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**Capitol View**

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**Oh Boy, Next Legislature May Have a Big Pot of Money to Play With**

An extraordinary two years of revenue growth means that the next Legislature may have more than $1 billion in excess funding to use in the upcoming budget, thanks to a report to the Nebraska Tax Rate Review Committee.

Once known as the “no name committee,” the group gathers annually to decide if the state should adjust tax rates. Legislative Fiscal Analyst Keisha Patent outlined the financial good fortune during a recent meeting. For the past four years, she said, the state's actual revenues have been above forecasts. While that doesn't mean future revenues will automatically drop, given that revenue receipts follow a pattern, it may be a reason to be more conservative going forward.

Outgoing Governor Pete Ricketts sees more property tax relief. His successor, Jim Pillen, has pledged a massive overhaul of education funding, changing the state's funding formula to allocate school funding on a per-student basis rather than by district. Oh, that’ll be some fun. Somebody best remind the new guy that school finance is bigger than the 800-pound elephant in the room.

State Senator Lou Ann Linehan of Elkhorn, presumed to continue in her chairmanship of the Legislature’s Revenue Committee, says the excess must go back to the taxpayer from whence it came.

Lincoln-based think tank OpenSky Policy Institute says the money should be used for “strategic and systematic” investments in housing, childcare, mental health care, rural broadband and transportation, and that using temporary revenue surpluses for permanent tax cuts is fiscally unwise. Director Rebecca Firestone said such investments — as opposed to additional tax cuts for the wealthy and corporations — could help more hardworking Nebraskans.

**For Release Wednesday, November 30, 2022 – Page 2**

Omaha-based Platte Institute seems to favor school aid reform. CEO Jim Vokal says the state’s current state aid program is both antiquated and unfair because two-thirds of the state’s school districts don’t get any state equalization aid, thus forcing the burden on local property taxes. Earlier this year, the think tank partnered with The Reason Foundation to create a tool that allows Nebraskans to look at potential reform of the state aid formula. Oh boy, another “tool.”

Key to the argument about funds being available in revenue rich times is Nebraska’s constitutionally mandated cash reserve. That’s what has kept the state out of financial difficulty in rough times because the cash reserve is to be kept at no more than 16 percent of total revenues, says term-limited Appropriations Committee Chair Senator John Stinner of Gering.

Patent’s report set Nebraska's cash reserve at $2.3 billion, which is roughly $1.3 billion higher than the maximum reserve level based on state revenues. That’s about 35 percent of total revenues, well above the 16 percent ceiling in state law.

The report also projected a 4.5% increase in the state's general fund for fiscal year 2023-24, bringing it to $5.3 billion. The fund is expected to jump another 1.6% to $5.4 billion for 2024-25. The current general fund is set at about $5.1 billion. Again, Patent cautioned officials that revenue and revenue forecasts tend to exist in a pattern. Typically, there will be a few consecutive years where actual revenues are higher than forecasts, and then there will be a few years when revenues are lower.

Linehan says it would be easy to use the excess funds to accelerate the already passed tax cuts. What’s typically harder is reducing property taxes, which are levied locally by school districts, cities and counties. In recent years, state lawmakers have opted to increase state tax credits provided to Nebraskans against what they paid in property taxes. But she says she’d rather see changes in state aid to K-12 schools to lower property taxes.

State aid to schools. Did I mention what a monumental beast that is? Especially for a Legislature that has talked reform to the state taxation system to death while showing little substantive progress.

**For Release Wednesday, November 30, 2022 – Page 3**

As one who watched the years-long debate that finally brought school consolidation to the table in the 1980s, I am not optimistic that a resolution to school aid is going to happen anytime soon. Parents, teachers, and administrators all want to be heard. That takes time.

But hey, what about those billion dollars? I am sure the stars have aligned, and the lists have already been made. Corrections wants a new prison because flooding from aging pipes has already emptied one housing unit at the state Penitentiary. And the suggestion by the Star Wars committee to build a lake bigger than Iowa’s Okoboji has just received support from the Omaha homebuilders. Ricketts would probably like to see more money plowed into the Perkins County ditch to move mostly non-existent water from the South Platte in Colorado to benefit Nebraska farmers.

Oh, the drama. Political theater at its finest coming soon to a legislative chamber near you!

-30-

*J.L. Schmidt has been covering Nebraska government and politics since 1979. He has been a registered Independent for more than 20 years*.