

# Q&A: STATE BUDGET SURPLUS



## **What is a budget surplus and what does it mean?**

This is when Nebraska collects more in taxes than it plans to spend. In this case, the state is estimating that in the next two years, it will collect \$1.9 billion more than it will spend. The Legislature has the responsibility of deciding what to do with the \$1.9 billion.

## **How is it calculated?**

A group of experts selected by the state considers many different economic factors to come up with an estimate of how much the state will collect in taxes compared to how much it plans to spend.

## **Where did this budget surplus come from?**

Over the course of the pandemic, Nebraska received \$24 billion in federal stimulus funds. Those dollars circulating throughout the state economy are likely the main driving force behind the budget surplus - more so than any change in state decisions.

## **Is the surplus guaranteed?**

No. Any major change in the economy, including a recession, could lead actual tax collections to be less than currently expected. At the same time, federal stimulus funds are ending. Once these extra dollars stop coming in, the amount the state collects in tax revenue may slow down. The state may then have less money to spend on state services.

## **What happens if state tax collections come in lower than expected?**

The state budget has to be balanced between how much is collected in taxes and how much is spent on state services. If the state ends up collecting less in taxes than it currently expects, the Legislature may have to adjust the budget in the 2024 legislative session.

## **How can the budget surplus be spent?**

While the Legislature can use the surplus however it wishes, committing to ongoing spending, either through tax cuts or new programs, could leave the state in a pinch should the surplus not materialize. The budget surplus does, however, present an opportunity to make powerful one-time investments on items such as bridge repairs, affordable housing or tax rebates to residents.