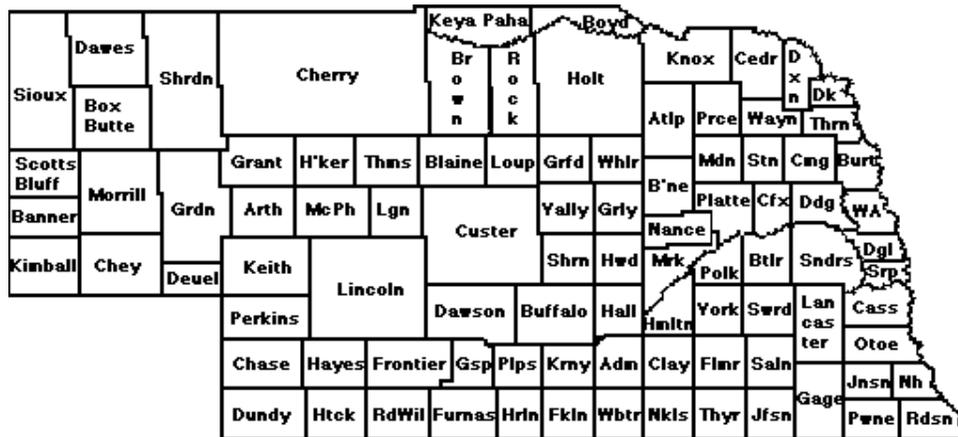


# APPROPRIATIONS COMMITTEE PRELIMINARY REPORT



## FY2015-16 / FY2016-17 BIENNIAL BUDGET

NEBRASKA UNICAMERAL LEGISLATURE  
ONE HUNDRED FOURTH LEGISLATURE, FIRST SESSION  
FEBRUARY 2015

### MEMBERS OF THE APPROPRIATIONS COMMITTEE

SEN HEATH MELLO (C)  
SEN ROBERT HILKEMANN (VC)  
SEN KATE BOLZ  
SEN KEN HAAR  
SEN BILL KINTNER

SEN JOHN KEUHN  
SEN JEREMY NORDQUIST  
SEN JOHN STINNER  
SEN DAN WATERMEIER

# Table of Contents

A. Summary .....	1
B. General Fund Financial Status .....	4
1. Financial Status per Committee Preliminary Budget.....	4
2. Chronology of the General Fund Financial Status .....	5
C. Cash Reserve Fund Status.....	8
1. Excess of Certified Forecasts.....	8
2. Transfers To / From General Fund .....	8
3. Transfers To/From Other Funds.....	8
4. Considerations for Amount to Retain in the Cash Reserve Fund .....	8
D. General Fund Revenues .....	12
1. Revenue Forecasts .....	12
2. General Fund Transfers-Out .....	14
3. General Fund Transfers-In .....	15
E. General Fund Appropriations .....	17
1. Summary/State Totals-Committee Preliminary Budget.....	17
2. Overview of Significant Increases and Reductions by Major Area .....	18
3. List of Significant Increases and Reductions .....	20
4. Committee Preliminary General Fund Budget by Agency.....	21
5. Committee Preliminary General Fund Budget by State Aid Program .....	24
6. Detailed Listing of General Fund Budget Issues .....	26
F. Comparison to Governors Recommendation .....	30
1. Financial Status .....	30
2. General Fund Appropriations – FY16 and FY17 .....	31
3. General Fund Transfers-In .....	32
4. General Fund Transfers-Out .....	32
5. General Fund FY2014-15 Deficit Appropriations .....	32
6. Cash Reserve Fund transfers .....	32
G. Statutory Changes Required .....	34
1. New Bill Introduction, Rule 5 .....	34
2. Appropriations Committee Preliminary Budget: Other Bills.....	34
3. Governor Recommendation, Other Bills.....	34
4. Mainline Appropriations Bills .....	34

# SUMMARY

*This preliminary budget is the first of several stages in the budget process. It provides a starting point for discussion of the various budget actions suggested at this point in time. Subsequent to the hearings, the Appropriations Committee will formulate its' formal recommendation to the Legislature at which time floor debate and amendment will take place, followed by Governor vetoes and legislative overrides if any.*

## GENERAL FUND FINANCIAL STATUS

At Sine Die of the 2014 session, the projected financial status for the FY16/FY17 biennium reflected a \$170 million projected shortfall from the minimum reserve. At that point, FY16/FY17 was the “out year” in the five year financial status and there was no projection for FY18/FY19 biennium.

