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Examining Nebraska's Local Finance Picture

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Examining Nebraska's Local Finance Picture

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Funding for this research was provided by a 2015 Urban Research Award from the College of Public Affairs and Community Service Dean's Office.





SUMMARY

I proposed three primary research goals for this project:

1. Descriptive information on expenditure and revenue patterns for local governments in Nebraska;
2. Quantitative analysis of county fiscal behavior;
3. Quantitative analysis of single-purpose district fiscal behavior.

To date, the most important of this endeavor is complete: the data collection and data entry. We input more than 8,000 financial records – that were in PDF format – into a database that was combined with economic and demographic data from the Center for Public Affairs Research. One of the outputs from this project is nearly complete – analysis of county fiscal behavior. I anticipate submitting a paper for publication with Dr. Carol Ebdon and Ph.D. student Sungho Park by the end of May. The descriptive analysis of local expenditure and revenue patterns will be completed by the end of June 2016 and the single-purpose analysis should be complete by October 2016. In addition, Jerry Deichert and I submitted a proposal to the ECS conference in fall 2016 and I was asked by Deichert to serve on a panel for Center for Public Affairs Research's annual Data Users Conference.





Local Property Tax Limits in Nebraska: Within-State Variations in Effects

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Keywords:	Tax and expenditure limitations, Local government, Counties

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Review

Local Property Tax Limits in Nebraska: Within-State Variations in Effects

Abstract

Tax and expenditure limitations (TELs) have been widely imposed on state and local governments. A substantial amount of research has been conducted on the effects of TELs, however, most have assumed that a TEL is equally binding on every local government in the state. This may not be the case; the degree to which a TEL constrains a jurisdiction is dependent on its position and context at the time of the TEL implementation, and, further, the responses of these governments might then be expected to be different over time. This study uses data for counties and special purpose districts in Nebraska, where property tax limits became effective in FY1999; we consider a variety of intended and unintended consequences over the 15 years under the limit. Our findings show the fiscal responses to and effects of the limits and how they vary between county governments that were more versus less restricted.

Key words: tax and expenditure limitations, local government, counties

INTRODUCTION

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8 Tax and expenditure limits (TEs) on local governments in the U.S. became
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10 increasingly popular following the adoption of California's Proposition 13 in the late 1970s
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12 (Mullins and Wallin 2004). Where 29 states imposed local TEs in 1969, they were in existence
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14 in 46 states by 2000 (Amiel, Deller and Stallmann 2009). TEs are designed to control the size,
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16 growth, and/or fiscal structures of sub-state units. This effort is partially due to the strong anti-
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18 tax movement (Eribes and Hall 1981; Rubin 1998; Deller, Stallmann and Amiel 2012),
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20 proponents of which have argued that governments have become larger than the desired level
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22 (Shadbegian 1998) or failed to manage resources efficiently (Ladd and Wildon 1982; Lowery
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24 and Sigelman 1981). Whatever their justification, TEs have become "very much a part of local
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26 government fiscal reality" (Brown 2000, 29). States continue to amend limitations to affect their
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28 restrictiveness (Springer et al. 2009; Shadbegian 1998).
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33 There is a developing literature on local TEs, but it has limitations. Above all, similar
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35 types of limits (e.g., property tax rates) will not necessarily have similar effects across states due
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37 to differences in the specific rules. Cross-state studies typically use dummy variables to control
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39 for whether a limit is 'potentially binding' depending on the type of limit (e.g., Shadbegian 1998;
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41 Sun 2014), or an index that attempts to capture the combinations of various types of limits used
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43 in each state (e.g., Amiel, Deller and Stallmann 2009). These approaches miss the wide variation
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45 in the TE rules that could potentially be important. For example, one state may have a property
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47 tax rate limit that is very low and includes all property taxes (e.g., Oregon in the 1990s), while
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49 another state may have a tax rate restriction that is much higher and excludes taxation for some
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51 purposes such as debt service (e.g., Nevada since the 1990s). The former TE is likely to be
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53 more restrictive in practice than the latter.
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4 In addition, there may be significant intra-state variation given that limits do not affect
5 all local governments in a state in the same way. The literature has primarily used aggregated
6 state-wide data (e.g., Hoene 2004), so within-state variations are largely unexplored. Responses
7 to a TEL may vary depending on the specific context in which local governments operate
8 (Blom-Hansen, Bækgaard and Serritzlew 2014; Ross, Farrell and Kate Yang 2015) – for
9 example, the tax or expenditure level at the time the limit was imposed. Studies of individual
10 states are therefore useful to further our understanding of TELs design and effects. This study
11 addresses the case of local TELs in Nebraska.
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23 The Nebraska state legislature adopted property tax rate limits for local governments in
24 1996, effective in 1998-99. The limits have now been in effect for over 15 years, and provide a
25 good opportunity to explore the within-state effects of a particular type of TEL. We focus on
26 counties because the county-level rules are somewhat unique. The property tax rate cap did not
27 bind all jurisdictions equally because some counties had tax rates significantly higher than the
28 rate limit when it was adopted, while others were comfortably below the limit. In addition, a
29 portion of the county taxing authority may be designated each year for special districts in the
30 county, or may be retained for use by the county. It is expected that the budgetary response of
31 each county to the limits varies depending on its property tax rate position prior to the TEL
32 implementation – i.e., rate at or above the rate limit vs. below the limit. Moreover, the
33 ‘competition’ between counties and special districts for taxing authority might affect counties’
34 reactions to TELs. To test this, we analyze budget data from all 93 counties in Nebraska over the
35 post-TEL period from 2001 to 2013.
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54 The paper is structured as follows: the next section reviews the literature on TELs. This
55 is followed by a description of the Nebraska limits. The method and findings sections are then
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4 presented. The final section discusses the implications and our conclusions.
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LITERATURE REVIEW ON LOCAL TELS

Conceptually, local TELs encompass a broad range of budgetary constraints (Mullins 2004). There are seven basic types of local TELs, including: overall property tax rate limits, specific property tax rate limits, property tax levy limits, limits on assessment increase, general revenue limits, general expenditure limits and full disclosure rules that promote transparency when taxes are increased (Amiel, Deller and Stallmann 2009; Mullins and Joyce 1996; Mullins and Wallin 2004; Joyce and Mullins 1991). Limits on local property tax rates and levies are common (Shadbegian 1998), but other forms are also used in many states (Mullins and Joyce 1996). Local TELs have been designed to control the growth of governments, to restrict unresponsive fiscal behavior, and, in doing so, to make decentralized local governments more accountable (ACIR 1995). Whether TELs have brought intended (or unintended) consequences in practice is an important issue.

Studies have consistently found that local TELs are associated with a reduction in property tax base (i.e., property valuation; Connolly and Bell 2014), tax rate (Blom-Hansen, Bækgaard and Serritzlew 2014) and tax levy (Connolly and Bell 2014; Dye and McGuire 1997; Shadbegian 1998; Sun 2014). That is, local TELs appear to control local governments' reliance on property taxes (Hoene 2004; O'Sullivan, Sexton and Sheffrin 1995). To counteract TELs, governments have been found to diversify revenue sources, including other tax revenues (Hoene 2004; Plummer and Pavur 2009), intergovernmental aid (Kioko and Martell 2012), and charges and fees (Hoene 2004; Sun 2014).

Studies of the impacts of local TELs on overall fiscal outcomes such as total revenues

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4 and expenditures or fiscal condition have found mixed results. Some studies maintain that the
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6 level of total revenues and expenditures has been lowered by the imposition of local TELs
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8 (Chapman and Gorina 2012; Dye and McGuire 1997; Shadbegian 1998) while others show
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10 evidence of an opposite effect (Blom-Hansen, Bækgaard and Serritzlew 2014; Clair 2012; Sun
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12 2014). The former group tends to focus on the reduction of revenues from major sources and the
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14 limited ability of local entities to diversify revenue structures. In contrast, the latter group insists
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16 that local governments can circumvent budget constraints by seeking other compensatory
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18 sources and by using overrides (Figlio and O'Sullivan 2001; Johnston and Duncombe 1998).
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20 Maher and Deller (2012) attempt to link local TELs with fiscal health. They find that TELs are
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22 likely to result in better pension funding, a higher level of slack and a reduction in debt, so they
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24 may play a role as an effective management tool.
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31 Unintended consequences have been found with local TELs, especially related to service
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33 levels and quality. In a survey of managers in Oregon, 40 percent of respondents reported service
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35 level reductions in the three years following the Ballot Measure 5 property tax rate limit
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37 (O'Toole and Stipak 1998). Similarly, Downes and Figlio (1999) and Figlio and O'Sullivan
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39 (2001) voiced concern over the negative impacts of budgetary limitations on police, fire and
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41 education service provision and performance.
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46 Despite the contributions of previous studies, there are gaps in the literature. In
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48 particular, among local government types, counties have received little scholarly attention
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50 (except for Maher, Deller and Amiel 2011; Mullins 2004; Ross, Farrell and Kate Yang 2015).
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52 Given the fact that counties generally have fewer options and flexibility for diversifying revenue
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54 sources than cities (Cigler 1996), budgetary constraints may be more severe and may generate
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56 different responses. Second, although there are over 30,000 special districts in the U.S., the
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4 effects of limitations on these entities have not been thoroughly examined (except for McCabe
5 2000; Carr 2006). Many special districts were originally created to circumvent tax and debt
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7 limitations (Foster 1997). If the primary intention of local TELs is to reduce the size of
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9 government, then attention should be paid to these jurisdictions as well as their relationship with
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11 other entities such as counties.
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16 Third, many studies have disregarded the wide variation in scope of local TELs both
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18 across and within states (e.g., Shadbegian 1998; 1999; Amie, Deller and Stallmann 2009). Limits
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20 on general revenue or expenditure increases, property tax levy limits, and property tax rate limits
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22 coupled with a cap on assessment increase are generally considered to have greater restrictive
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24 potential (ACIR 1995), but the devil is in the details. For example, allowable property tax levy
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26 growth may be tied to inflation or may be a specific percentage increase. Some states (e.g., New
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28 Jersey) have restricted the annual growth rate of the property tax levy for counties, whereas other
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30 states (e.g., Rhodes Island) have had such limits only at the municipal level (Mullins and Wallin
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32 2004). Exclusions to the limits as well as methods to exceed them also vary; for example, debt is
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34 excluded from some property tax rate limits, and some states require voter approval to override
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36 limits. Some studies have used dichotomous (Shadbegian 1998; 1999) or ordinal measures
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38 (Amie, Deller and Stallmann 2009) to capture heterogeneity. These approaches, however, fail to
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40 address important differences.
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47 Finally, studies have typically assumed that a TEL is equally binding on every similar
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49 type of local government in a state (e.g., Clair 2012; Sun 2014). In practice, though, differences
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51 in budgetary, political or administrative contexts may result in differing levels of constraints.
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53 Mullins (2004) for instance notes that “the effect across local jurisdictions is not uniform. Some
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55 governments may be constrained more than others, resulting in a relative reduction in the ability
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4 to meet the needs of populations in more constrained settings” (118). His empirical examination
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6 found that the fiscal effects of TELs on local revenues and expenditures are ‘asymmetric’
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8 depending on the affluence of local governments. Our contention is that single-state studies are
9
10 needed to look more closely at entities actually bound by local TELs and how they respond to
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12 the limits, given that “no two TELs are alike” (Deller et al. 2013,7) in terms of the design,
13
14 structure, and scope of each state’s local TEL.
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21 **PROPERTY TAX LIMITS IN NEBRASKA**

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24 The Nebraska State Legislature passed the property tax limit, LB 1114, in 1996. The
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26 legislation was effective with the 1998-1999 fiscal year, giving local governments time to
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28 prepare. The limit is on property tax rates, but does not apply to bonded debt, lease-purchase
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30 contracts signed prior to July 1, 1998, or judgments. Seven types of jurisdictions have a specific
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32 maximum property tax rate: counties, cities, school districts, community colleges, natural
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34 resource districts, educational service units, and sanitary improvement districts.
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39 The limits on counties are a form of overall limit in that they also include other types of
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41 special districts that do not have specific limits, such as fire, ambulance, library, and road
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43 improvement districts. For those special purpose districts, county boards have the power to
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45 authorize their levy requests. Counties have a limit of \$0.45, with an additional \$0.05 allowed for
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47 inter-local agreements. Of that \$0.45 (or \$0.50), up to \$0.15 may be used for the special districts,
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49 setting up a potential competition between county functions and special districts for this portion
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51 of the tax. The special districts also have the option of obtaining voter approval for their own tax
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53 rate rather than seeking part of the county rate. Similar to other states, a majority of voters may
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55 authorize overrides of the limits. Voting may occur pursuant to either a 2/3 vote of the governing
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4 body, a petition signed by 5 percent of registered voters, or a town hall meeting. The approved
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6 'excess levy' is restricted to five years.
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9 Tax rate limits are generally not considered to be highly restrictive unless accompanied
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11 by assessment increase limits, because a government could conceivably adjust assessments to
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13 maintain the same tax levy even with lower rates (ACIR 1995). Nebraska has not limited
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15 assessment increases. The state, however, requires all property to be assessed at 92-100 percent
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17 of full market value, with the exception of farm land that is assessed at 80 percent of value.
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19 Assessment for all jurisdictions within the county is done by an independently elected assessor,
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21 with the exception of a few small counties where the state conducts assessed valuations. The
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23 state reviews assessment files, and mandates across the board assessment changes if assessments
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25 are not within the required range (which occurred in the largest county in 2016). The counties
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27 therefore, have limited ability to adjust assessment at will, and other jurisdictions have no control
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29 over assessed values. The Nebraska limits, then, may be potentially binding even though
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31 unaccompanied by assessment increase limits.¹
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38 For an initial understanding of the tax rate limit impact, we first look at descriptive
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40 county data from FY1997 – 2013, which covers the period both before and after the
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42 implementation of the limit. There are 93 counties, and as of 2013, 1,056 out of 1,774 special
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44 districts levied property taxes under the authorization of county boards. We separate the counties
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46 into two groups based on whether they were 'above/at' or 'below' a tax rate of \$0.44 in FY
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53 ¹ Local governments in Nebraska are also subject to a revenue growth limit. LB 989, adopted in 1998, allows
54 jurisdictions to increase revenues by no more than 2.5 percent per year (2.5-4.5 percent for school districts). Capital
55 improvements, debt, jointly financed services, natural disaster repairs, and judgments are excluded from the limit.
56 The limit can be exceeded by up to 1 percent with approval of 75 percent of the governing body, and carryover of all
57 unused authority is allowed. In practice, many jurisdictions annually vote to exceed the authority, to build up unused
58 margin in case it is needed in the future.
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4 1997.² Our presumption here is that those counties that were above or at the limit at the
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6 beginning were more constrained than counties below the limit. Forty-two, or 45 percent of the
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8 counties, had tax rates that were higher than \$0.44. The remaining 51 counties (55 percent) were
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10 below \$0.44 at that time and so were the least constrained by the limit.
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16 [Table 1 about here]
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21 Table 1 first presents the county property tax trends. In both groups, the tax rates
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23 dropped sharply between 1997 and 2001, inched upwards until 2009, and then decreased again
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25 by 2013. Both groups are below the mean rates prior to implementation of the limits. In that
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27 sense, we might say that the tax limits worked in reducing the tax rate. Tax rates alone, though,
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29 do not tell the whole story. Taxpayers care about their actual tax bill, which is also dependent on
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31 assessed valuation. Property tax levies decreased slightly between 1997 and 2001, but then began
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33 to increase. The growth in the counties that started out below the tax limit was greater (54
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35 percent) over this period, but the mean levies for those above/at the limit also grew by 40 percent.
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37 Counties were able to reduce the tax rate while increasing overall tax revenue because of growth
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39 in property valuation. Aside from the urban areas around Omaha and Lincoln, Nebraska is
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41 heavily agricultural, and this period has been strong for farming which resulted in increasing
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47 ² Property tax rates here only include the restricted portion of the property tax (i.e., property tax rates for debt
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49 payment are excluded). We used a rate of \$0.44 as our criteria in separating counties for two reasons: 1) the
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51 distribution of sample counties in terms of property tax rates has two peaks around \$0.50 and \$0.33 but draws a
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53 trough around \$0.44 in FY1997, so the selection criteria appears to make a relatively clear distinction between
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55 higher (i.e., more constrained) and lower (i.e., less constrained) tax rate groups; 2) we checked the change of county
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57 property tax rates for three prior-TEL years (i.e., fiscal years 1996-98), and found that the \$0.44 point minimizes the
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59 variation of group composition (over 85 percent of counties maintain their membership of tax rate group for three
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61 years). Thus, a rate of \$0.44 provides us with a relatively stable separation of tax rate groups. Nevertheless, it should
62
63 be noted that the ranges for the counties above and below the limit are fairly broad, which may mask subtleties. For
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65 example, a county at \$0.60 would likely have had substantially more difficulty reducing their tax rate under the new
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67 limit than one at \$0.46. However, this at least gives some indication of the variations across counties in responses to
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69 the limits.

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4 land values. Both groups were fortunate to have experienced valuation growth during this period,
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6 which mitigated the effects of property tax rate limits.
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9 The literature has been mixed on the extent to which tax limits have reduced spending.
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11 Surprisingly, the Nebraska counties that were above or at the limit initially have experienced
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13 greater growth in mean real expenditures over this period (87 percent) than counties below the
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15 limit (76 percent). Average spending, though, was almost three times greater in the counties
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17 below the limit in both FY1997 and 2013. It appears that both groups had spending increases
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19 after the TEL implementation that exceeded the growth in property tax levies. This raises
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21 questions about the relationship between property taxes, as a major source of county revenues,
22
23 and expenditures. The counties above/at the limit had a higher level of reliance on general
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25 property tax revenues (38 percent) in 1997, compared to 33 percent for counties below the limit.
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27 A sizable drop in this ratio occurred by 2001 (over 14 percentage points for the counties above/at
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29 the limit), before a gradual increase. By 2013, both groups have less reliance on property tax
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31 than they did in the year before the TEL implementation, but the counties below the limit
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33 experienced a relatively larger decrease in reliance.
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40 Some studies have found that intergovernmental aid and debt increase following
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42 implementation of local TELs, at least in the short-run. Between 2001-2013, intergovernmental
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44 aid did increase: counties above or at the limit had an increase of 49 percent and counties below
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46 the limit by 24 percent. Since the growth of spending in both groups of counties were greater,
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48 intergovernmental aid as a share of spending actually decreased by about 12 percent in counties
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50 above/at the limit, and 5 percent in counties below the limit. Some property tax purposes are
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52 excluded from the limit, including debt payments. Therefore, counties may have had incentives
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54 to increase debt to fund capital projects rather than using pay-go methods. Debt did increase
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4 substantially between 2001-2013 in counties below the limit (144 percent), but those above/at the
5 limit also had an increase of 126 percent. As a share of spending, debt increased by four
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7 percentage points in counties above/at the limit, from three percent to seven percent, while
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9 counties below the limit increased from about seven percent to 20 percent. There is evidence that
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11 the tax limits may have had an effect on outstanding debt, although it is surprising that the results
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13 are also seen so clearly in counties that were initially below the tax limit.
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19 Three points are worthy of notice. First, the adoption of the Nebraska limit had the
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21 immediate (or short-term) constraining effect on county property tax. In particular, the sharp
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23 decline in property tax as a share of total expenditure between FY1997 and 2001 shows the
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25 decreased reliance on property tax. Second, county governments have tended to by-pass the tax
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27 rate limit in the long-run; steady increases in total expenditures for both groups do not provide
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29 support for the notion that the limit has binding effects on budget size. Last, property valuation
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31 growth, intergovernmental aid, and increasing debt have been commonly used for budgetary
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33 circumvention at the county level. Specific responses might be different across counties,
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35 however, given that longitudinal changes in revenue trends vary according to the property tax
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37 rate position of each county at the beginning of TEL implementation.
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43 These observations allow us to develop a testable hypothesis; *ceteris paribus*, counties in
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45 the two tax rate groups are likely to find it differentially hard to cope with the limit in managing
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47 financial resources, implementing fiscal strategies which are not uniform. Divergences in county
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49 reactions to the TEL might be due to the political benefits (or costs) of revenue raising strategies,
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51 which vary depending on county circumstances. Revenue raising is an activity which incurs
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53 certain political costs because, for instance, it could result in the loss of votes for politicians
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55 (Bartle, Kriz and Morozov 2011; Hettich and Winer 1984). Put another way, a government
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decides to raise revenues, use budgetary gimmicks or look for additional revenue sources when their potential benefits – i.e., benefits from maintaining spending levels – are sufficient enough to exceed the expected political costs of revenue raising.

TELs, particularly from the fiscal illusion perspective, might play a role in increasing the perceived benefits of revenue raising strategies and, in doing so, lower government's political costs in a relative sense. This is because the major intention of TELs is to constrain the salient source of revenues so that local governments might be required to seek alternatives to meet service demands (Hoene 2004; Sun 2014). Further, the perceived benefits (or costs) of revenue raising could be relatively higher (or lower) for governments suffering from more constrained revenue sources (Blom-Hansen, Bækgaard and Serritzlew 2014; Mullins 2004). In Nebraska, therefore, it is reasonable to suppose that counties above/at the limit are likely to be more motivated by the political benefits (or costs) of revenue raising, which is perceived as higher (or lower) than counties below the limit. If this is the case, we expect to find significant differences in post-TEL fiscal behavior between the two groups of counties.

In addition, given the unique feature of the Nebraska TEL in which counties can 'give up' part of their tax rate limit to special districts within the county,³ we presume that the property tax portion for special districts is also a significant factor that affects county government's calculation of political benefit (or cost) of revenue raising. We expect, then, that all else equal, the property tax share of special districts within a county not only has some direct impacts but also generates interactive effects with the county's initial property tax rate position on its fiscal responses to the limit. We also present descriptive trends of special districts in Table

³ The special districts considered here exclude those that have individual taxing authority (e.g., natural resource districts, educational service units, and sanitary and improvement districts that are created primarily in the Omaha area for developments outside city limits that are expected to eventually be annexed).

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4 1, which are somewhat surprising. The number of special districts levying property tax decreased
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6 for both groups, more so for counties below the rate limit. The tax rate decreased substantially
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8 for both groups, while the levy increased for both, although much more for those in counties
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10 below the limit. Property tax reliance overall decreased, again to a much greater extent in
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12 counties below the limit.
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15 16 17 18 **METHODOLOGY** 19

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21 The aggregate descriptive trends are interesting but do not control for differences
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23 between districts or for interaction effects. We now turn to an empirical analysis to examine
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25 whether the initial property tax rate position of counties affected their post-TEL responses,
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27 taking the potential mediating effect of the property tax share of special districts into
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29 consideration. Our equation for fixed effects estimation is as follows:
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$$32 \quad F_{it} = \alpha + \beta_1 R_i + \beta_2 SD_{it} + \beta_3 (R_i \cdot SD_{it}) + C_{it} + \gamma_i + \delta_t + \varepsilon_{it} \quad (1)$$

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34 where F_{it} means fiscal responses for county government i in t year. Fiscal responses are
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36 explained as a function of the property tax rate position of county i in the base year (FY 1997)
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38 (R_i), the property tax rate portion for special districts within county i in year t (SD_{it}), an
39
40 interaction between these two tax rate variables ($R_i \cdot SD_{it}$) and a vector for control variables (C_{it}).
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42 Fixed effects for county (γ_i) and year (δ_t) are included in the model for two-way fixed effects
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44 estimation.⁴ ε_{it} indicates an error term.
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57 ⁴ The results of the Hausman test showed that fixed-effects models are relevant for our panel data ($\chi^2 = 26.61 -$
58 552.82; $p < 0.001$). It should also be noted that there were no significant differences between the results of fixed- and
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5 We focus on four dependent variables of fiscal response to TELs: property tax,
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7 intergovernmental aid, total operating expenditures and outstanding debt. Counties tend to rely
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9 heavily on property taxes and intergovernmental aid as major revenue sources and spend most of
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11 their budget for general operating purposes; further, the level of debt outstanding is up to 70
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13 percent of total general revenues on average (U.S. Bureau of the Census 2012). To capture fiscal
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15 behavior in terms of the growth as well as size of budget (see also Blom-Hansen, Bækgaard and
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17 Serritzlew 2014; Plummer and Pavur 2009), we employ both per capita (\$) and annual growth
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19 (percent) measures.⁵ Based on data availability, the timeframe is FY2001 to 2013 (data are from
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21 the Nebraska Auditor of Public Accounts).⁶ The per capita variables are transformed into a
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23 natural logarithm due to skewness (see Stipak 1991; DeSantis and Renner 1994).
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28 Our first key independent variable is the initial property tax rate position of each county,
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30 measured as a dummy variable: counties above/at a property tax rate of \$0.44 in FY1997 are
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32 coded 1 (42 counties), otherwise 0 (51 counties). This variable separates counties more severely
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34 constrained by the implementation of the tax rate limit from others relatively less restricted. We
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36 anticipated that counties above/at the limit would have a lower annual growth rate than counties
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38 below the limit after the TEL implementation. We also expected that counties above/at the limit
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40 would have more incentive to diversify revenues (e.g., intergovernmental aid and debt issuance),
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42 so would have higher levels and growth rates than counties below the limit. The effects on
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44 spending would depend on the degree to which counties were able to raise alternative revenues,
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51 random-effects estimation. In addition to unit-fixed effects, fixed-effects for year were used to control for
52 unobserved time-specific variations.

53 ⁵ Counties can have \$0 debt outstanding, which prevents a calculation of annual growth. To avoid potential biases
54 from the omission of samples with no outstanding debt, we substituted \$1 for \$0 outstanding debt per capita (total
55 674 cases) before computing the annual growth variable.

56 ⁶ Using a timeframe which covers only the post-TEL period is one of our research limitations. The records retention
57 policy in Nebraska requires organizations to keep only relatively recent data, so we were unable to construct a
58 dataset which includes sufficient years prior to the TEL implementation.
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4 but we would generally expect counties above/at the limit to have more constraints on spending
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6 than those below the limit.
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9 The next independent variable is the property tax rate of special districts in the county.
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11 We expected this special district tax share to be negatively associated with the county property
12 tax variables, but positively associated with the other revenue source variables. We had no clear
13 expectation for the expenditure models based on mixed findings in previous studies. The final
14 key independent variable is an interaction term between the county tax rate and the special
15 district tax rate. Counties above/at the tax limit were more constrained and so might be expected
16 to be less willing to share their property tax rate with special districts, so we expected that this
17 variable would have a negative sign in the property tax models but a positive sign in the other
18 revenue models. Again, the expectation related to expenditures is unclear. Following the
19 recommendation from previous studies (Brambor, Clark and Golder 2006; Jaccard and Turrisi
20 2003; Yu 2000), we mean-center the special district tax rate variable across models to avoid
21 potential multicollinearity.
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37 We use nine control variables that are generally used in previous studies to explain local
38 government fiscal behavior. The first three capture variations in county revenue bases: property
39 assessed valuation, employment rate and urban-rural classification. Property assessed valuation
40 is directly related to property tax revenue and can affect other fiscal behavior (Brueckner 1983;
41 Inman 1989; Santiago, Galster and Tatian 2001). The employment rate is also frequently used to
42 reflect economic condition (Bjedov, Lapointe and Madies 2014; Hou 2003). These two variables
43 are expected to have a positive sign in the property tax and expenditure models and have a
44 negative sign in the other models. Property assessed valuation is transformed into a natural
45 logarithm in order to correct for skewness.
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5 The third control variable distinguishes between urban and rural areas. Local
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7 governments in urban areas tend to rely more on non-property tax sources (Orazem and Trostle
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9 1972). Moreover, local governments experiencing a higher level of urbanization are likely to
10
11 have more spending-prone behavior than rural governments (MacManus and Pammer 1990). To
12
13 capture this feature, we employ the National Center for Health Statistics (NCHS) urban-rural
14
15 classification scheme (1: noncore – 4: medium metro), developed by Ingram and Franco (2014).
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17 This variable is expected to be negatively associated with the property tax variables and
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19 positively related with other dependent variables.
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24 The next five control variables capture demographic characteristics: population density,
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26 race (county non-white population as a percentage of total population), personal income per
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28 capita, youth population rate (population under 19 as a percentage of total population) and
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30 elderly population rate (population over 65 as a percentage of total population). The race variable
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32 is transformed into a natural logarithm in all models due to its distributional skewness. These
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34 variables are related to public service demand (Alm and Evers 1991; Coate and Knight 2011;
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36 Hou 2003; Wolf and Amirkhanyan 2010). Our expectation was that these variables would have a
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38 positive relationship with the dependent variables.
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43 The final control variable is per capita intergovernmental aid. This variable is included
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45 in all models except for the intergovernmental models to capture the fiscal structure of the
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47 counties. The well-known notion of the flypaper effect is the underlying reason for the control of
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49 intergovernmental aid (Bae and Feiock 2004; Deller and Maher 2005): public expenditures at the
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51 local level are more elastic in terms of intergovernmental grants than median income. This
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53 variable was expected to be positively associated with operating expenditures and negatively
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55 related to the other dependent variables.
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4 Table 2 below summarizes the variables, measures and data sources.
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9 [Table 2 about here]
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12 13 14 FINDINGS

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17 Our descriptive statistics are presented in Table 3 below. In terms of the dependent
18 variables, Nebraska counties tend to have a wide variation in budgetary outcomes. The average
19 of the logarithm of property tax levy per capita is -0.9454, which corresponds with \$457.66. Its
20 annual growth has a mean of 10.20 percent and is distributed from minimum -32.03 percent to
21 maximum 42.08 percent. The level of intergovernmental aid also varies, with a mean of -0.5634
22 (\$912.28) and 6.81 percent in per capita and annual growth terms, respectively. After the TEL
23 implementation, the average outstanding debt per capita variable is 2.34 (\$229.10) and its annual
24 growth is 9.27 percent. Meanwhile, county governments spend \$1,416.71 per capita (natural
25 logarithm is 7.01) on average for general purposes, with an annual growth rate of 7.85 percent.
26
27 The mean county property tax rate is 0.45, and counties on average share only \$0.05 of the total
28 allowable \$0.15 tax rate with special districts. The mean of \$0.02 for the interaction term
29 indicates that counties above/at the limit are likely to share a lower level of property tax rates
30 with special districts than counties below the limit.
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4 Table 4 below presents the estimation results of the two-way fixed effects models.⁷ All
5 models are statistically significant at the 99 percent confidence level ($F=2.65 - 938.68$; $p<0.001$)
6 and they explain approximately 12-98 percent of the variation in county budgets. We ran
7 interactive and non-interactive models separately, but only the results of the interactive models
8 are reported; the results of the models without the interaction term were similar to the models
9 shown here.
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21 [Table 4 about here]
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26 Model 1-1 and 1-2 show the results of the property tax revenue models. Unexpectedly,
27 the property tax rate group coefficients have a positive and significant association with both per
28 capita and annual growth. In spite of the TEL imposition, counties above/at the limit tend to have
29 a higher level of property tax per capita and annual growth rate than counties below the limit
30 during this timeframe. As seen in Figure 1, counties above/at the limit had a higher level of
31 property tax revenue per capita prior to the tax limit adoption; even though these counties were
32 more constrained by the limit in the short-run, they were able to retain a higher amount after
33 implementation, and it has grown at a faster rate. This may mean that the design of the Nebraska
34 tax rate limit is ineffective. Our results support the argument that tax rate limits, without well-
35 designed supplemental mechanisms (e.g., assessment limits) have limited effect on providing
36 property tax relief.
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56 ⁷ The results of the Modified Wald test indicated that we need to control for heteroskedasticity ($\chi^2= 1522.99 -$
57 $1.4e+06$, $p<0.001$), so we ran all regression models with robust standard errors. VIFs across all models ranged from
58 1.01 to 4.67 (less than 10); we did not find any evidence of multicollinearity problems.
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[Figure 1 about here]

The results of Models 2 to 4 show that the tax rate group coefficient, as expected, is positively and significantly related to the level of per capita intergovernmental aid, outstanding debt and operating expenditures. These results denote that counties above/at the limit have maintained their budget size larger than counties below the limit since the enactment of the rate limit, and that higher reliance on external aid and debt has been used by those counties as key fiscal strategies. The tax rate group variable has a negative relationship with the annual growth variables in these models, although it is only statistically significant in the intergovernmental aid growth model. With a higher base level, counties above/at the limit may find it harder to increase their annual percentage growth, compared to their counterparts.

The special district tax rate coefficients are generally not statistically significant. That is, the property tax rate share of special districts *per se* does not affect county fiscal behavior. However, when the special district tax rate variable is interacted with the county tax rate group variable, it becomes significant in the per capita intergovernmental aid, outstanding debt and operating expenditures models. In Figure 2 below, the linear prediction graph for these models shows how the interaction of the two variables generates different results. As the average of special districts tax rates goes up, counties above/at the limit tend to have a higher level of per capita intergovernmental aid and outstanding debt, while counties below the limit decrease aid and debt as the special district tax rates increase. The situation is reversed for spending: counties above/at the limit are likely to have lower spending as the special district tax rate increases, while counties below the limit tend to have higher spending as the special district tax rate increases. Overall, the level of property tax share of special districts plays a role as another tax

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4 constraint, particularly for counties above/at the limit. Hence, the role of single-purpose districts
5 could be considered an important contextual factor which generates differences in counties'
6 responses to state-imposed limits, at least in Nebraska.
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14 [Figure 2 about here]
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19 The results for the control variables partially correspond to our expectations. The
20 property valuation coefficient is positive in all models except the per capita debt model, but is
21 only significant in three cases. The urban-rural scheme coefficient is negative and significant in
22 four models, and positive and significant in the outstanding debt per capita model. With regard to
23 demographic factors, the population density variable generally has a negative sign across the
24 models. The remaining coefficient have mixed signs across the models and are generally not
25 statistically significant.
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38 CONCLUSION

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41 Nebraska's property tax limits have been in place for about 17 years, which allows us to
42 observe the effects on counties over a sizable time period. In this study, we focused on
43 addressing two particular themes: 1) Has the Nebraska TEL, which is represented as tax rate
44 limits, brought unique results to local fiscal practices? Other single-state studies have focused on
45 California (Hoene 2004), Colorado (Clair 2012), Indiana (Ross, Farrell and Kate Yang 2015),
46 Kansas (Springer et al. 2009), Oregon (Thompson and Green 2004), Texas (Plummer and Pavur
47 2009), and Wisconsin (Maher, Deller and Amiel 2011). We attempted to contribute to our
48 understanding on local TELs by investigating the Nebraska case. 2) Although many studies have
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4 assumed that TELs are equally binding within a state, we aimed to demonstrate that the effects of
5 local TELs can vary depending on specific contexts, such as how close to the tax rate limit a
6 county was prior to implementation.
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11 To achieve our research objectives, county trends in revenues, spending, and debt were
12 analyzed, taking into consideration counties' initial property tax rate positions and their sharing
13 of tax rates with special districts. Descriptive analysis shows that apparently, the tax rate limit
14 did have a constraining effect on the tax rate for all counties, and controlled county reliance on
15 property tax at least in the short-run and in terms of the tax portion of total spending. The models
16 also suggest that county fiscal behavior was somewhat mitigated by the county's proximity to the
17 rate limit. As expected, those at or near the limit incurred more debt than those counties below
18 the limit. Surprisingly, those same counties at/near the limit spent more and grew levies at rates
19 higher than those below the rate cap. Some of this appears to be due to an increase in
20 intergovernmental aid, which pays for a large share of county spending.
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35 During this period, county officials were also fortunate to be able to capture high
36 valuation base growth so that, regardless of their position relative to the TEL, tax levies grew
37 faster than inflation. This has resulted in frustration from taxpayers, particularly the farmers
38 whose land has fueled much of the valuation growth in this period. History has taught us that
39 agricultural land values are cyclical, and there are signs that the boom in this area is slowing
40 down. This may eventually result in much more stringent constraints on property tax revenues,
41 since many counties cannot simply increase tax rates if valuations slow or decrease.⁸ The role of
42 single-purpose districts was also a focus of this study. We found that the reliance of special
43 districts on county board approval for use of a portion of the county taxing authority raises the
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57 ⁸ See, for example, the Nebraska Governor's recent plan toward property tax relief - [http://www.governing.com](http://www.governing.com/topics/finance/tns-nebraska-ricketts-state-address.html)
58 /topics/finance/tns-nebraska-ricketts-state-address.html
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4 possibility of competition. There is slight evidence to support an effect here; the property tax rate
5 share of special districts, coupled with counties' initial property tax rate positions, has
6 manipulated fiscal responses of counties to the tax rate limit.
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11 There are limitations to this study. First and foremost, we used somewhat arbitrary cut-
12 off points for the groupings of the counties. The results might differ if we used more or different
13 groupings. Second, due to the lack of fiscal data, we were able to study only the post-TEL period
14 in our empirical models. Third, in order to better understand the perceptions of local officials
15 about how the tax limits have affected them, and how they have responded, it would be useful to
16 conduct interviews or use case studies of selected counties and special districts. Finally, this
17 study focused on two types of local governments. The limits also affected other jurisdictions,
18 such as municipalities and school districts. The school district limitations are closely linked with
19 state aid to school districts, which is a continual source of debate in the state legislature so would
20 be a particularly fruitful area for research.
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35 Despite these limitations, this research contributes to the literature in several ways.
36 First, this is one of only a handful of studies where counties and, in effect, special purpose
37 districts are the unit of analysis. Second, the examination focuses on within-state TEL effects.
38 Third, this analysis of a particular type of TEL, a property tax rate limit, is informative because it
39 demonstrates the implications of a limit on a tax that has two moving parts – the levy and
40 property valuation – which may or may not constrain the levy or spending if property value
41 growth outpaces the rate limit. Fourth, our research complements previous studies by
42 demonstrating that at least during the period of study spending was not constrained by the TEL
43 and that intergovernmental aid helped offset some levy constraints. These findings add to the
44 debate in the existing literature on the extent to which TELs affect expenditures (Dye and
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4 McGuire 1997; Shadbegian 1998; Chapman and Gorina 2012; Clair 2012; Blom-Hansen,
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7 Bækgaard and Serritzlew 2014; Sun 2014).

