoric, jargon and speculation that always surrounds the revenue forecast and the best way to use the promised increase, just say “no.” Stash the money in the interest-bearing rainy day fund and see what post-pandemic Nebraska looks like a year down the road.

The board, which meets twice a year, provides an advisory forecast of general fund receipts that the Legislature uses to craft the state’s budget. Revenue projections for the current fiscal year were raised by $204 million to $5.49 billion. The adjustment was based on anticipated increases of $95 million in individual income tax receipts, $65 million in sales and use tax receipts, $40 million in corporate tax receipts and $4 million in miscellaneous taxes.

Governor Pete Ricketts says the forecast is reflective of the fact that Nebraska’s economy continues to deliver great opportunities in the midst of the pandemic, resulting in strong tax revenues.

Renee Fry, executive director of the OpenSky Policy Institute in Lincoln, warns that the rapid rise in the property tax credits resulted from a “technicality” rather than economic growth in the state. The technicality was the change in the deadline for the payment of 2019

**For Release Wednesday, March 10, 2021 – Page 2**

income taxes from April to July. If those taxes had been paid in April, as in normal times, the updated forecast would show a drop in state revenue for the current fiscal year.

Lawmakers passed LB 1107 last year with the understanding that the income tax credit it created would increase in its initial years only if the economy grows. The forecast highlights that the credit instead will grow due to a technicality rather than because of economic growth, which subverts the fiscal guardrails that lawmakers agreed upon in passing the bill.

The measure passed into law in August allows property owners to receive refundable income tax credits to offset a portion of the school property taxes paid. The credits are starting out at $125 million this year. The law determines the credit total in future years based on growth in state tax revenue and the size of the state’s cash reserve.

If revenues remain flat in large part because of the cost of the credit, the state could be forced to look at cutting funding for services like schools, roads and health care, which are essential to the state and its economy.

The Governor says that we can reduce the property tax burden and still achieve other key priorities, including expanding educational opportunities and protecting public safety.  His budget proposes the state invest a record-high amount of aid—$1.1 billion—to schools in each of the next two fiscal years.  That includes $4 million in K-12 Opportunity Scholarships to give more students from low-income families the opportunity to attend private schools.  The budget also recommends a $3 million investment in the textbook loan program for private school students.

State Sen. Anna Wishart of Lincoln, vice chair of the Appropriations Committee, welcomed the new forecast, saying it will make it possible to rebuild the state’s cash reserve. The reserve, also known as the state’s “rainy day fund,” had dropped to $333.5 million in 2019, after a couple of years in which state revenue slowed.

Jessica Shelburn, state director of the Koch Brothers-funded conservative political action group, Americans for Prosperity, says the Legislature’s priority should be ensuring that the state

**For Release Wednesday, March 10, 2021 – Page 3**

has a healthy cash reserve and reforming the state’s tax code to allow for a stronger economic comeback.

I agree with strengthening the cash reserve and reforming the state tax code.

For now, let’s just save the money. Please.

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*J.L. Schmidt has been covering Nebraska government and politics since 1979. He has been a registered Independent for 21 years.*