The financial status improved significantly in November 2014 when the Tax Rate Review Committee (TRR) again met. The shortfall from the minimum reserve declined to \$50 million due to a variety of revenue and spending items. Original NEFAB forecasts for FY14 and FY15 were a combined \$118 million above the previously used preliminary LFO revenue estimates. Also the NEFAB increased their FY12-13 forecast by \$61.5 million however these amounts are shown as transferred to the Cash Reserve Fund as prescribed under current law for revenues above certified forecast. In addition to higher revenues, lower spending projections were used. Those projected appropriation levels used the latest estimates for TEEOSA school aid and information from agency budget requests. At that time, it was the best estimate of the costs of maintaining existing programs and services reflecting existing statute and policies. This provided a benchmark from which the policy makers could examine the changes to statute and policy choices that would be necessary to then actually balance the budget.

The Appropriations Committee Preliminary Budget as set forth here, turned that \$50 million “shortfall” into a projected unobligated ending balance \$51.7 million above the minimum reserve. This \$102 million swing was accomplished through a combination of \$104 million of transfers from several cash funds and the Cash Reserve Fund, an appropriations level \$87 million lower than estimated at the November TRR meeting and then offset by a \$90 million (\$45 million per year) increase in transfers to the Property Tax Credit cash fund. The combination of these actions leaves a positive \$89 million structural balance when comparing on-going revenues and spending.

This structural balance declines in the following biennium, FY2017-18 and FY2018-19, with a combination of 4.3% average spending growth and 3.8% revenue growth. This still results in a positive structural balance of \$1.9 million and a projected ending balance about \$59.5 million above the minimum reserve.

## GENERAL FUND REVENUE GROWTH

Revenue growth (adjusted for rate and base changes) is projected to be right at the 33 year historical average of 5.0%. Revenue estimates for FY2014-15, FY2015-16, and FY2016-17 are the October 2014 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Rate and base adjusted revenue growth implied by these current forecasts is 6.3% in FY14-15, 5.0% in FY15-16 and 4.9% in FY16-17. The two year average for FY16/FY17 is 4.9%.

While the rate and base adjusted revenue growth averages 4.9%, the unadjusted, “nominal” growth in revenues (or what’s available to use in the financial status) has an average growth of only 3.9% reflecting the annualized impacts of LB987 passed in 2014 which indexed income tax brackets and reduced income taxes on social security and military retirement.

For the “following biennium”, revenue growth is calculated at 3.8% per year using the historical average methodology. The target growth is the historical average of 5.0% but adjusted down to 4.75% to exclude growth that is now negated by indexing of the income tax brackets. These calculated amounts are at the low end of preliminary, unofficial estimates prepared by the Nebraska Dept. of Revenue (NDR) and Legislative Fiscal Office (LFO) using IHS Economics and Moody’s forecasting information.

The Nebraska Economic Forecast Advisory Board (NEFAB) is scheduled to meet February 27, 2015 and again in late April 2015 to review their existing forecasts. Changes in those forecasts could have a significant impact on the projected status as shown in this report.

## GENERAL FUND SPENDING GROWTH

Budget growth in the Committee preliminary budget is 4.0% in FY16 and 2.5% in FY17 for a two year average of 3.2%. This is very close to the Governor's recommendation but less than the pre-session estimate which had projected growth of 4.6% in FY15-16 and 2.9% in FY16-17 for an average of 3.7% over the biennium. Much of the decline in the projected spending growth is attributed to funding levels for Medicaid, re-estimate of inmate health care costs, and Homestead Exemption reimbursement funding requirements.

	Pre Session Est.		Governor		Committee Preliminary	
	FY15-16	FY16-17	FY15-16	FY16-17	FY15-16	FY16-17
Operations	4.3%	3.6%	4.7%	2.5%	4.5%	3.1%
State Aid to Individuals	7.2%	3.8%	5.1%	3.4%	5.3%	3.3%
State Aid to Local Govt	2.1%	1.8%	1.2%	1.5%	2.1%	1.3%
Construction	12.0%	-26.6%	-.02%	-15.7%	-0.2%	-15.7%
Annual % Change	4.6%	2.9%	3.6%	2.3%	4.0%	2.5%
Two Yr Average		3.7%		3.0%		3.2%

## COMPARISON TO GOVERNORS RECOMMENDATION

Over the two-year biennial budget, there is only a \$2.6 million difference between the variance from the minimum reserve under the Committee preliminary budget (+\$51.7 million) and the Governor (+\$54.3 million).

