



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

THIRD CUT*

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

JUNE 2020

Dear Nebraskans,

Our state and nation have been actively fighting COVID-19 since mid-March. We are getting a handle on the public health aspect of the crisis, yet the economic impact is still being realized as businesses begin to reopen. As more data becomes available, we can start to measure the impact this crisis is having on our economy. However, some of these economic impacts will not be realized until 2021, and we remain in uncertain times.

The Bureau of Labor Statistics released the state unemployment data for April 2020, which yielded an 8.3% unemployment rate, the highest in the state's recorded history. While the state has received funds from the federal government to aid the relief efforts from this crisis, it is becoming a reality that the most significant impact on the state is the loss of tax revenues. Some businesses have already announced they will be closing permanently, and others are finding it hard to operate under the public health directives of social distancing and limited capacity.

The Nebraska Legislature is currently scheduled for a return to its 2020 session on July 20 for the remaining 17 days of its 60-day short session. Because the return is after the end of the biennial (two-year) budget cycle's fiscal year (June 30), any bills enacted with a fiscal impact will be reflected in the next biennial budget. While the state has a relatively healthy cash reserve fund of \$455.2 million, this does not mean it is "in the clear" and can go back to business as usual when the Legislature

reconvenes. Lawmakers need to remain prudent and fiscally responsible during these uncertain times and prioritize the cash reserve fund over new spending.

The total impact of COVID-19 on our state is still not quantifiable. Entrepreneurship and small businesses are the backbones of our state's economy, and this crisis has hit them exceptionally hard. That is why the Platte Institute is continuing to partner with Ernie Goss, Ph.D. from Creighton University, to estimate what the impact of COVID-19 will be on Nebraska. This "Third Cut" tells us the early effects of the crisis using data from March to the first few days in May. To give a more complete picture of the impact from the crisis, this version includes an annualized impact. There will be long-term adverse effects from this event on our economy, and we attempt to capture that with an annualized calculation.

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 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

***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.**

Introduction

In 1999, researchers at the U.S. Centers for Disease Control (CDC) and Prevention estimated that a global influenza pandemic would inflict up to 207,000 U.S. deaths and trigger a cost to the national economy of roughly 1.5% of GDP.¹ As of May 28, 2020, the CDC calculates that COVID-19 has generated 100,446 U.S. deaths and 164 Nebraska casualties. To date, there have been a total of 95,187 Nebraskans tested and 13,261 positive cases with Douglas, Dakota, Hall, and Lancaster counties having the most positive cases in the state.² Due to COVID-19, the U.S. economy contracted by 4.8% in Q1 2020, and according to the latest U.S. Bureau of Labor Statistics (BLS) data, the Nebraska unemployment rate expanded to 8.3% in April 2020.

In terms of economic impact, the virus has altered both purchasing and selling patterns of businesses and consumers across the nation—including Nebraska—with impacts by industry ranging from slight to almost decimation. 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 will update the estimated impacts presented in this study several times until the virus is controlled or moves into remission.

Nebraska’s Rising Unemployment from COVID-19

Total Unemployment

The Bureau of Labor Statistics released the state unemployment data for the month of April showing Nebraska had a 4.3 percent increase in unemployment from March 2020 amounting to an additional 86,300 people. The rate in February, before the pandemic was fully realized, was 2.9 percent. While the 8.3 percent unemployment rate was not a high rate on a national scale, for the state it was the highest in recorded history. What is also significant is that the state has never experienced such a stark jump in unemployment.

Figure 1 shows the entire recorded history of Nebraska’s unemployment by month since 1976. Normal business cycles create a gradual decline of jobs with a negative impact on the state’s unemployment rate. However, the impact from this crisis was very abrupt and put a significant burden on the state’s unemployment insurance fund.

Unfortunately, total unemployed by state are released only once per month. Thus, to more accurately gauge the impact of COVID-19, one must examine and analyze insured unemployment numbers which are released every Thursday. The next section focuses on this metric.

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.

