



**The Economic Impact
of COVID-19 on the
Nebraska Economy**

SECOND CUT*

BY **ERNIE GOSS, PH.D.**, MACALLISTER CHAIR,
CREIGHTON UNIVERSITY AND **SCOTT STRAIN, M.S.**,
SENIOR ECONOMIST, GOSS & ASSOCIATES

APRIL 2020

Table of Contents

Dear Nebraskans	3
Introduction	4
The Expanding Infection Rate	4
Estimated Economic Impact	4
Conclusions and Caveats	7
Endnotes	7

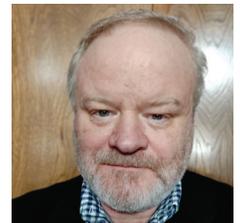
***Estimates contained in this white paper will be updated as the number of Nebraska COVID-19 deaths and positive tests are made public and monthly state employment data are released.**

About the Authors

ERNIE GOSS is professor of economics and MacAllister Chair at Creighton University. He is a former research fellow with the Congressional Budget Office and National Aeronautics & Space Administration. He has published two books: *Governing Fortunes: Casino Gambling in America* and *Changing Attitudes toward Economic Reform during the Yeltsin Era*.



SCOTT STRAIN has over a quarter-century of experience as an economist and statistician. He has provided forecasts and analysis across a wide-range of industries, including the agricultural, energy, and financial sectors. In addition, Scott provides economic impact and tax analysis for both private business and public sector entities. In addition to his work with Goss and Associates Economic Solutions, he is an adjunct professor with the College of Business Administration at the University of Nebraska, Omaha.



6910 Pacific Street, Suite 216 | Omaha, NE 68106
402.452.3737 | platteinstitute.org

Dear Nebraskans,

There is no way to predict how long or how deep the economic impact will be on Nebraska from the COVID-19 crisis. The state of Nebraska and Douglas County received a total of \$1.25 billion from the federal government's Coronavirus Relief Fund to help aid the state in managing the fiscal impact from the virus. There are discussions of another economic rescue package in Congress, but the details are not yet known.

With regards to our state budget, Nebraska operates in a biennial (two-year) budget cycle, which was passed last year by the Legislature. This puts Nebraska in a better situation than most states, because the Legislature technically doesn't have to adjust the budget if this crisis lingers past the end of the fiscal year (June 30).

At the end of the 2019 legislative session, there was a projected balance of \$455.2 million in the state's cash reserve or rainy-day fund. However, there are some items the Legislature wants to address in this year's budget adjustment, including \$55.2 million for flood relief, an adjustment to the Homestead exemption, and needs of the Department of Health and Human Services. Thanks to the large amount in the cash reserve, the state should be able to manage through the end of this budget cycle without too much negative impact. Nevertheless, there is still the lingering question: *what is the impact of COVID-19 on the state during the next biennium and to Nebraska's economy as a whole?*

To answer that question, the Platte Institute has partnered with Ernie Goss, Ph.D. at Creighton University to estimate

what the impact of COVID-19 will be on Nebraska. This 'Second Cut' tells us the early impact of the crisis using data from March and the first few days in April. The major impact of the virus did not take its toll on Nebraska until the month of April and will continue into the foreseeable future. Thus, as more data is made public and state employment data is released, this estimation will be updated.

In order to generate an economic impact figure quickly, modeling software has been used to give us these estimates. While this software cannot capture all economic activity gained or lost due to the COVID-19 crisis, it does give us a general sense of what the impact will be on Nebraska, even if the dollar amounts are not exact.

According to this preliminary analysis, in March and early April 2020 Nebraska experienced a loss of 96,147 jobs, and \$46.2 million in state and local tax collections, for a total impact of \$834.5 million.

I invite you to follow the Platte Institute as we continue to explore the economic impacts of COVID-19 and what this means for the great state of Nebraska. The Platte Institute is committed to taking this information and helping elected officials and policy leaders make the best decisions for all of us. The goal of the Platte Institute is to help minimize the pain of this crisis while also helping to maximize our growth opportunities on the other side.

