

The Pew Charitable Trusts' 2023 report "Tools for Sustainable State Budgeting" examines whether and how states are using long-term budget assessments and budget stress tests to measure and strengthen their fiscal outlooks.¹ This is one of 20 fact sheets describing the approaches of and opportunities to improve for each state that produces at least one of these analyses.²



Nebraska: Tools for Sustainable State Budgeting

Long-term budget assessment:

Budget stress test:

Report: "Revenue Volatility Report"³

Office: Legislative Fiscal Office

Analyses

By law, in even-numbered years Nebraska's Legislative Fiscal Office (LFO) produces a "Revenue Volatility Report" to help ensure that the state is prepared for economic downturns.⁴ The 2022 edition compiled data on whether revenue collections surpassed or trailed forecasts for every year going back to the 1980s.⁵ One of the LFO's insights arising from this data was that in economic downturns, revenue tends to fall short of forecasts for multiple consecutive years, suggesting that reserves must be sufficient to address larger shortfalls than those the

state typically experiences in any single year.⁶ The LFO concluded that Nebraska should target a rainy day fund balance of 12% to 16% of projected general fund revenue, enough to cope with 4% revenue shortfalls over three to four years.⁷

Although the “Revenue Volatility Report” meets Pew’s definition of a stress test, state law also requires the LFO to publish a separate official “budget stress test” in odd-numbered years.⁸ As of summer 2023, the office had not produced a stress test under this requirement but reported that it was planning to do so in fall 2023.⁹

The LFO also frequently produces revenue and expenditure projections for the next two biennia in various budget reports and stand-alone analyses.¹⁰ In fact, once lawmakers introduce a budget bill, the LFO updates the projections, known as the “General Fund Financial Status,” every day until the legislative session ends.¹¹ Although some of the reports elaborate on the components of the projections—explaining the growth rates of specific revenue sources or spending categories—they include little discussion of the factors behind the budget’s overall degree of sustainability.¹²

Policy impact

Nebraska has reached the rainy day fund target the LFO identified.¹³ As lawmakers debated the necessary size of the fund in the 2023 session, the LFO’s analysis provided useful context.¹⁴

Next steps

Once the official budget stress test is published, Nebraska policymakers could consider whether the stress test and volatility report serve distinct purposes or should be consolidated. Nebraska may not need two separate reports from the LFO assessing preparedness for temporary fiscal challenges.

To expand on the “General Fund Financial Status,” the LFO could present to lawmakers on the factors influencing the state’s long-term outlook and potential fiscal risks. LFO staffers already routinely discuss the financial status with legislators in informal conversations, and more formally identifying and sharing key factors could help ensure that lawmakers have the information they need to assess not only how well the state is doing fiscally, but also why.¹⁵

Endnotes

- 1 The Pew Charitable Trusts, "Tools for Sustainable State Budgeting" (2023), <https://www.pewtrusts.org/en/research-and-analysis/reports/2023/11/tools-for-sustainable-state-budgeting>.
- 2 The Pew Charitable Trusts, "States' Use of Sustainable Budgeting Tools" (2023), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2023/11/states-use-of-sustainable-budgeting-tools>.
- 3 Nebraska Legislative Fiscal Office, "Tax Rate Review Committee Annual Report" (2022), Revenue Volatility Report-1-10, https://nebraskalegislature.gov/pdf/reports/fiscal/taxratereview_annual_2022.pdf.
- 4 Nebraska Rev. Stat. Ann § 50-419.02, <https://nebraskalegislature.gov/laws/statutes.php?statute=50-419.02>.
- 5 Nebraska Legislative Fiscal Office, "Tax Rate Review Committee Annual Report," Revenue Volatility Report-3.
- 6 Ibid., Revenue Volatility Report-2.
- 7 Ibid., Revenue Volatility Report-3.
- 8 Nebraska Rev. Stat. Ann § 50-419, <https://nebraskalegislature.gov/laws/statutes.php?statute=50-419>.
- 9 K. Patent (director, Nebraska Legislative Fiscal Office), interview with The Pew Charitable Trusts, June 7, 2023.
- 10 Nebraska Legislative Fiscal Office, "General Fund Financial Status" (2023), <https://nebraskalegislature.gov/FloorDocs/Current/PDF/Budget/status.pdf>.
- 11 Patent, interview.
- 12 Nebraska Legislative Fiscal Office, "State of Nebraska FY2023-24/FY2024-25 Biennial Budget" (2023), <https://nebraskalegislature.gov/pdf/reports/fiscal/2023budget.pdf>; Nebraska Legislative Fiscal Office, "State of Nebraska FY2021-22 and FY2022-23 Biennial Budget" (2022), <https://nebraskalegislature.gov/pdf/reports/fiscal/2022budget.pdf>.
- 13 Nebraska Legislative Fiscal Office, "Tax Rate Review Committee Annual Report," Revenue Volatility Report-3.
- 14 Patent, interview.
- 15 Ibid.

For more information, please visit: pewtrusts.org/fiscaltools

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