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9 For policy-makers, the research highlights the need to identify the primary objective(s)
10 of the limitation. Is the aim to limit levy growth, and/or to “control” spending? If using a rate
11 limit, does valuation growth also need to be constrained? If the rate limit is coupled with valuation
12 growth restrictions, distortions in property valuations versus market value may lead to issues as
13 is currently being played out in states such as California. And what are the potential unintended
14 consequences of limits? For example, in this case, Nebraska counties could constrain special
15 districts through their levy authority, as well as the possibility of increasing debt levels to avoid
16 restrictions. Not to sound too cliché but this study underscores the sentiment that “the devil is in
17 the details” when it comes to examining the effects of TELs on fiscal outcomes. The effects are
18 also period-sensitive. Strong valuation growth mitigated the effects of tax rate caps. If valuation
19 slows, the outcomes of the analysis could be quite different.
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TABLE 1
Descriptive Trends of County and Special Districts Budgets

		1997	2001	2005	2009	2013	Change FY97 (01)-13
Property tax rate (%)	Counties below limit (<\$0.44)	0.3508	0.2831	0.3157	0.3208	0.3071	-0.0437 (-12.46%)
	Counties above/at limit (≥\$0.44)	0.4814	0.3728	0.4035	0.4116	0.3889	-0.0925 (-19.21%)
Property tax levy (\$1,000)	Counties below limit (<\$0.44)	3,937.96	3,562.23	4,585.74	5,367.14	6,053.20	2,115.24 (53.71%)
	Counties above/at limit (≥\$0.44)	1,292.47	1,086.61	1,270.34	1,493.19	1,812.20	519.73 (40.21%)
Property Assessed Valuation (\$100,000)	Counties below limit (<\$0.44)	12,564.65	14,385.49	16,189.03	18,948.47	22,540.15	9,975.50 (79.39%)
	Counties above/at limit (≥\$0.44)	2,733.30	2,986.21	3,242.52	3,667.57	4,728.75	1,995.45 (73.01%)
Total expenditures (\$1,000)	Counties below limit (<\$0.44)	13,267.35	17,111.80	19,704.20	23,301.70	23,384.70	10,117.35 (76.26%)
	Counties above/at limit (≥\$0.44)	4,062.80	5,128.81	5,749.02	6,526.20	7,608.98	3,546.18 (87.28%)
Property tax / Total expenditures (%)	Counties below limit (<\$0.44)	33.31	23.07	25.90	25.38	27.31	-6.00 (-18.01%)
	Counties above/at limit (≥\$0.44)	37.89	23.67	25.67	26.42	28.94	-8.95 (-23.62)
Aid (\$1,000)	Counties below limit (<\$0.44)	-	8,933.32	9,852.30	12,314.47	11,074.88	2,141.56 (23.97%)
	Counties above/at limit (≥\$0.44)	-	2,310.99	2,858.15	3,115.90	3,434.41	1,123.42 (48.61%)
Aid / Total expenditures (%)	Counties below limit (<\$0.44)	-	39.56	41.54	44.56	37.68	-1.88 (-4.75%)
	Counties above/at limit (≥\$0.44)	-	40.47	41.25	40.05	35.57	-4.90 (-12.11%)
Outstanding debt (\$1,000)	Counties below limit (<\$0.44)	-	2,262.15	3,352.22	4,267.90	5,523.52	3,261.37 (144.17%)
	Counties above/at limit (≥\$0.44)	-	285.69	352.82	740.20	646.41	360.72 (126.26)
Outstanding debt / Total expenditures (%)	Counties below limit (<\$0.44)	-	6.87	8.87	13.50	20.41	13.54 (197.09%)
	Counties above/at limit (≥\$0.44)	-	2.97	3.76	10.16	7.42	4.45 (149.83%)
Number of SPDs levied property tax	Counties below limit (<\$0.44)	15.75	15.14	15.10	15.29	14.88	-0.87 (-5.52%)
	Counties above/at limit (≥\$0.44)	7.33	7.26	7.12	7.12	7.10	-0.23 (-3.14%)
SPDs property tax rate (%)	Counties below limit (<\$0.44)	0.0683	0.0585	0.0583	0.0551	0.0496	-0.0187 (-27.40%)
	Counties above/at limit (≥\$0.44)	0.0548	0.0504	0.0451	0.0457	0.0403	-0.0145 (-26.46%)
SPDs property tax levy (\$)	Counties below limit (<\$0.44)	55,378.16	60,630.68	74,913.05	84,510.79	90,226.56	34,848.40 (62.93%)
	Counties above/at limit (≥\$0.44)	23,617.10	23,602.42	23,692.18	25,835.04	31,992.04	8,374.94 (35.46%)
SPDs property tax / Total expenditures (%)	Counties below limit (<\$0.44)	50.67	43.17	41.97	41.76	43.65	-7.02 (-13.85%)
	Counties above/at limit (≥\$0.44)	40.74	38.44	38.56	36.87	40.35	-0.39 (-0.96%)

Source: County and Special Districts Budget Database, Nebraska Auditor of Public Accounts

Note 1: All budget information is inflation adjusted using CPI

Note 2: Kimball and Dodge counties were excluded from the expenditure data due to unreliable information for FY1997

TABLE 2

Summary of Variables, Measures and Data

Variable	Measure	Data	
Dependent variable	Property tax	Ln (property tax levy per capita)	
		Annual percentage change of property tax levy per capita	
	Intergovernmental aid	Ln (intergovernmental aid per capita)	
		Annual percentage change of intergovernmental aid per capita	
	Outstanding debt	Ln (outstanding debt per capita)	
		Annual % change of outstanding debt per capita	
Explanatory variable	Expenditures	Ln (operating expenditures per capita)	
		Annual % change of operating expenditures per capita	
	Property tax rate group	1 for counties with tax rate \geq \$0.44 in FY97, otherwise 0	
	Special district tax rates	Mean of special districts property tax rates within a county	
	Interaction term	Property tax rate group * Special district tax rate	
	Property valuation	Ln (county assessed property valuation)	
	Urban-rural index	1: noncore, 2: micropolitan, 3: small metro, 4: medium metro	NCHS
	Employment rate	County employed population / total labor force	BLS
	Population density	County population (100 persons) / area in square miles	NE Databook
	Race	Ln (county non-white population / total population)	SEER data
	Personal income	County personal income per capita	
	Youth population	County population aged under 19 / total population	
	Elderly population	County population aged over 65 / total population	

TABLE 3
Descriptive Statistics

Variable and measure (unit)	Mean	Standard deviation	Min.	Max.
Property tax levy per capita (Ln)	-0.9454	0.5686	-2.4297	0.5892
Annual change of property tax levy per capita (percent)	10.0202	7.8643	-32.0316	42.0752
Intergovernmental aid per capita (Ln)	-0.5634	0.8163	-2.0831	1.8198
Annual change of intergovernmental aid per capita (percent)	6.8101	22.8724	-73.6065	91.8493
Outstanding debt per capita (Ln)	2.3415	2.8046	0	8.1898
Annual change of outstanding debt per capita (percent)	9.2742	127.0733	-99.9296	2,044.625 ¹
Operating expenditures per capita (Ln)	7.0082	0.6739	5.5764	9.0595
Annual change of operating expenditures per capita (percent)	7.8544	0.1031	-62.3120	79.5561
Property tax rate group (dummy)	0.4516	0.4979	0	1
Special district tax rates (\$)	0.0511	0.0336	0.0027	0.1950
Interaction term (\$)	0.0204	0.0279	0	0.1675
County assessed property valuation (Ln)	13.4581	1.0865	11.1627	17.6905
Urban-rural index (ordinal)	1.4855	0.8651	1	4
Employment rate (percent)	96.4572	0.9289	89.4937	98.3607
Population density (100 persons per mile ²)	0.4102	1.7016	0.0059	16.3573
Race (Ln)	-4.1768	0.9922	-6.8480	-0.5020
Personal income (\$1,000)	41.5873	14.6261	14.4979	108.0591
Youth population (percent)	26.8587	2.8337	18.5771	40.2319
Elderly population (percent)	19.1536	4.1107	6.8996	31.3571

Note 1: All fiscal and income variables are inflation adjusted using CPI

Note 2: All outliers are excluded in analyzing descriptive statistics

¹ Some counties had a relatively higher level of annual growth in outstanding debt. For example, Valley county's per capita outstanding debt grew from \$216.02 to \$4,632.76 in one year (2,045%) after voter approval of a \$21.3 million bond issuance for a new hospital in 2008 (Kunz, 2010).

TABLE 4

Two-way Fixed Effects Estimation Results

Variable	Model 1-1: Ln (property tax levy per capita)	Model 1-2: percentage change of property tax levy per capita	Model 2-1: Ln (IG aid per capita)	Model 2-2: percentage change of IG aid per capita	Model 3-1: Ln (outstanding debt per capita)	Model 3-2: percentage change of outstanding debt per capita	Model 4-1: Ln (operating expenditures per capita)	Model 4-2: percentage change of operating expenditures per capita
	B (Robust S.E.)	B (Robust S.E.)	B (Robust S.E.)	B (Robust S.E.)	B (Robust S.E.)	B (Robust S.E.)	B (Robust S.E.)	B (Robust S.E.)
Tax rate group	0.6111*** (0.2088)	0.1401** (0.0702)	1.9106*** (0.2038)	-0.4987** (0.2409)	3.4432** (1.6864)	-0.2979 (1.1269)	0.7291*** (0.1466)	-0.0770 (0.0895)
SPDs tax rate (mean-centered)	-1.0257 (0.6479)	-0.1967 (0.6740)	-2.5763(*) (1.4454)	0.7751 (2.5795)	-33.2292(***) (11.1059)	-10.0957 (17.1038)	1.2756 (0.8507)	0.1288 (1.1208)
Interaction term	0.6152 (0.7269)	-0.3604 (0.7576)	3.8797** (1.7058)	-0.3975 (2.6880)	38.4600*** (13.5568)	-2.9913 (19.7874)	-1.6784* (0.9456)	-0.6158 (1.1508)
Ln (property valuation)	0.1206 (0.1157)	0.0600*** (0.0208)	0.1582* (0.0899)	0.0094 (0.0814)	-0.6135 (0.4341)	0.3791 (0.3690)	0.1401*** (0.0421)	0.0467 (0.0288)
Urban/rural scheme	-0.1951*** (0.0361)	0.0068 (0.0165)	-0.1502** (0.0638)	-0.5334*** (0.1013)	1.7742** (0.8683)	-0.1181 (0.2339)	-0.2477*** (0.0930)	-0.0190 (0.0358)
Employment rate	0.0040 (0.0069)	-0.0138* (0.0074)	0.0417** (0.0185)	0.0039 (0.0282)	0.1029 (0.1429)	0.3261 (0.2109)	-0.0012 (0.0106)	-0.0059 (0.0100)
Population density	-0.1203*** (0.0223)	-0.0519*** (0.0142)	-0.2727*** (0.0489)	0.0038 (0.0816)	-0.6191** (0.2549)	-0.2778 (0.2295)	-0.1106*** (0.0342)	-0.0466 (0.0398)
Ln (non-white population rate)	0.0258 (0.0160)	0.0152 (0.0161)	-0.0022 (0.0349)	-0.0071 (0.0519)	0.6131* (0.3203)	0.0056 (0.2252)	-0.0655** (0.0262)	-0.0409* (0.0236)
personal income	-0.0001 (0.0006)	-0.0002 (0.0005)	-0.0001 (0.0015)	-0.0020 (0.0019)	-0.0215* (0.0120)	-0.0110 (0.0107)	0.0025*** (0.0007)	-0.0005 (0.0008)
County +19 population rate	-0.6253 (0.4672)	-0.0905 (0.4652)	-2.5969** (1.1690)	0.2968 (1.6792)	-5.1863 (8.2874)	-2.2670 (8.3944)	-0.4153 (0.6318)	0.3557 (0.5344)
County +65 population rate	0.2350 (0.4176)	-0.2115 (0.3716)	-3.0383*** (1.1617)	-0.3568 (1.4077)	-14.1356** (6.2072)	6.1579 (6.3749)	-0.8617 (0.6124)	-0.0260 (0.4656)
Ln (IG aid per capita)	0.0029 (0.0118)	-0.0073 (0.0117)	-	-	0.2046 (0.2473)	-0.0477 (0.3449)	0.3414*** (0.0309)	0.0749*** (0.0180)
Constant	-3.4465* (1.8665)	0.6881 (0.8295)	-6.4950*** (2.4065)	0.6004 (3.2140)	4.4546 (15.8972)	-37.2116 (22.8952)	4.9517*** (1.3231)	-0.0533 (1.0706)
Model	N=1,209 F=640.23*** R ² =0.9797	N=1,116 F=4.35*** R ² =0.2496	N=1,209 F=311.01*** R ² =0.9284	N=1,116 F=4.70*** R ² =0.5105	N=1,209 F=287.13*** R ² =0.6385	N=1,072 F=2.29*** R ² =0.8215	N=1,209 F=936.68*** R ² =0.9714	N=1,116 F=3.42*** R ² =0.6790

* p < .10; ** p < .05; *** p < .01; two-tailed tests

Note 1: Although not shown, fixed effects for county and year were included in all models

Note 2: A dummy for outliers in terms of the dependent variables is included in each model; in the annual outstanding debt change model, however, outliers (44 observations) are excluded because they cause a very high level of standard errors

Note 3: All fiscal and income variables are inflation adjusted using CPI

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FIGURE 1

Property Tax Levy Per Capita by Group and Year

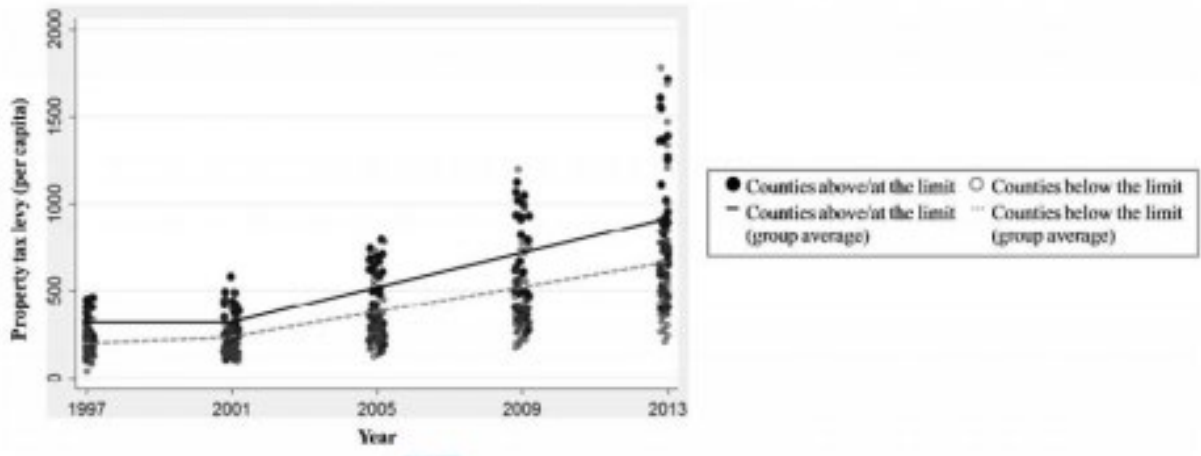
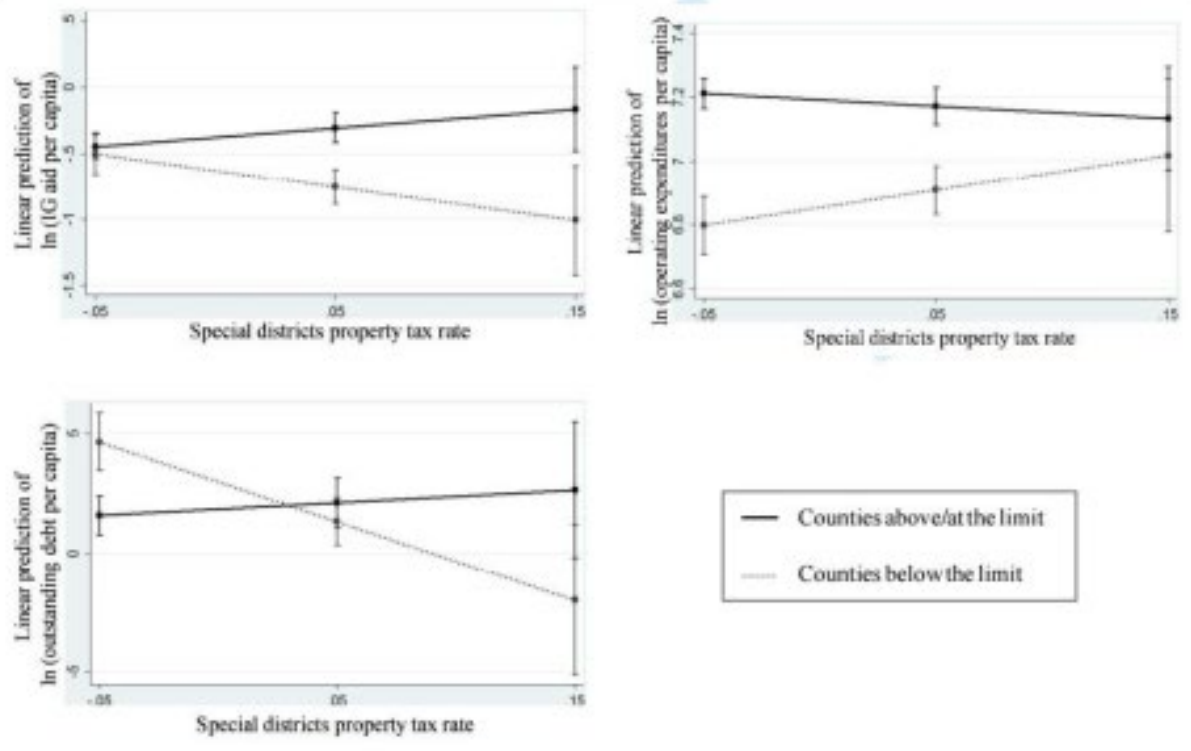


FIGURE 2

Linear Predictions



**Examining Nebraska's Municipal Finance Picture:
Trends in Revenues, Expenditures, Debt and Reserves From 2001-2015**

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Sungho Park

Ji Hyung Park

Nebraska State and Local Finance Lab

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Executive Summary

There are currently 528 municipalities in Nebraska and they range in population from one resident in Monowi to over 446,000 in Omaha. In an era of resource scarcity and greater scrutiny of public finance, this report offers one of first overviews of municipal revenues, expenditures, debt and reserves.

The intent of the report is not to advocate policy or to even study policy decisions, rather it seeks to provide a context for budgeting and policy discussions.

Key Findings:

- There is a great deal of variation in revenues and expenditures based on the location of a municipality: Nebraska's 24 metropolitan municipalities exhibit very different fiscal patterns than other types of municipalities;
- Given the focus on property taxes in Nebraska, it is interesting to note that only 11 percent of own-source revenues come from the property tax;
- 83 percent of municipal own-source revenues come largely from fees and charges (utilities, in particular);
- In general, Nebraska municipalities had healthy reserves in 2015, equal to 47 percent of total revenues



Introduction

The Nebraska State and Local Finance Lab was established in 2015 with the support of the University of Nebraska-Omaha's College of Public Affairs and Community Service, and the Center for Public Affairs Research. The purpose of the Lab is to help stakeholders (citizens, elected officials and government staff) better understand state and local finance in Nebraska. It also serves as a resource for applied and academic research on state and local fiscal policy.

This is the first of the reports produced by the NE State and Local Finance Lab and it focuses on describing fiscal trends in the NE municipalities from FY 2001 to FY 2015.

Approach to Studying NE Municipalities

In this report, Nebraska municipalities fall into four categories for analytical purposes: Big three metro areas, other metro areas, non-metro regional centers and non-metro areas. *The Metropolitan and Micropolitan Definitions* defined by the Office of Management and Budget (OMB) are used to identify metro and non-metro areas at the county level (see Appendix 1). Municipalities are then classified into the groups according to their geographical affiliation to counties.

- As of 2015, 24 municipalities are in the big 3 metro areas;
- 85 municipalities are located in the other metro areas;
- non-metro regional centers involve 77 municipalities and;
- the remaining 342 municipalities are identified in the non-metro areas.

Demographic and Socio-Economic Attributes

Demographic and socio-economic characteristics of NE municipalities as of 2014 are presented below; all statistics are the average of municipalities in each category. Municipalities

in the big three metro areas are relatively strong in terms of demographic and socioeconomic conditions than municipalities in any other areas.

Demographic and socio-economic characteristics

Area		Population	% of aging population	% of white population	% of population with bachelor or higher degree	Property valuation (\$1,000)	Unemployment rate (%)	Household median income (\$)
All municipalities	2000	2,492.7	19.9	96.4	12.7	90,537.7	3.5	31,953.2
	2009	2,661.9	19.4	95.2	15.6	137,589.8	4.1	40,308.8
	2014	2,724.6	20.4	95.0	16.3	149,571.5	4.6	44,140.3
Big three metro areas	2000	28,588.7	10.7	94.5	22.0	1,247,308.3	2.1	47,453.2
	2009	33,433.3	10.4	94.0	28.3	2,019,440.8	4.5	57,248.5
	2014	34,142.0	12.7	93.8	26.7	2,158,760.5	3.7	60,052.9
Other metro areas	2000	1,482.0	15.5	97.3	11.5	46,194.2	2.8	36,368.3
	2009	1,526.7	15.7	96.6	15.1	70,046.9	4.1	46,931.3
	2014	1,614.6	16.8	96.4	17.0	77,905.6	5.2	50,027.0
Regional centers	2000	3,023.9	17.4	94.7	12.4	91,349.8	4.0	33,109.5
	2009	3,101.2	15.5	93.7	15.5	136,077.7	4.4	42,202.6
	2014	3,167.4	17.0	94.5	16.1	151,515.9	5.1	46,254.0
non-metro areas	2000	727.0	22.1	96.7	12.3	17,245.3	3.6	29,477.0
	2009	697.3	21.9	95.3	14.8	23,325.7	4.0	37,066.7
	2014	707.8	22.6	94.9	15.4	26,668.5	4.5	41,102.4

Source: Census 2000; American Community Survey Data 2009 & 2014;

Fiscal Categories

The availability of fiscal data for Nebraska municipalities comes from the Nebraska Auditor of Public Accounts. Nebraska communities are required to annually submit uniform budget information to the Auditor of Public Accounts. These data are not audited, other than by the State, and are reported on a cash-basis, rather than modified accrual basis required by the Government Accounting Standards Board.¹

The following categories (all in per capita terms), considered important in the public budgeting/finance literature illuminating government fiscal structure, are used to paint Nebraska's local finance picture at the municipal level:

- Revenues
 - ✓ Total revenues
 - ✓ Local revenues: property taxes, sales taxes, motor vehicle taxes, in-lieu of tax payments and others
 - ✓ Federal receipts
 - ✓ State receipts
- Expenditures by type
 - ✓ Total expenditures
 - ✓ Operating expenditures
 - ✓ Capital expenditures
 - ✓ Debt service expenditures
 - ✓ Other expenditures
- Expenditures by object
 - ✓ General government expenditures
 - ✓ Public safety expenditures
 - ✓ Public works expenditures
 - ✓ Health and social service expenditures
 - ✓ Culture and recreation expenditures
 - ✓ Community development expenditures
 - ✓ Miscellaneous expenditures
- Debt
 - ✓ Total outstanding debt
 - ✓ Debt principal
 - ✓ Debt interest
- Liquidity
 - ✓ Cash reserves

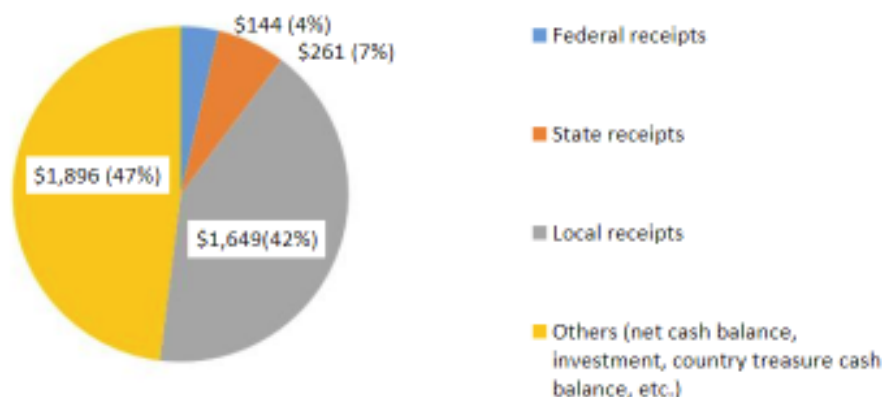
¹ Many of the communities in Nebraska are relatively small and do not produce audited annual financial reports. In order to include all NE municipalities, we opted to study these budget reports. In doing so, we realize that there is somewhat greater potential for reporting error.

Overview of Nebraska Municipal Budgets

Municipal Revenues

Average total per capita municipal revenues (as of 2015): \$3,950

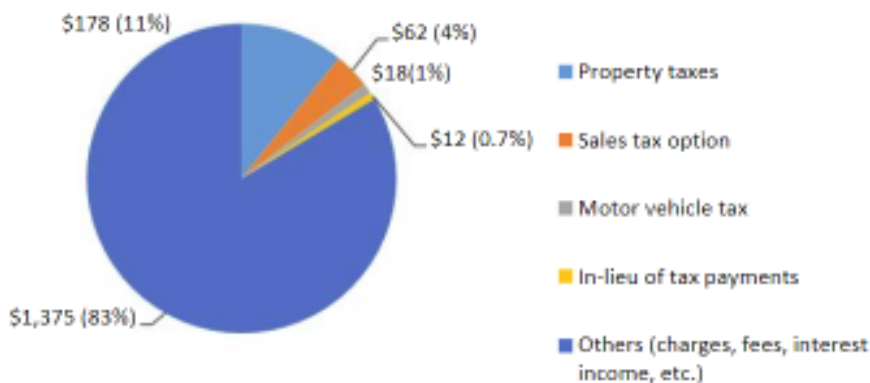
- 7 percent of municipal revenue comes from the State
- 4 percent of local revenue comes from the federal government
- 89 percent of revenue is local source and consists of reserves, taxes, fees and charges



Municipal Own-Source Revenues

Average total per capita local receipts (as of 2015): \$1,649

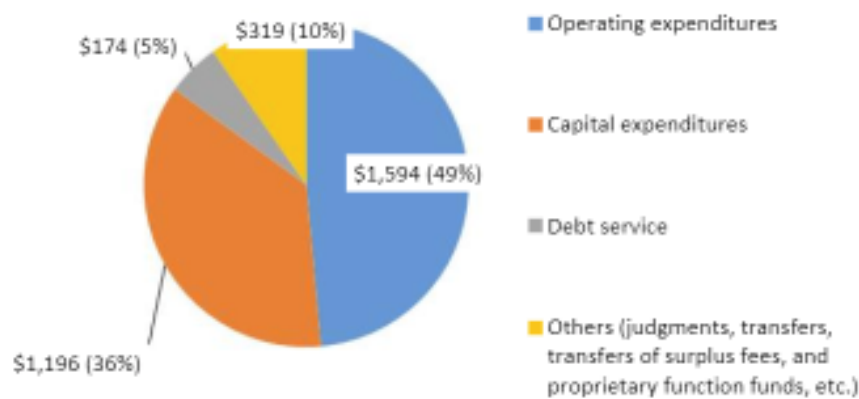
- 11 percent of local revenues are generated from the property tax
- 5.7 percent of local revenues are from the sales tax, motor vehicle tax and in-lieu of tax payments
- 83 percent of local revenues include charges, fees and interest income



Municipal Expenditures

Average total per capita municipal expenditures by type (as of 2015): \$3,284

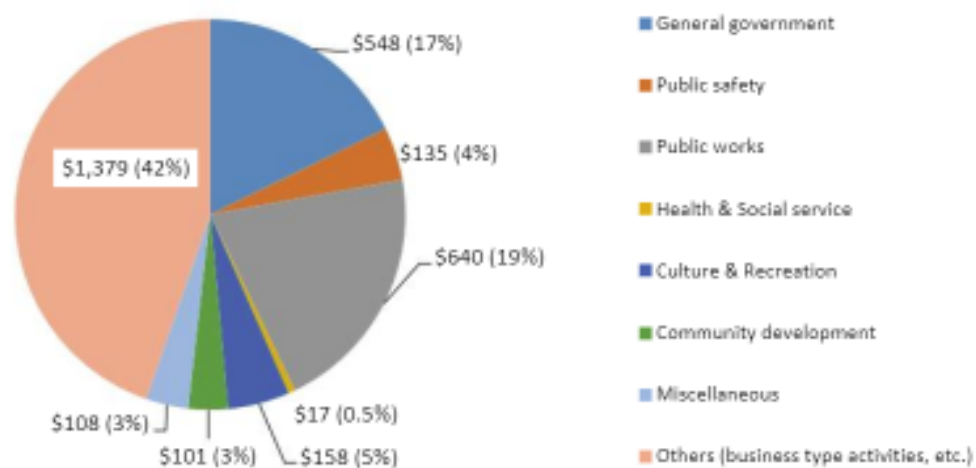
- Operating expenditures account for half (49 percent) of municipal expenditures
- Capital expenditures account for 36 percent of expenditures
- Debt service accounts for 5 percent of municipal expenditures



Expenditures by Object

Average total per capita municipal expenditures by objective (as of 2015): \$3,284

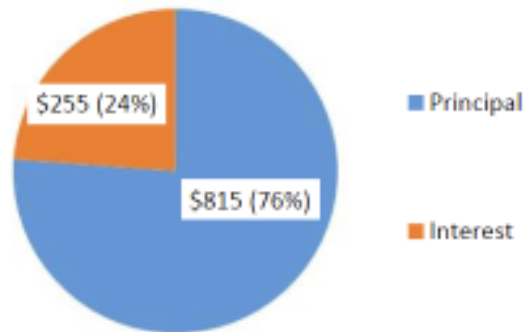
- The operation of business-type activities (nursing, water and sewer, waste, electric, etc.) accounts for 42 percent of operating expenditures
- Public works (roads, for instance) accounts for 19 percent of expenditures
- General government management is the third largest expenditure (17 percent)



Municipal Debt

Average total per capita outstanding debt (as of 2015): \$1,070

- 24 percent of debt-related expenditures are in the form of interest



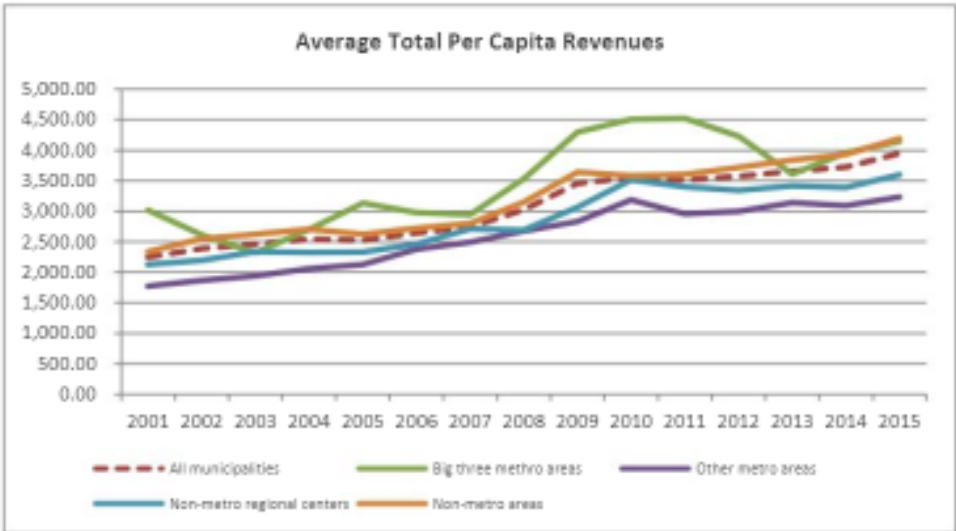
Summary of Trends Over Time

Revenues

Total per capita revenues

Nebraska’s municipalities collected an average of \$2,246 per person in 2001 and total per capita revenues grew annually to \$3,950 in 2015; 75 percent during the period, or 5 percent annually. There is also a difference between the groups:

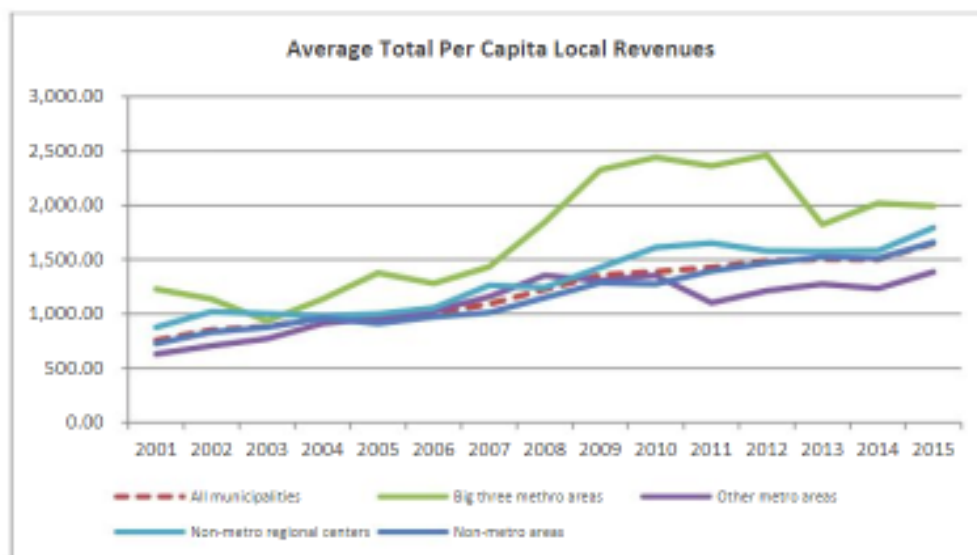
- Municipalities in the big three metropolitan areas have experienced a rather remarkable pattern in per capita revenues during the period of study. From 2001 to 2011, per capita revenues grew from \$3,018 to \$4,524 and since dropped to \$3,611 in 2013 before increasing to \$4,148 in 2015;
- Municipalities in the other metro areas experienced steady revenue growth during the period: from \$1,771 in 2001 to \$3,236 in 2015;
- The revenue pattern for municipalities in the nonmetropolitan regional centers were similar to cities in the other metropolitan areas: \$2,128 per capita in 2001 to \$3,601 in 2015;
- Nonmetropolitan municipal per capita revenues tracked the statewide pattern - \$2,333 (2001) to \$4,193 (2015)



Total per capita local revenues

On average, total per capita local revenues for Nebraska's municipalities was \$756 in 2001 while it was \$1,649 in 2015; total per capita local revenues grew during the period at a rate of 118 percent, or 8 percent annually. A difference between the areas exists:

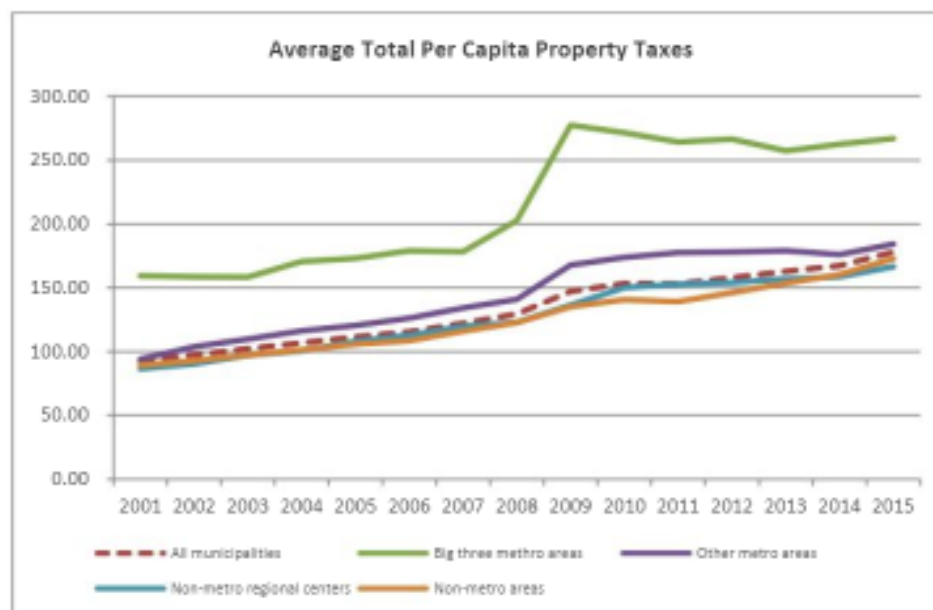
- Municipalities in the big three metropolitan areas have experienced a conspicuous pattern in per capita local revenues during the period of study. From 2001 to 2012, per capita local revenues surged upward from \$1,227 to \$2,460 and then was in decline in 2013, with a mean of \$1,882. Local revenues elevated again to \$1,992 in 2015;
- Municipalities in the other metro areas experienced a steady growth in per capita local revenues from 2001 (\$629) to 2010 (\$1,352). Average per capita local revenues sharply declined in 2011 (\$1,100), but increased again to \$1,387 in 2015;
- Nonmetropolitan regional centers municipal per capita local revenues tracked the statewide pattern: \$875 (2001) to \$1,793 (2015);
- The local revenue pattern for municipalities in the nonmetropolitan areas were similar to those for municipalities in nonmetropolitan regional centers: \$726 per capita in 2001 to \$1,657 in 2015



Total per capita property taxes

Municipalities in Nebraska collected an average of \$93 total per capita property taxes in 2001 and it grew annually to \$178 in 2015; the growth rate of total per capita property taxes during the period was 92 percent, with an annual rate of 7 percent. The fiscal trend varies by metropolitan status:

- The marked pattern of total per capita property taxes for municipalities in the big three metropolitan areas is observed. From 2001 to 2009, per capita property taxes grew from \$159 to \$278. Conversely, average per capita property taxes were on a downward path from 2010 (\$272) to 2015(\$267);
- Municipalities in the other metro areas have experienced steady property tax growth during the period: from \$94 in 2001 to \$184 in 2015;
- Municipalities in the non-metro regional centers have also experienced a consistent growth in per capita property taxes during the period: from \$87 in 2001 to \$167 in 2015;
- Nonmetropolitan municipal per capita property taxes tracked the statewide pattern: from \$89 in 2001 to \$173 in 2015

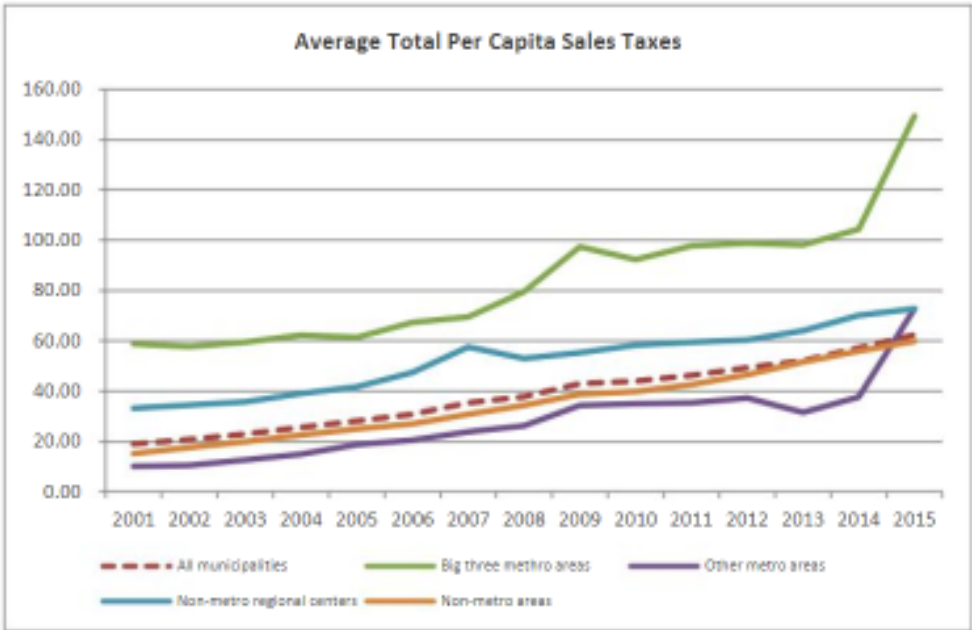


Total per capita sales taxes

Nebraska’s municipalities collected an average of \$19 per person in 2001 and total per capita sales taxes grew annually to \$62 in 2015; 228 percent during the period, or 16 percent annually.