Thank you. Take care and stay healthy,

SARAH CURRY
Policy Director

Introduction

Not since 1776 when Adam Smith delineated the industrialized capitalist system in his *Wealth of Nations* has the global economy or the U.S. economy experienced the challenges presented by COVID-19. Economic impacts ranging from slight to decimation, the virus has altered both purchasing and selling patterns of businesses and consumers across the nation, including Nebraska. The objective of this “white paper” is to quantify the economic impacts on the State of Nebraska, with the understanding that the estimates will change as the geographic intensity of the virus changes. Authors expect to update the estimated impacts presented in this study several times until the virus is controlled, or moves to remission.

The Expanding Infection Rate

On March 9, 2020, the coronavirus had infected 647 U.S. citizens and 2 Nebraskans. This represented approximately 2 infections per 1 million Americans and 1 infection per 1 million Nebraskans. By April 15, the number of infections per million residents had expanded to 1,927 for the U.S. and to 513 for Nebraska. Figure 1 profiles the expansion in infections per million.

This infection expansion has had a profound impact on the U.S. and Nebraska labor markets and economies. Figure 2 profiles first-time claims for unemployment benefits as a percent of the labor force between the last week of February and the second week of April. As presented, the U.S. claims as a share of the labor force has exceeded the Nebraska share, and the gap has widened over the observed period.

Estimated Economic Impact

Methodology

Since Nebraska employment data for April and the second half of March will not be released until late-May, it is necessary to make some fairly strict assumptions to produce this “second cut” of impact estimates.

Step 1: Based on the most recently released Nebraska continuing claims for unemployment benefits, calculate

the increase in workers receiving unemployment benefits from March 14. The increase is assumed to be the result of COVID-19. *Step 2:* Estimate the total number of Nebraska unemployed by dividing the value from Step 1 by the state’s share of unemployed receiving unemployment benefits. During the last recession, this was equal to 0.47. *Step 3:* Estimated direct job losses from Step 2 will be input to IMPLAN Multiplier System, an economic modeling application. IMPLAN will produce spillover impacts, which when added to direct impacts, equal total economic impacts for the state.¹

IMPLAN uses classic input-output analysis in combination with regional specific social accounting matrices and multiplier models. IMPLAN provides a highly accurate and adaptable model for its users. The IMPLAN database contains county, state, zip code, and federal economic statistics which are specialized by region and can be used to measure the effect on a regional or local economy of a given change or event in the economy’s activity. Primary sources for IMPLAN data are the U.S. County Business Patterns and the U.S. Bureau of Economic Analysis. IMPLAN and RIMS (Regional Input-Output Modeling System) are two of the most widely-used multiplier models.

Estimated impacts

Table 1 lists the estimated economic loss for the State of Nebraska, for March and early April 2020 only. As presented, losses were: 96,147 jobs, wages and salaries of \$257 million, self-employment income of \$30 million, and a total impact of \$834.5 million. The annualized

