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.
How the State Budget Affects Us:

- Almost 10,000 miles of highway (enough road to reach nearly halfway around the earth) and over 3,500 bridges are maintained by the state;
- The State Patrol drives approximately 10 million miles of Nebraska’s roadways annually, improving public safety, enforcing traffic and drug laws, and investigating crimes;
- Nearly 316,000 students are educated by 23,000 teachers in 1,000 public school buildings each year;
- Approximately 100,000 students attend the University of Nebraska, state colleges, and community colleges each year;
- Over 134,000 acres of surface water in lakes and reservoirs, 17,000 miles of rivers and streams, 177,000 irrigation wells, and 2,900 dams are monitored and inspected for water quality, dam safety, floodplain management, and public recreation purposes;
- Nebraska’s state parks and recreation areas receive about 12 million visits each year;
- More than 153,000 children receive health care through Medicaid and the Children’s Health Insurance Program each month;
- More than 5,100 inmates are housed each month in the state correctional system; and,
- 168,000 professional licenses are overseen, including for more than 38,000 nurses, 9,200 pharmacists, 8,000 mental health professionals, 4,700 dentists, and 1,700 veterinarians.
Education, Health Care Top Appropriations
General Fund Appropriations, FY 16-17

Total: $4.41 billion

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: Legislative Fiscal Office, University of Nebraska-Lincoln Bureau of Business Research, 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

Pre-Stimulus Average (1991-2009) vs. Actual All Funds TEEOSA Spending vs. Current Law (FY17) and LFO Estimates

Sources: Spending data from Legislative Fiscal Office; Personal Income from US Bureau of Economic Analysis; Personal Income growth projections from Bureau of Business Research, University of Nebraska-Lincoln.

Note: $58.6 million in federal Education Jobs money is shown here in the year it was spent, FY12, rather than the year it was
School Spending has Decreased as a Share of the Economy

School District Spending per $1,000 of Nebraska Personal Income

Sources: Schools: Department of Education Annual Financial Reports.
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

Clear thinking for a stronger Nebraska
Local Governments Increasingly Reliant on Property Taxes

Property Taxes as Share of Total Revenues, FY 00-01 and FY 14-15

<table>
<thead>
<tr>
<th></th>
<th>FY 00-01</th>
<th>FY 14-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counties</td>
<td>30.2%</td>
<td>36.0%</td>
</tr>
<tr>
<td>Schools</td>
<td>44.8%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Municipalities</td>
<td>10.5%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Total</td>
<td>28.7%</td>
<td>32.5%</td>
</tr>
</tbody>
</table>

Sources: Cities and Counties: Nebraska Auditor of Public Accounts local budget data. Schools: Nebraska Department of Education Annual Financial Reports
Nebraska’s Three-Legged Stool
State and Local Taxes by Type, FY 12-13

- Property Tax: 35.4%
- Personal Income: 24.2%
- General Sales: 23.1%
- Selective Sales: 7.2%
- Corporate Income: 3.2%
- Other: 6.9%

Source: US Census Bureau, State and Local Finances data
How NE Compares to the National Average in Education Funding

### Nebraska

- **Local Total:** 59.2% (2nd)
  - Local Property Taxes: 49.1% (2nd)
  - Other State Sources: 8.5%
  - Federal Sources: 8.1% (28th)
  - Other Local Sources: 10.1%

### US Average

- **Local Total:** 46.7%
  - Other State Sources: 14.2%
  - State Formula Aid: 32.5%
  - Federal Sources: 8.6%
  - Other Local Sources: 15.6%

Source: US Census Bureau, 2014 Annual Survey of School System Finances
NE not a high tax or spending state

Nebraska’s Census Rankings (FY13):

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

Tax Foundation “State-local tax burden” (FY12)

- Nebraska: 30th, 9.2%

Source: US Census Bureau 2013 Census of State and Local Government Finances; US Bureau of Economic Analysis
Nebraska’s Rankings (FY13):

• Personal Income Taxes as a Share of Economy: 25th

• Corporate Income Taxes as a Share of the Economy: 26th

• General Sales Taxes as a Share of Economy: 24th

• Property Taxes as Share of Economy: 14th

Source: US Census Bureau 2013 Census of State and Local Government Finances; US Bureau of Economic Analysis
Economic Growth in States with High Income Taxes and No Income Taxes

Growth in Real GDP Per Capita, 2006-2015

Nebraska ranking overall (50 states) – 5th

<table>
<thead>
<tr>
<th>State</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oregon</td>
<td>16.26%</td>
</tr>
<tr>
<td>Texas</td>
<td>15.62%</td>
</tr>
<tr>
<td>Nebraska</td>
<td>13.56%</td>
</tr>
<tr>
<td>South Dakota</td>
<td>10.47%</td>
</tr>
<tr>
<td>New York</td>
<td>9.43%</td>
</tr>
<tr>
<td>Alaska</td>
<td>8.65%</td>
</tr>
<tr>
<td>Iowa</td>
<td>8.12%</td>
</tr>
<tr>
<td>Washington</td>
<td>6.50%</td>
</tr>
<tr>
<td>California</td>
<td>6.16%</td>
</tr>
<tr>
<td>Vermont</td>
<td>4.94%</td>
</tr>
<tr>
<td>New Hampshire*</td>
<td>3.83%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>3.79%</td>
</tr>
<tr>
<td>Wyoming</td>
<td>3.36%</td>
</tr>
<tr>
<td>Tennessee*</td>
<td>3.36%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>0.88%</td>
</tr>
<tr>
<td>Hawaii</td>
<td>-0.44%</td>
</tr>
<tr>
<td>Maine</td>
<td>-0.62%</td>
</tr>
<tr>
<td>Florida</td>
<td>-2.16%</td>
</tr>
<tr>
<td>Nevada</td>
<td>-10.11%</td>
</tr>
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<td></td>
<td>-18.95%</td>
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Sources: Federation of Tax Administrators, US Bureau of Economic Analysis