There is also a difference between the groups:

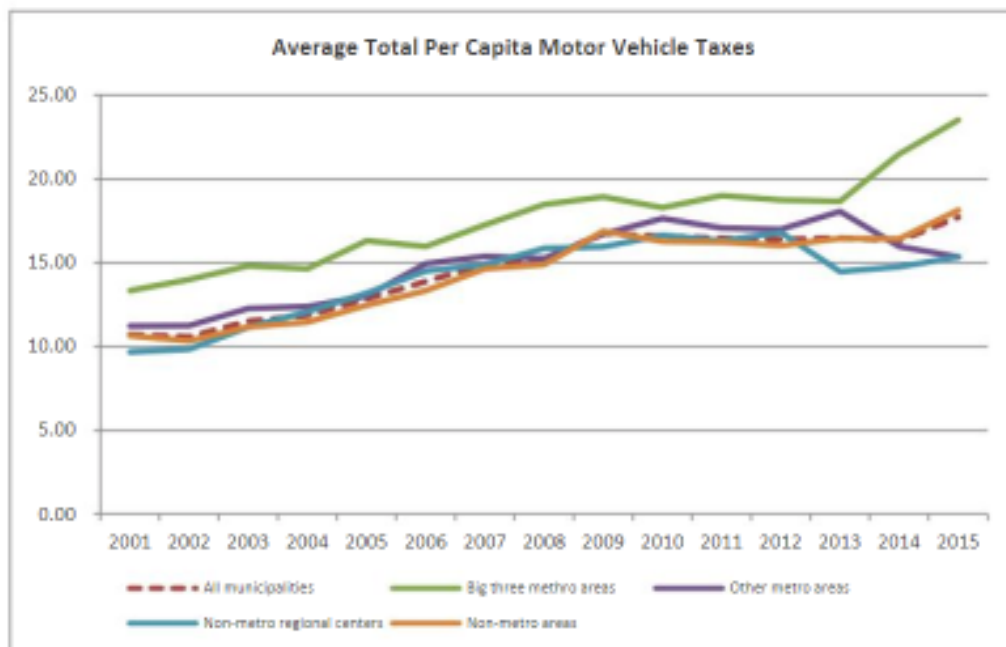
- Municipalities in the big three metropolitan areas have experienced a somewhat distinct pattern in per capita sales tax collections during the period of study. From 2001 to 2014, per capita sales taxes steadily grew from \$59 to \$104. A sharp increase in per capita sales taxes occurred in 2015, with a mean of \$149;
- The sales tax pattern for municipalities in the other metro areas were similar to municipalities in the big three metropolitan areas: A constant growth from 2001 (\$10) to 2012 (\$37) and it was followed by a sharp increase from to \$73 in 2015;
- Municipalities in the non-metro regional centers experienced constant sales tax growth during the period: from \$33 in 2001 to \$73 in 2015;
- Nonmetropolitan municipal per capita sales taxes tracked the statewide pattern; up from \$15 (2001) to \$60 (2015)



Total per capita motor vehicle taxes

On average, total per capita motor vehicle tax collections for Nebraska's municipalities was \$11 in 2001 and grew modestly to \$18 in 2015. There is variation in these collections by area:

- Municipalities in the big three metropolitan areas experienced a relatively conspicuous pattern in per capita motor vehicle taxes. From 2001 to 2012, per capita motor vehicle taxes surged steadily upward from \$13 to \$19 and then sharply elevated to \$24 in 2015;
- Municipalities in the other metro areas experienced a steady growth in per capita motor vehicle taxes from 2001 (\$11) to 2013 (\$18). Average per capita motor vehicle tax collections declined in 2014 (\$16) and 2015 (\$15);
- The motor vehicle tax pattern for municipalities in the nonmetropolitan regional centers were similar to those for municipalities in the other metro areas: up from \$10 in 2001 to \$15 in 2015;
- Nonmetropolitan municipal per capita motor vehicle taxes tracked the statewide pattern: \$11 (2001) to \$18 (2015)

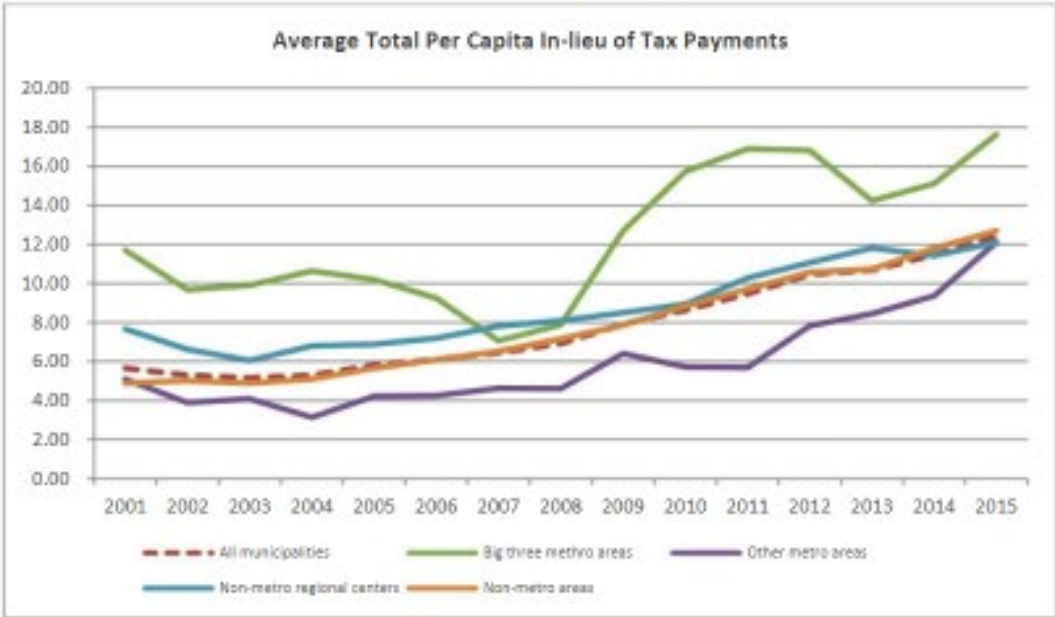


Total per capita in-lieu of tax payments

While not a sizable source of revenues, Nebraska municipalities generally receive some payments in lieu of property taxes. Sources of these payments may be the State (e.g., the acquisition of land for wildlife management purposes), power and/or irrigation districts, hospitals and/or housing development authorities². In 2001, municipalities received an average of \$6 total per capita in-lieu of tax payments and average payments grew annually to \$12 in 2015. The trend in in-lieu of tax payments varies by metropolitan status:

- The pattern of total per capita in-lieu of tax payments for municipalities in the big three metropolitan areas has been inconsistent during the period. From 2001 to 2007, per capita in-lieu of tax payments dropped from \$12 to \$7. However, average per capita in-lieu of tax payments was on the upward path from 2008 (\$8) to 2015(\$18);
- Municipalities in the other metro areas have experienced steady per capita in-lieu of tax payments from \$5 in 2001 to \$12 in 2015;
- Municipalities in the non-metro regional centers have also experienced a consistent growth in per capita in-lieu of tax payments during the period: from \$8 in 2001 to \$12 in 2015;
- Nonmetropolitan municipal per capita in-lieu of tax payments tracked the statewide pattern: from \$5 in 2001 to \$13 in 2015

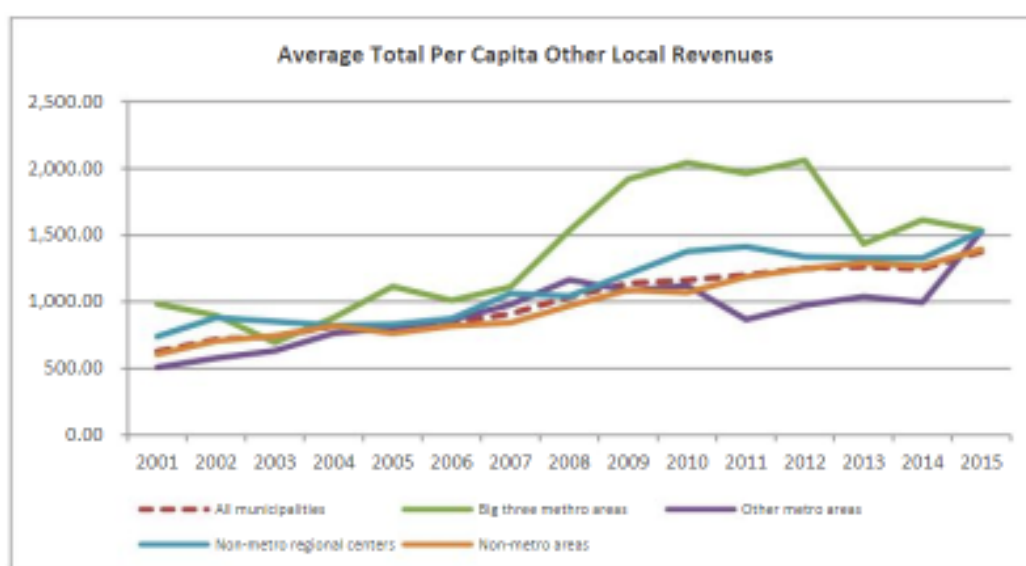
² Source: http://www.revenue.nebraska.gov/PAD/legal/regs/41-In_Lieu_of_Tax.html



Total per capita other local revenues

Nebraska's municipalities collected, on average, \$628 per person in 2001 in other local revenues (primarily, user charges and fees) and the amount grew annually to \$1,375 in 2015; 119 percent during the period, or 9 percent annually. Similar to other revenue patterns, there are important differences between the groups:

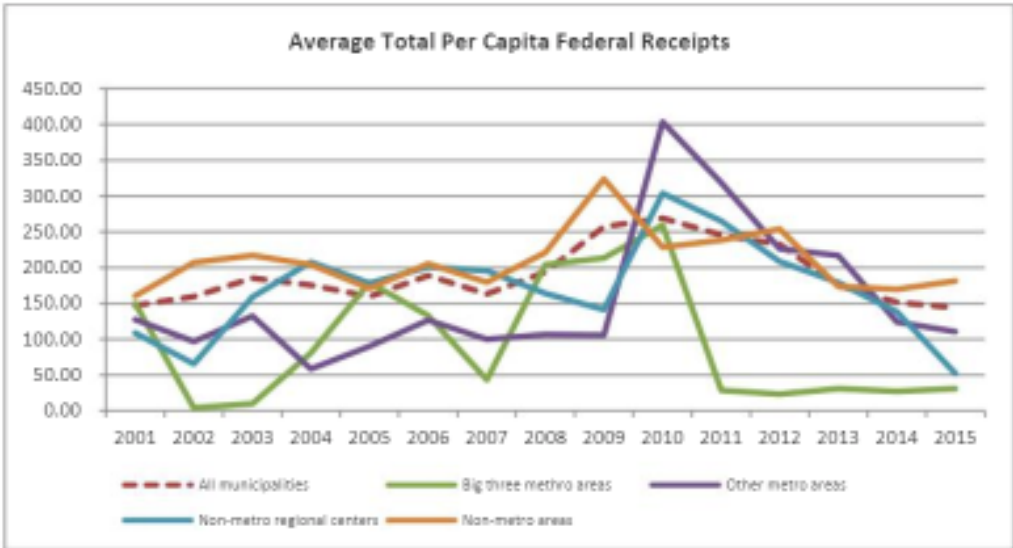
- Municipalities in the big three metropolitan areas have experienced a somewhat distinct pattern in per capita other local revenues during the period of study. From 2001 to 2012, per capita other local revenues steadily grew from \$983 to \$2,059 and then decreased to \$1,534 in 2015;
- The other metro areas, municipalities experienced revenue patterns different from municipalities in the big three metropolitan areas: A constant growth from 2001 (\$509) to 2015 (\$1,527) with slight shortfalls from 2011 (\$865) to 2014 (\$996);
- Municipalities in the non-metro regional centers experienced constant other local revenue growth during the period: from \$739 in 2001 to \$1,527 in 2015;
- Nonmetropolitan municipal per capita other local revenues tracked the statewide pattern: \$606 (2001) to \$1,393 (2015)



Total per capita federal receipts

Some Nebraska municipalities also receive direct payments from the federal government. On average, total per capita federal receipts for Nebraska’s municipalities was \$147 in 2001 and \$144 in 2015; total per capita federal receipts decreased during the period at a rate of 2 percent, or 0.1 percent annually. A difference between the areas exists:

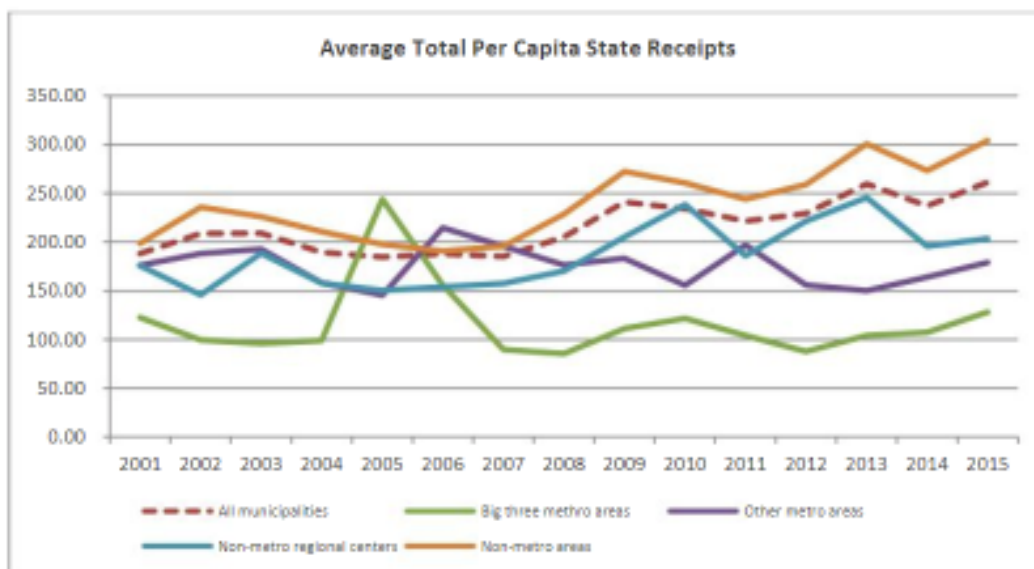
- Municipalities in the big three metropolitan areas have experienced a fluctuating pattern in per capita federal receipts. From 2001 to 2010, per capita federal receipts surged upward from \$147 to \$269 and then sharply declined to \$144 in 2015;
- Municipalities in the other metro areas experienced remarkable variations in per capita federal receipts: the trend was relatively steady from 2001 (\$127) to 2008 (\$107), but fluctuated as shown in 2009 (\$106), 2010 (\$403) and 2015 (\$111);
- The federal receipt pattern for municipalities in the nonmetropolitan regional centers were similar to those for municipalities in the other metro areas: \$109 in 2001, \$304 in 2010 and \$52 in 2015;
- Nonmetropolitan municipal per capita federal receipts tracked the statewide pattern: \$160 (2001) to \$181 (2015)



Total per capita state receipts

Municipalities in Nebraska can receive several types of state aid including, highway funds, MIRF, motor vehicle and/or equalization payments. An average of \$188 in per capita state receipts was received in 2001 and aid grew annually to \$261 in 2015; the growth rate of total per capita state receipts during the period was 39 percent, with an annual rate of 3 percent. The trend in state receipts varies by metropolitan status:

- The marked pattern of total per capita state receipts for municipalities in the big three metropolitan areas is observed. Average per capita state receipts was relatively constant from 2001 (\$123) to 2015 (\$129). However, municipalities experienced a higher level of state receipts in 2005 (\$244) and 2006 (\$156);
- Municipalities in the other metro areas have experienced somewhat steady state receipts from \$176 in 2001 to \$179 in 2015;
- Despite some fluctuations, municipalities in the non-metro regional centers have experienced a consistent growth in state receipts during the period: from \$176 in 2001 to \$203 in 2015;
- Nonmetropolitan municipal per capita state receipts tracked the statewide pattern: from \$199 in 2001 to \$304 in 2015

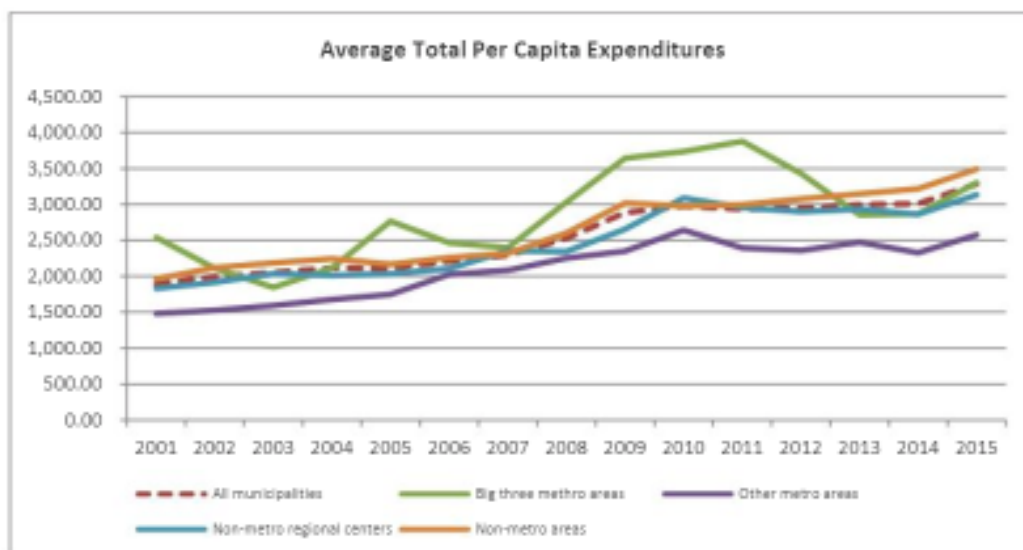


Expenditures by Type

Total per capita expenditures

Nebraska's municipalities spent an average of \$1,894 per person in 2001 and total per capita expenditures grew annually to \$3,284 in 2015; 73 percent during the period, or 5 percent annually. There is also variation in expenditure patterns by group:

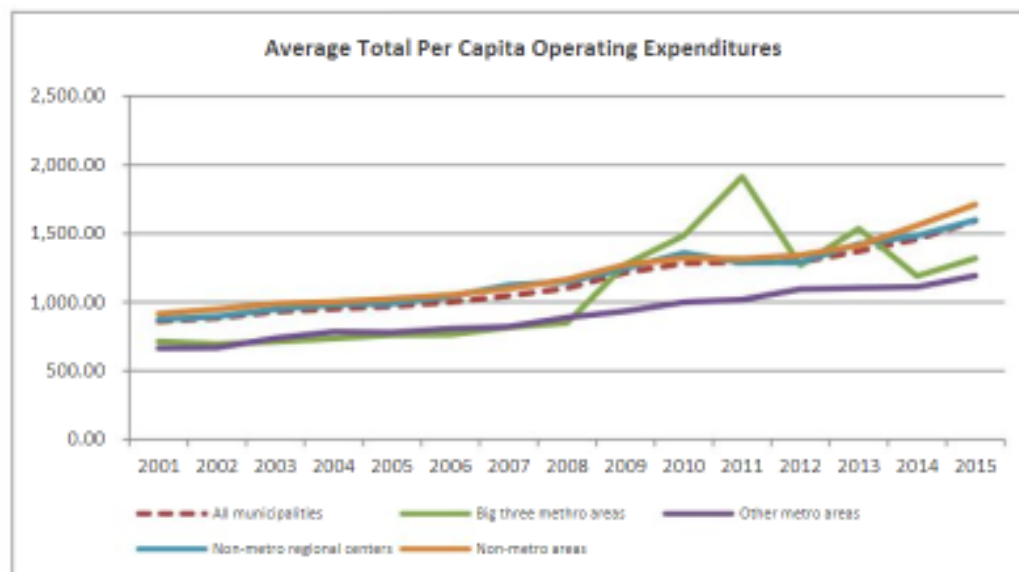
- From 2001 to 2011, per capita expenditures in the big three metropolitan areas steadily grew from \$2,540 to \$3,880 with some fluctuations (\$1,845 in 2003, \$2,764 in 2005 and \$2,396 in 2007 for instance), and then decreased to \$3,301 in 2015;
- The expenditure pattern for municipalities in the other metro areas were different from municipalities in the big three metropolitan areas: constant growth from 2001 (\$1,481) to 2015 (\$2,574) with slight drops from 2011 (\$2,393) to 2014 (\$2,327);
- Municipalities in the non-metro regional centers experienced consistent expenditure growth during the period: from \$1,833 in 2001 to \$3,133 in 2015;
- Nonmetropolitan municipal per capita expenditures tracked the statewide pattern: \$1,963 (2001) to \$3,493 (2015)



Total per capita operating expenditures

Just focusing on operating expenditures (setting aside capital expenditures and debt), average total per capita expenditures for Nebraska’s municipalities was \$860 in 2001 and grew to \$1,594 in 2015; total per capita operating expenditures increased during the period at a rate of 285 percent, or 6 percent annually. By grouping we find:

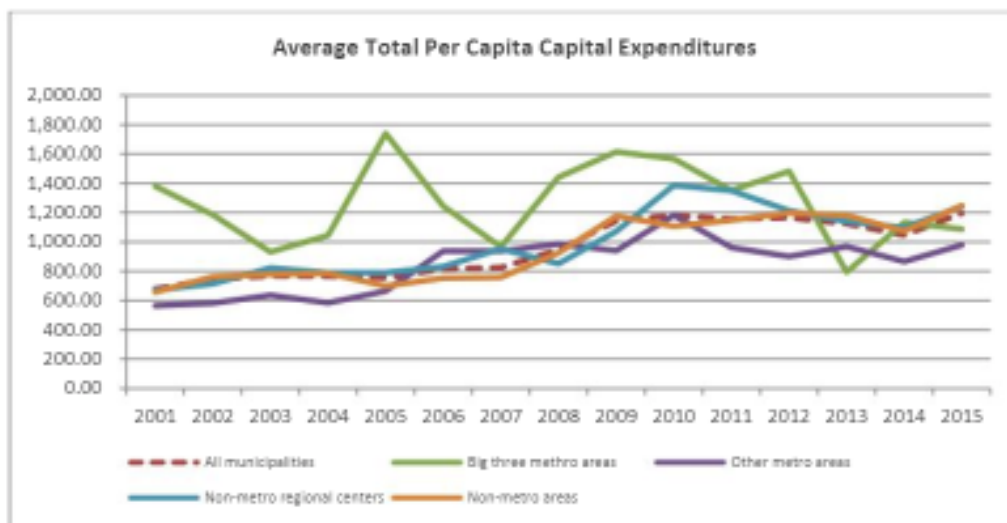
- Municipalities in the big three metropolitan areas have experienced a fluctuating pattern in per capita operating expenditures. From 2001 to 2011, per capita operating expenditures surged upward from \$713 to \$1,914 and then declined to \$1,319 in 2015;
- Municipalities in the other metro areas experienced consistent growth in per capita operating expenditures: from \$666 in 2001 to \$1,191 in 2015;
- The operating expenditure pattern for municipalities in the nonmetropolitan regional centers were similar to those for municipalities in the other metro areas: \$874 in 2001 and \$1,598 in 2015;
- Nonmetropolitan municipal per capita operating expenditures tracked the statewide pattern: \$916 (2001) to \$1,713 (2015)



Total per capita capital expenditures

Capital expenditures accounted for slightly over one-third (36 percent) of total municipal expenditures in 2015. Over the 15-year period, these expenses, on average, grew from \$679 per capita in 2001 to \$1,196 in 2015; 76 percent during the period, or 5 percent annually. By group, per capita capital expenditures grew at slightly different rates:

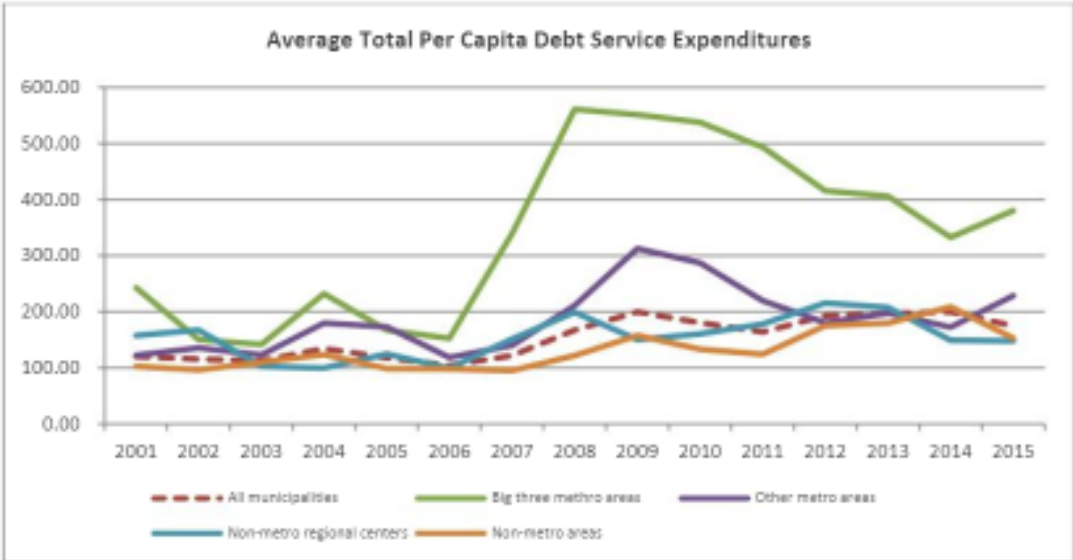
- Municipalities in the big three metropolitan areas have experienced a conspicuous pattern in per capita capital expenditures during the period of study. Fluctuations appeared from 2001 to 2009: \$1,379 in 2001, \$930 in 2003, \$1,740 in 2005 and then \$966 in 2007. Since 2009, per capita capital expenditures declined until 2015, with a mean of \$1,088;
- Capital expenditures for municipalities in the other metro areas were different from municipalities in the big three metropolitan areas: constant growth from 2001 (\$564) to 2010 (\$1,184) and a downturn to \$978 in 2015;
- Municipalities in the non-metro regional centers experienced constant capital expenditure growth from 2001 (\$670) to 2010 (\$1,387) and then encountered a decline in capital expenditures to \$1,241 in 2015;
- Nonmetropolitan municipal per capita capital expenditures tracked the statewide pattern: \$658 (2001) to \$1,248 (2015)



Total per capita debt service expenditures

In 2015, debt service accounted for five percent of municipal expenditures. Municipalities in Nebraska averaged \$120 in total per capita debt service expenditures in 2001 and those payments grew annually to \$174 in 2015; the growth rate of total per capita debt service expenditures during the period was 45 percent, with an annual rate of 3 percent. The trend in debt service expenditures varies by metropolitan status:

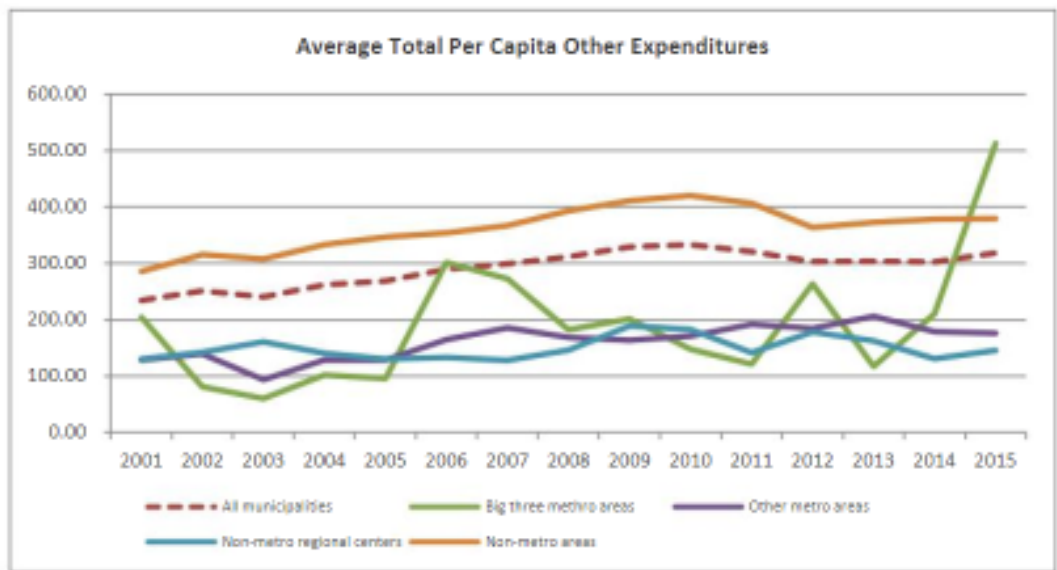
- Average per capita debt service expenditures for municipalities in the big three metropolitan areas was relatively constant from 2001 (\$243) to 2006 (\$153). However, municipalities had a higher level of debt service expenditures from 2007 (\$339) and 2015 (\$380);
- Municipalities in the other metro areas have experienced a small-scale growth in debt service expenditures during the period of study: \$123 in 2001 to \$229 in 2015, with a sharp increase in 2009 (\$313);
- Despite some fluctuations, municipalities in the non-metro regional centers have experienced a consistency in debt service expenditures during the period: from \$158 in 2001 to \$148 in 2015;
- Nonmetropolitan municipal per capita debt service expenditures tracked the statewide pattern: from \$103 in 2001 to \$153 in 2015



Total per capita other expenditures

An average of total per capita other expenditures (judgments, transfers, transfers of surplus fees, and proprietary function funds, etc.) for Nebraska’s municipalities was \$234 in 2001 while it was \$319 in 2015; total per capita other expenditures increased during the period at a rate of 36 percent, or 3 percent annually. A difference between the areas exists:

- Municipalities in the big three metropolitan areas have experienced a fluctuating pattern in per capita other expenditures: \$204 in 2001, \$ 96 in 2005 and \$302 in 2006 and \$118 in 2013. Recently, per capita other expenditures surged upward to \$513 in 2015;
- Municipalities in the other metro areas experienced a consistent growth in per capita other expenditures: from \$129 in 2001 to \$176 in 2015;
- The other expenditure pattern for municipalities in the nonmetropolitan regional centers were similar to those for municipalities in the other metro areas: \$130 in 2001 and \$145 in 2015;
- Nonmetropolitan municipal per capita other expenditures tracked the statewide pattern: \$286 (2001) to \$379 (2015)



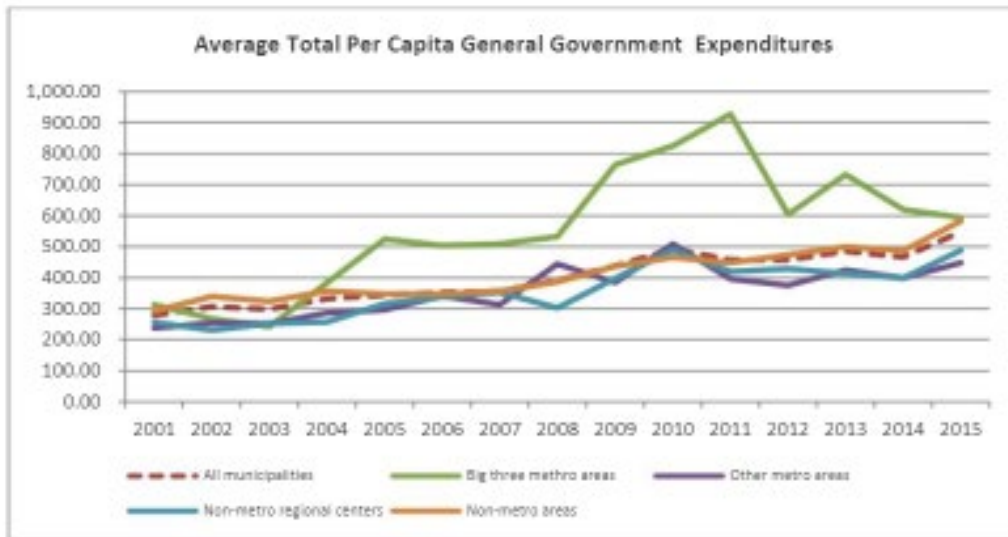
Expenditures by Object

Another way of looking at municipal expenditures is by object – a classification of expenditures by services provided. The available expenditure categories are: general government, public safety, public works, health and social services, culture and recreation and community development.

Total per capita general government expenditures

Municipalities in Nebraska spent an average of \$279 per capita on general government in 2001 and these expenditures grew annually to \$548 in 2015; the growth rate in total per capita general government expenditures during the period was 96 percent, with an annual rate of 7 percent. The trend in general government expenditures varies by metropolitan status:

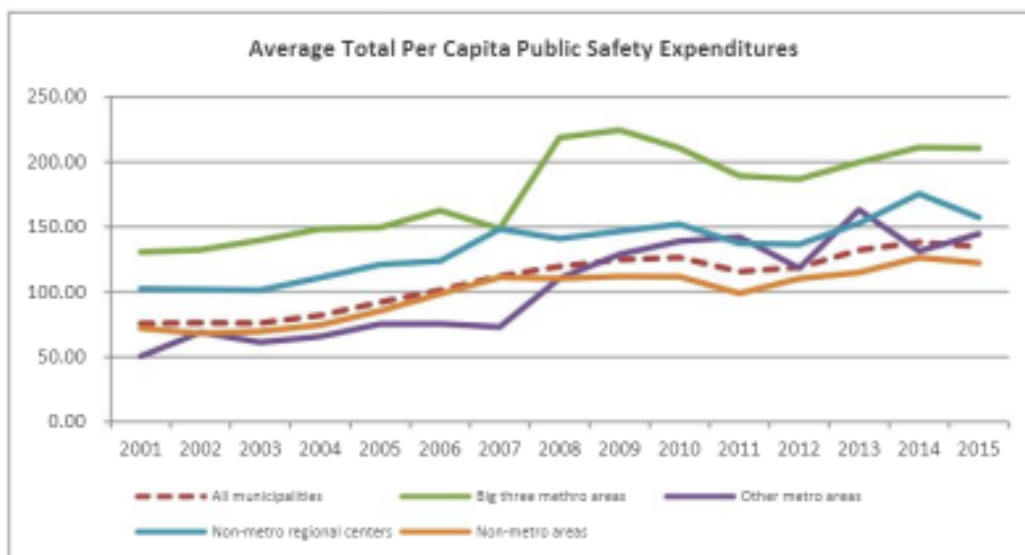
- Municipalities in the big three metropolitan areas experienced average per capita general government expenditures growth from 2001 (\$313) to 2011 (\$927). However, there has been a decline from 2012 (\$605) to 2015 (\$594);
- Municipalities in the other metro areas have experienced a somewhat steady growth in general government expenditures from \$238 in 2001 to \$448 in 2015;
- Municipalities in the non-metro regional centers have also experienced a consistent growth in general government expenditures during the period: from \$257 in 2001 to \$489 in 2015;
- Nonmetropolitan municipal per capita general government expenditures tracked the statewide pattern: from \$292 in 2001 to \$583 in 2015



Total per capita public safety expenditures

Nebraska’s municipalities expended an average of \$76 per capita in 2001 and total per capita public safety expenditures grew annually to \$135 in 2015; 78 percent during the period, or 6 percent annually. There is also a difference between the groups:

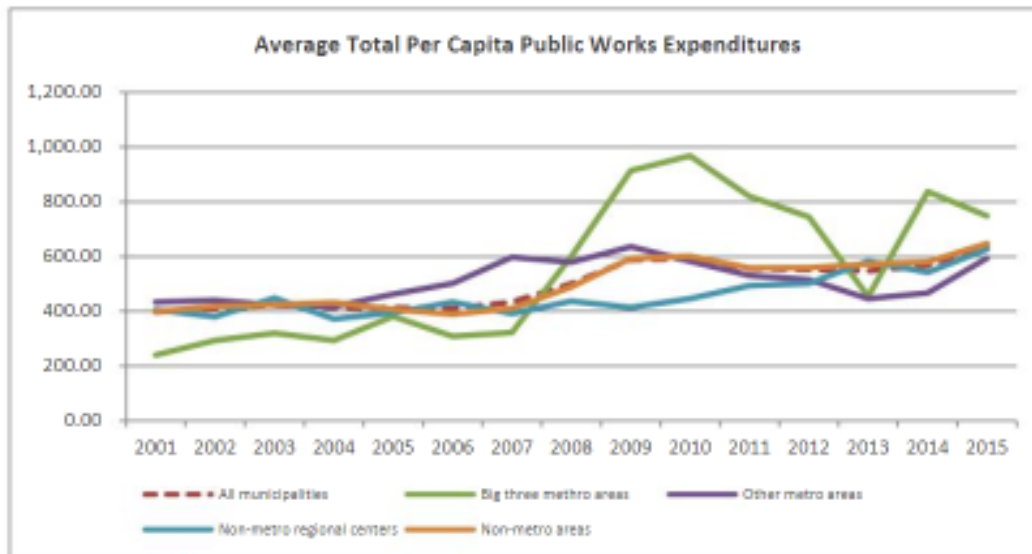
- Municipalities in the big three metropolitan areas have experienced a general pattern of growth in per capita public safety expenditures during the period of study. A steady growth from 2001 (\$131) to 2007 (\$149), followed by a sharp increase in 2008 (\$219). A relatively constant level of per capita public safety expenditures recorded until 2015, with a mean of \$210;
- The public safety expenditure pattern for municipalities in the other metro areas was different from municipalities in the big three metropolitan areas: constant growth from 2001 (\$50) to 2015 (\$145);
- Municipalities in the non-metro regional centers experienced a constant public safety expenditure growth from 2001 (\$102) to 2015 (\$157);
- Nonmetropolitan municipal per capita public safety expenditures tracked the statewide pattern: \$72 (2001) to \$122 (2015)



Total per capita public works expenditures

Average total per capita public works expenditures for Nebraska's municipalities was \$398 in 2001 while it was \$640 in 2015; total per capita operating expenditures increased during the period at a rate of 61 percent, or 4 percent annually. A difference between the areas exists:

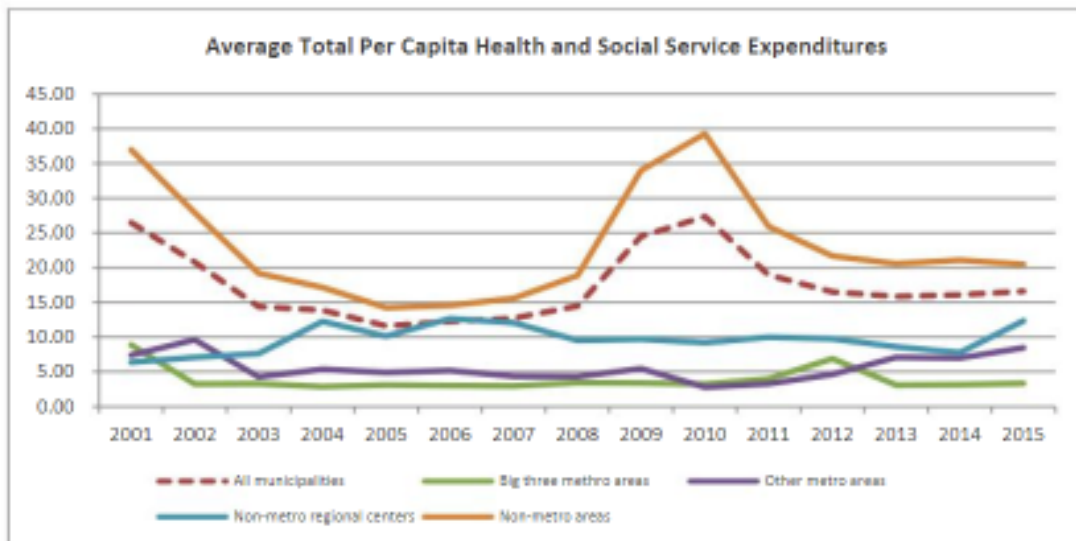
- Municipalities in the big three metropolitan areas have experienced a relatively constant pattern of per capita public works expenditures from 2001 (\$240) to 2007 (\$323). However, municipalities had a higher level of per capita public works expenditures from 2008 (\$600) to 2015 (\$748), with a deep decline in 2013 (\$454);
- Municipalities in the other metro areas experienced a somewhat consistent pattern in per capita public works expenditures: from \$433 in 2001 to \$594 in 2015;
- Municipal public works expenditures in the nonmetropolitan regional centers have consistently grown: \$405 in 2001 and \$626 in 2015;
- Nonmetropolitan municipal per capita public works expenditures tracked the statewide pattern: \$399 (2001) to \$647 (2015)



Total per capita health and social service expenditures

Municipalities in Nebraska spent an average of \$26 total per capita on health and social service in 2001 and it declined annually to \$17 in 2015; the decreasing rate of total per capita state receipts during the period was 37 percent, with an annual rate of 3 percent. The trend in general government expenditures varies by metropolitan status:

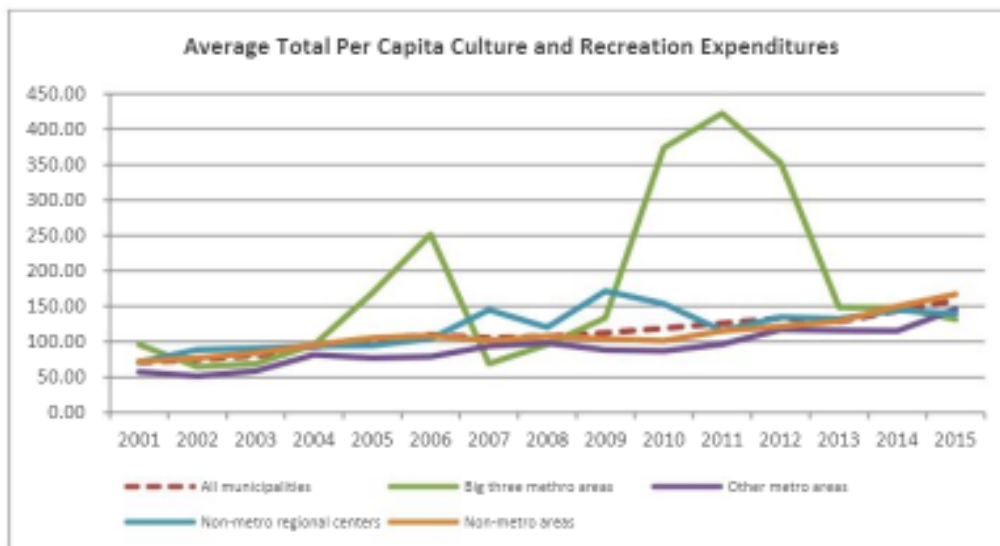
- Municipalities in the big three metropolitan areas experienced a relatively low and constant level of per capita health and social service expenditures from 2001 (\$9) to 2015 (\$3);
- Municipalities in the other metro areas have experienced a similar pattern in per capita health and social service expenditures with municipalities in the big three metropolitan areas: from \$7 in 2001 to \$8 in 2015;
- Municipalities in the non-metro regional centers have also experienced a consistent pattern in per capita health and social service expenditures during the period: from \$6 in 2001 to \$12 in 2015;
- Nonmetropolitan municipal per capita health and social service expenditures tracked the statewide pattern: from \$37 in 2001 to \$20 in 2015, with a sharp increase in 2010 (\$39)