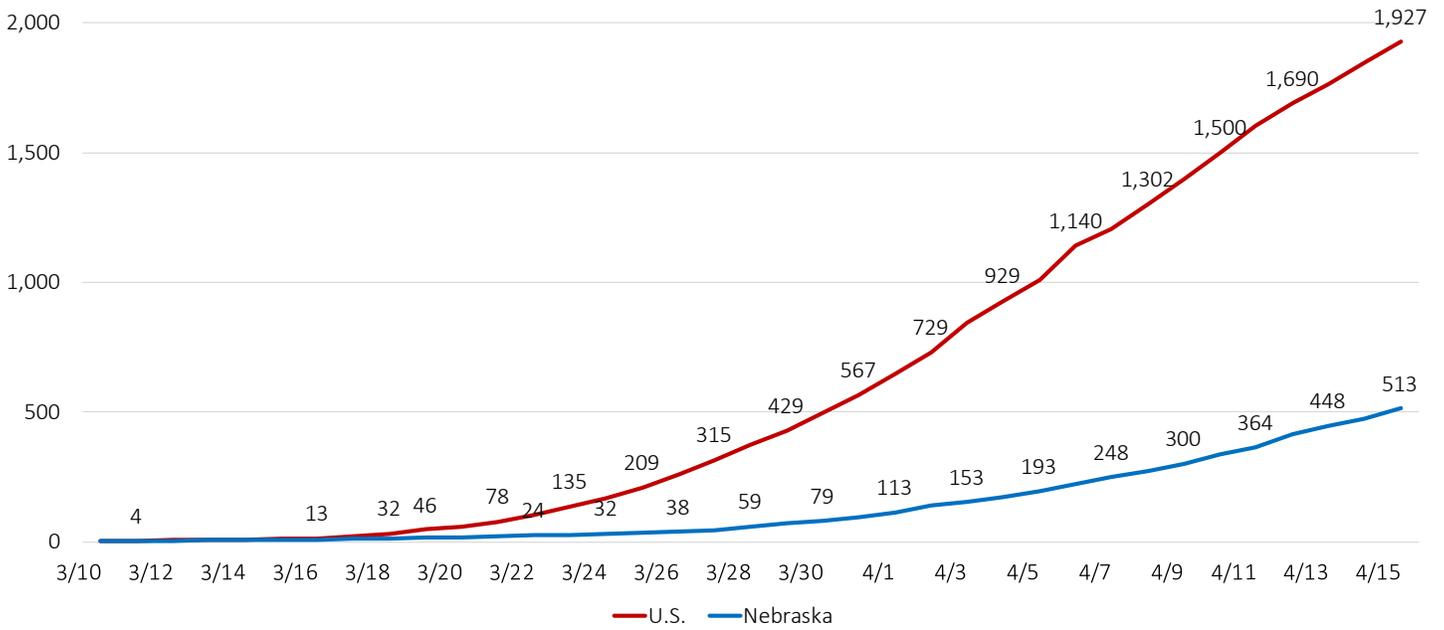
TABLE 1: Estimated Loss for the State of Nebraska, March 14 – April 4, 2020

Jobs	96,147
Wages & Salaries	\$256,956,603
Self-employment Income	\$30,041,226
Total Impact	\$834,491,888

NOTE: Does not consider the impact of the federal rescue plan (CARES Act) which includes payments to state and local government of \$150 billion.