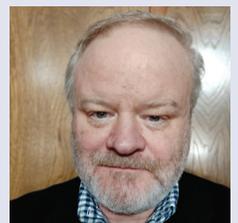
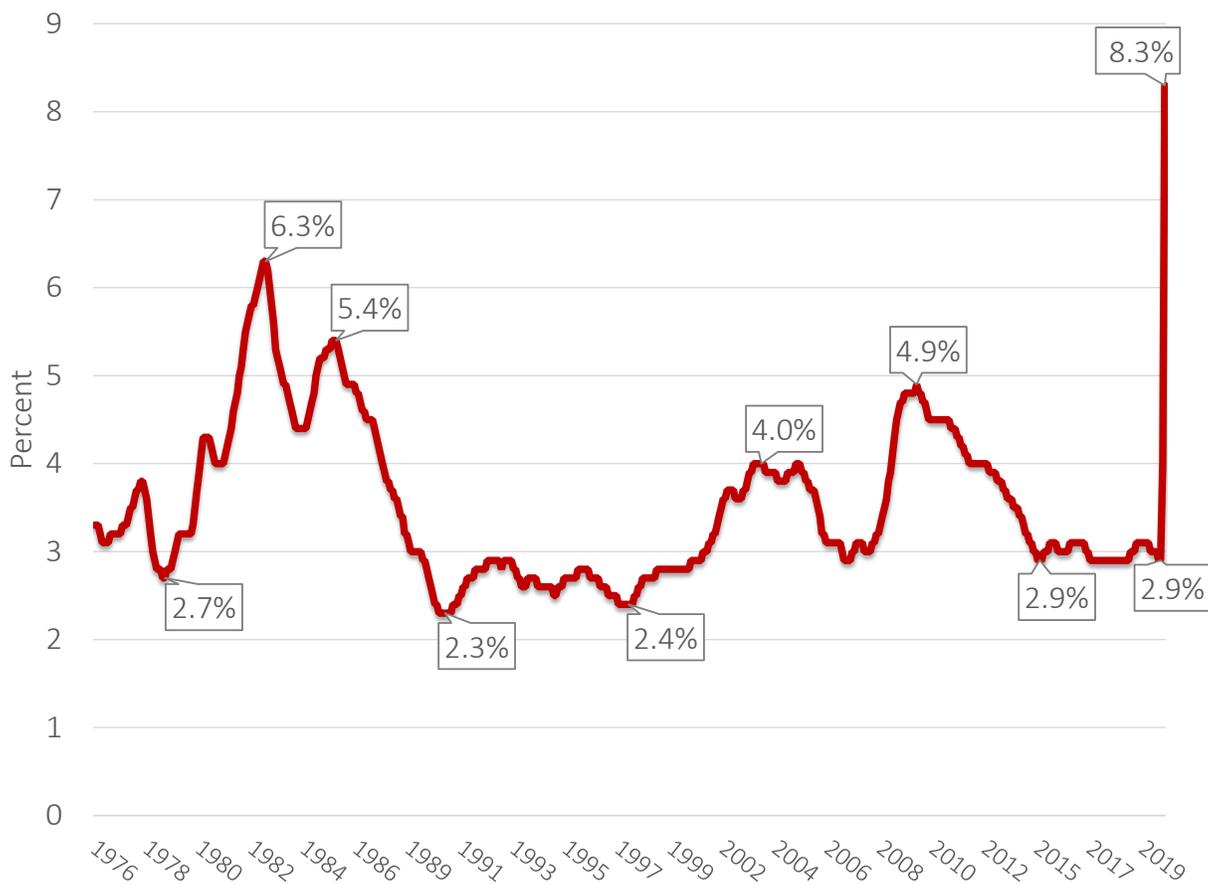


FIGURE 1: Nebraska civilian labor force unemployment rate, January 1976 to date (seasonally adjusted)



Insured Unemployment

The COVID-19 infection expansion has had a profound impact on the rate of unemployment among individuals qualifying for unemployment insurance, U.S. and Nebraska labor markets, and economies. Figure 2 profiles the number of Nebraska individuals receiving unemployment benefits. As presented, between March 7, 2020, and May 9, 2020, the number of individuals receiving unemployment insurance benefits soared from 5,076 to 61,571 for Nebraska and from 2,057,280 to 22,942,103 for the U.S.

Figure 3 lists the insured unemployment rates for the week ending May 9, 2020, as a percent of covered employment.³ As presented, Nebraska’s rate of 7.1 percent is the fourth lowest in the nation. Nevada’s 23.5 percent was the highest rate in the nation while South Dakota’s 5.6 percent was the lowest.

Estimated Economic Impact of COVID-19 on Nebraska: March 14–May 9

On March 13, in an attempt to slow the spread of COVID-19 infection rates, Nebraska’s governor held a press conference issuing guidance on school closures as well as announcing the cancellation of many major events across the state. It has become evident that the statewide directives put in place which limit or prohibit certain businesses and social activities will have a long-term effect on the state’s economy.