Total per capita culture and recreation expenditures

Nebraska’s municipalities expended an average of \$71 per capita in 2001 and total per capita culture and recreation expenditures grew annually to \$158 in 2015; 124 percent during the period, or 9 percent annually. There is also a difference between the groups:

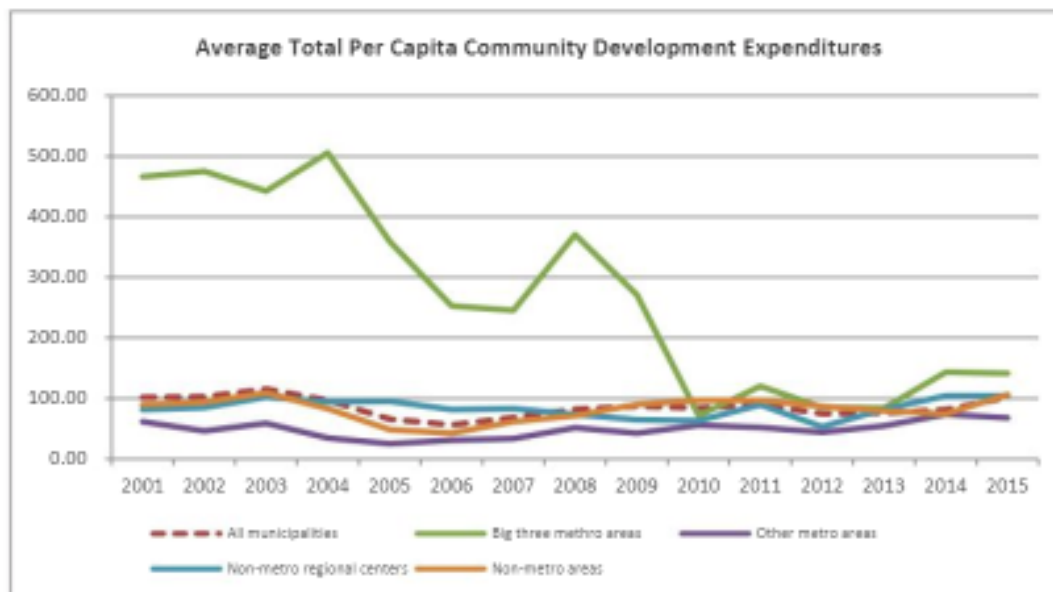
- Municipalities in the big three metropolitan areas have experienced significant variation in per capita culture and recreation expenditures during the period of study. A steady growth from 2001 (\$96) to 2006 (\$251), followed by a sharp decrease in 2007 (\$69). The same pattern is observed from 2008 (\$96) to 2015 (\$131);
- The culture and recreation expenditure pattern for municipalities in the other metro areas were different from municipalities in the big three metropolitan areas: A constant growth from 2001 (\$57) to 2015 (\$146);
- Municipalities in the non-metro regional centers experienced a constant culture and recreation expenditure growth from 2001 (\$71) to 2015 (\$140);
- Nonmetropolitan municipal per capita culture and recreation expenditures tracked the statewide pattern: \$72 (2001) to \$167 (2015)



Total per capita community development expenditures

On average, total per capita community development expenditures for Nebraska's municipalities was \$102 in 2001 and it was similar in 2015, with a mean of \$101. Difference patterns are identified according to the metro areas:

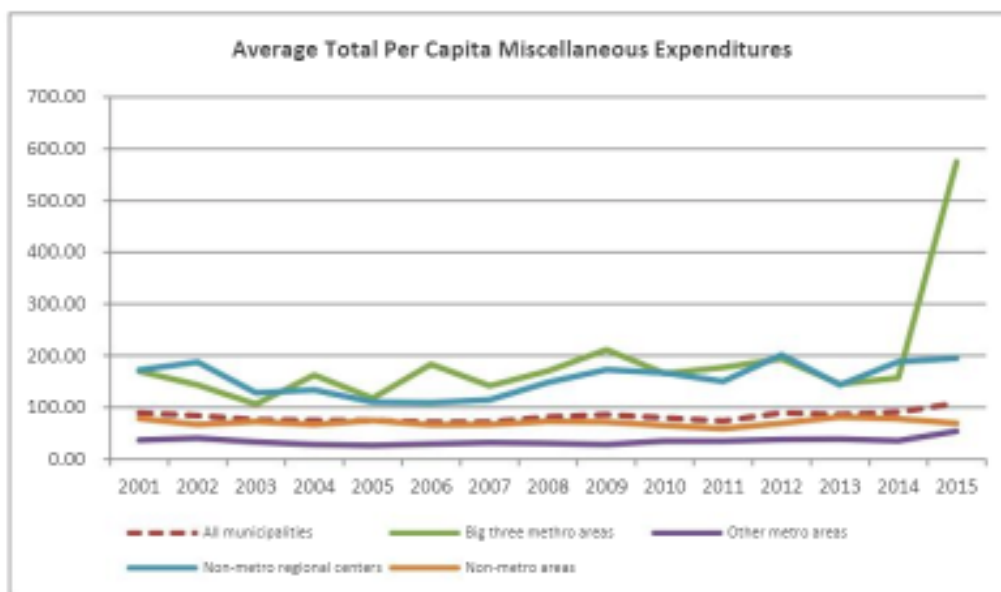
- Municipalities in the big three metropolitan areas have experienced a conspicuous pattern of per capita community development expenditures: from \$466 to \$71 in 2010. Municipalities had a relatively constant level of community development expenditures from 2011 (\$120) to 2015 (\$141);
- Municipalities in the other metro areas experienced a somewhat consistent pattern in per capita community development expenditures: from \$62 in 2001 to \$68 in 2015;
- Municipal community development expenditures in the nonmetropolitan regional centers have been stable: from \$82 in 2001 to \$104 in 2015;
- Nonmetropolitan municipal per capita community development expenditures tracked the statewide pattern: \$90 (2001) to \$106 (2015)



Total per capita miscellaneous expenditures

Municipalities in Nebraska spent an average of \$90 total per capita miscellaneous expenditures in 2001 and it was somewhat stable until 2015 (\$108). The trend in total per capita miscellaneous expenditures varies by metropolitan status:

- Municipalities in the big three metropolitan areas experienced a relatively constant level of per capita miscellaneous expenditures from 2001 (\$170) to 2014 (\$156). A sharp growth recently occurred in 2015 (\$575);
- Municipalities in the other metro areas have experienced a consistent pattern in per capita miscellaneous expenditures: from \$37 in 2001 to \$54 in 2015;
- Municipalities in the non-metro regional centers have also experienced a consistent pattern in per capita miscellaneous expenditures during the period of study: from \$172 in 2001 to \$195 in 2015;
- Nonmetropolitan municipal per capita miscellaneous expenditures tracked the statewide pattern: from \$78 in 2001 to \$69 in 2015

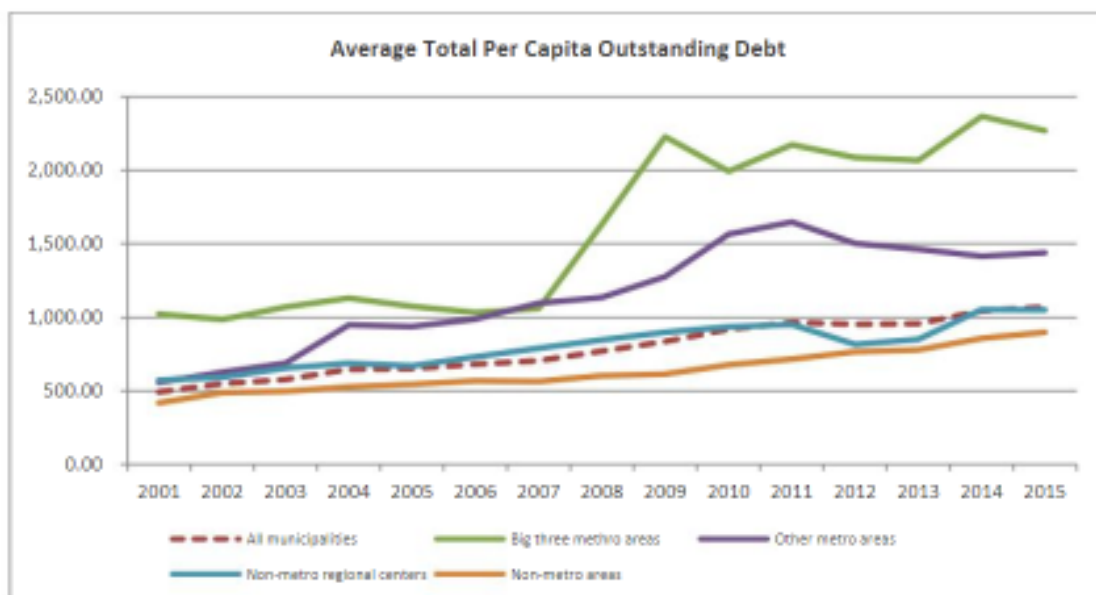


Debt

Total per capita outstanding debt

Outstanding debt consists of both the capital and the interest on the associated debt. In 2001, Nebraska's municipalities had an average of \$491 per capita in total per capita outstanding debt and it grew annually to \$1,070 in 2015; 118 percent during the period, or 8 percent annually. There is also a difference between the groups:

- Municipalities in the big three metropolitan areas have experienced a consistent level of per capita outstanding debt from 2001 (\$1,021) to 2007 (\$1,059), followed by a sharp increase in 2008 (\$1,632). A constant pattern is observed again from 2009 (\$2,228) to 2015 (\$2,269);
- The outstanding debt pattern for municipalities in the other metro areas were similar with municipalities in the big three metropolitan areas: from \$557 in 2001 to \$1,438 in 2015;
- Municipalities in the non-metro regional centers experienced a constant per capita outstanding debt growth from 2001 (\$572) to 2015 (\$1,049);
- Nonmetropolitan municipal per capita outstanding debt tracked the statewide pattern: \$418 (2001) to \$899 (2015)



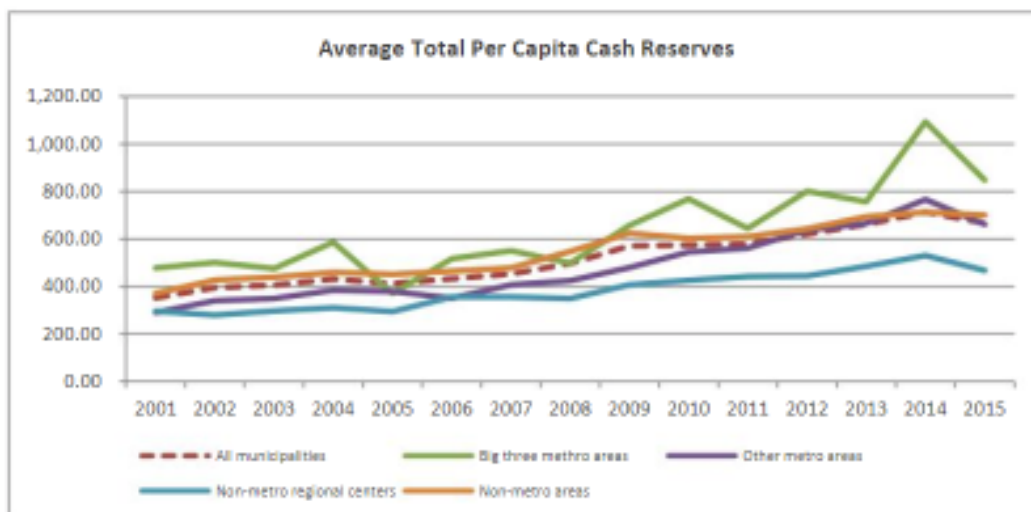
Liquidity

Liquidity refers to reserves municipalities have available for “rainy days”, meaning funds to help with revenue shortfalls, unexpected expenditures and/or to fill gaps in revenue flows so communities do not need to short-term borrow.

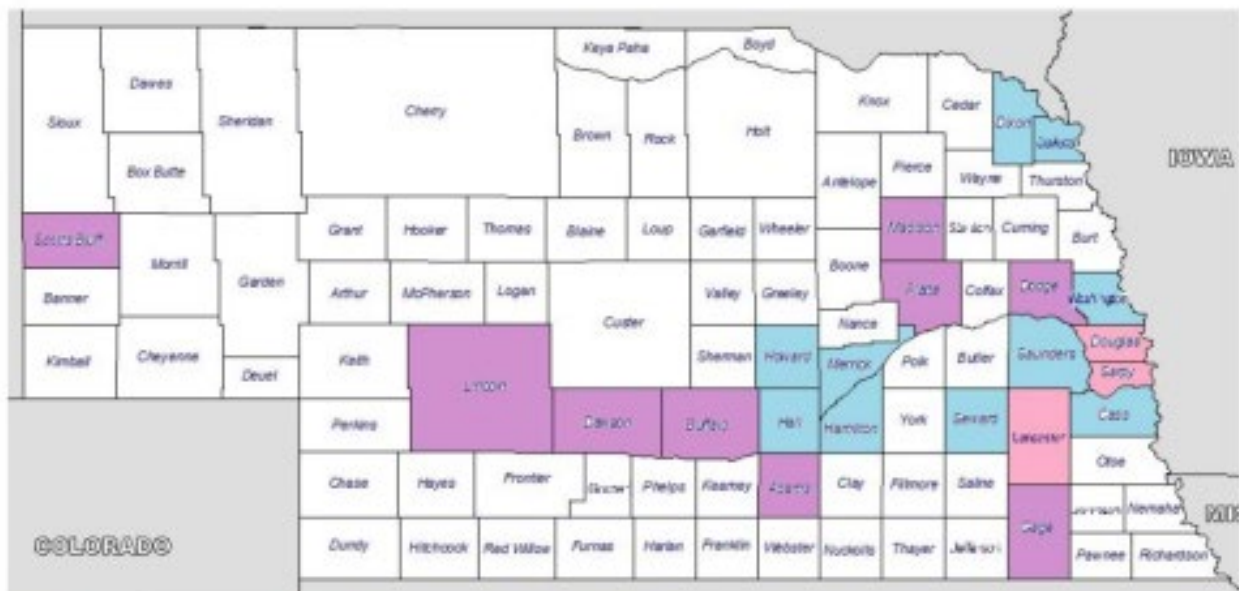
Total per capita cash reserves

Nebraska’s municipalities possessed an average of \$352 per capita in 2001 and total per capita cash reserves grew annually to \$667 in 2015; 90 percent during the period, or 6 percent annually. There is also a difference between the groups:

- Municipalities in the big three metropolitan areas have experienced a consistent growth in per capita cash reserves from 2001 (\$478) to 2014 (\$1,093). A sudden decline was observed in 2015 (\$847);
- The cash reserve pattern for municipalities in the other metro areas were similar with municipalities in the big three metropolitan areas: from \$290 in 2001 to \$661 in 2015;
- Municipalities in the non-metro regional centers experienced a constant per capita cash reserves growth from 2001 (\$295) to 2015 (\$467);
- Nonmetropolitan municipal per capita cash reserves tracked the statewide pattern: \$370 (2001) to \$700 (2015)



Appendix 1. Nebraska Counties Classified by Metropolitan Status



Big 3 metro areas Other metro areas Non-metro regional centers Non-metro areas

Sources: Metropolitan and Micropolitan Definitions, the Office of Management and Budget (OMB)

**Examining Nebraska's County Finance Picture:
Trends in Revenues, Expenditures, Debt and Reserves from 2001-2015**

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Executive Summary

There are currently 93 counties in Nebraska and they range in population from 426 residents in McPherson to over 531,000 in Douglas. In an era of resource scarcity and greater scrutiny of public finance, this report offers one of first overviews of county revenues, expenditures, debt and reserves.

The intent of the report is not to advocate policy or to even study policy decisions, rather it seeks to provide a context for budgeting and policy discussions.

Key Findings:

- There is a great deal of variation in revenues and expenditures based on the location of a county: Nebraska's counties exhibit very different fiscal patterns depending on their metropolitan status;
- Given the focus on property taxes in Nebraska, 42 percent of county own-source revenues come from the property tax;
- 55 percent of county own-source revenues come largely from fees and charges (utilities, in particular);
- Over 60 percent of total spending are operating expenditures. This is followed by capital spending, which accounts for 20 percent of total county expenditures;
- Counties' reliance on debt has increased particularly after the Great Recession. However, the pattern varies across metro areas;
- Seemingly, Nebraska counties had a lower level of cash reserves in 2015, equal to 9 percent of total revenues

Introduction

The Nebraska State and Local Finance Lab was established in 2015 with the support of the University of Nebraska-Omaha's College of Public Affairs and Community Service, and the Center for Public Affairs Research. The purpose of the Lab is to help stakeholders (citizens, elected officials and government staff) better understand state and local finance in Nebraska. It also serves as a resource for applied and academic research on state and local fiscal policy.

This is the second report produced by the NE State and Local Finance Lab and it focuses on describing fiscal trends in the NE counties from FY 2001 to FY 2015. For interested stakeholders (municipalities, counties and single-purpose districts), we can also customize reports for individual communities.

Approach to Studying NE Counties

In this report, we group Nebraska counties into four categories for analytical purposes: Big three metro areas, other metro areas, non-metro regional centers and non-metro areas. *The Metropolitan and Micropolitan Definitions* defined by the Office of Management and Budget (OMB) are used to identify metro and non-metro areas at the county level (see Appendix 1).

- As of 2015, 3 counties are categorized as the big 3 metro areas;
- 10 counties are classified as the other metro areas;
- non-metro regional centers involve 9 counties and;
- the remaining 71 counties are designated as the non-metro areas.

Demographic and Socio-Economic Attributes

Demographic and socio-economic characteristics of NE counties as of 2014 are presented below; all statistics are the average of counties in each category. The table offers several valuable takeaways:

- The aged population in non-metro areas is nearly double that in the big 3 metro areas (in 2014, 21 percent compared to 10.6 percent);

- Statewide and in each of the four county classifications, unemployment rates have grown between 2000 and 2014;
- Statewide property value grew 109 percent from 2000 to 2014, by county classification, growth rates were:
 - 790 percent in big 3 metro areas;
 - 120 percent in the other metro areas;
 - 104 percent in the regional centers and;
 - 151 percent in the rural area.

Demographic and socio-economic characteristics

Area		Population	% of aging population	% of white population	% of population with bachelor or higher degree	Property valuation (\$1,000)	Unemployment rate (%)	Household median income (\$)
All counties	2000	18,400.7	18.6	95.6	16.6	950,027.9	1.9	33,006.7
	2009	19,055.1	19.0	95.0	18.8	1,500,938.5	3.4	41,873.0
	2014	19,952.9	19.7	95.0	20.3	1,981,491.7	3.9	48,138.0
Big three metro areas	2000	278,823.7	9.3	86.7	31.1	12,916,850.4	2.5	46,173.0
	2009	306,237.0	9.7	86.5	34.9	21,486,667.2	5.2	55,171.0
	2014	330,246.0	10.6	85.3	36.5	23,117,446.9	5.9	58,493.7
Other metro areas	2000	18,374.0	14.8	95.0	17.1	993,123.3	2.2	39,764.7
	2009	18,753.0	15.0	94.3	19.4	1,502,340.7	4.3	50,745.2
	2014	19,361.3	16.2	93.8	21.1	2,185,694.5	4.6	55,784.6
Regional centers	2000	28,967.3	15.9	93.3	18.6	1,516,447.3	2.1	35,106.7
	2009	33,317.9	15.5	92.0	19.8	2,278,656.2	4.5	43,524.3
	2014	33,567.3	16.0	93.5	21.4	3,091,505.1	5.0	49,747.3
non-metro areas	2000	6,061.2	19.9	96.4	15.7	366,518.1	1.8	31,232.3
	2009	5,155.2	20.4	95.8	17.9	557,689.7	3.0	39,852.2
	2014	5,199.4	21.0	95.8	19.3	918,956.3	3.5	46,419.4

Source: Census 2000; American Community Survey Data 2009 & 2014;

Fiscal Categories

The fiscal data for Nebraska counties comes from the Nebraska Auditor of Public Accounts. Nebraska communities are required to annually submit uniform budget information to the Auditor of Public Accounts. These data are not audited, other than by the State, and are reported on a cash-basis, rather than modified accrual basis required by the Government Accounting Standards Board.¹

The following categories (all in per capita terms), considered important in the public budgeting/finance literature illuminating government fiscal structure, are used to paint Nebraska's local finance picture at the county level:

- Revenues
 - ✓ Total revenues
 - ✓ Local revenues: property taxes, sales taxes, motor vehicle taxes, in-lieu of tax payments and others
 - ✓ Federal receipts
 - ✓ State receipts
- Expenditures by type
 - ✓ Total expenditures
 - ✓ Operating expenditures
 - ✓ Capital expenditures
 - ✓ Debt service expenditures
 - ✓ Other expenditures
- Expenditures by object
 - ✓ General government expenditures
 - ✓ Public safety expenditures
 - ✓ Public works expenditures
 - ✓ Health and social service expenditures
 - ✓ Culture and recreation expenditures
 - ✓ Community development expenditures
 - ✓ Miscellaneous expenditures
- Debt
 - ✓ Total outstanding debt
 - ✓ Debt principal
 - ✓ Debt interest
- Liquidity
 - ✓ Cash reserves

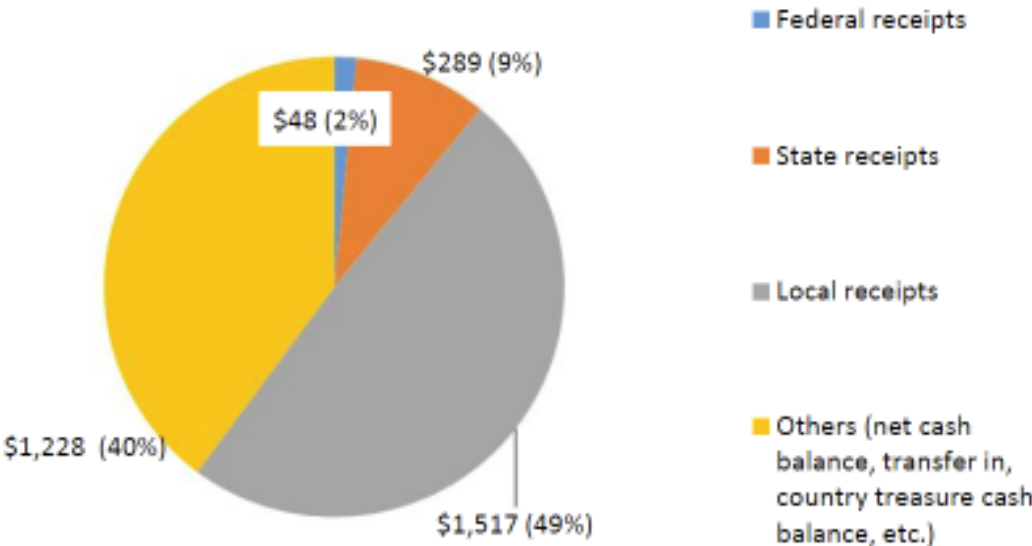
¹ Many of the communities in Nebraska are relatively small and do not produce audited annual financial reports. In order to include all NE counties, we opted to study these budget reports. In doing so, we realize that there is somewhat greater potential for reporting error.

Overview of Nebraska County Budgets

County Revenues

Average total per capita county revenues (as of 2015): \$3,082

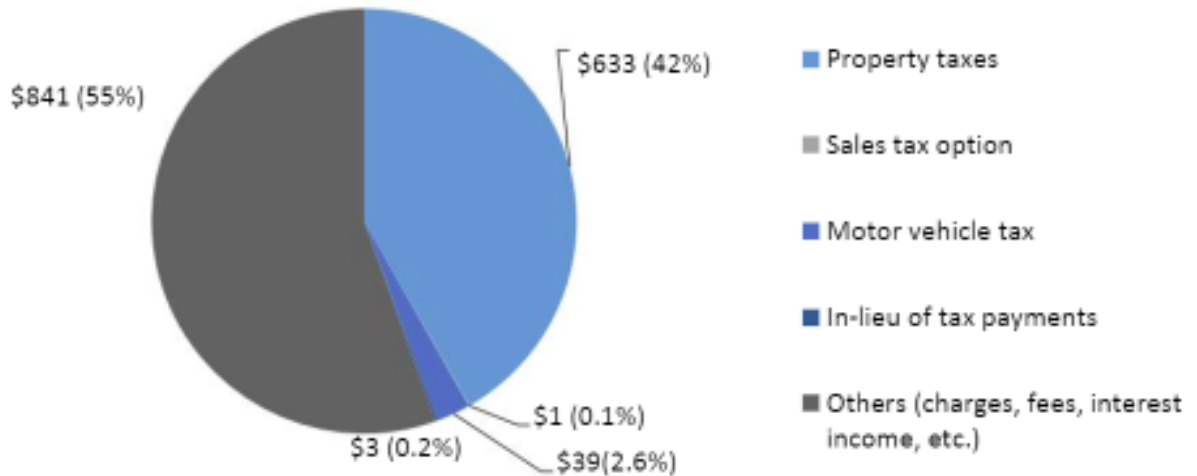
- 9 percent of county revenue comes from the State
- 2 percent of local revenue comes from the federal government
- 89 percent of revenue is local source and consists of reserves, taxes, fees and charges



County Own-Source Revenues

Average total per capita local receipts (as of 2015): \$1,517

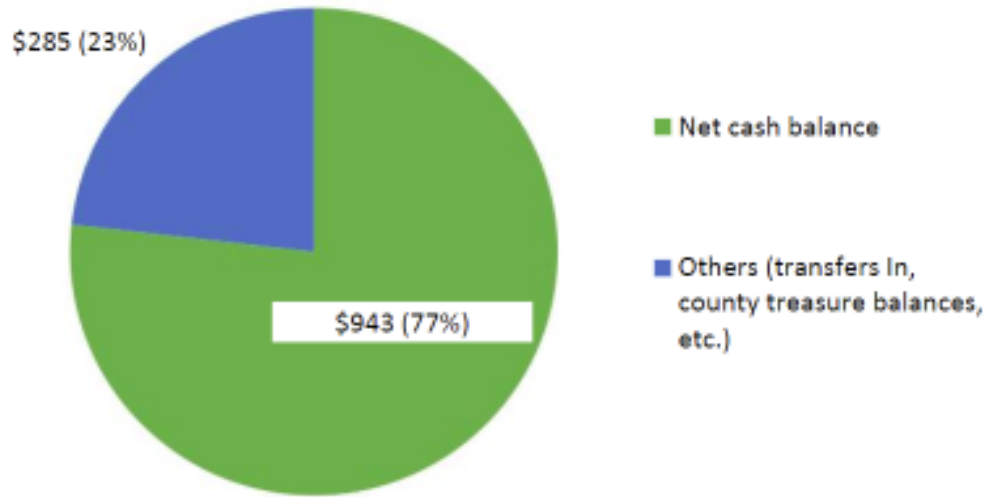
- 42 percent of local revenues are generated from the property tax
- 3 percent of local revenues are from the sales tax, motor vehicle tax and in-lieu of tax payments
- 55 percent of local revenues include charges, fees and interest income



County Other Revenues

Average total per capita other revenues (as of 2015): \$1,228

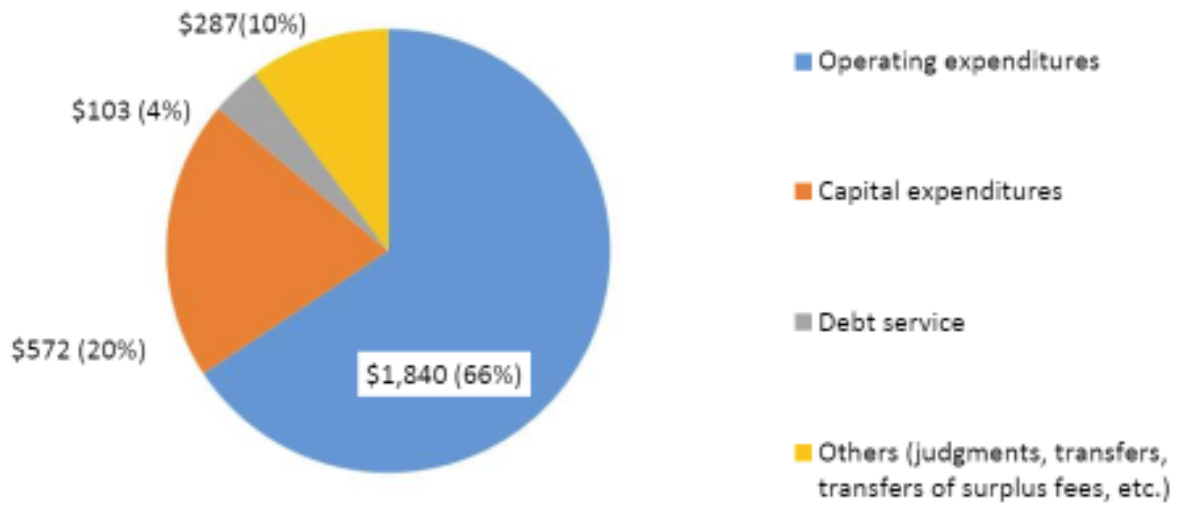
- 77 percent of other revenues are balance forward/cash reserves from the preceding year
- 23 percent of other revenues include transfers in and county treasure balance



County Expenditures

Average total per capita county expenditures by type (as of 2015): \$2,802

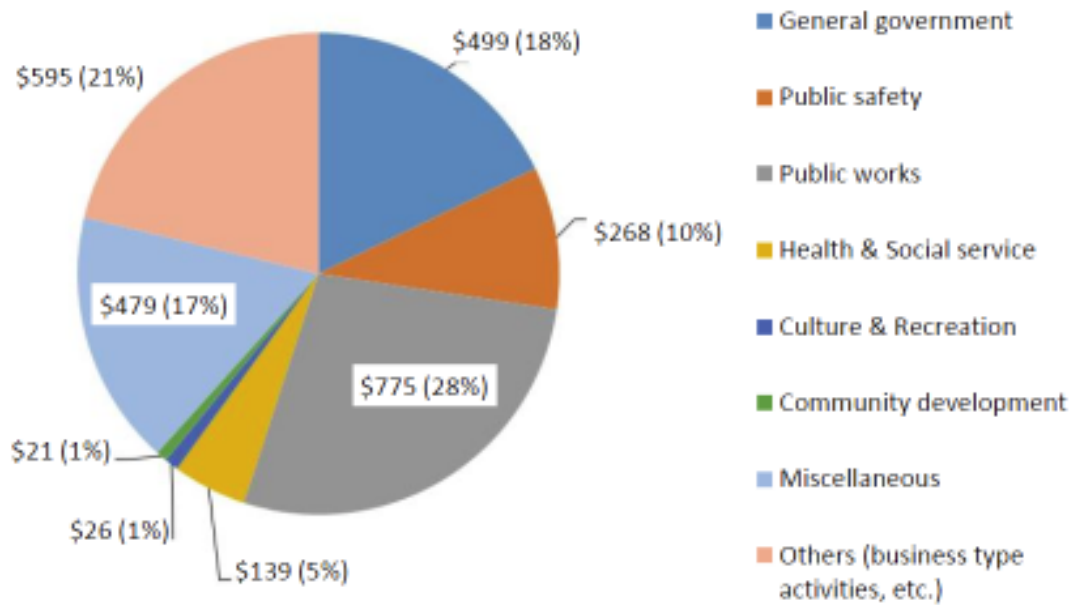
- Operating expenditures account for 66 percent of county expenditures
- Capital expenditures account for 20 percent of expenditures
- Debt service accounts for 4 percent of county expenditures



Expenditures by Object

Average total per capita county expenditures by objective (as of 2015): \$2,802

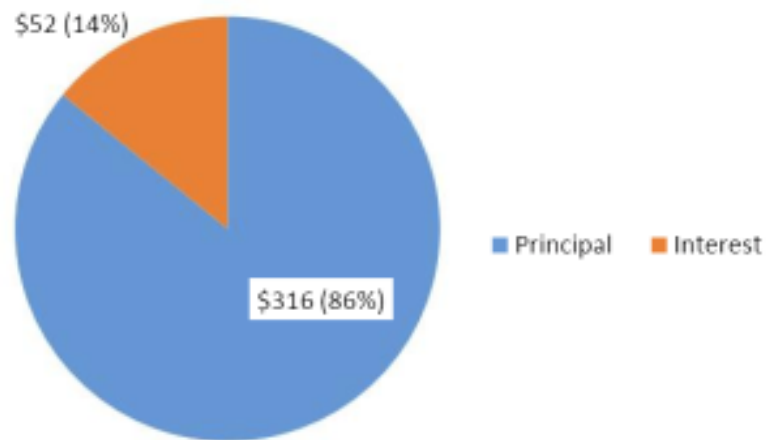
- Public works (roads, for instance) accounts for 28 percent of expenditures
- The operation of business-type activities (nursing, hospital, water and sewer, waste, electric, etc.) accounts for 21 percent of operating expenditures
- General government management is the third largest expenditure (18 percent)
-



County Debt

Average total per capita outstanding debt (as of 2015): \$368

- 14 percent of debt-related expenditures are in the form of interest



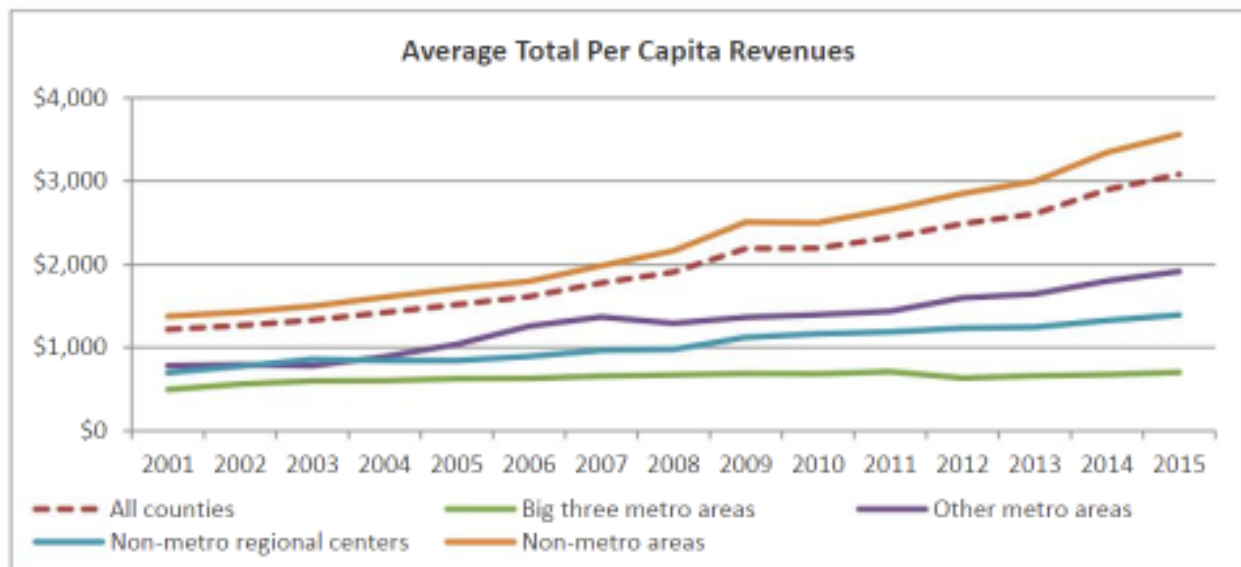
Summary of Trends Over Time

Revenues

Total per capita revenues

Average total per capita revenues for Nebraska’s counties in 2001 was \$1,218 and it grew annually to \$3,082 in 2015; 153 percent during the period, or 11 percent annually. There is also a difference between the groups:

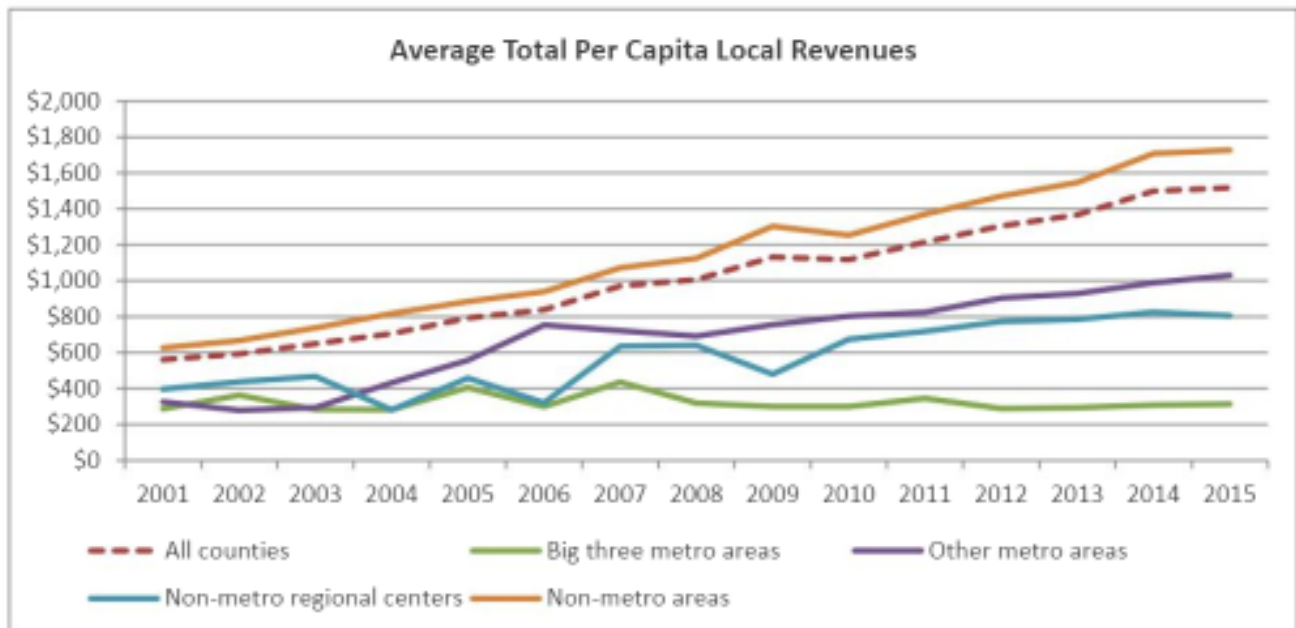
- Big three metropolitan counties have experienced a somewhat steady pattern in per capita revenues during the period of study. From 2001 to 2011, per capita revenues grew from \$495 to \$710 and since dropped to \$632 in 2012 before increasing to \$703 in 2015;
- Counties in the other metro areas experienced steady revenue growth during the period: from \$783 in 2001 to \$1,914 in 2015;
- The revenue pattern for counties in the nonmetropolitan regional centers was similar to counties in the other metropolitan areas: up from \$698 per capita in 2001 to \$1,392 in 2015;
- Per capita revenues for nonmetropolitan counties tracked the statewide pattern - \$1,376 (2001) to \$3,562 (2015)



Total per capita local revenues

In 2001, Nebraska counties collected an average of \$561 per capita in local revenues and it rose annually to \$1,517 in 2015; during the period, total per capita local revenues grew at a rate of 170 percent (12 percent annually). The fiscal trend varies by metropolitan status:

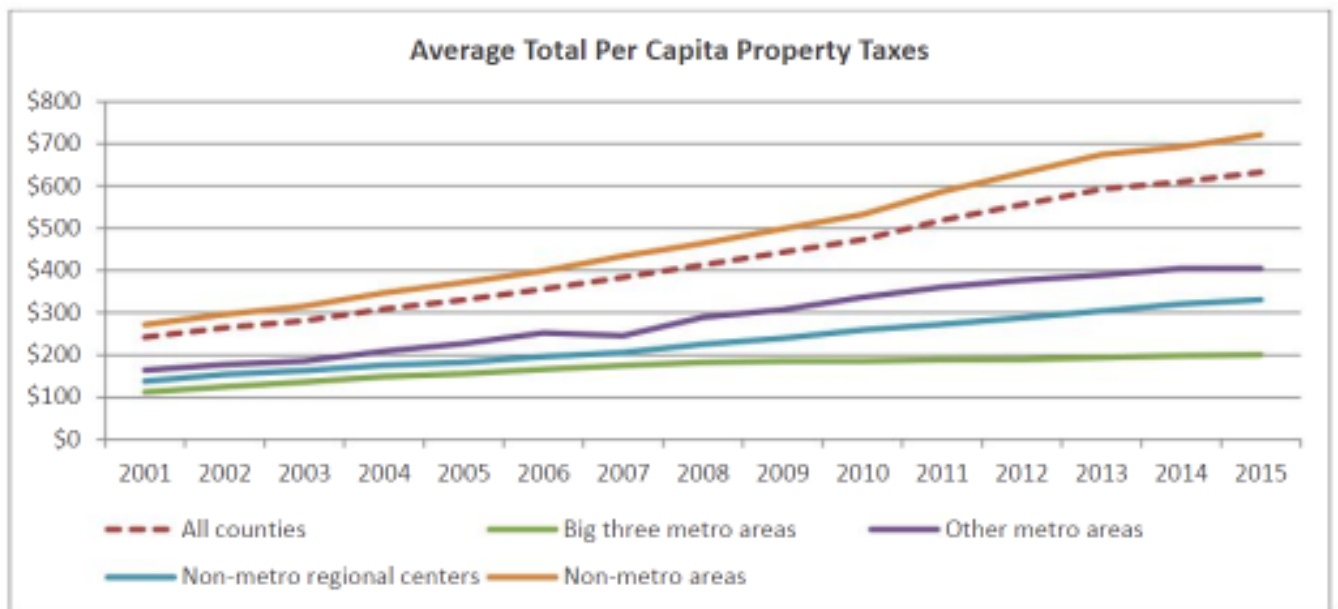
- The rather constant pattern of total per capita local revenues for counties in the big three metropolitan areas is observed. From 2001 to 2015, per capita local revenues decreased from \$287 to \$314;
- Other metro counties have experienced growth in per capita local revenues during the period: from \$326 in 2001 to \$1,030 in 2015. Particularly, there was rapid growth from 2003 (\$294) to 2006 (\$753);
- Counties in the non-metro regional centers have also experienced consistent growth in per capita local revenues during the period: from \$396 in 2001 to \$806 in 2015. A fluctuating pattern appeared during the years from 2003 (\$467) to 2009 (\$480);
- Nonmetropolitan county per capita local revenues tracked the statewide pattern: from \$626 in 2001 to \$1,727 in 2015



Total per capita property taxes

On average, total per capita property taxes for Nebraska counties was \$242 in 2001 and it grew annually to \$633 in 2015; total per capita property taxes grew during the period at a rate of 162 percent, or 12 percent annually. Trends in property taxes by county type:

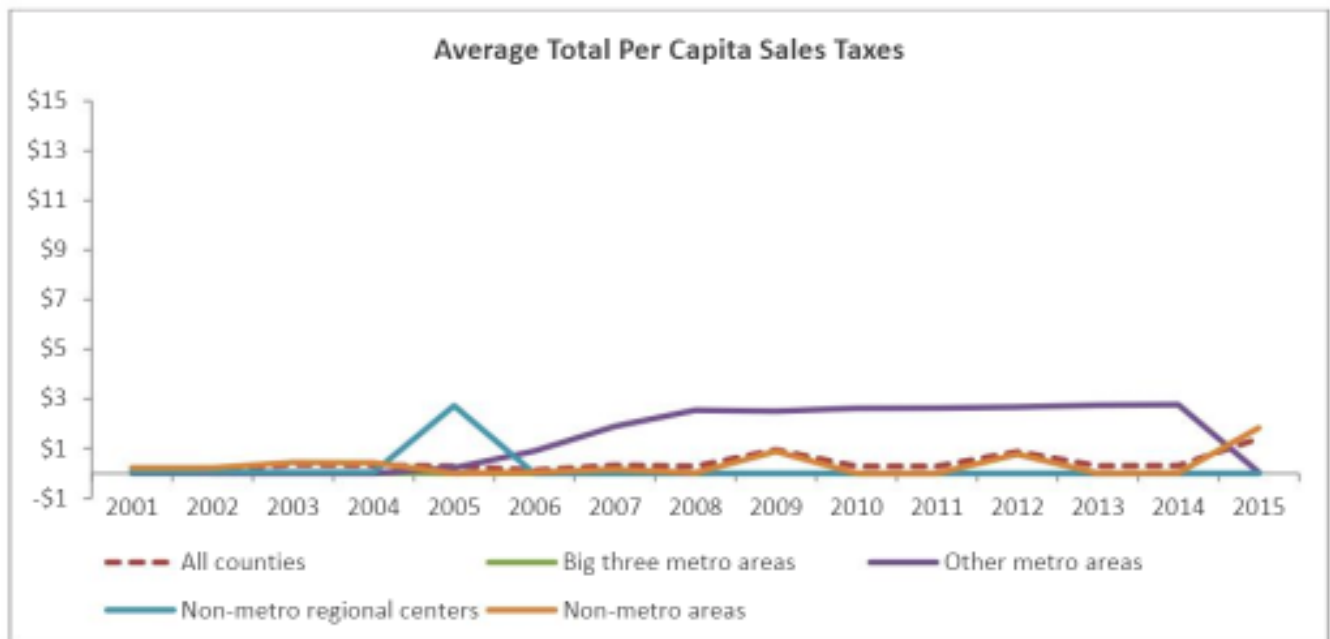
- Counties in the big three metropolitan areas experienced modest growth from 2001 to 2008 (\$112 per capita to \$182 per capita) and since, per capita property taxes have been relatively flat (\$200 per capita in 2015);
- Counties in the other metro areas experienced growth in per capita property taxes from 2001 (\$164) to 2015 (\$405);
- The property tax pattern for counties in the nonmetropolitan regional centers was similar to those for counties in the other metro areas: \$137 per capita in 2001 to \$331 in 2015;
- Total per capita property taxes for nonmetropolitan counties experienced the largest increase: up from \$272 (2001) to \$722 (2015)



Total per capita sales taxes

Nebraska’s counties collected an average of \$0.2 per person in 2001 and total per capita sales taxes grew modestly to \$1.4 in 2015.