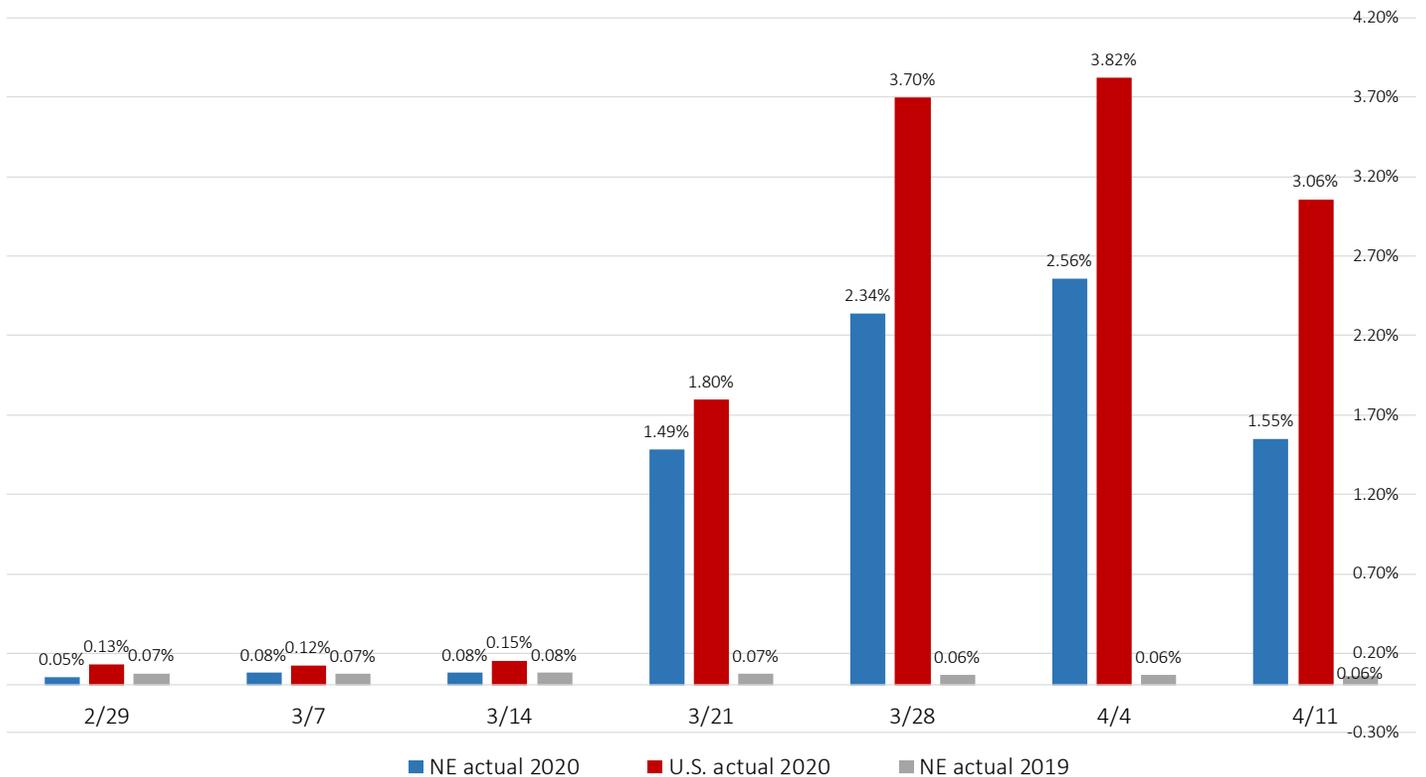
SOURCE: Goss & Strain estimates from IMPLAN Multiplier System

FIGURE 1: COVID-19 Positive Tests per 1,000,000 Residents, U.S. and Nebraska Compared, March 10 – April 15, 2020



SOURCE: CDC

FIGURE 2: First-time Claims for Unemployment Benefits as a Percent of Labor Force, U.S. vs. Nebraska (Not Seasonally Adjusted)



SOURCE: U.S. Department of Labor

average yearly wages and salaries of jobs lost was \$32,070. This is well below the state average. This is due to the fact that 70% of the jobs lost were in the low-wage industries of hospitality and retail (Source: U.S. Bureau of Labor Statistics).

Table 2 lists the estimated loss in state and local tax collections from the COVID-19 pandemic. As listed, the total estimated loss in state and local tax collections for March and early April 2020 was \$46.2 million. The local taxes lost in this table represent data at the county level and the figure is for all 93 counties in aggregate. Importantly, note that the loss in property taxes is based on a reduction in property tax assessments.

On March 19, in an attempt to slow the spread of COVID-19 infection rates, California became the first state to order residents to stay at home, except for essential activities. As of April 7, 42 states covering 90% of the nation have been ordered to stay home, often termed “shelter in place.” Nebraska was one of nine states that has not enacted “shelter in place” rules and ordinances. While there is no formal “shelter in place,” there have been statewide directives put in place which limit or prohibit certain businesses and social activities as well as specific directives at a county level. Table 3 lists the percentage point increase in the share of the covered employment receiving unemployment benefits between March 7, 2020, to April 4, 2020. States are divided into the states where citizens are sheltered-in-place and the nine states where citizens are not sheltered-in-place.