The re-opening of businesses began on May 4 with a second phase of re-openings on June 1. We anticipate that as more data is made available after these re-openings, we will have a more complete picture of the aggregate impact this crisis is having on Nebraska’s economy.

FIGURE 2: Continuing claims for unemployment insurance, Nebraska vs. U.S. March 7 – May 9, 2020 (not seasonally adjusted)

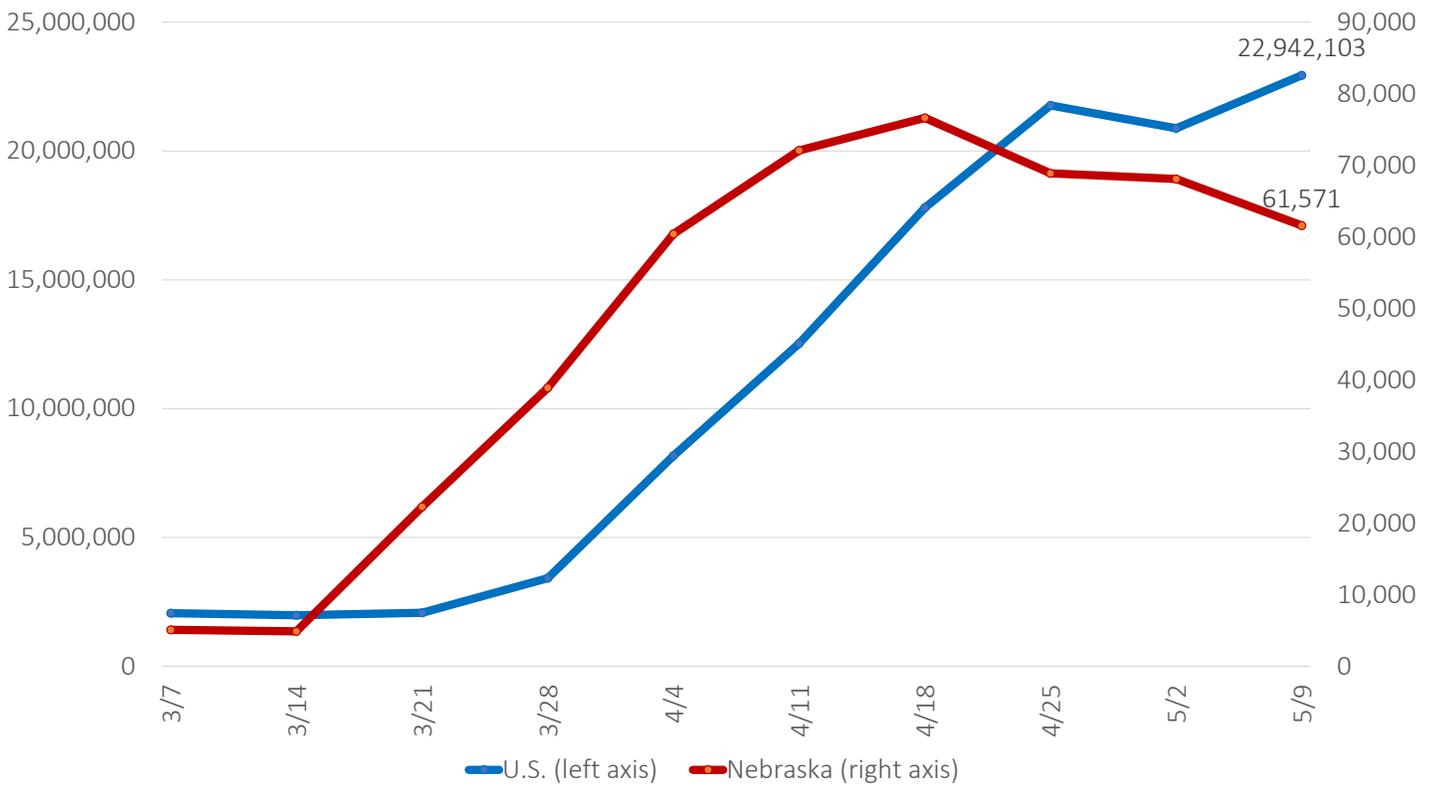
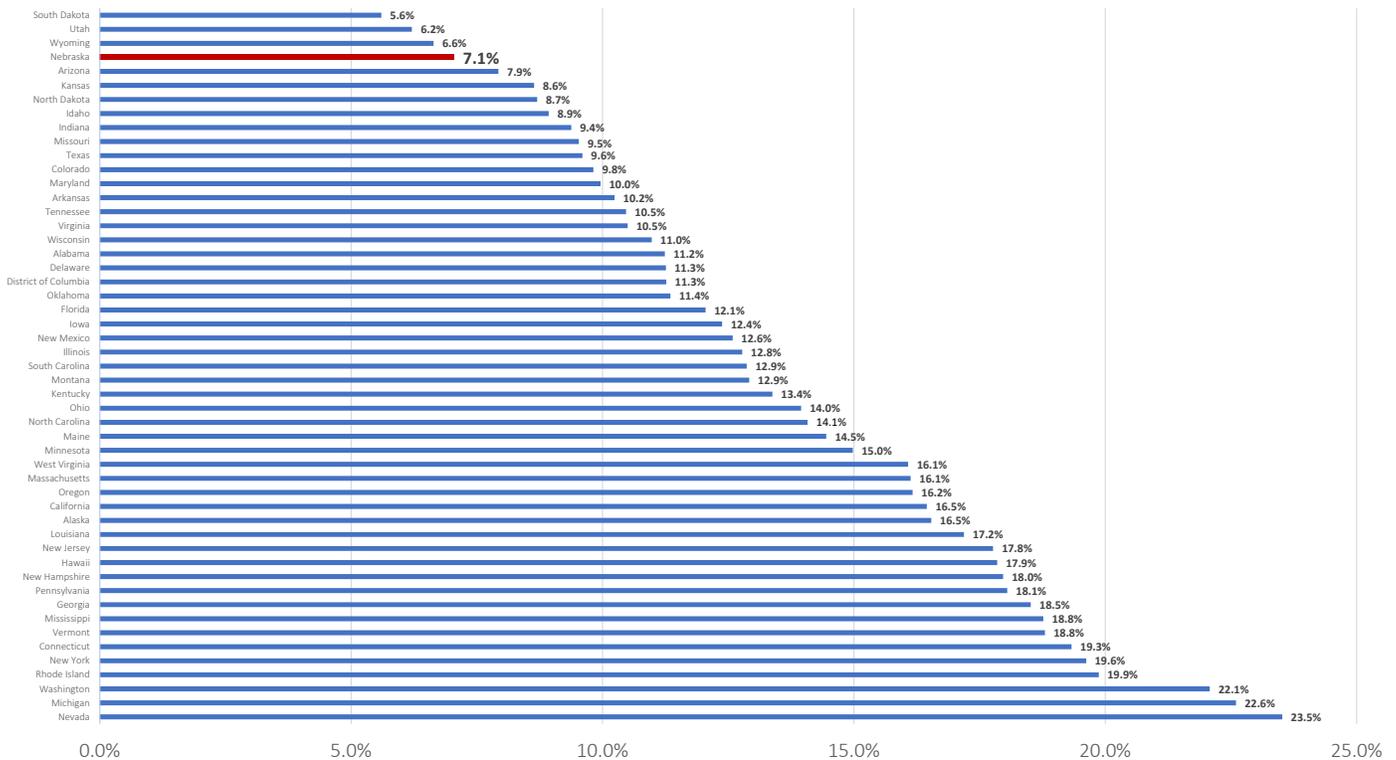