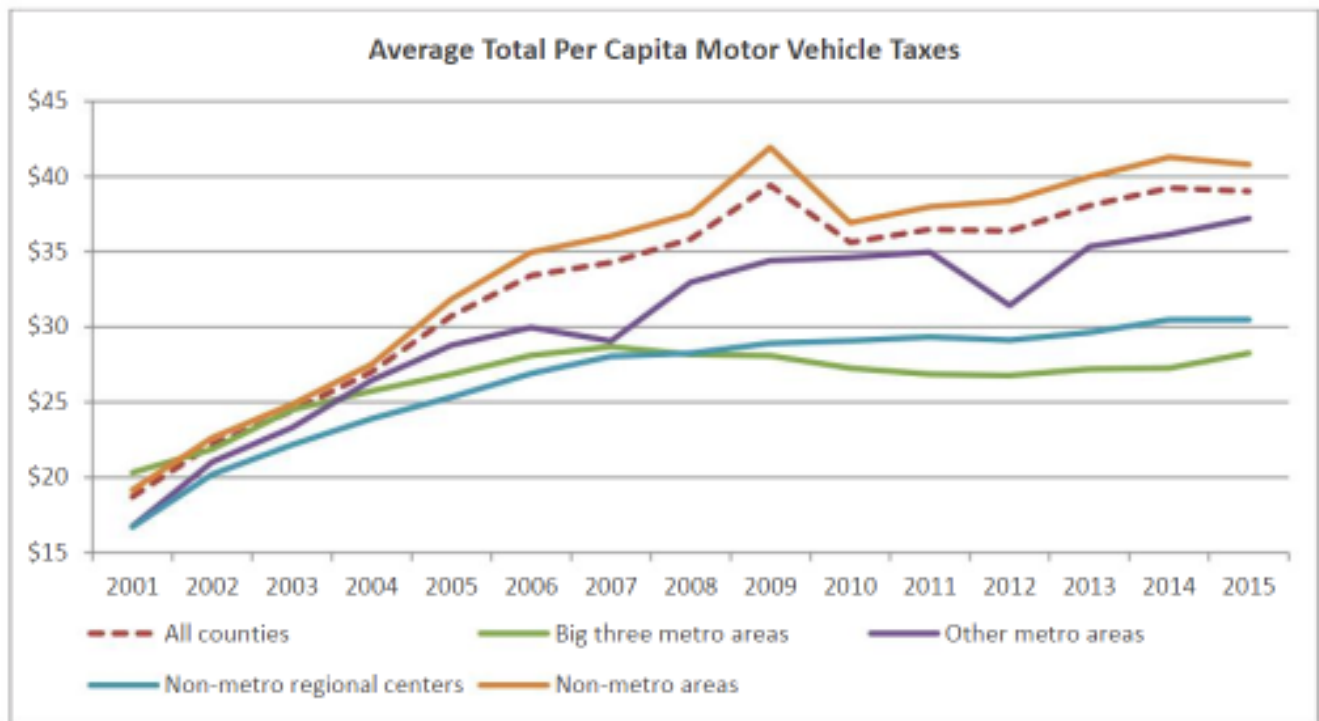
- Big three metropolitan counties have generally collected no sales taxes during the period of study; \$0.18 was collected in 2001 whereas per capita sales taxes have been recorded as \$0 from 2002 to 2015;
- The sales tax pattern for counties in the other metro areas were different from counties in the big three metropolitan areas: rapid growth from 2001 (\$0) to 2008 (\$2.54) and it was followed by a constant pattern from 2009 (\$2.51) to 2014 (\$2.77). 2015 is the year that witness a sharp decline in per capita sales taxes (\$0.05);
- Counties in the non-metro regional centers have not much relied on sales taxes in general, except for the years from 2001 (\$0.04) to 2005 (\$2.73);
- Nonmetropolitan county per capita sales taxes tracked the statewide pattern: from \$0.22 (2001) to \$1.83 (2015)



Total per capita motor vehicle taxes

On average, total per capita motor vehicle tax collections for Nebraska’s counties were \$19 in 2001 and grew to \$39 in 2015; 108 percent during the period, or 8 percent annually. There is variation in these collections by area:

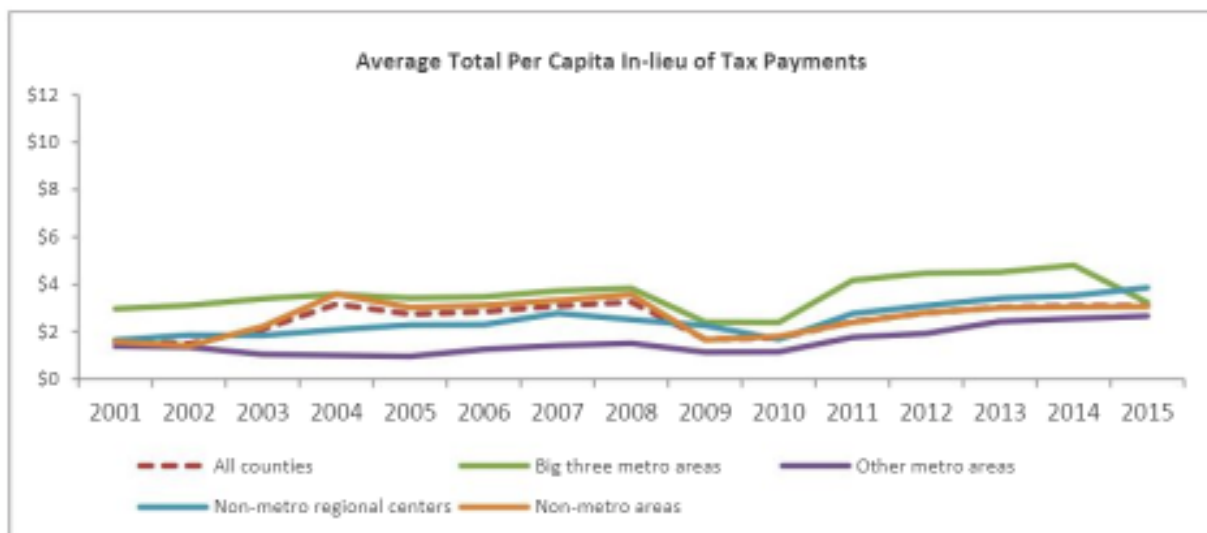
- Counties in the big three metropolitan areas experienced a relatively conspicuous pattern in per capita motor vehicle tax collections. From 2001 to 2007, per capita motor vehicle taxes rose from \$20 to \$29 and then modestly declined to \$28 in 2015;
- Counties in the other metro areas experienced relatively steady growth in per capita motor vehicle taxes from 2001 (\$17) to 2015 (\$37);
- The motor vehicle tax pattern for nonmetropolitan regional center counties were similar to those for counties in the Big 3 metro areas: up from \$17 in 2001 to \$30 in 2015;
- Nonmetropolitan counties experienced the greatest growth in per capita motor vehicle taxes tracked the statewide pattern: \$19 (2001) to \$41 (2015).



Total per capita in-lieu of tax payments

While not a sizable source of revenues, Nebraska counties generally receive some payments in lieu of property taxes. Sources of these payments may be the State (e.g., the acquisition of land for wildlife management purposes), power and/or irrigation districts, hospitals and/or housing development authorities.² In 2001, counties received an average of \$2 total per capita in-lieu of tax payments and average payments grew to \$3 in 2015. The trend in in-lieu of tax payments varies moderately by metropolitan status:

- The pattern of total per capita in-lieu of tax payments for big three metropolitan counties has somewhat varied during the period. From 2001 to 2008, per capita in-lieu of tax payments increased from \$3 to \$4. Since 2008, these revenues have been less stable (\$3 per capita in 2015);
- Counties in the other metro areas have experienced a modest level of growth in per capita in-lieu of tax payments from \$1 in 2001 to \$3 in 2015;
- Non-metro regional center counties have also experienced a slight increase in per capita in-lieu of tax payments during the period: from \$2 in 2001 to \$4 in 2015;
- Nonmetropolitan county per capita in-lieu of tax payments tracked the statewide pattern: up from \$2 in 2001 to \$3 in 2015

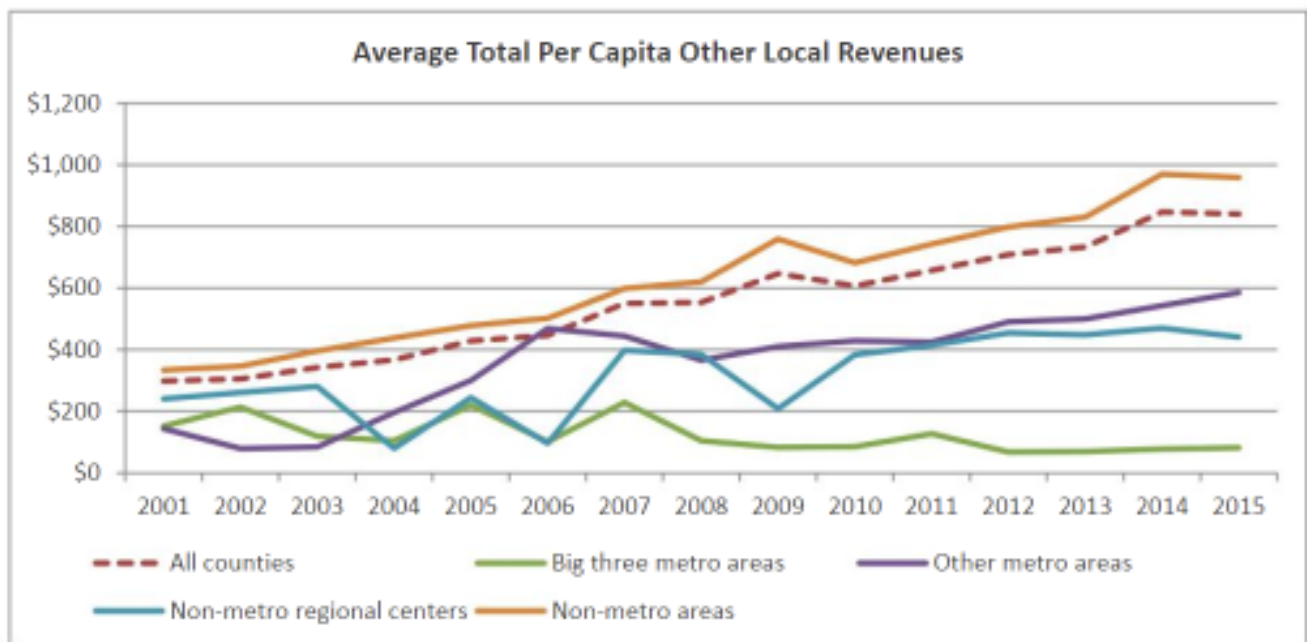


² Source: http://www.revenue.nebraska.gov/PAD/legal/regs/41-In_Lieu_of_Tax.html

Total per capita other local revenues

Nebraska’s counties collected, on average, \$299 per person in 2001 in other local revenues (primarily, user charges and fees) and the amount grew consistently to \$840 in 2015; 181 percent during the period, or at an annual rate of 13 percent. Similar to other revenue patterns, there are important differences between the groups:

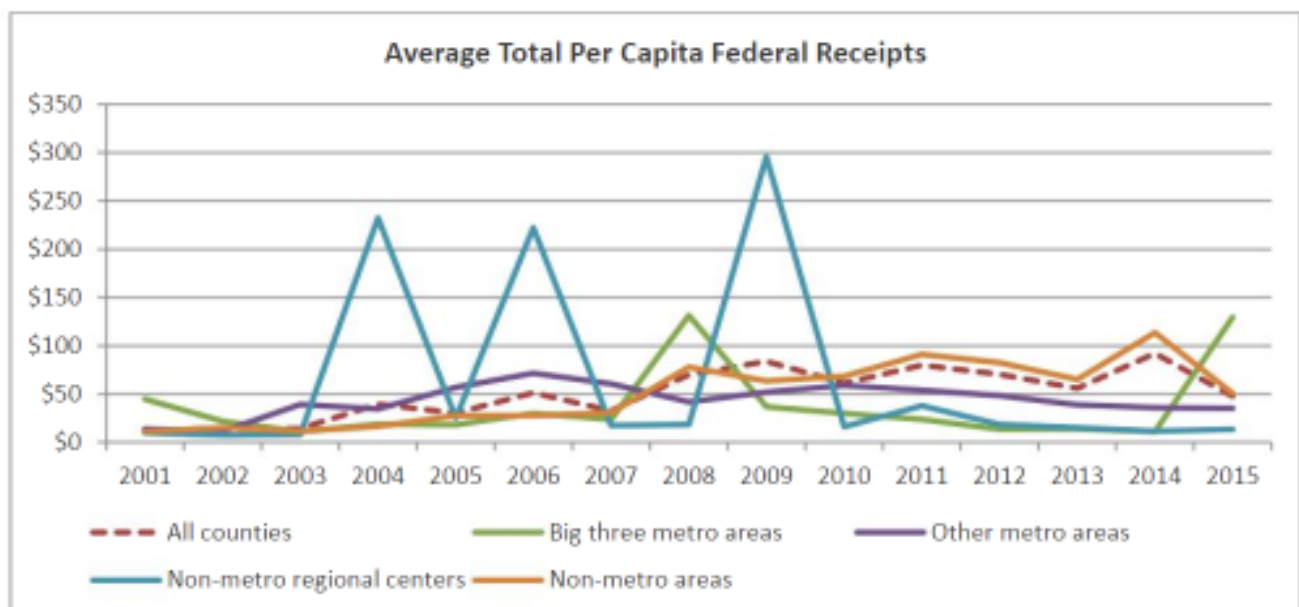
- Counties in the big three metropolitan areas have experienced a somewhat distinct pattern in per capita other local revenues during the period of study. From 2001 to 2007, an average of per capita other local revenues see-sawed up and down from \$152 to \$229 and then declined to \$83 in 2015;
- For the other metro areas, counties experienced revenue growth from 2003 to 2006 (\$84 to \$469), since then revenues have been relatively flat (\$585 in 2015);
- Other local revenues for counties in the non-metro regional centers fluctuated from 2001 to 2010 and has since been stable (\$240 in 2001 to \$440 in 2015);
- Nonmetropolitan county per capita other local revenues grew steadily from 2001-2014, then changed little from 2014 to 2015 (\$334 in 2001 and \$959 in 2015).



Total per capita federal receipts

Over 80 percent of Nebraska counties receive direct payments from the federal government (including payments from highway safety, crime commission, land use, child support and/or natural disaster). On average, total per capita federal receipts for Nebraska counties was \$12 in 2001 and \$48 in 2015; total per capita federal receipts increased during the period at a rate of 290 percent, or 21 percent annually. Sizeable differences exist between the areas:

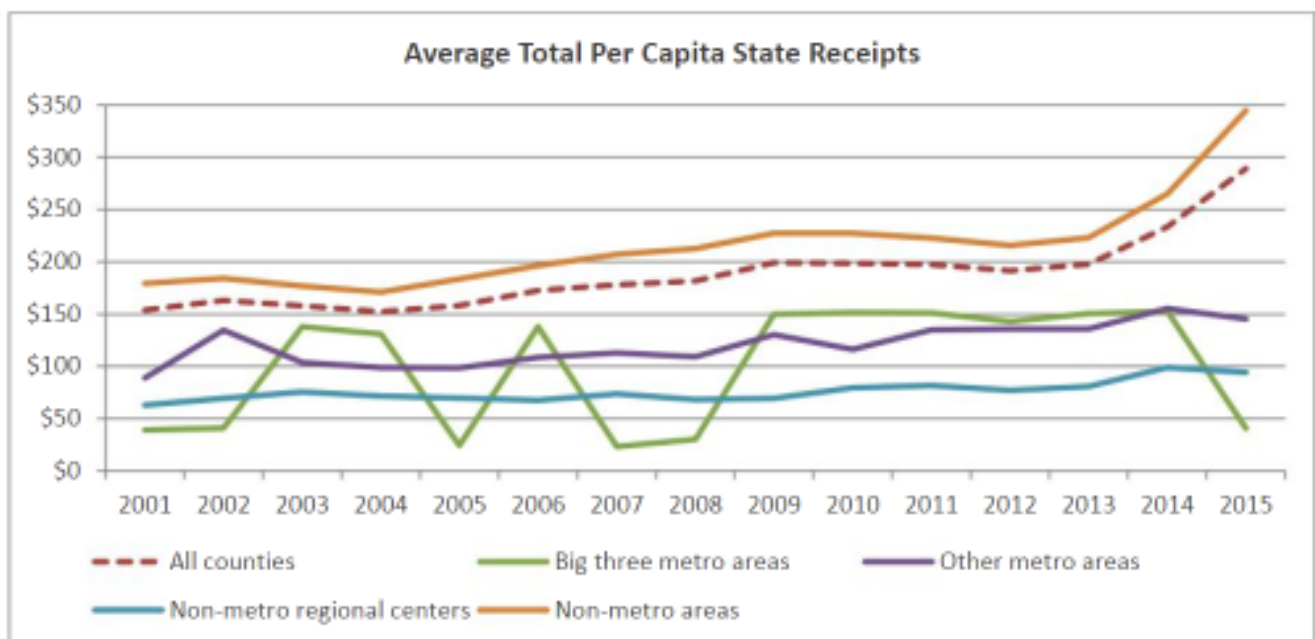
- Counties in the big three metropolitan areas have experienced a rather consistent pattern in per capita federal receipts: from \$45 in 2001 to \$129 in 2015. The only exceptions are 2008 (\$131) and 2015 (\$129);
- Other metro counties also experienced a constant pattern in per capita federal receipts: from \$14 (2001) to \$35 (2015);
- The federal receipt pattern for counties in the nonmetropolitan regional centers was remarkable: generally constant from 2001 (\$10) to 2015 (\$13); but, it spiked in 2004 (\$233), 2006 (\$222) and 2009 (\$296);
- Nonmetropolitan county per capita federal receipts tracked the statewide pattern: \$11 (2001) to \$50 (2015)



Total per capita state receipts

Counties in Nebraska can receive several types of state aid including, homestead exemption, government subdivision aid, prorated motor vehicle, property tax credit and/or insurance tax allocation. An average of \$154 in per capita state receipts was received in 2001 and aid grew annually to \$289 in 2015; 88 percent during the period, with an annual rate of 6 percent. The trend in state receipts varies by metropolitan status:

- An inconsistent pattern in total per capita state receipts for counties in the big three metropolitan areas is observed. Per capita state receipts changed little from 2001 (\$39) to 2015 (\$41), however, sharp increases occurred in some years such as 2003 (\$138), 2006 (\$138) and 2009 (\$150);
- Counties in the other metro areas have experienced steady state receipts from \$89 in 2001 to \$145 in 2015;
- Counties in the non-metro regional centers have also experienced a consistent pattern in state receipts during the period: from \$63 in 2001 to \$94 in 2015;
- Nonmetropolitan counties experienced the greatest growth in per capita state aid during the period (from \$179 in 2001 to \$345 in 2015).

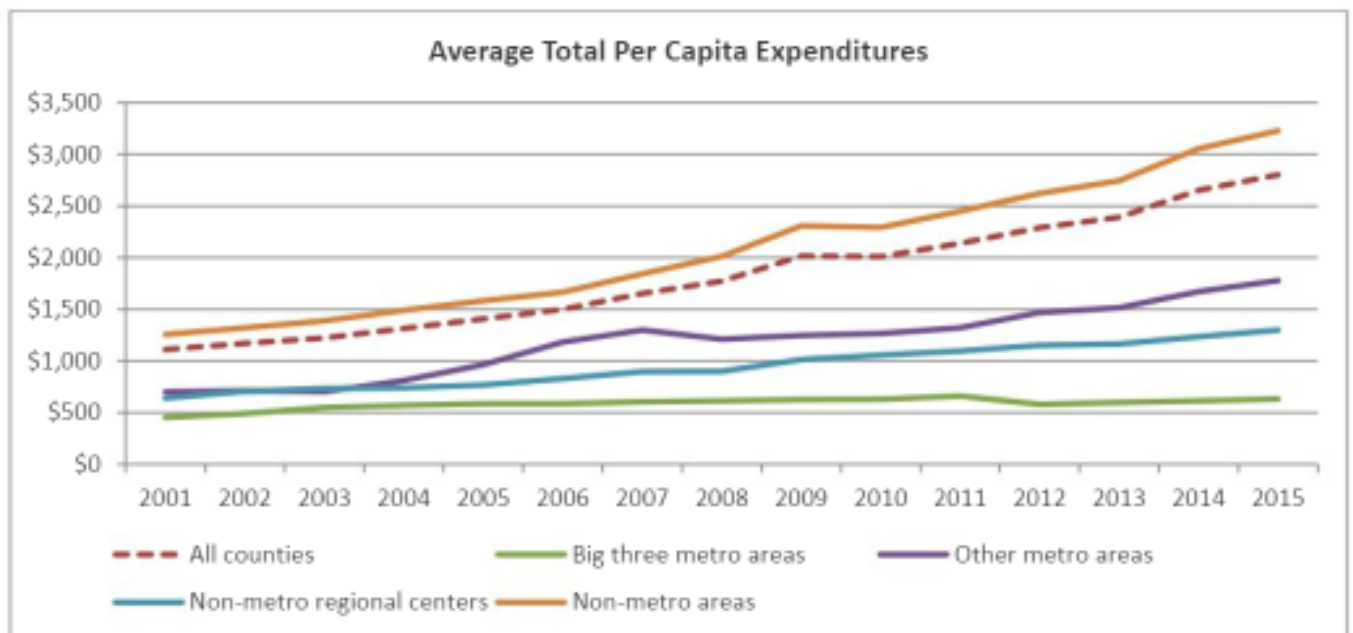


Expenditures by Type

Total per capita expenditures

Counties in Nebraska spent an average of \$1,111 per person in 2001 and total per capita expenditures grew annually to \$2,802 in 2015; 152 percent during the period, or 11 percent annually. There is also variation in expenditure patterns by metro status:

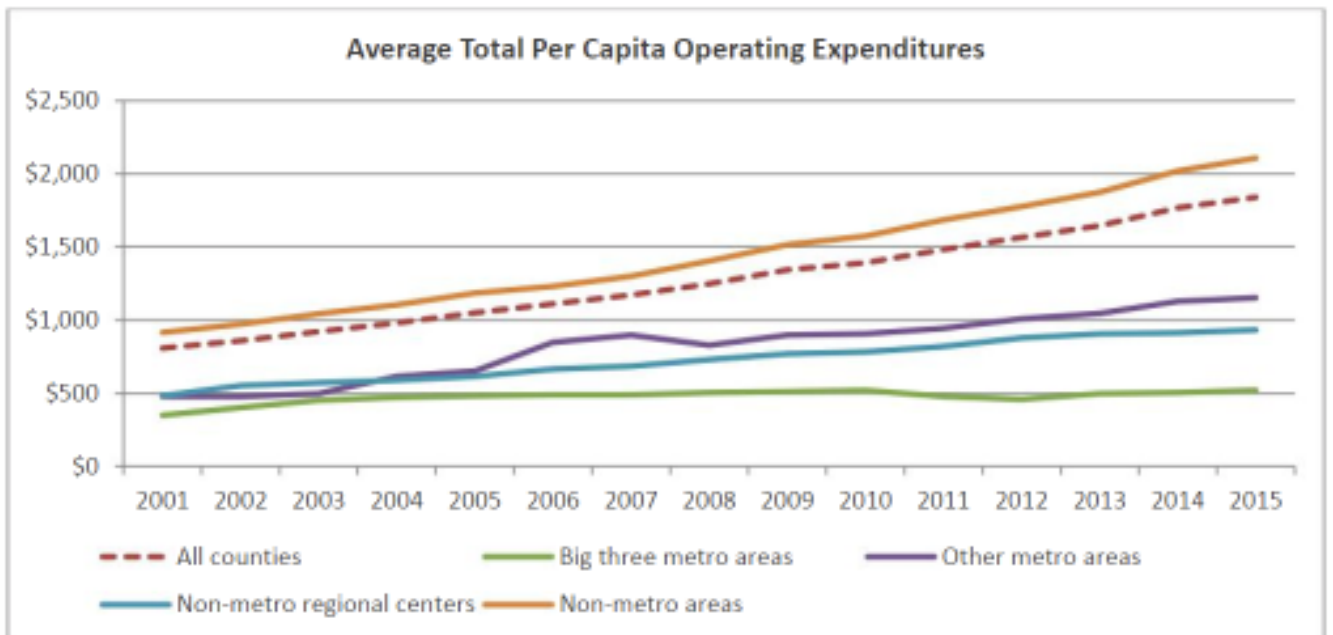
- Per capita county expenditures in the big three metropolitan areas have been relatively constant – up from \$453 in 2001 to \$631 in 2015; in 2012, big three metropolitan counties experienced a modest decrease in per capita expenditures (\$580);
- A somewhat different expenditure pattern is observed for counties in the other metro areas: constant growth from 2001 (\$701) to 2015 (\$1,779) with a slight dip from 2007 (\$1,300) to 2008 (\$ 1,209);
- Counties in the non-metro regional centers experienced consistent per capita expenditure growth during the period – up from \$640 in 2001 to \$1,299 in 2015;
- Nonmetropolitan county per capita expenditures grew from \$1,257 (2001) to \$3,229 (2015)



Total per capita operating expenditures

On average, total per capita operating expenditures (setting aside capital expenditures and debt) for Nebraska’s counties was \$809 in 2001 and grew to \$1,840 in 2015; it increased during the period at a rate of 128 percent, or 9 percent annually. By grouping we find:

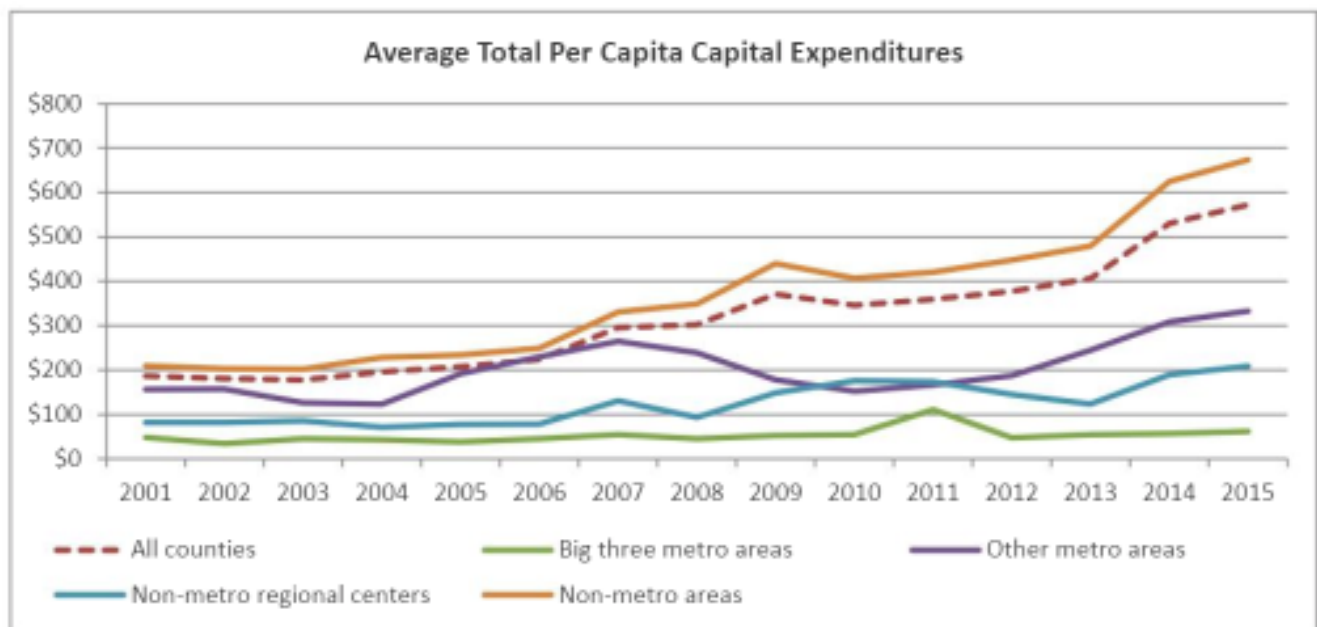
- Per capita operating expenditures for the big three metropolitan counties have remained at a relatively constant level: from \$349 (2001) to \$520 (2015);
- Counties in the other metro areas experienced consistent growth in per capita operating expenditures: from \$478 in 2001 to \$1,153 in 2015;
- The operating expenditure pattern for counties in the nonmetropolitan regional centers were similar to those for counties in the other metro areas: \$483 in 2001 and \$933 in 2015;
- Nonmetropolitan counties per capita operating expenditures tracked the statewide pattern so consistently grew from \$916 (2001) to \$2,109 (2015).



Total per capita capital expenditures

Capital expenditures accounted for about a quarter (20 percent) of total county expenditures in 2015. Over the 15-year period, average capita capital expenditures grew from \$186 in 2001 to \$572 in 2015; 207 percent during the period, or 15 percent annually. By group, per capita capital expenditures grew at different rates:

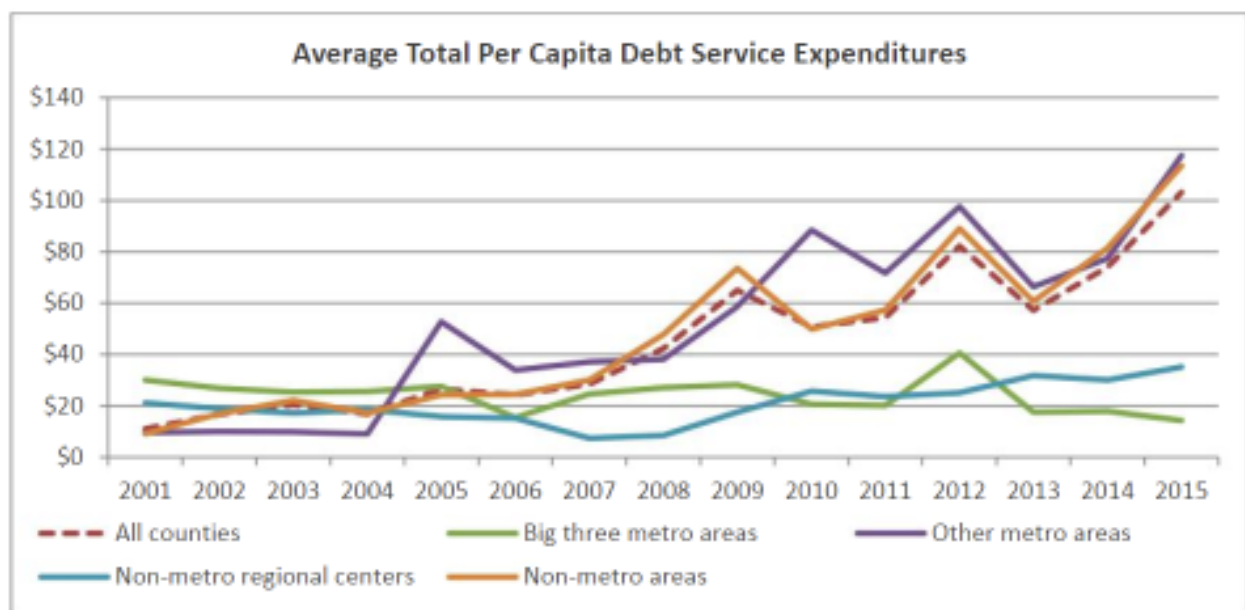
- Counties in the big three metropolitan areas have experienced a consistent pattern in per capita capital expenditures during the period of study: from \$48 in 2001 to \$62 in 2015. A fluctuation appeared in 2011 (\$111);
- Capital expenditures for counties in the other metro areas grew from 2001 (\$156) to 2015 (\$333) with some variation from 2005 (\$191) to 2009 (\$178);
- Counties in the non-metro regional centers experienced constant capital expenditure growth from 2001 (\$82) to 2015 (\$209), these expenditures grew most rapidly during the Great Recession (2008-11), then decreased in 2012 and 2013 before growing the last two years;
- Nonmetropolitan county per capita capital expenditures had strong growth from \$210 (2001) to \$674 (2015)



Total per capita debt service expenditures

Debt service generally accounted for four percent of county expenditures. As of 2001, Nebraska’s counties averaged \$11 in total per capita debt service expenditures and those payments grew annually to \$103 in 2015; the growth rate of total per capita debt service expenditures during the period was 835 percent, with an annual rate of 60 percent. The trend in debt service expenditures varies by metropolitan status:

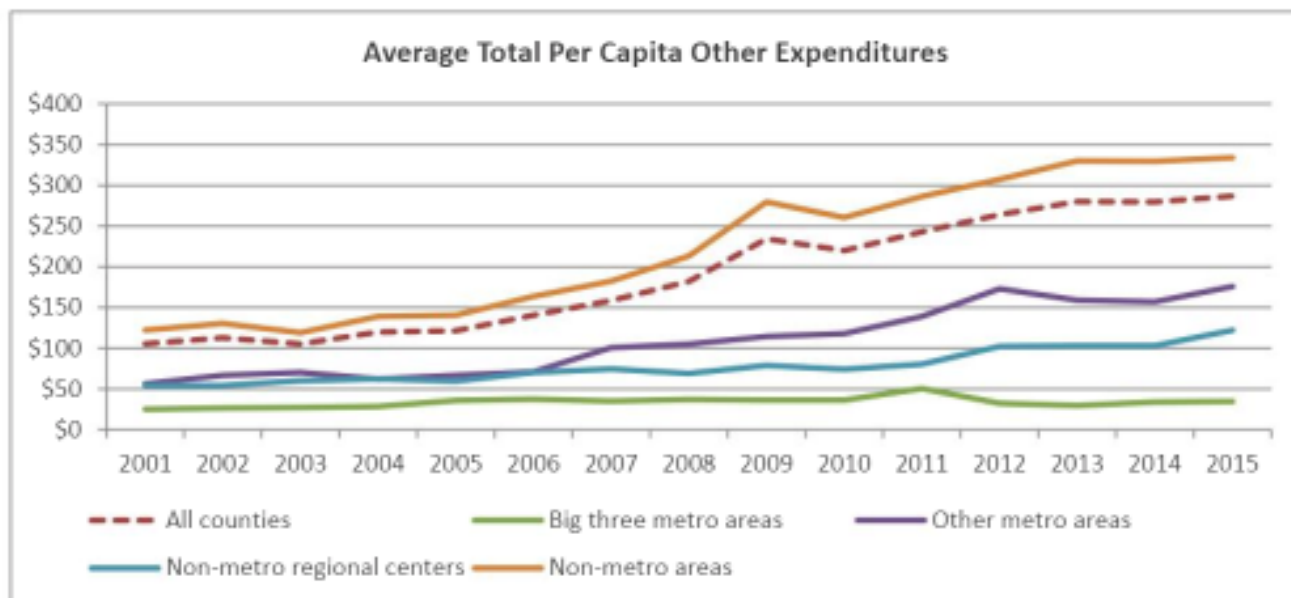
- Average per capita debt service expenditures for the big three metro counties decreased from 2001 (\$30) to 2006 (\$14) and has since been stable. The exception is 2012, with a mean of \$41;
- Counties in the other metro areas have experienced steady growth in debt service expenditures during the period: from \$10 in 2001 to \$117 in 2015
- Counties in the non-metro regional centers have experienced debt service expenditures most similar to the big three metro areas – decline from 2001 (\$21) to 2007 (\$7) and then a reverse trend to \$35 in 2015;
- Similar to the case of other metro counties, nonmetropolitan county per capita debt service expenditures tracked the statewide pattern: from \$9 in 2001 to \$113 in 2015.