TABLE 2: Estimated Loss in State and Local Tax Collections for Nebraska, March 14 – April 4, 2020

	Local	State	Total
Sales & Gross Receipts	\$2,319,345	\$11,321,341	\$13,640,685
Individual Income Taxes	\$0	\$10,479,461	\$10,479,461
Corporate Income Taxes	\$0	\$1,243,530	\$1,243,530
Property Taxes	\$17,653,697	\$0	\$17,653,697
Other Taxes and Fees	\$2,192,711	\$952,454	\$3,145,165
Total State & Local Taxes Lost	\$22,165,753	\$23,996,785	\$46,162,539

NOTE: Loss in property taxes assumes that assessments are reduced with no change in the property tax

SOURCE: Goss & Strain estimates from IMPLAN Multiplier System

FOLLOW

our reports on the economic impact of COVID-19 in Nebraska at PlatteInstitute.org/Policy

SUBSCRIBE

to our weekly email at PlatteInstitute.org/Subscribe

VISIT

the Platte Institute blog at TheFullPlatter.com

TABLE 3: Change in Unemployment Claims as a Percent of Covered Employment

Non-Shelter-in-Place States			
Arkansas	2.08%	South Carolina	2.90%
Iowa	4.07%	South Dakota	1.08%
Nebraska	3.46%	Utah	2.33%
North Dakota	2.31%	Wyoming	1.59%
Oklahoma	2.42%		
Average increase		2.47%	
Median increase		2.38%	

Shelter-in-Place States			
Alabama	2.00%	Mississippi	1.98%
Alaska	3.77%	Missouri	3.50%
Arizona	1.58%	Montana	5.73%
California	4.05%	Nevada	8.11%
Colorado	1.92%	New Hampshire	7.29%
Connecticut	6.48%	New Jersey	4.20%
Delaware	3.15%	New Mexico	4.38%
D.C.	4.25%	New York	5.87%
Florida	0.78%	North Carolina	5.15%
Georgia	7.66%	Ohio	7.06%
Hawaii	4.21%	Oregon	4.68%
Idaho	3.53%	Pennsylvania	7.41%
Illinois	2.14%	Rhode Island	9.50%
Indiana	1.62%	Tennessee	2.98%
Kansas	2.96%	Texas	2.04%
Kentucky	5.68%	Vermont	5.51%
Louisiana	5.42%	Virginia	2.96%
Maine	5.41%	Washington	7.58%
Maryland	2.51%	West Virginia	3.08%
Massachusetts	6.60%	Wisconsin	5.83%
Michigan	6.71%	Puerto Rico	3.64%
Minnesota	6.48%	Virgin Islands	0.21%
Average increase		4.49%	
Median increase		4.23%	

NOTE: Covered employment for unemployment insurance purposes, is work that is covered by unemployment insurance benefits when a worker becomes unemployed.

SOURCE: U.S. Department of Labor

As presented in Table 3, between March 7, 2020, and April 14, 2020, non-shelter-in-place states suffered a smaller percentage point increase in covered employment receiving unemployment benefits than shelter-in-place states. Between the two dates, the increase was a median of 2.38% for non-shelter-in-place compared to a higher 4.23% for shelter-in-place states. This data suggest that economic impacts for Nebraska and other non-shelter-in-place states are likely to be lower than that for shelter-in-place states.

Conclusions and Caveats

Importantly, these estimated losses are based on the assumption that March and April losses are not offset by increased purchases in later months. However, it is clear that some losses, for example, reduction in haircuts in March and April, will not be offset by a doubling of haircuts in a future month. The estimated losses contained in this white paper will be updated when the U.S. Bureau of Labor Statistics releases up-to-date employment data for the state.

The analysis presented here does not consider how much output will be further lost, nor does it consider the impact of the federal rescue plan which includes payments to state and local government agencies to offset the negative impacts of COVID-19.

Endnotes

1. Data and software: Minnesota IMPLAN Group, Inc., IMPLAN System (data and software), 16905 Northcross Drive, Suite 120, Huntersville, NC 28078, www.implan.com



6910 Pacific Street, Suite 216 | Omaha, NE 68106
402.452.3737 | platteinstitute.org

OUR MISSION

To advance policies that remove barriers to
growth and opportunity in Nebraska.

A non-profit foundation, the Platte Institute relies on the resources and innovative thinking of individuals who share a commitment to liberty and the best possible quality of life for Nebraskans.