FIGURE 3: Insured unemployment rates for 50 states and Washington, D.C., May 9, 2020 (not seasonally adjusted)



This section is broken into two sub-categories to address the different timeframes of impact. The first is the immediate impacts realized from the crisis starting on March 14 until the most recent date for which data is available, which is May 9. The latter section discusses the annualized impacts for the state. This gives a more complete picture of how this crisis will impact our economy in a 12-month timeframe and helps guide citizens and policymakers on how to proceed. These impacts do not include any of the federal relief money sent to the state.

Methodology

Step 1: Estimate the ratio between the total number of unemployed Nebraskans and the number of insured unemployed. For the second to third week of April, this ratio was 1.08.

Step 2: Apply this ratio to the May 9 number of insured

TABLE 1: Estimated loss for the State of Nebraska, March 14–May 9, 2020

Jobs	92,790
Wages & Salaries	\$435,242,845
Self-employment Income	\$61,719,447
Total Impact	\$1,548,007,329

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

TABLE 2: Estimated loss in state and local tax collections for Nebraska, March 14–May 9, 2020

	Local	State	Total
Sales & Gross Receipts	\$4,016,152	\$19,603,909	\$23,620,061
Individual Income Taxes	\$0	\$18,146,120	\$18,146,120
Corporate Income Taxes	\$0	\$2,153,282	\$2,153,282
Property Taxes	\$30,568,949	\$0	\$30,568,949
Other Taxes and Fees	\$3,796,874	\$1,649,259	\$5,446,134
Total State & Local Taxes Lost	\$38,381,975	\$41,552,570	\$79,934,546

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

SOURCE: Goss & Strain estimates from IMPLAN Multiplier System

unemployed to estimate the total number of Nebraskans unemployed.

Step 3: Estimate the number of job losses based on the expected unemployed compared to the actual unemployed.

Step 4: Estimated direct job losses from Step 3 are input to the IMPLAN Multiplier System, an economic modeling application. IMPLAN produces spillover impacts, which when added to direct impacts, equal total economic impacts for the state.

Immediate Impacts

Table 1 lists the estimated economic loss for the State of Nebraska, for March through early May 2020 only. As presented, losses were: 92,790 jobs, wages and salaries of \$435 million, self-employment income of \$62 million, and a total impact of \$1.5 billion. The annualized 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 through early May 2020 was \$80 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.

Annual Impacts

Table 3 lists the estimated economic loss for the State of Nebraska in an annualized calculation. An assumption for this calculation is that the current jobs lost are not recovered, which is why the job figure is the same as Table 1. We realize this is not entirely realistic because as the directed health measures are lifted, people are returning to work. However, we do believe some of these jobs will not be recovered as businesses have either closed permanently or decided to downsize their workforce. That is, it is expected that even with the positive impact of the CARES Act and Federal Reserve stimulus programs, Nebraska will have job losses for the year.

Under the current assumptions, on an annualized metric, the wages and salaries lost in the state of Nebraska amount to \$2.8 billion, self-employment income of \$402 million, and a total impact of \$10 billion.

TABLE 3: Annualized estimated loss for the State of Nebraska

Jobs	92,790
Wages & Salaries	\$2,836,850,687
Self-employment Income	\$402,278,536
Total Impact	\$10,089,690,625

NOTE: Does not consider the impact of the federal rescue plan (CARES Act).

SOURCE: Goss & Strain estimates from IMPLAN Multiplier System

Table 4 lists the estimated loss in state and local tax collections from the COVID-19 pandemic in an annualized calculation. As listed, the total estimated loss in state and local tax collections for the year is \$521 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.

Conclusions and Caveats

Importantly, these estimated losses are based on the assumption that losses are not offset by increased purchases in later months. However, it is clear that some losses—for example, reduction in haircuts in March, April, and May—will not be offset by a doubling of haircuts in a future month. The estimated losses contained in this white paper will be updated again as more data is released from the U.S. Bureau of Labor Statistics providing 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, businesses, or direct payments to citizens to offset the negative impacts of COVID-19. Finally, some impacts such as the loss in state corporate income taxes and individual impacts will not surface until April 15, 2021, when corporations and individuals file their income tax returns.

TABLE 4: Annualized estimated loss in state and local tax collections for Nebraska

	Local	State	Total
Sales & Gross Receipts	\$26,176,705	\$127,775,479	\$153,952,183
Individual Income Taxes	\$0	\$118,273,815	\$118,273,815
Corporate Income Taxes	\$0	\$14,034,788	\$14,034,788
Property Taxes	\$199,244,041	\$0	\$199,244,041
Other Taxes and Fees	\$24,747,485	\$10,749,637	\$35,497,122
Total State & Local Taxes Lost	\$250,168,231	\$270,833,718	\$521,001,949

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

SOURCE: Goss & Strain estimates from IMPLAN Multiplier System

OUR MISSION

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

Endnotes

1. Meltzer, M.; Cox, N.; and Fukunda, K. (1999). "The Economic Impact of Pandemic Influenza in the United States: Priorities for Intervention." *Emerging Infectious Diseases*, 5(5): 659-671.
2. According to Nebraska Department of Health and Human Services, accessed May 28, 2020 at 5:45pm, <http://dhhs.ne.gov/coronavirus>.
3. Covered workers are workers that qualify for the receipt of unemployment compensation if unemployed.

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

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.