Total per capita other expenditures

Average total per capita other expenditures (judgments, transfers, transfers of surplus fees, etc.) for Nebraska’s counties was \$105 in 2001 and \$287 in 2015; the growth rate of total per capita other expenditures was 36 percent during the period (3 percent annually). A difference between the metro areas exists:

- Big three metropolitan counties have experienced stability in per capita other expenditures: from \$25 in 2001 to \$35 in 2015;
- Counties in the other metro areas experienced consistent growth in per capita other expenditures: from \$57 in 2001 to \$176 in 2015;
- The other expenditure pattern for counties in the nonmetropolitan regional centers were similar to those for counties in the other metro areas, but shows relatively slower growth: \$54 in 2001 and \$122 in 2015;
- Nonmetropolitan county per capita other expenditures outpaced other Nebraska counties: up from \$122 (2001) to \$334 (2015)



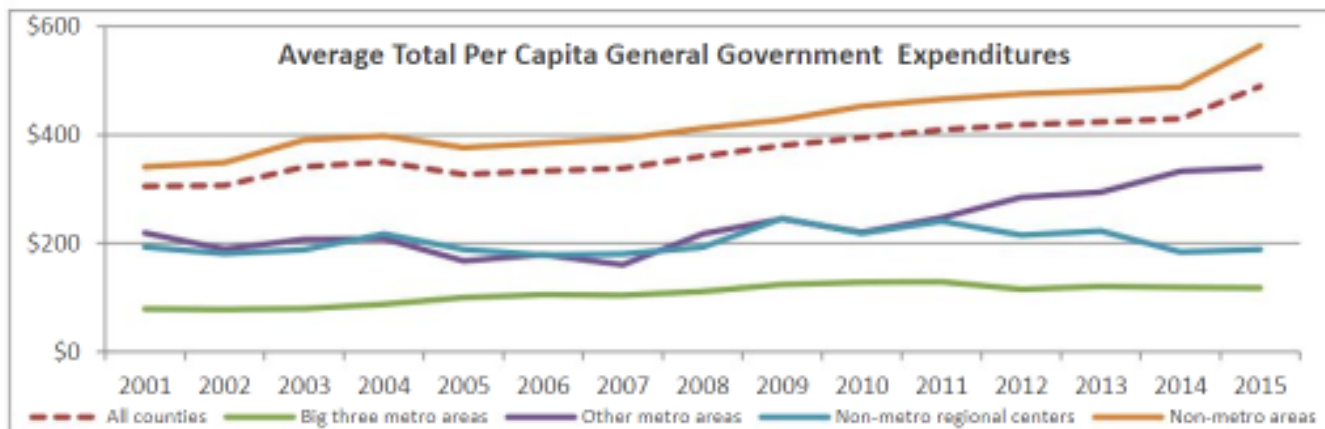
Expenditures by Object

Another way of looking at county expenditures is by object – a classification of expenditures by services provided. The available expenditure categories are: general government, public safety, public works, health and social services, culture and recreation and community development.

Total per capita general government expenditures

Counties in Nebraska spent an average of \$305 per capita for general government purposes (e.g., personal services, supplies and materials) in 2001 and these expenditures grew annually to \$490 in 2015; the growth rate in total per capita general government expenditures during the period was 60 percent, or at an annual rate of 4 percent. The trend in general government expenditures varied by group:

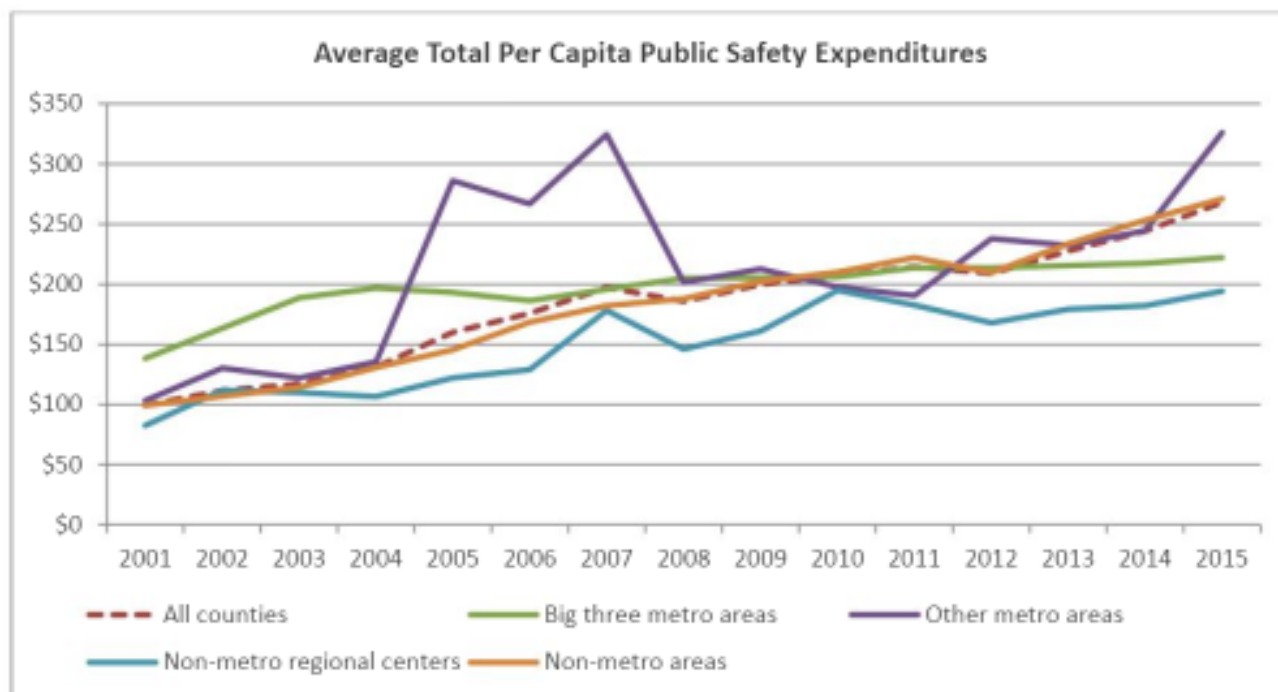
- Counties in the big three metropolitan areas have had rather constant per capita general government expenditures from 2001 (\$79) to 2015 (\$118). There was a slight decline from 2011 (\$129) to 2012 (\$116);
- Counties in the other metro areas have experienced a somewhat steady growth in general government expenditures from \$219 in 2001 to \$340 in 2015;
- While there has been fluctuation in general government expenditures for non-metro regional center counties, the overall pattern changed little during the period (\$194 in 2001 to \$189 in 2015);
- Nonmetropolitan county per capita general government expenditures grew from \$341 in 2001 to \$565 in 2015



Total per capita public safety expenditures

Nebraska’s counties spent an average of \$99 per capita in 2001 on per capita public safety expenditures and the amount grew annually to \$268 in 2015; 170 percent during the period, or 12 percent annually.

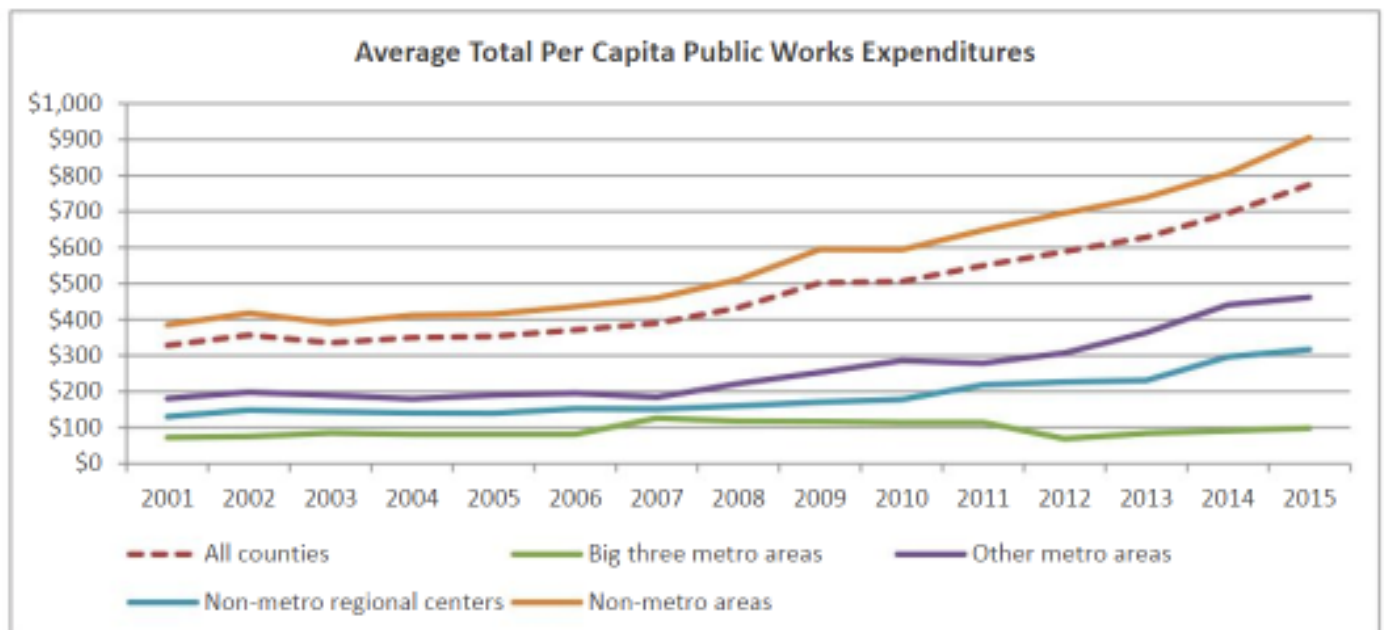
- Counties in the big three metropolitan areas have experienced a generally stable pattern in per capita public safety expenditures during the period of study: up from \$138 (2001) to \$222 (2015);
- Public safety expenditures for counties in the other metro areas grew from 2001 (\$50) to 2015 (\$145) and was marked by a jump in 2005 (\$286), 2006 (\$267) and 2007 (\$324);
- Counties in the non-metro regional centers experienced a constant public safety expenditure growth from 2001 (\$83) to 2015 (\$194);
- Nonmetropolitan county per capita public safety expenditures were stable: up from \$99 in 2001 to \$271 in 2015



Total per capita public works expenditures

On average, total per capita public works expenditures for Nebraska’s counties was \$329 and \$775 in 2001 and 2015, respectively; total per capita operating expenditures increased during the period at a rate of 136 percent, or 10 percent annually. A difference between the areas is as follows:

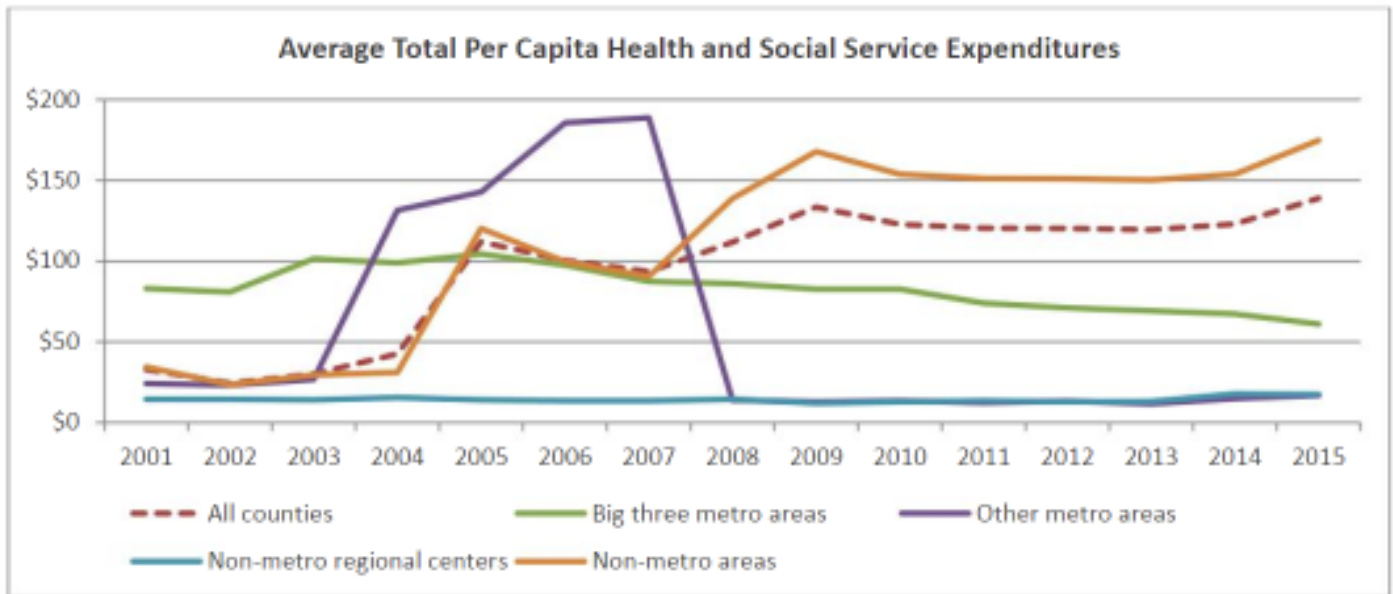
- Counties in the big three metropolitan areas have experienced little change in per capita public works expenditures from 2001 (\$73) to 2015 (\$98);
- Counties in the other metro areas experienced stable growth in per capita public works expenditures from 2001 to 2007, then expenditures grew more rapidly to \$462 in 2015;
- County public works expenditures in the nonmetropolitan regional centers have consistently grown from \$131 in 2001 to \$317 in 2015;
- Nonmetropolitan county per capita public works expenditures more than doubled during this period: \$385 (2001) to \$905 (2015).



Total per capita health and social service expenditures

Nebraska’s county expenditures on health and human services grew dramatically from 2001 (\$33 per person) to 2015 (\$139 per person); the growth rate of total per capita state receipts during the period was 322 percent, with an annual rate of 23 percent. The trend in health and social service expenditures varies by metropolitan status:

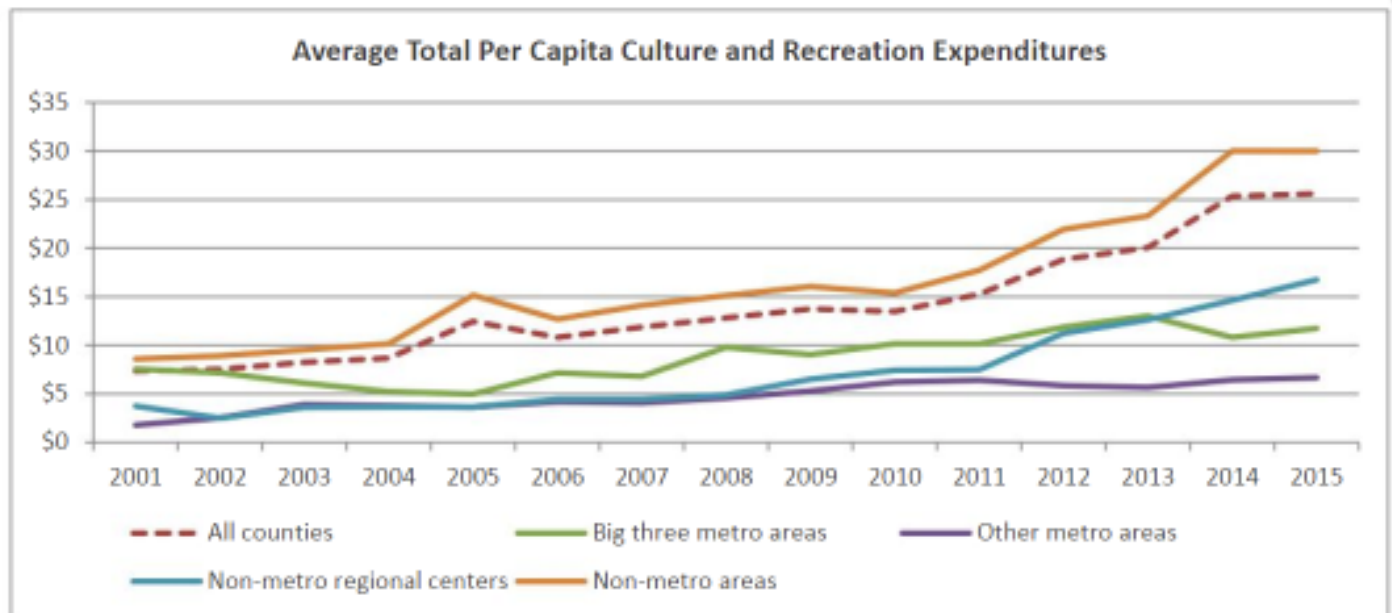
- Counties in the big three metropolitan areas have experienced growth in per capita health and social service expenditures during the first three years of the study (\$83 in 2001 and \$101 in 2003), but witnessed the decreasing pattern of per capita health and social service expenditures from 2004 (\$98) to 2015 (\$61);
- Counties in the other metro areas have experienced a conspicuous pattern in per capita health and social service expenditures: a consistency in general from \$24 in 2001 to \$17 in 2015, but remarkable increases from 2004 (\$131) to 2007 (\$189) ;
- Counties in the non-metro regional centers have also experienced a very constant pattern in per capita health and social service expenditures during the period: from \$15 in 2001 to \$18 in 2015;
- Nonmetropolitan county per capita health and social service expenditures tracked the statewide pattern: from \$34 in 2001 to \$175 in 2015, with sharp growth from 2004 (\$31) to 2009 (\$167)



Total per capita culture and recreation expenditures

Nebraska’s counties spent an average of \$7 per capita in 2001 on culture and recreation expenditures and \$26 in 2015; an increase of 248 percent during the period, or 18 percent annually. There is also a difference between the groups:

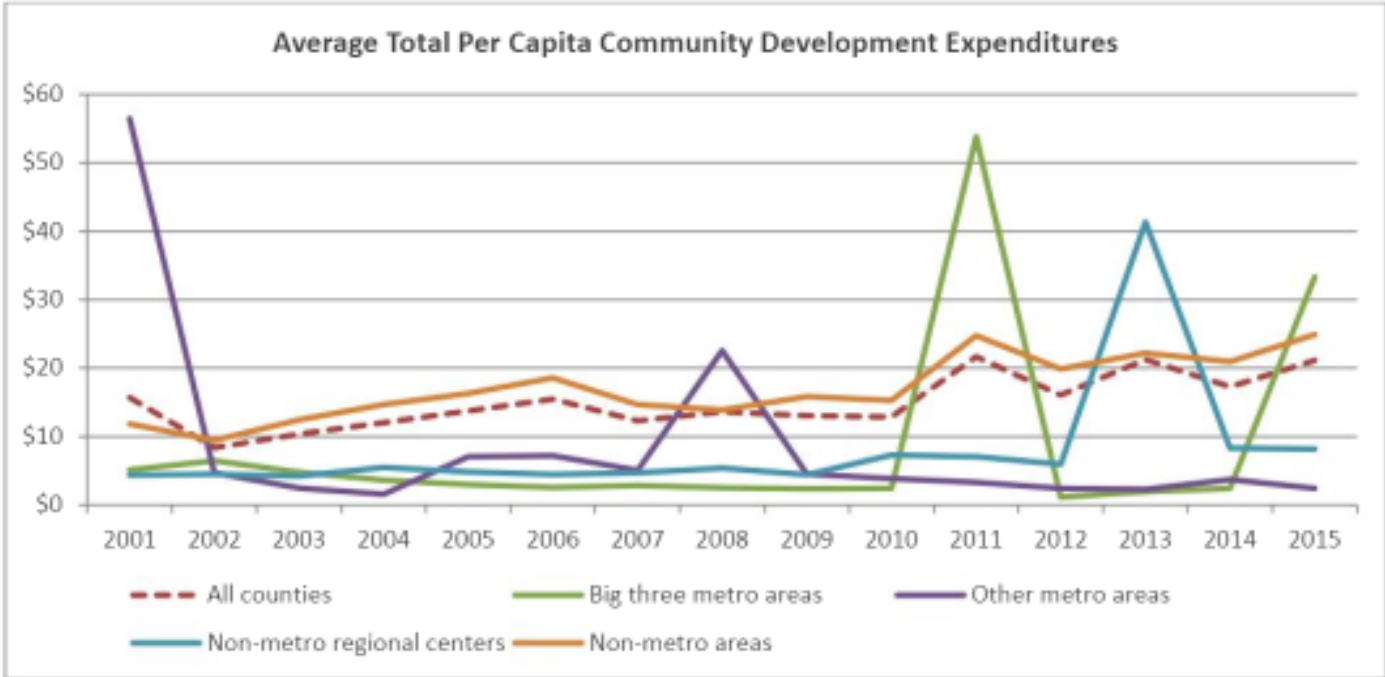
- Except for some earlier years (e.g., \$8 in 2001), per capita culture and recreation expenditures in the big three metropolitan counties grew from \$5 in 2004 to \$12 in 2015;
- The culture and recreation expenditure pattern for counties in the other metro areas was different compared to counties in the big three metropolitan areas – consistent growth from 2001 (\$2) to 2015 (\$7);
- Non-metro regional center counties have also experienced growth in culture and recreation expenditures from 2001 (\$4) to 2015 (\$17);
- Nonmetropolitan county per capita culture and recreation expenditures grew at the fastest rate – from \$9 (2001) to \$30 (2015).



Total per capita community development expenditures

Average community development expenditures for Nebraska’s counties was \$16 per capita in 2001 and grew modestly to \$21 per capita in 2015; up 35 percent during the period, or 2 percent annually. Difference patterns are identified according to the metro areas:

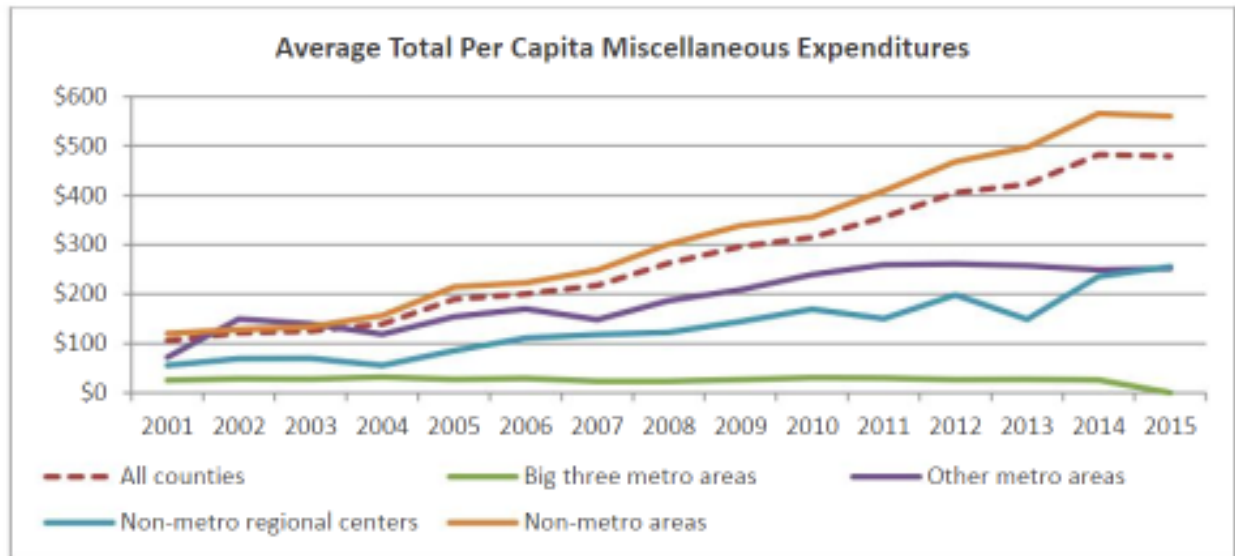
- Counties in the big three metropolitan experienced two years of significant growth – 2011 and 2015 – in community development expenditures (\$54 and \$33, respectively);
- Counties in the other metro areas also had spikes in but the years were different compared to the big three metro counties – 2001 (\$56) and 2008 (\$23);
- Counties in nonmetropolitan regional centers had stable per capita community development expenditures from 2001 (\$4) to 2015 (\$8), with 2003 being the exception (\$41);
- Nonmetropolitan county per capita community development expenditures tracked the statewide pattern: \$12 (2001) to \$25 (2015).



Total per capita miscellaneous expenditures

In 2001, Nebraska’s counties expended an average of \$106 per capita in miscellaneous expenditures that include unemployment compensation liabilities, capital/equipment acquisitions of governmental buildings or facilities, and/or disbursements having no specified function, and expenditures grew to \$479 in 2015; the growth rate of total per capita miscellaneous expenditures during the period was 354 percent, with an annual rate of 25 percent. The trend in total per capita miscellaneous expenditures varies by metropolitan status:

- Counties in the big three metropolitan areas maintained a constant level of per capita miscellaneous expenditures from 2001 (\$25) to 2014 (\$26). The data shows that the big three metropolitan counties had no miscellaneous expenditures in 2015;
- Counties in the other metro areas have experienced consistent growth in per capita miscellaneous expenditures: from \$72 in 2001 to \$252 in 2015;
- Counties in the non-metro regional centers have also experienced an increasing trend in per capita miscellaneous expenditures during the period of study: from \$56 in 2001 to \$256 in 2015;
- Nonmetropolitan county per capita miscellaneous expenditures tracked the statewide pattern: from \$120 in 2001 to \$560 in 2015.

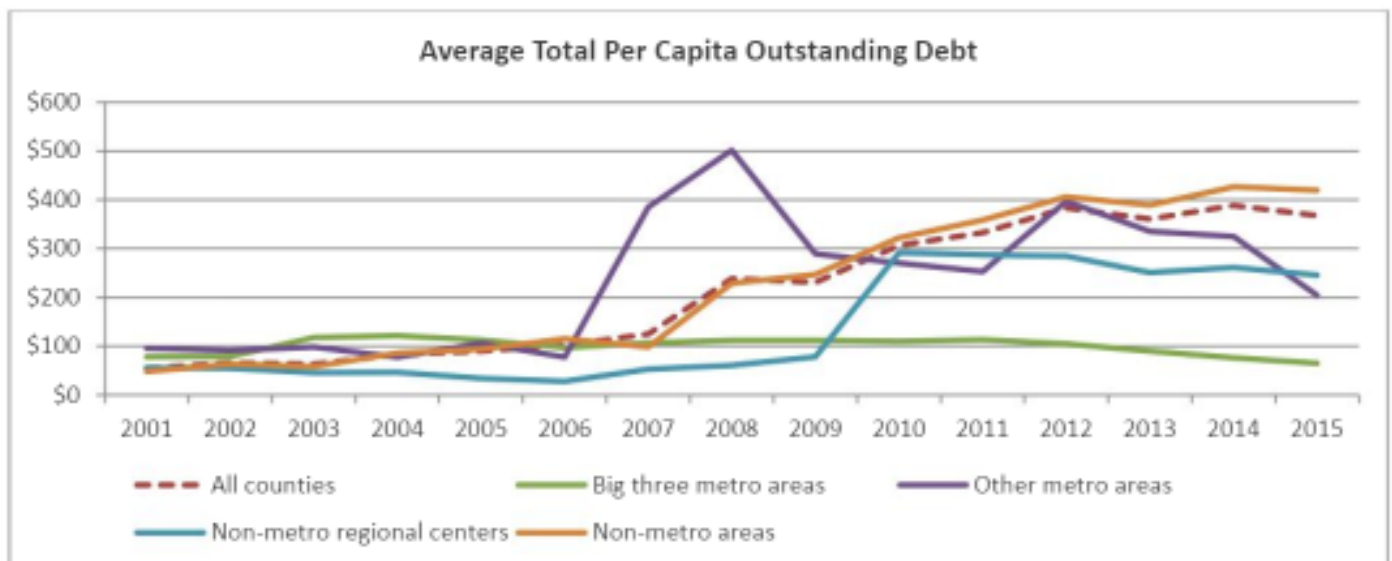


Debt

Total per capita outstanding debt

Outstanding debt – including capital and interest on the associated debt – for Nebraska’s counties was, on average, \$55 per capita in 2001 and it grew annually to \$368 in 2015; 570 percent during the period, or 41 percent annually. There is also a difference between the groups:

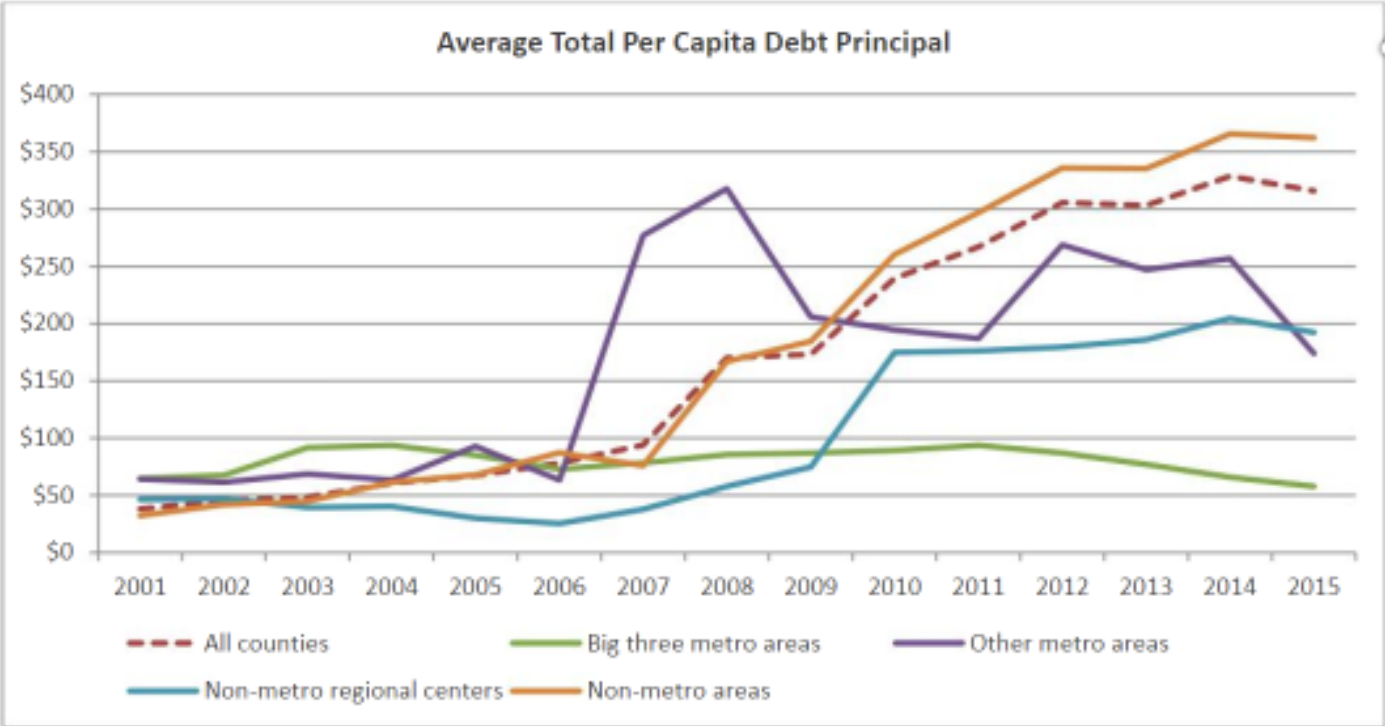
- Counties in the big three metropolitan areas have experienced a relatively consistent level of per capita outstanding debt during the period of the study: from 2001 (\$78) to 2015 (\$65);
- The outstanding debt pattern for counties in the other metro areas is interesting: there was a consistency from 2001 (\$96) to 2006 (\$78) but surged upward to \$204 in 2015 with some fluctuation (e.g., \$502 in 2008);
- Counties in the non-metro regional centers experienced two different trends over time: a relatively low level of per capita outstanding debt from 2001 (\$56) to 2009 (\$78) and a higher level of per capita outstanding debt during the period from 2010 (\$292) to 2015 (\$246);
- Nonmetropolitan county per capita outstanding debt grew from \$48 (2001) to \$149 (2015)



Total per capita debt principal

Per capita debt principal for Nebraska’s counties was \$38 in 2001 and it grew annually to \$316 in 2015; total per capita debt principal increased during the period at a rate of 726 percent, or 52 percent annually. Different patterns are identified according to the metro areas:

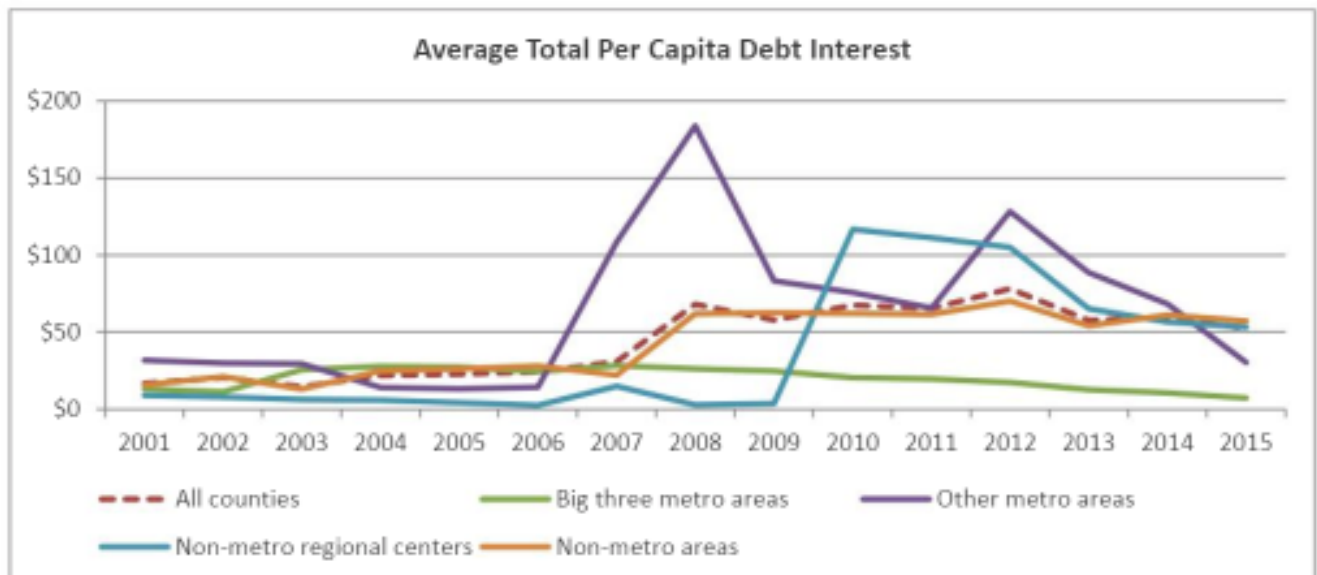
- Per capita debt principal in the big three metropolitan counties was \$67 in 2001 and \$58 in 2015;
- With some fluctuations, counties in the other metro areas experienced growth in per capita debt principal: from \$64 in 2001 to \$174 in 2015. There was a remarkable increase in 2007 (\$277) compared to 2006 (\$63);
- County debt principal in the nonmetropolitan regional centers have increased: from \$47 in 2001 to \$192 in 2015;
- Nonmetropolitan county per capita debt principal tracked the statewide pattern: \$32 (2001) to \$362 (2015)



Total per capita debt interest

In 2001, Nebraska counties paid, on average, \$17 per capita in debt interest and it increased annually to \$52 in 2015; the growth rate of total per capita debt interest during the period was 213 percent, or at an annual rate of 15 percent. The trend in per capita debt interest varies by metropolitan status:

- Counties in the big three metropolitan areas experienced a modest decrease during this 15-year period. Overall, per capita debt interest has declined from \$13 in 2001 to \$7 in 2015;
- Counties in the other metro areas have experienced a cyclical pattern in per capita debt interest. From 2001 (\$32) to 2006 (\$14), counties had a rather constant level of debt interest; it dramatically increased in 2007 (\$109) and 2008 (\$184) then consistently decreased to \$30 in 2015;
- Non-metro regional center counties have a similar trend in per capita debt interest compared to counties in the other metro areas (\$9 in 2001 and \$53 in 2015), but they experienced a rapid increase in debt interest in 2010 (\$117);
- Nonmetropolitan county per capita debt interest grew from \$16 in 2001 to \$57 in 2015



Liquidity

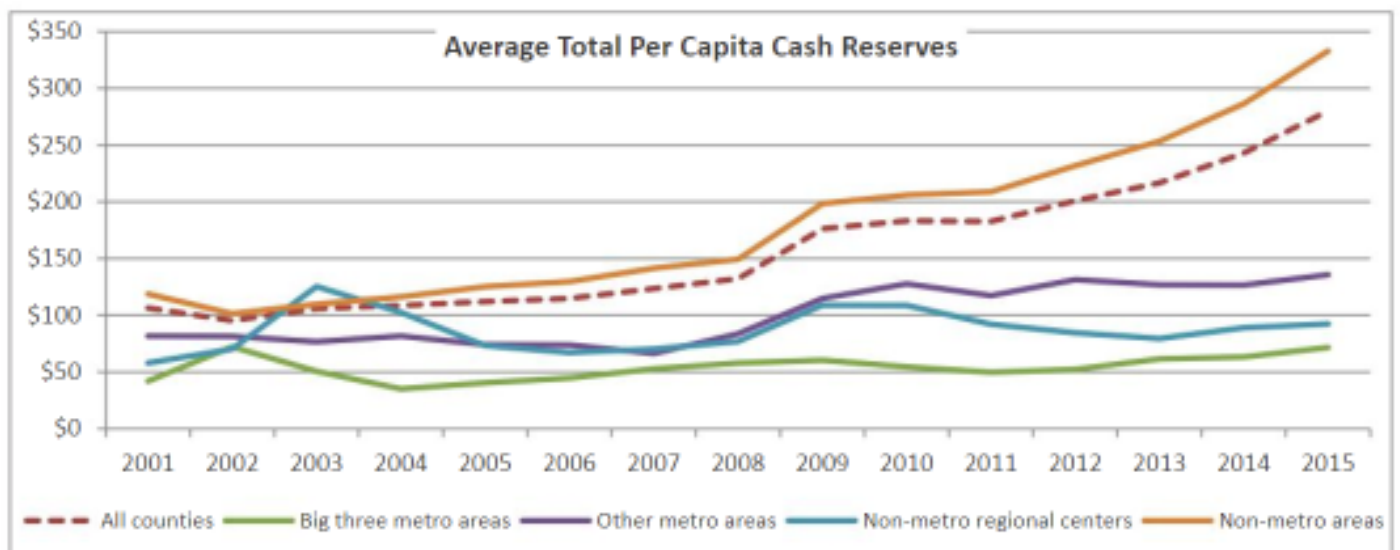
Liquidity refers to reserves counties have available for “rainy days,” meaning funds to help with revenue shortfalls, unexpected expenditures and/or to fill gaps in revenue flows so communities do not need to short-term borrow.