*New Hampshire and Tennessee do not tax wages but do tax dividends and interest income.
Nebraska Economic Growth Stronger than Neighboring States
Growth in Real GDP Per Capita, 2006-2015

Sources: Federation of Tax Administrators, US Bureau of Economic Analysis
### Unemployment in States with High Income Taxes and No Income Taxes

#### Average Unemployment Rate, 2006-2015

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</tr>
<tr>
<td>Wyoming</td>
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<td>Hawaii</td>
<td>5.0%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>5.4%</td>
</tr>
<tr>
<td>Texas</td>
<td>6.0%</td>
</tr>
<tr>
<td>Maine</td>
<td>6.3%</td>
</tr>
<tr>
<td>New York</td>
<td>6.8%</td>
</tr>
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<td>Alaska</td>
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Sources: Federation of Tax Administrators, US Bureau of Economic Analysis
Nebraska Has Lowest Jobless Rate in Region
Average Unemployment Rate, 2006-2015

- Nebraska (4 brackets, 6.84% top rate) 3.7%
- South Dakota (no state income tax) 3.8%
- Wyoming (no state income tax) 4.6%
- Iowa (9 brackets, 8.98% top rate) 4.7%
- Kansas (2 brackets, 4.6% top rate) 5.4%
- Colorado (4.63% flat rate) 6.1%
- Missouri (10 brackets, 6% top rate) 6.8%

Sources: Federation of Tax Administrators, US Bureau of Economic Analysis
States without Corporate Income Taxes Do Not Have Stronger Economic Growth

Growth in Real GDP Per Capita, 2006-2015

Sources: Federation of Tax Administrators, US Bureau of Economic Analysis

* Texas and Ohio have no corporate income taxes but Texas has a Franchise Tax and Ohio has a Commercial Activity Tax and a Financial Institutions Tax

Nevada (no CIT) -18.95%
Maine (3.5%-8.93%) -2.16%
New Jersey (9%) -0.44%
Wyoming (no CIT) 3.36%
Minnesota (9.8%) 3.79%
Ohio (no CIT*) 4.68%
Washington (no CIT) 6.50%
Pennsylvania (9.99%) 8.76%
Alaska (0%-9.4%) 8.65%
Iowa (6%-12%) 8.12%
South Dakota (no CIT) 10.47%
Nebraska (5.58%-7.81%) 13.56%
Texas (no CIT*) 15.62%
States without Corporate Income Taxes Do Not Have Lower Unemployment

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Sources: Federation of Tax Administrators, US Bureau of Economic Analysis
2016 Legislative Session

- LB 958 – Adds additional $ to Property Tax Credit Program to increase credit for ag land owners.
- Property Tax Credit Program - $224M/year total

- LB 959 – Eliminates the minimum levy adjustment, changes the averaging adjustment, and tightens QCPUF authority.

- LB 1067 – Eliminates common levy of the Learning Community and creates new funding mechanisms for LC districts.
What’s ahead for 2017 Legislature?

• 2/3 of legislators - 2 years or less experience.
• New Committee Chairs - Appropriations, Education, HHS, Nat Resources, & Revenue
• Looming budget shortfall - $350+ million.
• Minimal budget growth (agency requests – 8% reductions)
• Comprehensive tax cut proposal – property and income?
• Tax credit for education scholarships
What Does Minimal Budget Growth Mean for the State Budget?

• This session’s budget growth - 3.7%
• TEEOSA growth - 2.1% (4.1% FY16 & 0.2% FY17)
• 20-yr average (97-17) TEEOSA growth – 4.0%

• Legislative Fiscal Office – Budget projected to grow at 4.4% for FY18 & FY19 Biennium. Does not include:
  • Any increase for the university and state colleges
  • Any additional necessary investments, such as Corrections.

• LFO *assumes* revenue growth of 4.5% FY18 & FY19
  • 0.3% adj. growth in FY16 – need 7.4% growth in FY17 to reach biennium projections
Tax Policy - 2017

- Comprehensive tax cut plan
  - Income tax - ex. reduce rates, triggers
  - Property tax - ex. growth caps, fdn. aid

- Will reduce the funding available to fund schools, health programs, public safety and threatening other vital services – what will be cut?
- Or be paid for by a tax shift – who will pay/less more as a result of the shift?
What investments should be made in public education? – MA Example

Evidence-based strategies to support kids from Pre-K to 12th grade

For full reports and two-page summaries on each topic, go to www.expandingopportunity.org.

Early Education and Care
High quality Pre-kindergarten for 3- and 4-year-olds

Small Class Sizes in K-3
Class size reductions in lower grades at high-poverty schools

Expanded Options for Students

Multiple Pathways to Graduation
Career, Vocational, & Technical Education
Community-Based Learning Opportunities
Dual-Enrollment in College Courses During High School

Support for New Teachers
Mentoring, training, and other support for new teachers

Wraparound Social Services
Health clinics, mental and behavioral health services, family resource centers

Additional Learning Time
Summer learning, extended school days, and after-school

College, Career, and Life Success for All Young People

www.expandingopportunity.org

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How to Receive Our Information

- [www.openskypolicy.org](http://www.openskypolicy.org)
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- Follow us on Twitter
- Contact us:
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  - tjoekel@openskypolicy.org