



## OpenSky analysis: National trends highlight need for budgetary caution

By Chuck Brown  
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LINCOLN – A review of national reports indicates Nebraska’s \$1.2 billion budget shortfall might be part of a larger structural trend that could extend over 40 years and be exacerbated by tax changes at the federal level.

**Those are key findings from [a new analysis from OpenSky Policy Institute](#), which examined recent reports by the Rockefeller Institute, the National Association of State Budget Officers and the U.S. Government Accountability Office.**

“The reports help highlight the need for Nebraska’s lawmakers to exercise caution this legislative session in order to keep the state on steady fiscal footing,” said Renee Fry, OpenSky’s executive director.

The analysis noted the following key findings from the reports:

- Nebraska and many other states experienced budget shortfalls last year and projections for the next year remain gloomy;
- The shortfalls experienced by states were caused by factors such as a slowdown in the post-recession recovery, regional economic changes, growth in untaxed internet sales and long-term demographic change;

- States are likely to experience shortfalls for more than 40 years because of rising costs of health care and pensions in the face of our aging population;
- States will likely need to cut spending or raise taxes by 3.3 percent annually to close shortfalls they are likely to experience for the next several decades; and
- The potential for federal tax changes creates even more uncertainty at the state level.

To that last point, Fry noted that federal tax cuts have had consequences for Nebraska in the past.

The state lost \$53.3 million in revenue following federal tax cuts in 2003 and would have lost more than \$300 million had lawmakers not made changes to state tax laws to prevent larger revenue losses, she said.

“To say our lawmakers face a significant uncertainty as they confront budget shortfall is putting it mildly,” Fry said. “Our leaders could well be confronted with unprecedented and long-running challenges that will have major ramifications for our schools, our communities and our economy.”

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