Total per capita cash reserves

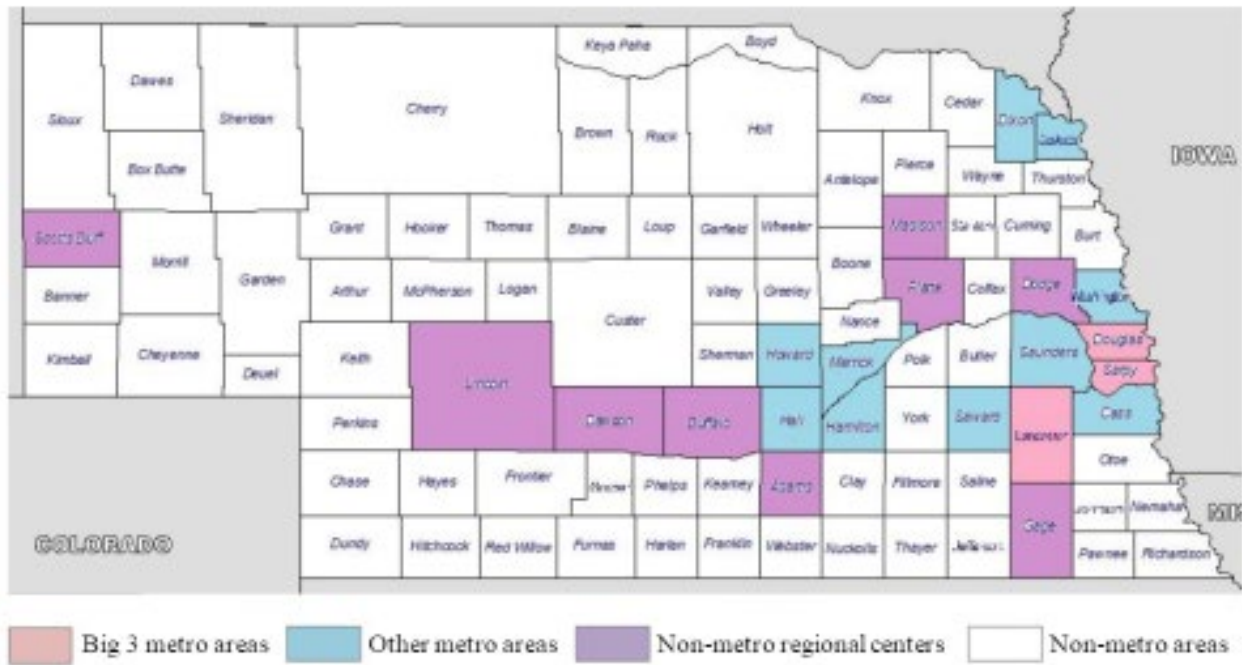
Nebraska’s counties possessed an average of \$106 per capita in 2001 and total per capita cash reserves grew annually to \$280 in 2015; 162 percent during the period, or 12 percent annually.

There is also a difference between the groups:

- Per capita cash reserves for counties in the big three metropolitan areas have been stable over time – \$42 in 2001 to \$71 in 2015;
- Per capita cash reserves for counties in the other metro areas was relatively constant during the period: from \$89 in 2001 to \$136 in 2015;
- Compared to the statewide pattern, counties in the non-metro regional centers experienced constant per capita cash reserves from 2001 (\$58) to 2015 (\$93) though there were some variations (\$125 in 2003 and \$109 in 2009);
- Nonmetropolitan county per capita cash reserves grew substantially during the period: \$119 (2001) to \$333 (2015)



Appendix 1. Nebraska Counties Classified by Metropolitan Status



Sources: Metropolitan and Micropolitan Definitions, the Office of Management and Budget (OMB)

**Examining Nebraska's Special Purpose Districts (SPDs) Finance Picture:
Trends in Revenues, Expenditures, Debt and Reserves from 2001-2015**

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Executive Summary

There are currently 1,542 special purpose districts (SPDs) in Nebraska and they vary widely by type: agricultural society, airport authority, historical society, fire district, cemetery district, township, etc. In an era of resource scarcity and greater scrutiny of public finance, this report offers one of first overviews of SPDs revenues, expenditures, debt and reserves.

The intent of the report is not to advocate policy or to even study policy decisions, rather it seeks to provide a context for budgeting and policy discussions.

Key Findings:

- There is a great deal of variation in revenues and expenditures based on the location of a district. Nebraska's SPDs exhibit very different fiscal patterns depending on their metropolitan status. SPDs in the big three metropolitan area tend to have a larger size of budgets relative to districts in non-metro counties;
- Given the focus on property taxes in Nebraska, 39 percent of SPD own-source revenues come from the property tax. The remaining portion of SPD own-source revenues come largely from charges, fees and other incomes (e.g., rental and investment);
- Over 60 percent of total spending are operating expenditures. This is followed by capital spending, which accounts for 25 percent of total SPD expenditures;
- SPDs' reliance on debt has increased over time. However, the pattern varies across metro areas;
- Seemingly, Nebraska SPDs had a stable level of cash reserves in 2015, equal to 18 percent of total revenues

Introduction

The Nebraska State and Local Finance Lab was established in 2015 with the support of the University of Nebraska-Omaha's College of Public Affairs and Community Service, and the Center for Public Affairs Research. The purpose of the Lab is to help stakeholders (citizens, elected officials and government staff) better understand state and local finance in Nebraska. It also serves as a resource for applied and academic research on state and local fiscal policy.

This is the third of the reports produced by the NE State and Local Finance Lab and it focuses on describing fiscal trends in the Nebraska SPDs from FY 2001 to FY 2015.

Approach to Studying NE SPDs

In this report, Nebraska SPDs fall into four categories for analytical purposes: Big three metro areas, other metro areas, non-metro regional centers and non-metro areas. *The Metropolitan and Micropolitan Definitions* defined by the Office of Management and Budget (OMB) are used to identify metro and non-metro areas at the county level (see Appendix 1). SPDs are then classified into the groups according to their geographical affiliation to counties.

- As of 2015, 307 SPDs are in the big 3 metro areas;
- 175 districts are located in the other metro areas;
- non-metro regional centers involve 272 SPDs and;
- the remaining 788 SPDs are identified in the non-metro areas.

Socio-Economic Attribute

Due to the lack of data, demographic and socio-economic information on NE SPDs are not available. The only exception is property assessed valuation; the average of property valuation for SPDs in each category is presented below. SPDs in the big three metro areas are relatively strong in terms of valuation than SPDs in any other areas.

Property valuation (\$1,000)

Area		All counties	Big three metro areas	Other metro areas	Regional centers	non-metro areas
Year	2001	348,057	946,993	366,665	381,617	120,240
	2006	429,975	977,181	474,943	506,168	147,704
	2011	587,043	1,310,784	630,969	711,815	218,685
	2015	829,098	1,674,720	939,510	1,059,989	377,117

Source: Basic Budget Query 2001-2015, the Nebraska Auditor of Public Accounts

Fiscal Categories

The availability of fiscal data for Nebraska SPDs comes from the Nebraska Auditor of Public Accounts (APA). Nebraska communities are required to annually submit uniform budget information to the Auditor of Public Accounts. These data are not audited, other than by the State, and are reported on a cash-basis, rather than modified accrual basis required by the Government Accounting Standards Board.¹

The following categories, considered important in the public budgeting/finance literature illuminating government fiscal structure, are used to paint Nebraska's local finance picture at the special district level:

- Revenues
 - ✓ Total revenues
 - ✓ Local revenues: property taxes, nameplate capacity taxes, in-lieu of tax and others
 - ✓ Federal receipts
 - ✓ State receipts
- Expenditures by type
 - ✓ Total expenditures
 - ✓ Operating expenditures
 - ✓ Capital expenditures
 - ✓ Debt service expenditures
 - ✓ Other expenditures
- Debt
 - ✓ Total outstanding debt
 - ✓ Debt principal
 - ✓ Debt interest

¹ Many of the communities in Nebraska are relatively small and do not produce audited annual financial reports. In order to include all NE SPDs, we opted to study these budget reports. In doing so, we realize that there is somewhat greater potential for reporting error.

- Liquidity
 - ✓ Cash reserves

It has to be noted that due to the lack of population data, no budget information for SPDs in this report is in per capita terms. Further, a small number of SPDs are excluded in our analysis because of some reporting errors the APA data involve.

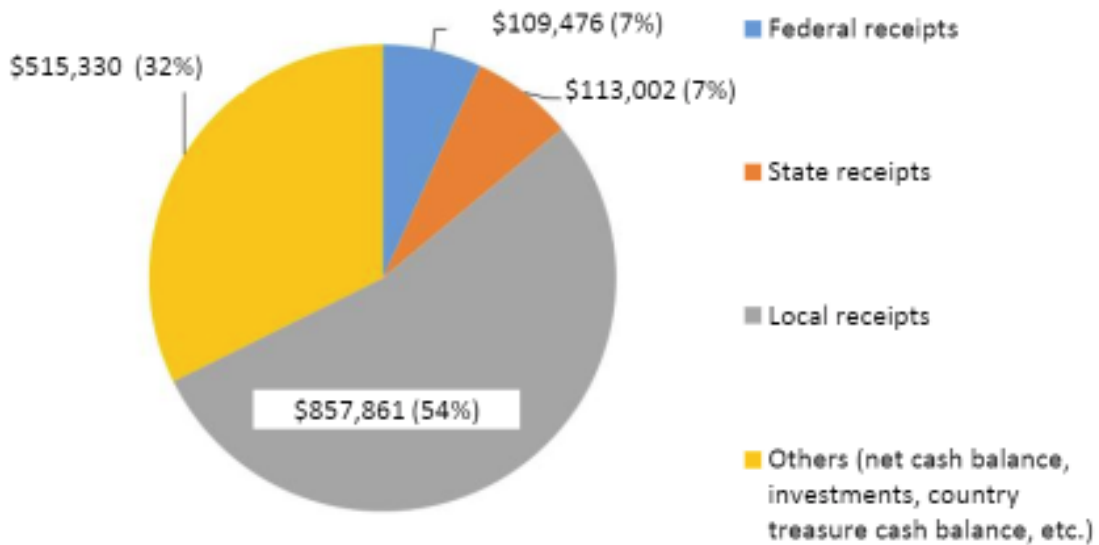


Overview of Nebraska SPD Budgets

SPD Revenues

Average total per capita SPD revenues (as of 2015): \$ 1,595,669

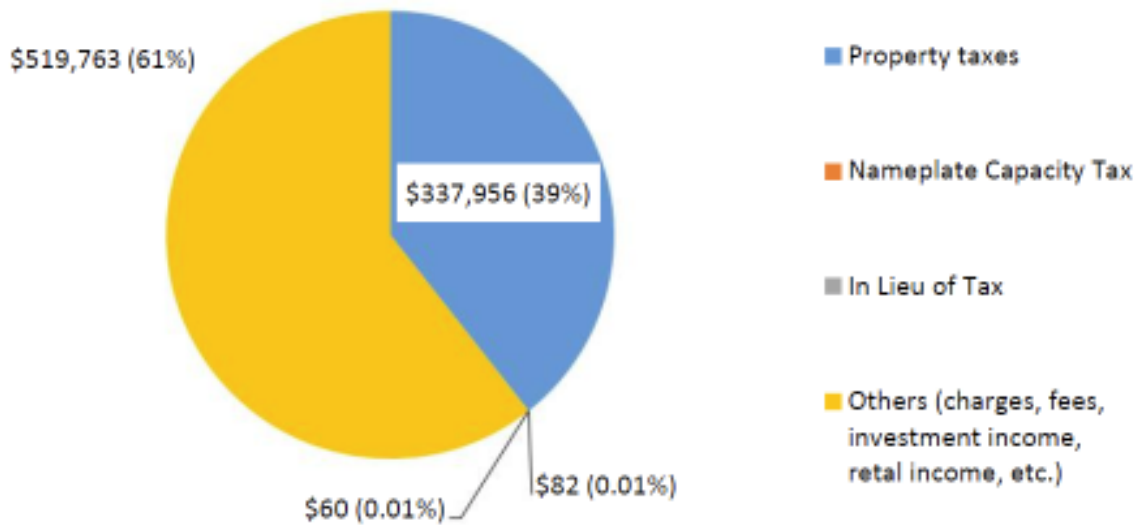
- 7 percent of SPD revenues comes from the State
- Federal receipts also comprise 7 percent of SPD revenues
- 86 percent of revenues are local source and consists of reserves, taxes, fees and charges



SPD Own-Source Revenues

Average total per capita own-source SPD revenues (as of 2015): \$857,861

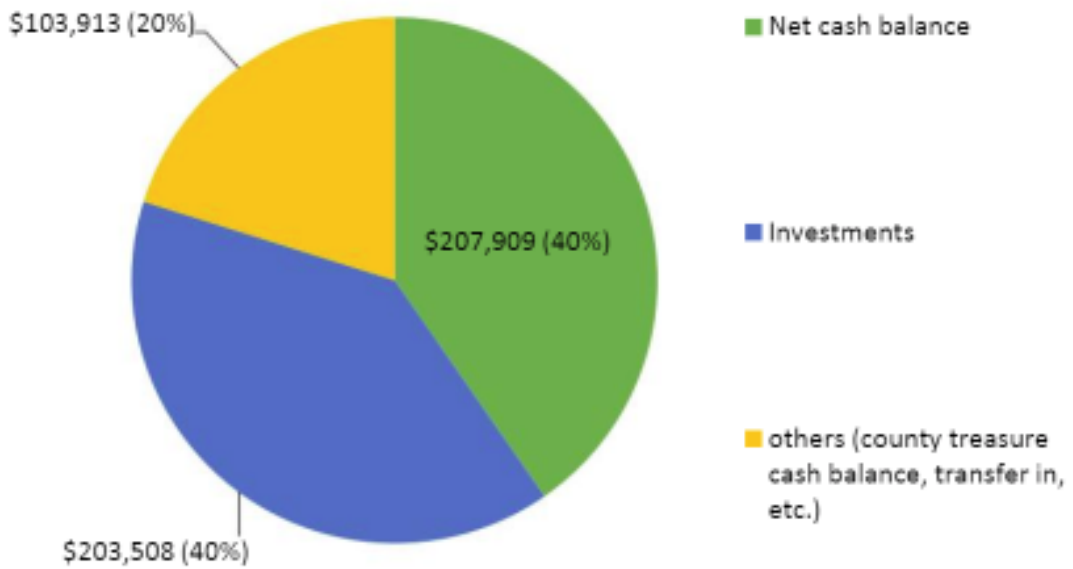
- 39 percent of SPD revenues are generated from the property tax
- 0.02 percent of SPD revenues are from the nameplate capacity tax and In-lieu of tax
- Over 60 percent of SPD revenues include charges, fees, investment income, rental income, etc.



SPD Other Revenues

Average total per capita other revenues (as of 2015): \$515,330

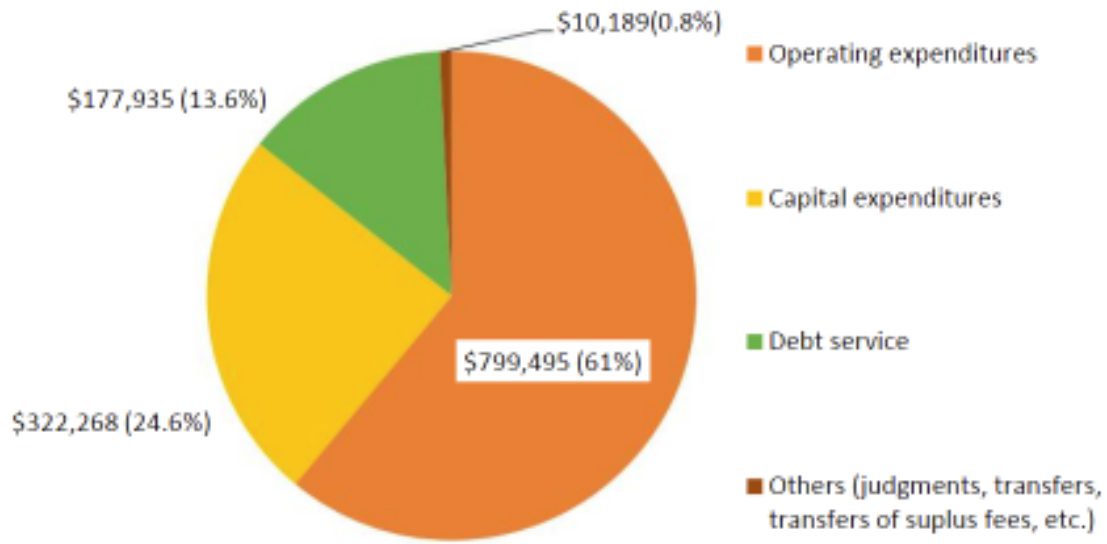
- 40 percent of other revenues are balance forward/cash reserves from the preceding year
- 40 percent of other revenues come from investments
- 20 percent of other revenues include county treasure balance and transfers in



SPD Expenditures

Average total per capita SPD expenditures (as of 2015): \$1,309,887

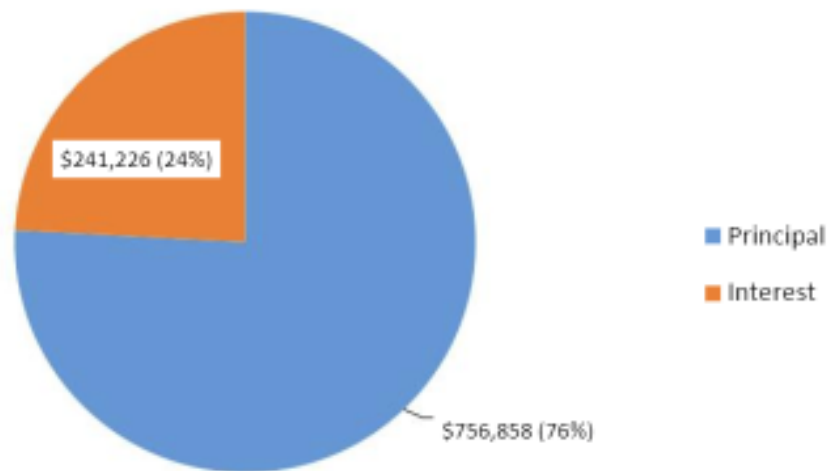
- Operating expenditures account for over 60 percent of SPD expenditures
- Capital expenditures account for 25 percent of expenditures
- Debt service accounts for 14 percent of SPD expenditures



SPD Debt

Average total per capita outstanding debt (as of 2015): \$998,084

- 24 percent of debt-related expenditures are in the form of interest



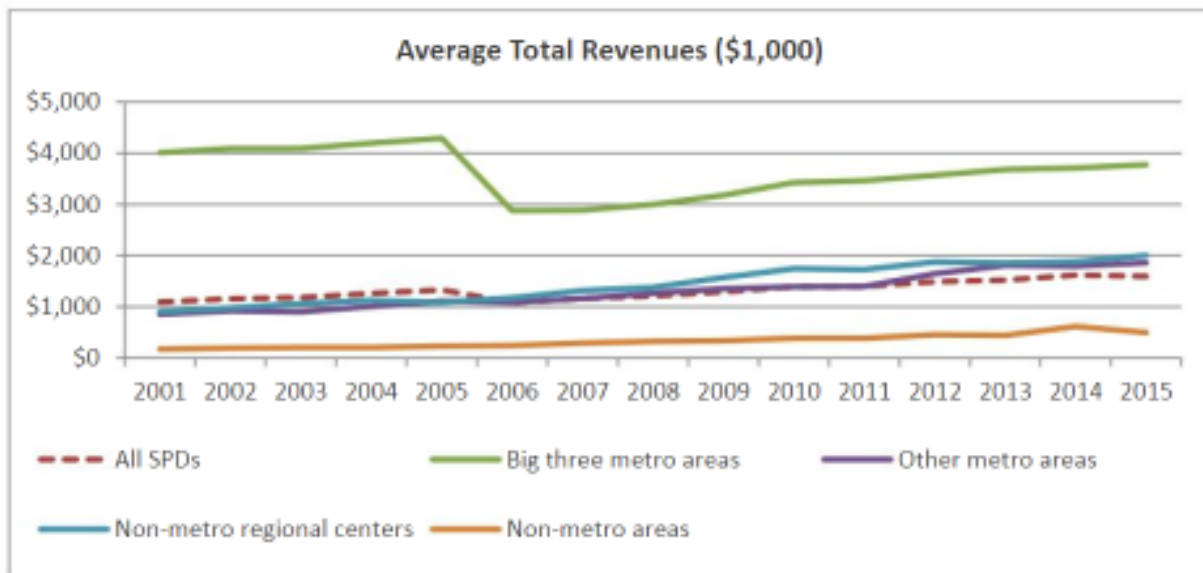
Summary of Trends Over Time

Revenues

Total revenues

Nebraska’s SPDs collected an average of \$1,095,191 in 2001 and total revenues grew annually to \$1,595,669 in 2015; 45 percent during the period, or 3 percent annually. There is also a difference between the groups:

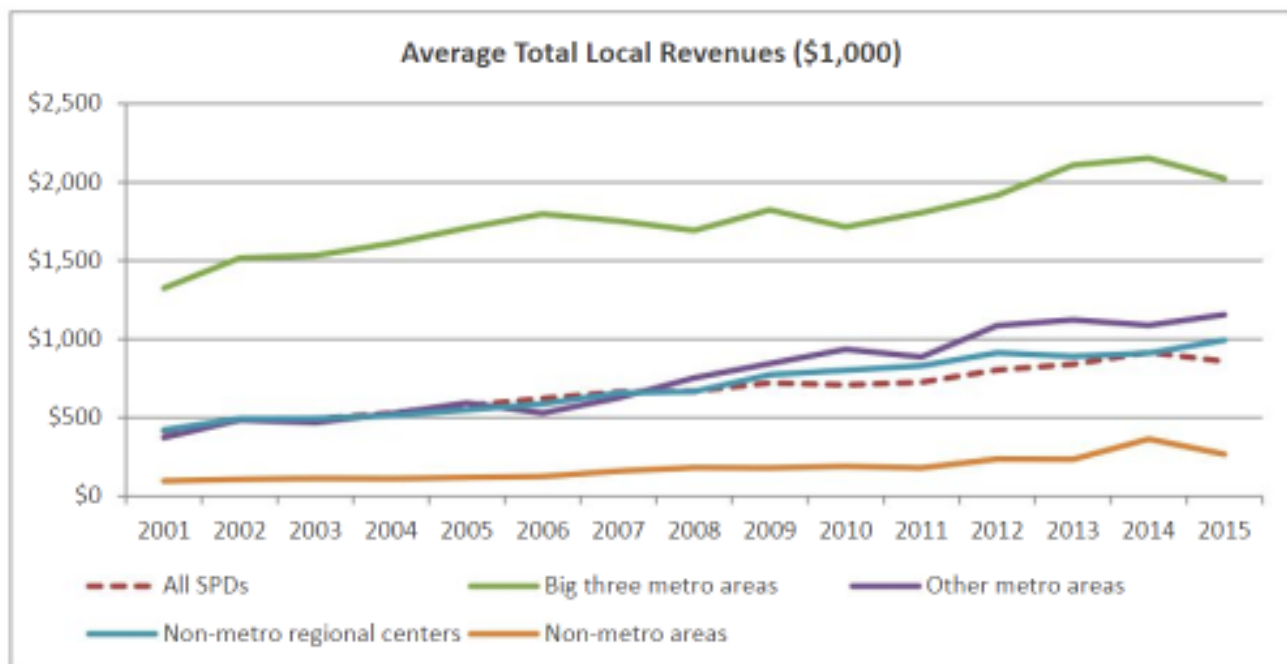
- SPDs in the big three metropolitan areas have experienced a rather remarkable pattern in total revenues during the period of study. Total revenues were relatively stable from 2001 (\$4,014,611) to 2005 (\$4,293,434). After a sharp decline in 2006 (\$2,881,078), total revenues grew to \$3,774,925 in 2015;
- SPDs in the other metro areas tracked the statewide pattern: up from \$855,689 in 2001 to \$1,863,469 in 2015;
- The revenue pattern for SPDs in the nonmetropolitan regional centers was similar to districts in the other metropolitan areas: up from \$904,765 in 2001 to \$2,003,493 in 2015;
- Nonmetropolitan SPD revenues consistently grew from \$176,547 (2001) to \$500,256 (2015)



Total local revenues

On average, total local revenues for SPDs in Nebraska was \$413,837 in 2001 while it was \$857,861 in 2015; total local revenues grew during the period at a rate of 107 percent, or 8 percent annually. The fiscal trend varies by metropolitan status:

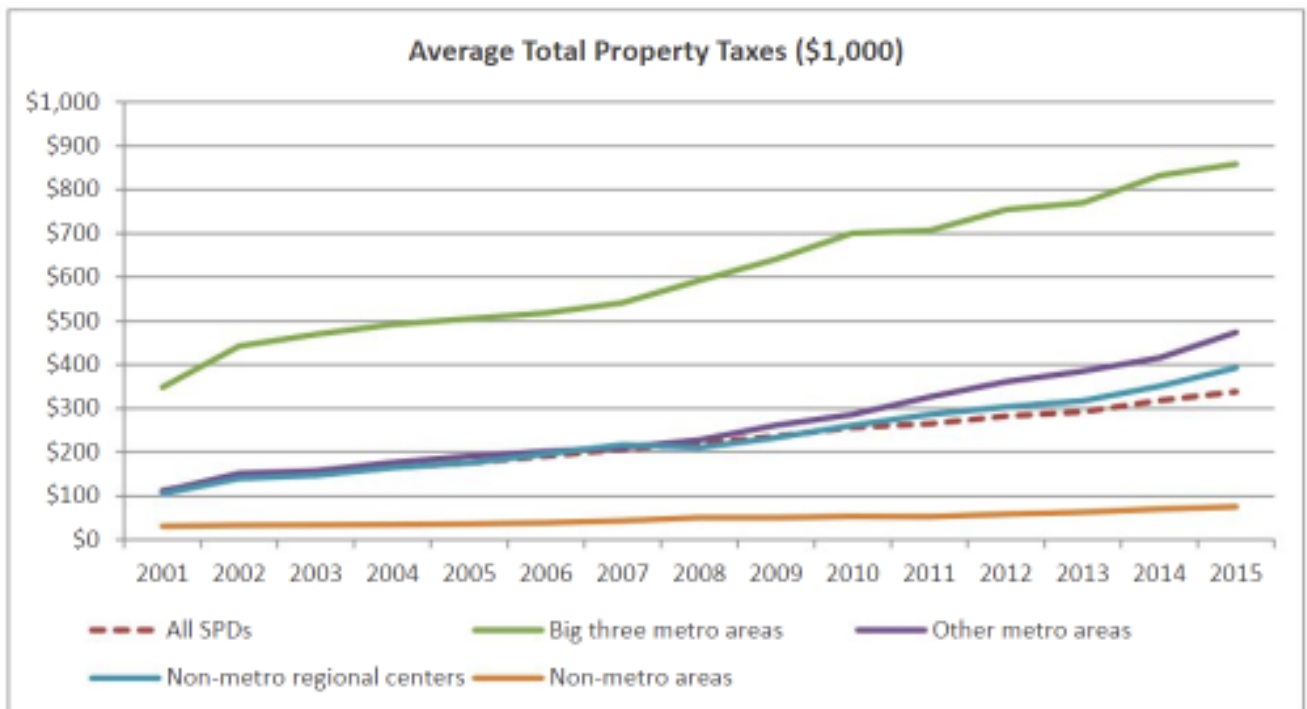
- Despite some fluctuations, growth in local revenues for SPDs in the big three metropolitan areas grew from \$1,324,629 in 2001 to \$2,023,468 in 2015;
- SPDs in the other metro areas have experienced a similar pattern in local revenues: up from \$372,584 in 2001 to \$1,155,798 in 2015. There were slight revenue shortfalls in 2006 (\$528,100) and 2011 (\$885,494);
- Nonmetropolitan regional centers SPD local revenues tracked the statewide pattern: up from \$421,371 (2001) to \$993,895 (2015);
- Local revenues for SPDs in the nonmetropolitan areas have had a relatively stable pattern, but also grew consistently: from \$96,675 in 2001 to \$266,211 in 2015



Total property taxes

Nebraska’s SPDs collected an average of \$112,065 total property taxes in 2001 and it grew annually to \$337,956 in 2015; the growth rate of total property taxes during the period was 202 percent, with an annual rate of 14 percent. A difference between the areas exists:

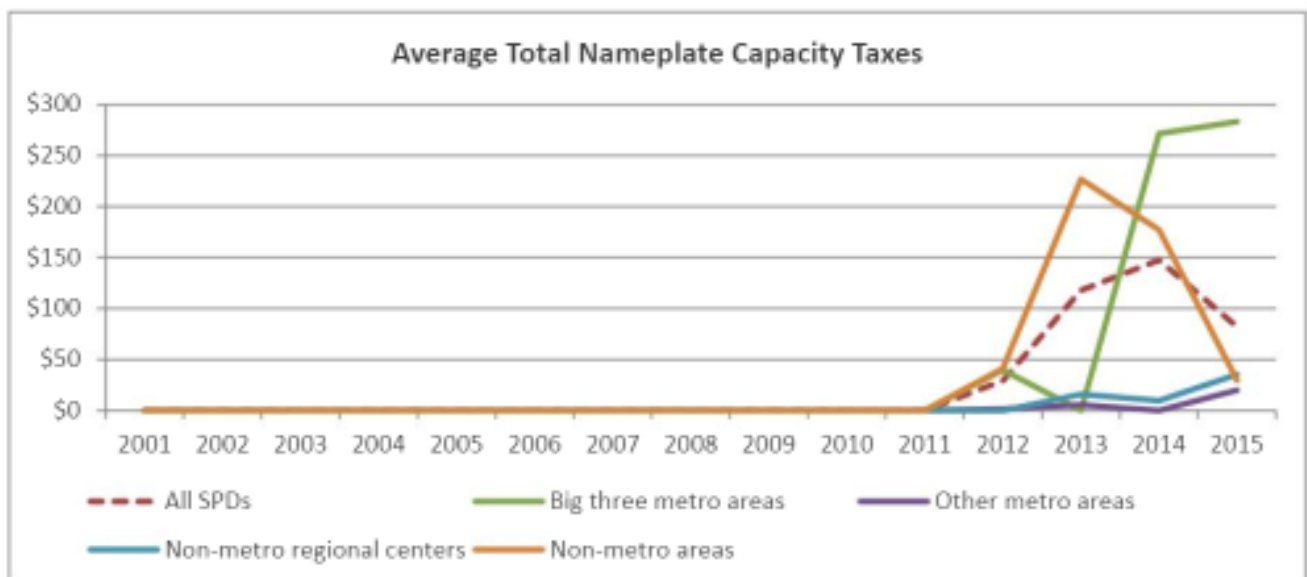
- A rapid increase in total property taxes for SPDs in the big three metropolitan areas is observed. From 2001 to 2015, property taxes grew from \$348,240 to \$858,379;
- SPDs in the other metro areas have also experienced steady property tax growth during the period: from \$110,281 in 2001 to \$473,867 in 2015;
- Property taxes for SPDs in the non-metro regional centers tracked the statewide pattern in general: up from \$105,331 in 2001 to \$392,625 in 2015. There was a slight decline in 2008 (\$210,297);
- Compared to SPDs in other areas, the property tax pattern of nonmetropolitan SPDs was relatively stable: from \$30,923 in 2001 to \$75,277 in 2015



Total nameplate capacity taxes

Nebraska's SPDs began to collect nameplate capacity taxes in 2012 (\$29) and it grew annually to \$82 in 2015; 178 percent for four years, or 13 percent annually. There is also a difference between the groups:

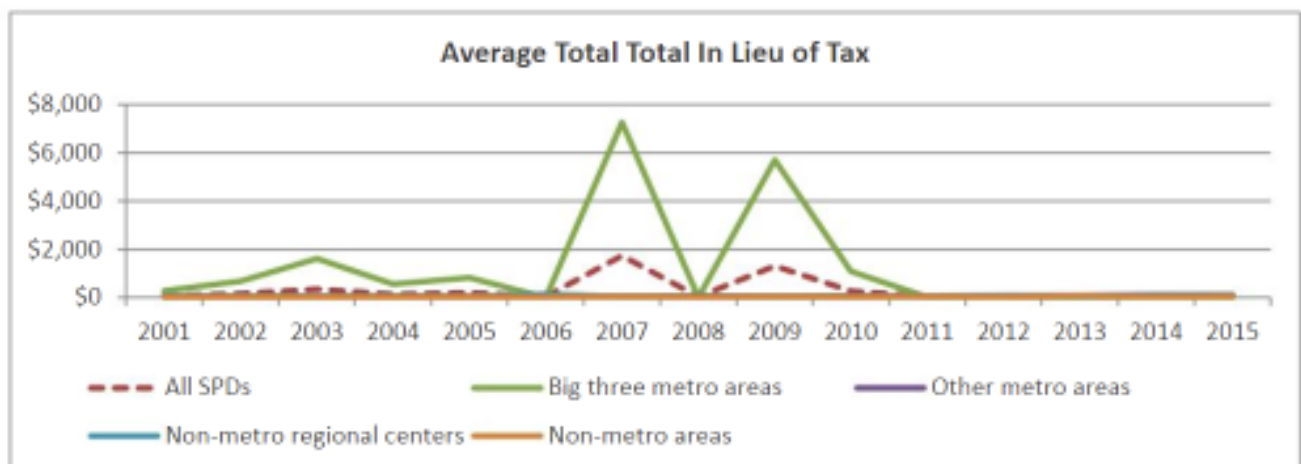
- SPDs in the big three metropolitan areas have experienced rapid increase in nameplate capacity tax collections during the period of study. From 2012 to 2015, nameplate capacity taxes grew from \$40 to \$283. A sharp increase in nameplate capacity taxes particularly occurred in 2014, with a mean of \$272;
- The nameplate capacity tax pattern for SPDs in the other metro areas was relatively stable: from \$2 in 2012 to \$20 in 2015;
- SPDs in the non-metro regional centers have also experienced a constant nameplate capacity tax pattern during the period: from \$16 in 2012 to \$35 in 2015;
- Nonmetropolitan SPD nameplate capacity taxes tracked the statewide pattern: rapid growth from 2012 (\$41) to 2013 (\$227) before sharp declines in 2014 (\$177) and 2015 (\$30)



Total in lieu of taxes

While not a sizable source of revenues, Nebraska SPDs generally receive some payments in lieu of property taxes. Sources of these payments may be the State (e.g., the acquisition of land for wildlife management purposes), hospitals and/or housing development agencies². On average, total in lieu of tax collections for Nebraska's SPDs was \$86 in 2001 and decreased modestly to \$60 in 2015. The decreasing rate of in lieu of taxes during the period was 30 percent with an annual rate of 2 percent. There is variation in these collections by area:

- SPDs in the big three metropolitan areas experienced a conspicuous pattern in in lieu of taxes. During the period, in lieu of taxes declined from \$276 in 2001 to \$9 in 2015. However, some fluctuations are identified: \$1,613 in 2003, \$ 7,256 in 2007 and \$5,696 in 2009;
- SPDs in the other metro areas experienced a steady pattern in in lieu of taxes from 2001 (\$33) to 2015 (\$107);
- Although there were some fluctuations, the in lieu of tax trend for SPDs in the nonmetropolitan regional centers was similar to those for SPDs in the other metro areas: up from \$84 in 2001 to \$95 in 2015;
- Nonmetropolitan SPD in lieu of taxes also tracked the pattern of nonmetropolitan SPDs: \$31 (2001) to \$58 (2015)

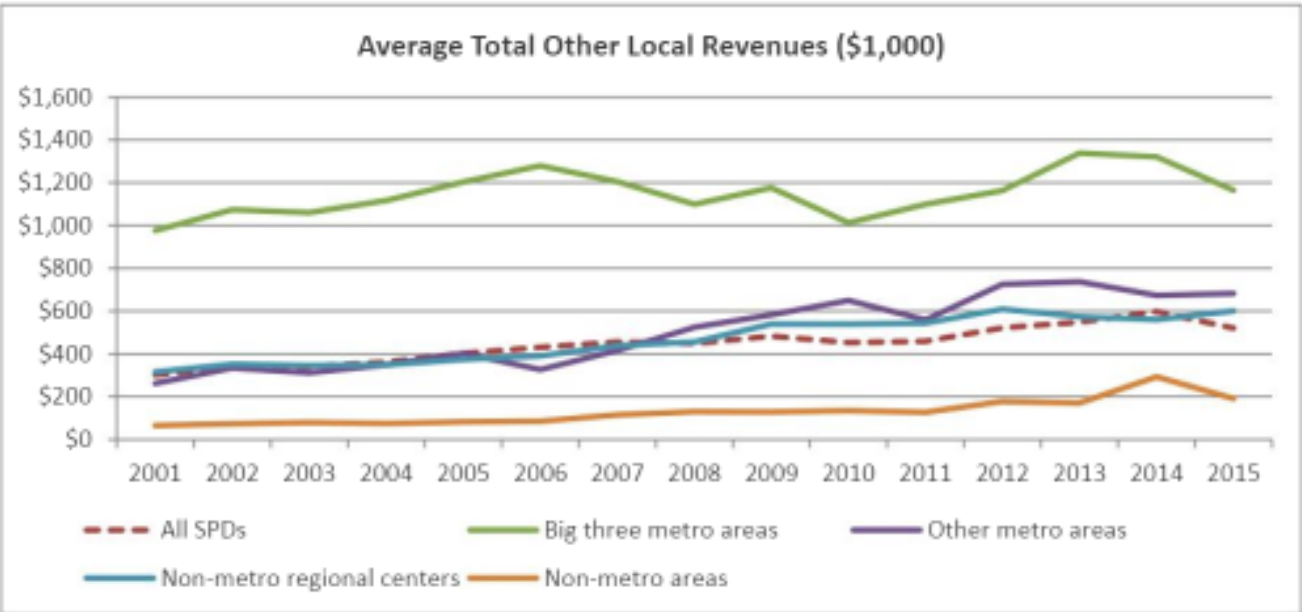


² Source: http://www.revenue.nebraska.gov/PAD/legal/regs/41-In_Lieu_of_Tax.html

Total other local revenues

Nebraska’s SPDs collected, on average, \$301,686 in 2001 in other local revenues (primarily, user charges, fees, and rental/investment income) and the amount grew annually to \$519,763 in 2015; 72 percent during the period, or 5 percent annually. Similar to other revenue patterns, there are important differences between the groups:

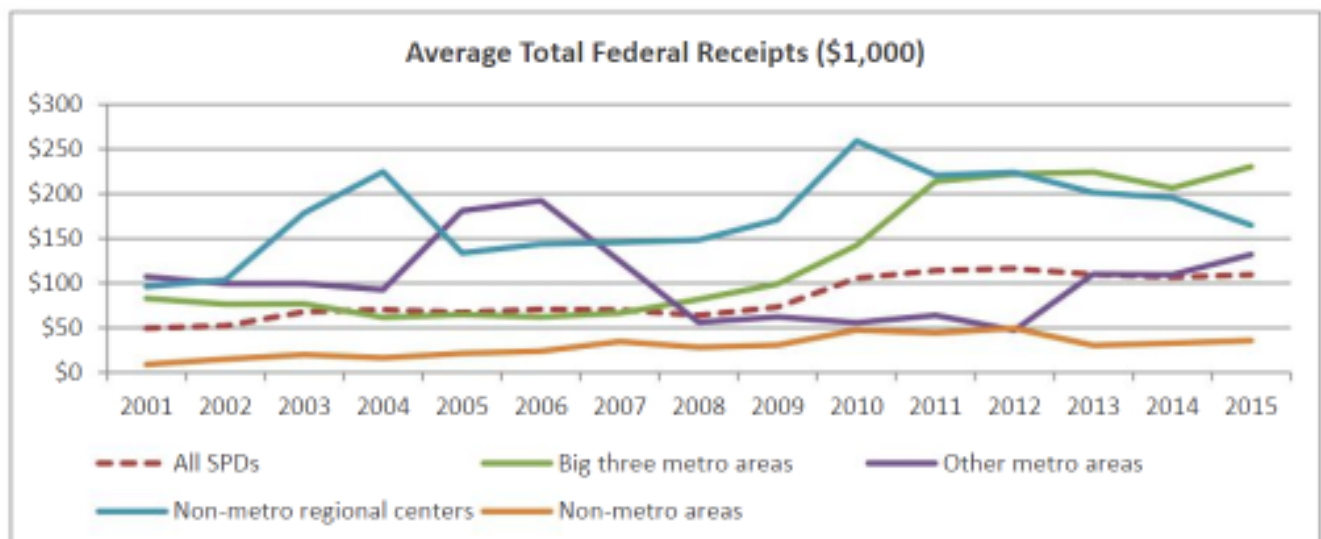
- Despite some fluctuations, SPDs in the big three metropolitan areas have had a somewhat consistent level of other local revenues during the period of study: \$976,113 in 2001 and \$1,164,796 in 2015;
- In the other metro areas, SPDs experienced other local revenue patterns different from SPDs in the big three metropolitan areas: constant growth from 2001 (\$262,269) to 2015 (\$681,804) with slight shortfalls in 2006 (\$326,116) and 2011 (\$559,501);
- SPDs in the non-metro regional centers tracked the statewide pattern: modest growth in other local revenue from \$315,957 in 2001 to \$601,139 in 2015;
- Nonmetropolitan SPD other local revenues were relatively even: \$65,721 (2001) to \$190,846 (2015)



Total federal receipts

Some Nebraska SPDs receive direct payments from the federal government. On average, total federal receipts for Nebraska's SPDs was \$49,484 in 2001 and \$109,476 in 2015; total federal receipts grew during the period at a rate of 121 percent, or 9 percent annually. A difference between the areas exists:

- SPDs in the big three metropolitan areas have experienced a relatively constant increase in federal receipts. From 2001 to 2015, federal receipts surged upward from \$82,892 to \$230,366. A sharp growth federal receipts occurred in 2011 (\$214,001);
- SPDs in the other metro areas experienced remarkable variations in federal receipts: the decreasing trend existed from 2001 (\$107,141) to 2012 (\$47,033) with some fluctuations in 2005 (\$180,876) and 2006 (\$192,270). It was followed by growth since 2013 (\$109,941) to 2015 (\$131,771);
- The federal receipt pattern for SPDs in the nonmetropolitan regional centers was somewhat similar to those for SPDs in the big three metro areas: \$96,057 in 2001 and \$164,728 in 2015. Some fluctuations are observed in 2004 (\$224,595) and 2010 (\$259,186);
- Nonmetropolitan SPD federal receipts have had a constant pattern: \$8,919 (2001) to \$35,607 (2015)

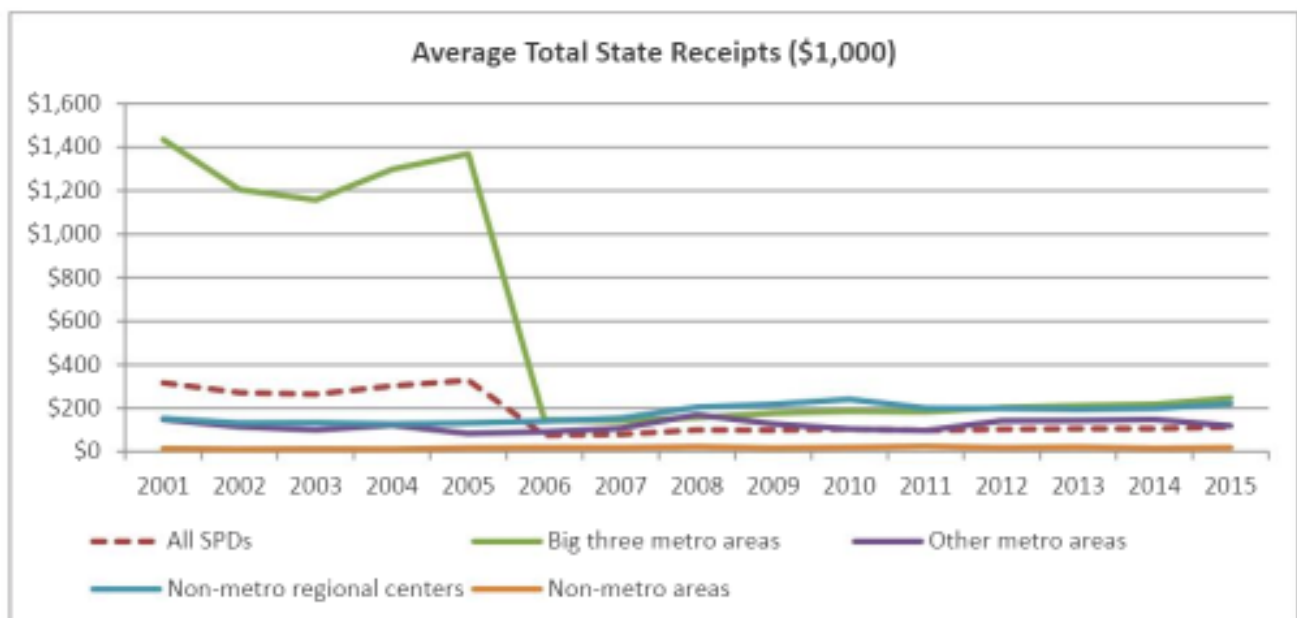


Total state receipts

SPDs in Nebraska can receive several types of state aid including, motor vehicle pro-rate, state aid to core services, grants for technology infrastructure. An average of \$316,685 in state receipts was received in 2001 and aid declined annually to \$113,002 in 2015; the decreasing rate of total state receipts during the period was 64 percent, with an annual rate of 5 percent.

The trend in state receipts varies by metropolitan status:

- The marked pattern of total state receipts for SPDs in the big three metropolitan areas is identified. On average, state receipts were relatively constant from 2007 (\$141,441) to 2015 (\$247,150). Prior to this, SPDs experienced a sharp decline in state receipts from \$1,435,433 in 2001 to 2006 (\$146,518);
- SPDs in the other metro areas have experienced somewhat steady state receipts from \$147,240 in 2001 to \$119,235 in 2015;
- SPDs in the non-metro regional centers have also experienced a constant pattern in state receipts during the period: from \$151,797 in 2001 to \$220,599 in 2015;
- Nonmetropolitan SPD state receipts were stable: from \$13,480 in 2001 to \$18,931 in 2015

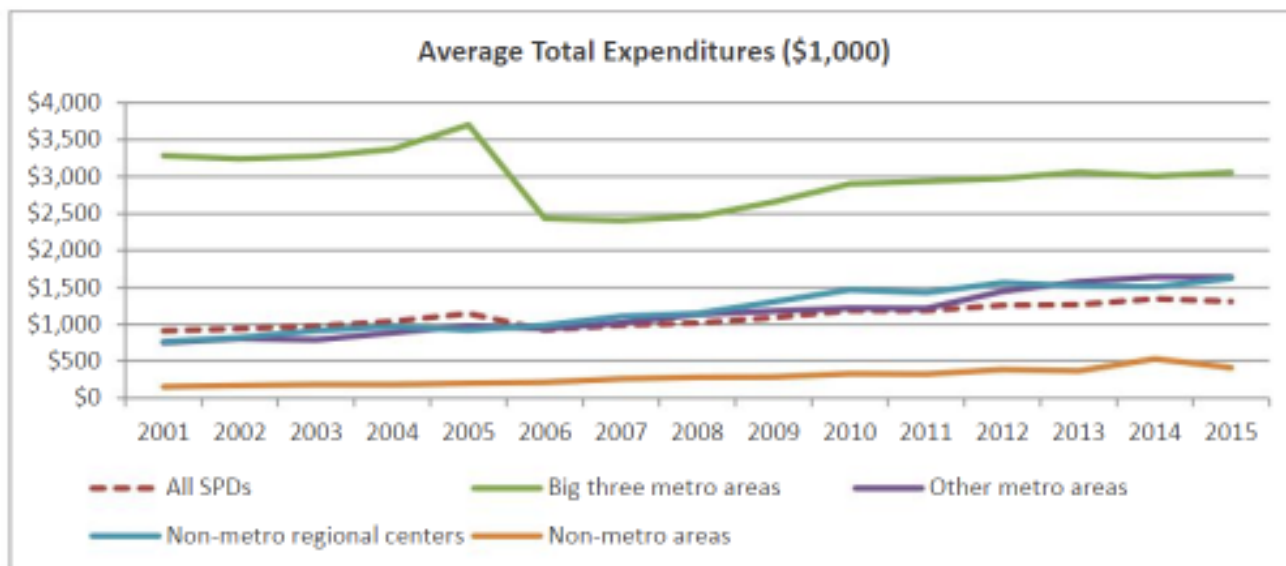


Expenditures by Type

Total expenditures

Nebraska’s SPDs spent an average of \$911,704 in 2001 and total expenditures grew annually to \$1,309,887 in 2015; 44 percent during the period, or 3 percent annually. There is also variation in expenditure patterns across metropolitan areas:

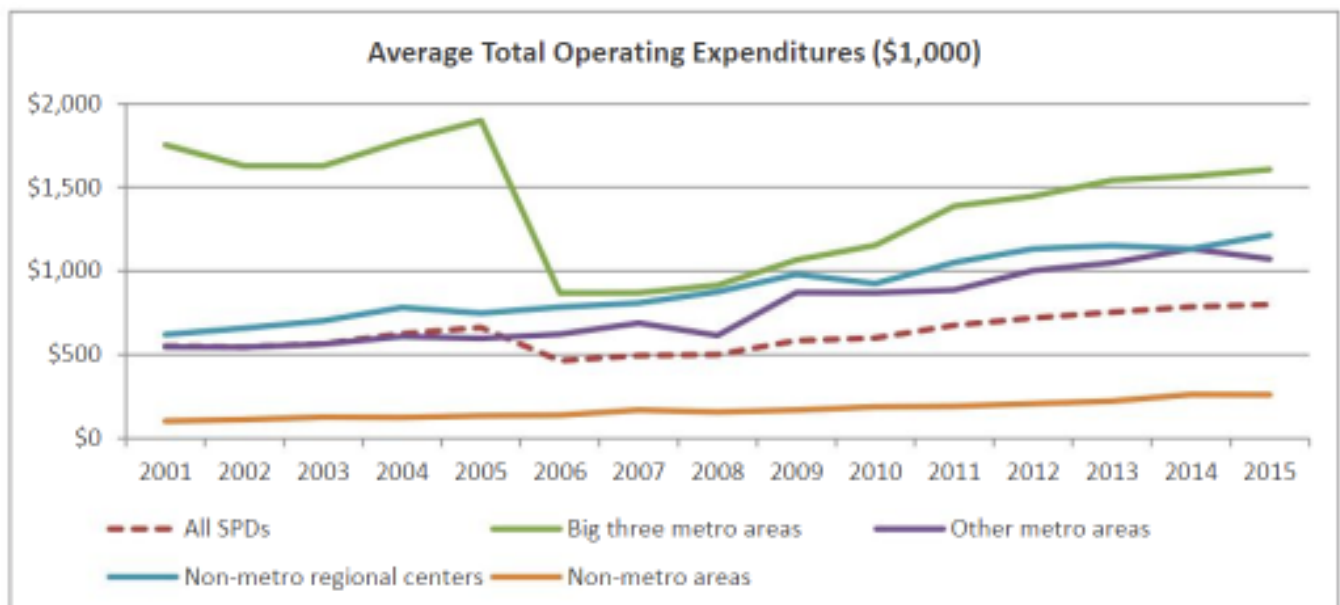
- Total expenditures in the big three metropolitan areas grew modestly from 2001 (\$3,285,161) to 2005 (\$3,702,308). In 2006, SPDs experienced a rapid decline in total expenditures, with a mean of \$2,435,948. Then the trend surged upward again to \$3,056,366 in 2015;
- The expenditure pattern for SPDs in the other metro areas was different from SPDs in the big three metropolitan areas: constant growth from 2001 (\$751,146) to 2015 (\$1,639,741) with a slight drop in 2011 (\$1,215,085);
- SPDs in the non-metro regional centers experienced the expenditure pattern similar with the state-wide trend: up from \$764,741 in 2001 to \$1,623,614 in 2015;
- Nonmetropolitan SPD total expenditures were relatively constant: \$154,733 (2001) to \$410,877 (2015)



Total operating expenditures

Average total operating expenditures for Nebraska's SPDs (expenditures for capital improvement and debt are excluded) was \$552,719 in 2001 and grew to \$799,495 in 2015; total operating expenditures increased during the period at a rate of 45 percent, or 3 percent annually. By grouping we find:

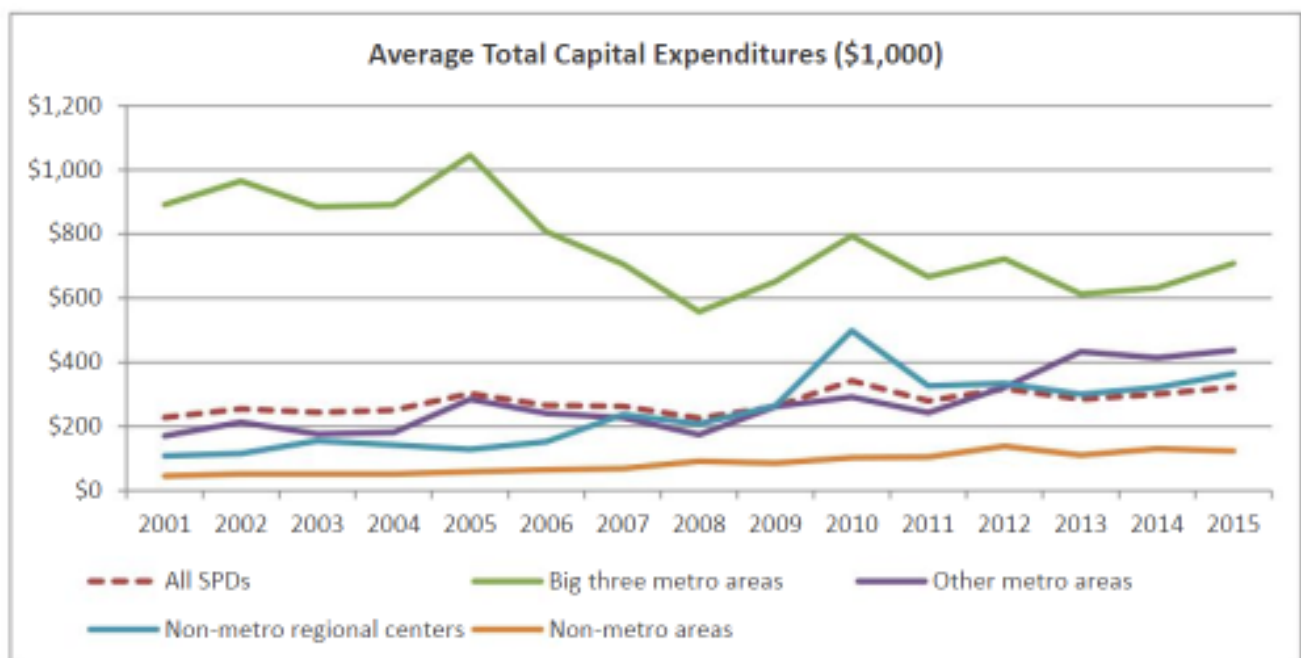
- SPDs in the big three metropolitan areas have experienced a fluctuating pattern in operating expenditures: growth from 2001 (\$1,754,592) to 2005 (\$1,899,321), a large-scale drop in 2006 (\$869,363), and a constant increase again from 2007 (\$869,883) to 2015 (\$1,607,886);
- SPDs in the other metro areas experienced constant growth in operating expenditures: from \$547,080 in 2001 to \$1,072,227 in 2015;
- The operating expenditure pattern for SPDs in the nonmetropolitan regional centers was similar to those for SPDs in the other metro areas: \$620,499 in 2001 and \$1,215,567 in 2015;
- Nonmetropolitan SPD operating expenditures had a relatively stable trend: \$103,486 (2001) to \$261,580 (2015)



Total capital expenditures

Capital expenditures accounted for about one-fourth (25 percent) of total SPD expenditures in 2015. During the period of study, these expenses, on average, grew from \$227,538 in 2001 to \$322,268 in 2015; 42 percent during the period, or 3 percent annually. By group, there are large variations in SPD capital expenditures:

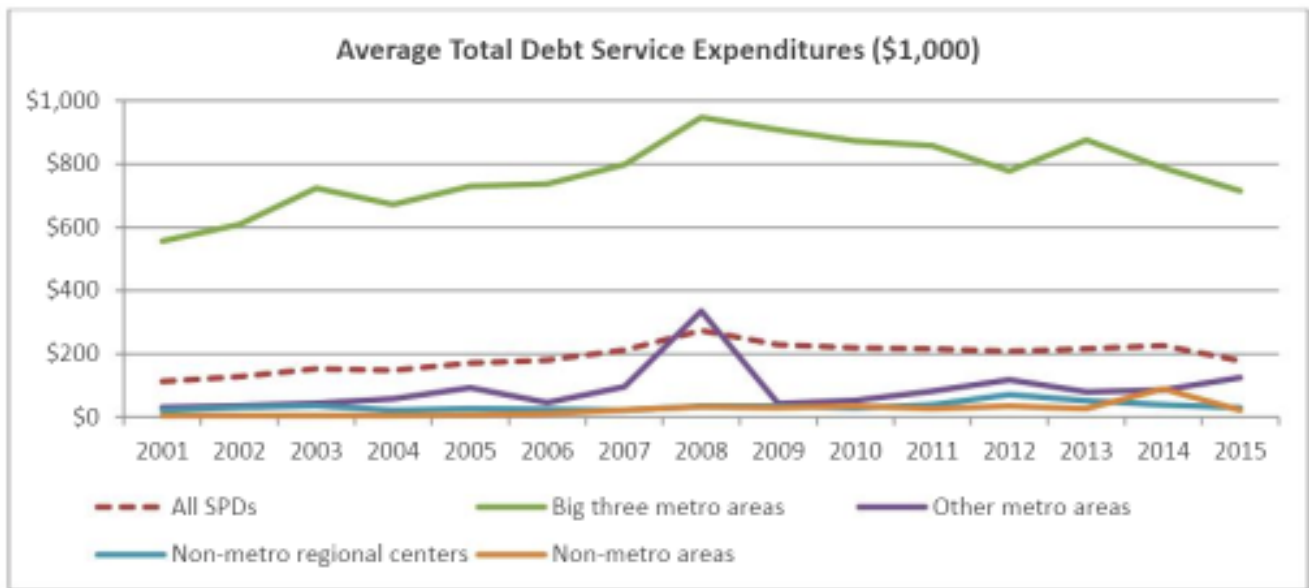
- SPDs in the big three metropolitan areas have experienced fluctuations in capital expenditures over the last 15 years. Generally, capital expenditures have declined from \$891,577 in 2001 to \$708,404 in 2015. Particularly from 2006 (\$807,119) to 2008 (\$557,533), there were sharp shortfalls in capital expenditures;
- The capital expenditure pattern of SPDs in the other metro areas was largely different from those of SPDs in the big three metropolitan areas: constant growth from 2001 (\$170,620) to 2015 (\$437,358);
- SPDs in the non-metro regional centers tracked the state-wide pattern: growth from 2001 (\$108,385) to 2015 (\$364,357);
- Nonmetropolitan SPD capital expenditures annually grew but were relatively even: \$45,541 (2001) to \$123,652 (2015)



Total debt service expenditures

As of 2015, Nebraska SPDs spent about 14 percent of their budgets for debt service purposes. SPDs in Nebraska averaged \$112,580 in total debt service expenditures in 2001 and those payments grew annually to \$177,935 in 2015; the growth rate of total debt service expenditures during the period was 58 percent, with an annual rate of 4 percent. The trend in debt service expenditures varies by metropolitan status:

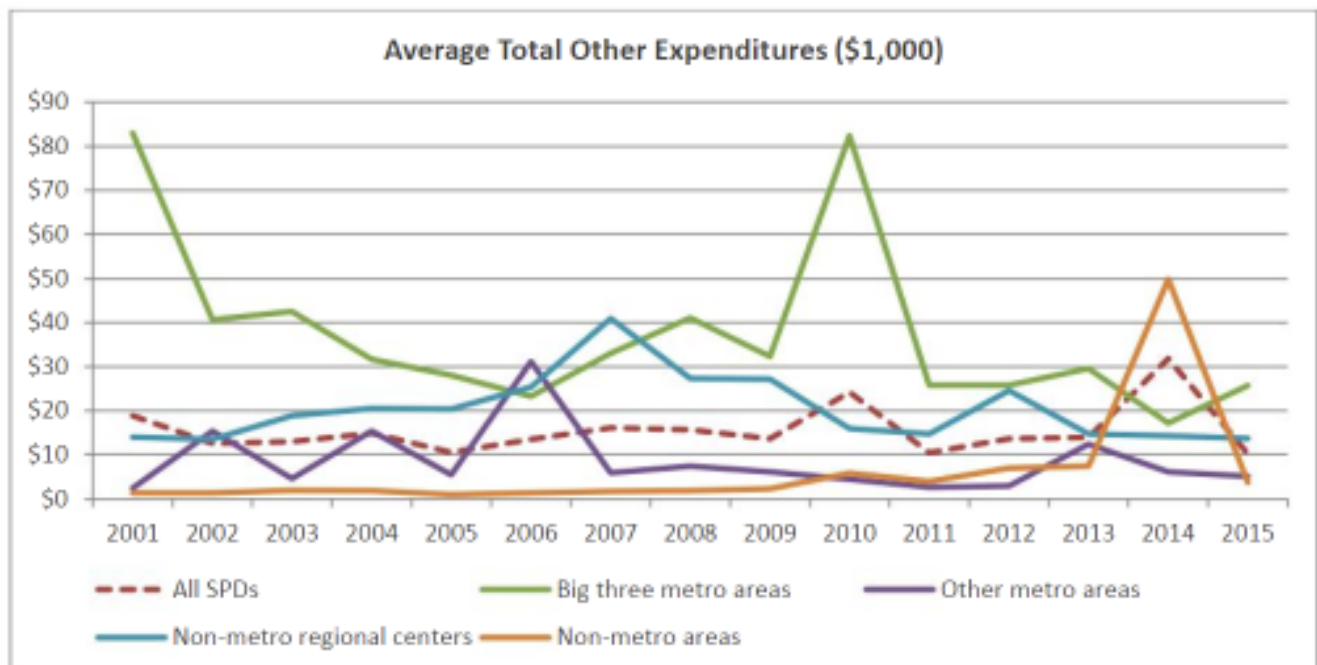
- Average debt service expenditures for SPDs in the big three metropolitan areas fluctuated: from 2001 (\$556,003) to 2008 (\$947,002), debt service expenditures increased, however, the trend in debt service expenditures reversed from 2009 (\$907,934) and 2015 (\$714,359);
- SPDs in the other metro areas have experienced modest growth in debt service expenditures during the period of study: \$31,001 in 2001 to \$125,064 in 2015, with a sharp increase in 2008 (\$335,172);
- The debt service expenditure pattern for SPDs in the non-metro regional centers have had a consistency during the period: from \$21,819 in 2001 to \$30,002 in 2015;
- Nonmetropolitan SPD debt service expenditures grew from \$4,375 in 2001 to \$21,905 in 2015



Total other expenditures

An average of total other expenditures (judgments, transfers, transfers of surplus fees, etc.) for Nebraska's SPDs was \$18,868 in 2001 while it was \$10,189 in 2015; total other expenditures decreased during the period at a rate of 46 percent, or 3 percent annually. A difference between the areas is found:

- SPDs in the big three metropolitan areas have experienced fluctuation in other expenditures: for instance, \$82,990 in 2001, \$23,236 in 2006 and \$82,402 in 2010. Recently, other expenditures declined to \$25,718 in 2015;
- SPDs in the other metro areas experienced a stable pattern in other expenditures from 2007 (\$5,880) to 2015 (\$5,092);
- The other expenditure pattern for SPDs in the nonmetropolitan regional centers was somewhat similar to the state-wide trend: \$14,038 in 2001 and \$13,688 in 2015;
- Nonmetropolitan SPD other expenditures were relatively stable overtime (from \$1,330 in 2001 to \$3,973 in 2011), but there have been some changes in recent years (e.g., \$49,839 in 2014)

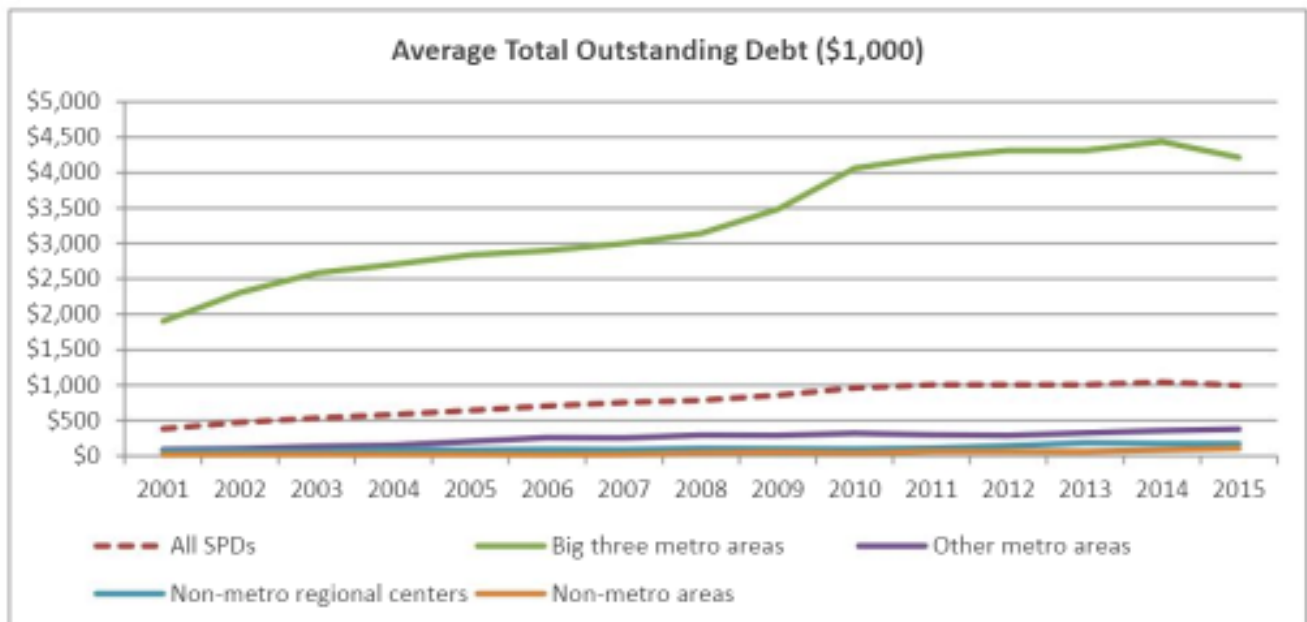


Debt

Total outstanding debt

Outstanding debt consists of both principal and the interest on the associated debt. In 2001, Nebraska's SPDs had an average of \$383,659 in total outstanding debt and it grew annually to \$998,084 in 2015; 160 percent during the period, or 11 percent annually. There is also a difference between the groups:

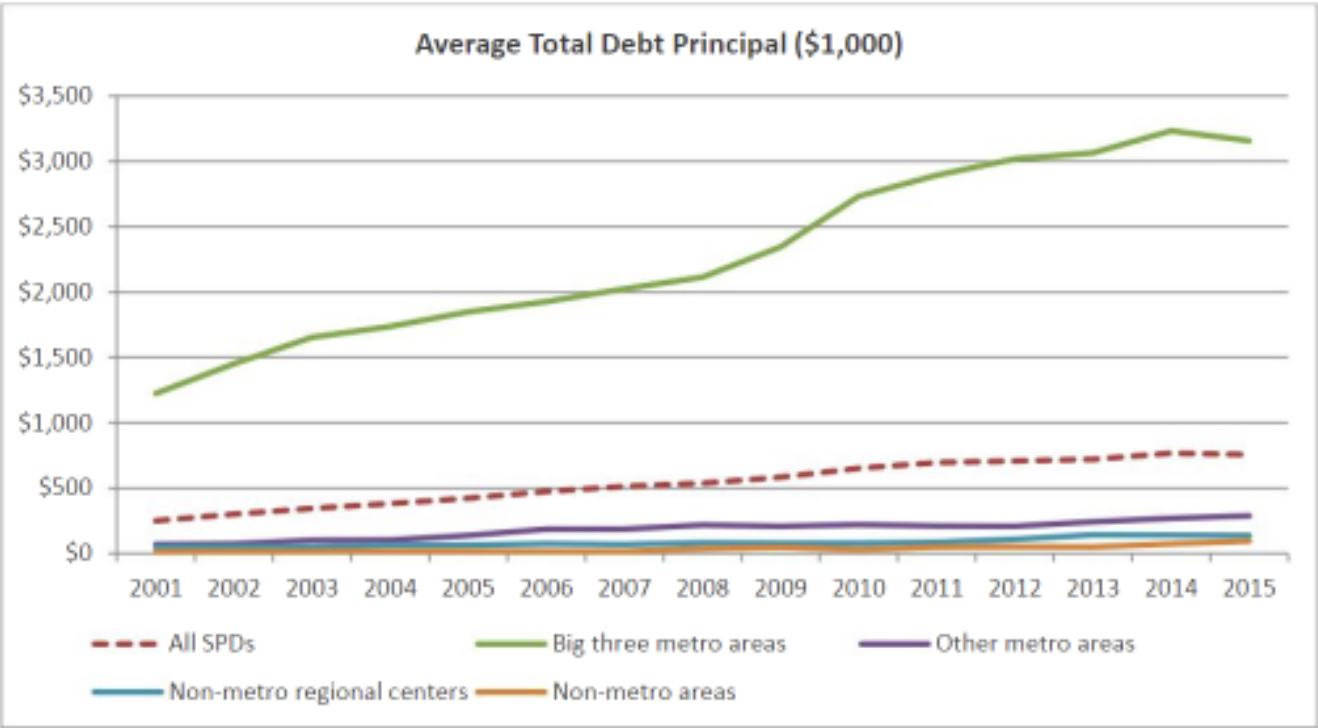
- SPDs in the big three metropolitan areas experienced relatively rapid growth in outstanding debt from 2001 (\$1,901,843) to 2014 (\$4,435,993). Recently, there was a drop in outstanding debt (\$4,213,671 in 2015);
- The outstanding debt pattern for SPDs in the other metro areas rose gradually from \$90,647 in 2001 to \$378,850 in 2015;
- SPDs in the non-metro regional centers have also experienced a constant increase in outstanding debt from 2001 (\$71,042) to 2015 (\$172,676);
- Nonmetropolitan SPD outstanding debt also grew annually, but at a slower rate: from \$16,802 (2001) to \$108,741 (2015)



Total debt principal

On average, total debt principal for Nebraska’s SPDs was \$250,264 in 2001 and it grew annually to \$756,858 in 2015; total principal on debt increased during the period at a rate of 202 percent, or 14 percent annually. Different patterns are observed according to the metro areas:

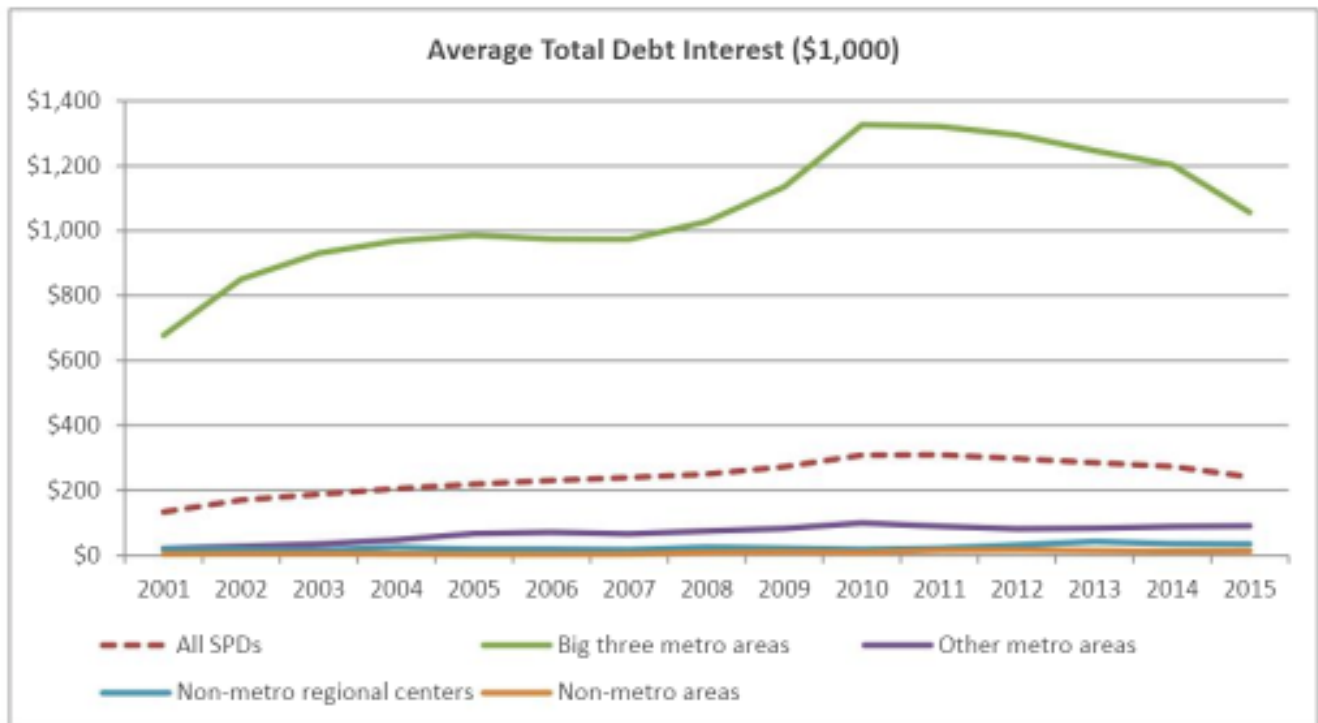
- SPDs in the big three metropolitan areas have experienced steady growth in debt principal from 2001 (\$1,224,178) to 2015 (\$3,157,266). It increased at a relatively fast rate compared to SPDs in other metro areas;
- SPDs in the other metro areas also experienced consistent growth in debt principal: from \$69,843 in 2001 to \$288,202 in 2015;
- SPD debt principal in the nonmetropolitan regional centers have increased annually: from \$50,831 in 2001 to \$138,128 in 2015;
- Nonmetropolitan SPD per capita debt principal grew at the slowest rate: from \$12,907 (2001) to \$95,302 (2015)



Total debt interest

In 2001, Nebraska SPDs paid, on average, \$133,395 in debt interest and it increased annually to \$241,226 in 2015; the growth rate of total debt interest during the period was 81 percent, with an annual rate of 6 percent. The trend in debt interest varies by metropolitan status:

- SPDs in the big three metropolitan areas experienced growth from 2001 (\$677,664) to 2010 (\$1,326,582) when the trend in debt interest reversed in 2011 (\$1,321,688) and SPD debt interest payments declined to \$1,056,406 in 2015;
- Despite some small-scale fluctuations, SPDs in the other metro areas have experienced consistent growth in debt interest: from \$20,804 in 2001 to \$90,648 in 2015;
- SPDs in the non-metro regional centers have also experienced growth in debt interest from \$20,211 in 2001 to \$34,548 in 2015;
- Nonmetropolitan SPDs' debt interest payments were somewhat stable compared to SPDs in other areas: from \$3,896 in 2001 to \$13,439 in 2015



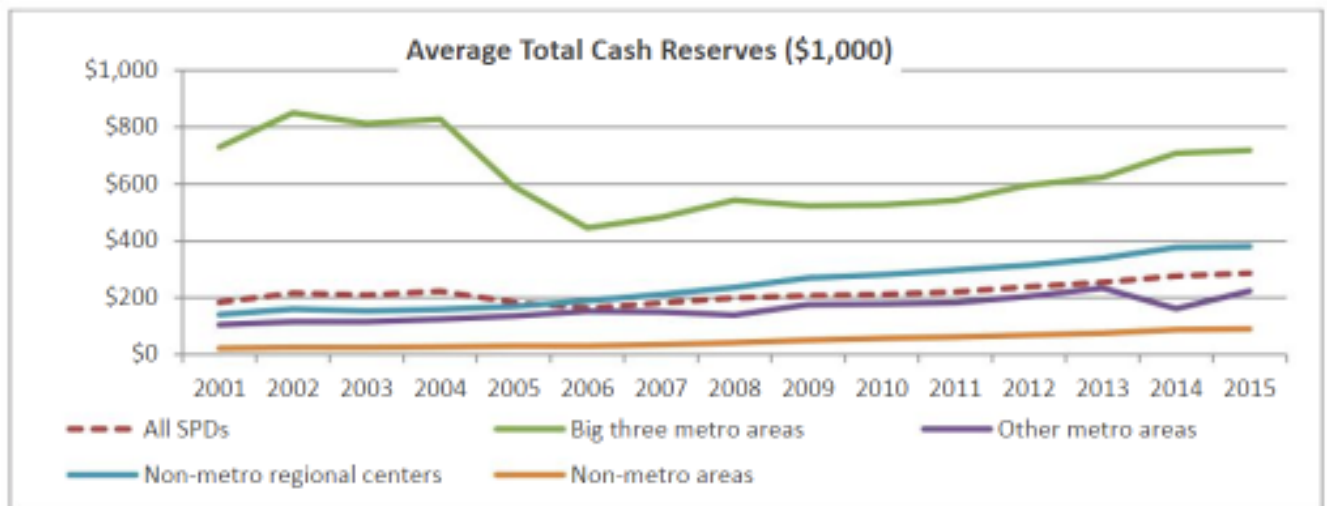
Liquidity

Liquidity refers to reserves SPDs have available for “rainy days”, meaning funds to help with revenue shortfalls, unexpected expenditures and/or to fill gaps in revenue flows so communities do not need to short-term borrow.

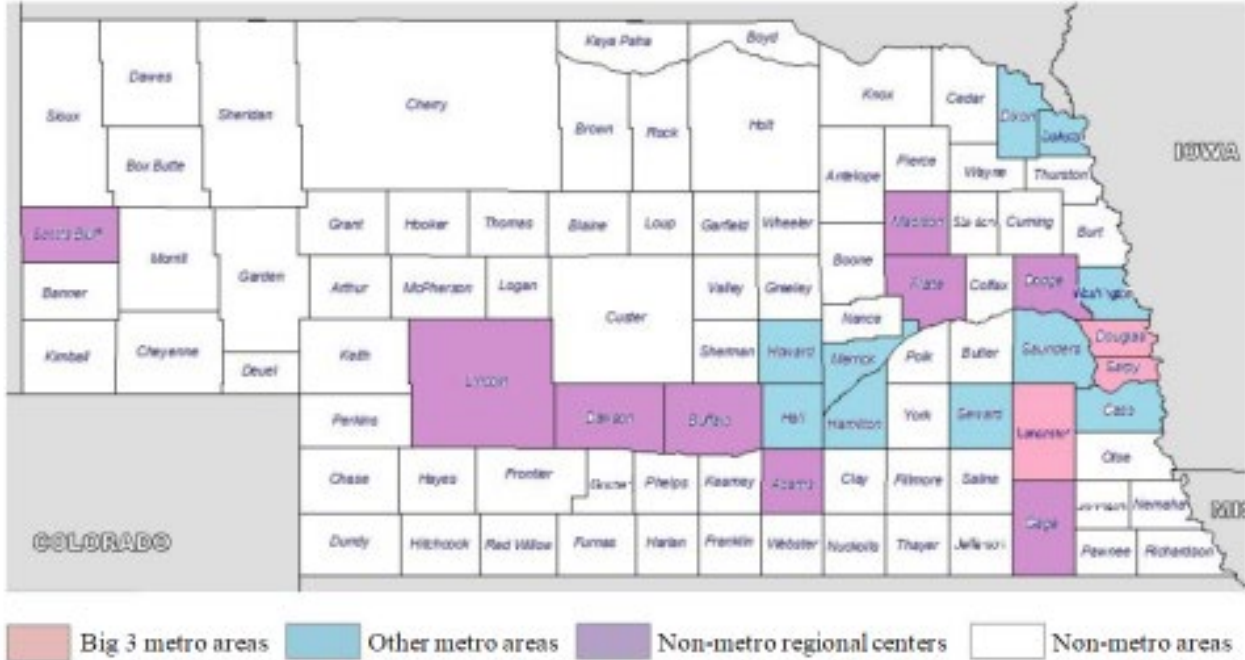
Total cash reserves

Nebraska’s SPDs possessed an average of \$183,487 in 2001 and total cash reserves grew annually to \$285,782 in 2015; 56 percent during the period, or 4 percent annually. There is also a difference between the groups:


- SPDs in the big three metropolitan areas experienced decline in cash reserves from 2001 (\$729,449) to 2006 (\$445,130). This trend changed in 2007 (\$482,996). SPD cash reserves then grew to \$718,558 in 2015;
- The cash reserve pattern for SPDs in the other metro areas tracked the state-wide pattern: up from \$104,543 in 2001 to \$223,728 in 2015. There was a sudden drop in 2014 (\$160,369);
- SPDs in the non-metro regional centers experienced constant cash reserves growth from 2001 (\$140,024) to 2015 (\$379,879);
- Nonmetropolitan SPD cash reserves were relatively even but grew annually: \$21,814 (2001) to \$89,379 (2015)



Appendix 1. Nebraska Counties Classified by Metropolitan Status



Sources: Metropolitan and Micropolitan Definitions, the Office of Management and Budget (OMB)

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