The Committee proposal includes a \$90 million (\$45 million per year) transfer to the Property Tax Credit Fund which is \$30 million (\$15 million per year) lower than the Governors recommendation while the proposed level of appropriations is \$31.8 million (\$13.1 million FY16 and \$18.7 million FY17) above the Governor.

Most of the appropriation amount above the Governors recommendation can be attributed to three things. The latest TEEOSA estimate, used in the Committee preliminary budget, is \$14.8 million above the October 2014 estimate used by the Governor. The committee included the full amount envisioned to annualize the impact of two juvenile justice related bills while the Governor partially funded the FY17 impact of LB464 enacted in 2012 and included no additional county juvenile justice aid funds as intended during the enactment of LB561 in 2013. The difference in funding these two bills amounts to \$14 million. And third, the actual child care market survey results used by statute to determine child care rates was available at the time the Committee developed its preliminary budget. The amount to fund the actual survey was \$8.5 million higher than the estimates used in the Governors recommendation.

<u>Committee vs Governor (Major Items)</u>	<u>FY2015-16</u>	<u>FY2016-17</u>	<u>Two Yr Total</u>
TEEOSA Aid to Schools	10,681,555	4,126,447	14,808,002
Public Assistance (mostly child care rates)	4,226,674	3,924,748	8,151,422
Community Based Juvenile Services aid	2,000,000	5,000,000	7,000,000
Juveniles, court jurisdiction - LB464 (Courts)	0	6,951,725	6,951,725
Student assessment (Education)	1,600,000	1,600,000	3,200,000
Staffing, security and health services (Corrections)	1,541,308	1,496,805	3,038,113
Salaries & Health Insurance (State Agencies)	480,161	1,956,083	2,436,244
Learning Community aid	625,000	625,000	1,250,000
Vocational & Life Skills, Violence Reduction (Corrections)	512,748	502,827	1,015,575
Use of county jail housing (Corrections)	(6,293,285)	(6,245,285)	(12,538,570)
Medicaid (mostly lower amount for hepatitis C costs)	(497,927)	(1,614,951)	(2,112,878)
All Other	(1,735,023)	392,424	(1,342,599)
Total Difference, Committee vs Governor	13,141,211	18,715,823	31,857,034

## **CASH RESERVE FUND**

The projected unobligated ending balance at the end of the current FY15/FY16 biennium based on current forecasts and proposed 2015 session actions is \$746.3 million *if* FY2014-15 receipts reach the current forecast level. The Appropriations Committee Preliminary Budget utilizes \$22 million of Cash Reserve Fund monies, the same as included in the Governors recommendation. This includes two transfers: (1) a \$17.2 million transfer to the General Fund to cover payment of IV-E disallowance penalties imposed on the Dept of Health and Human Services and (2) \$5.5 million transfer to the Republican River Compact Litigation Contingency Cash Fund to pay a court ordered settlement related to the State of Kansas v. State of Nebraska Republican River Compact

Both of these items followed the concepts used by the Appropriations Committee in the 2014 session which were that (1) a significant balance should be retained in the Cash Reserve Fund in light of the cyclical nature of variances from forecast and the dollar level of those variances cumulative over several years, and (2) any use of the Cash Reserve Fund should be for one-time items to match the one-time nature of the financing source.

# PROJECTED GENERAL FUND FINANCIAL STATUS

Table 1 shown below includes the projected General Fund Financial Status based on the Appropriations Committee Preliminary budget. Furthermore, for planning purposes, an estimated financial status is also constructed for the following biennium allowing the Legislature to see the future implications of budget actions already taken or being considered.

Table 1 – General Fund Financial Status per Committee Preliminary Budget

	Current Yr FY2014-15	Biennial Budget FY2015-16    FY2016-17		Following Biennium FY2017-18    FY2018-19	
<b>1 BEGINNING BALANCE</b>					
2 Beginning Cash Balance	673,683,437	299,808,550	228,706,629	312,792,462	344,360,929
3 Cash Reserve transfers-automatic	(96,721,233)	(61,500,000)	0	0	0
4 Carryover obligations from FY14	(303,875,124)	0	0	0	0
5 Lapse FY14 and FY15 reappropriations	1,511,800	no estimate	0	0	0
6 Allocation for potential deficits	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	274,598,880	233,308,550	223,706,629	307,792,462	339,360,929
<b>8 REVENUES</b>					
9 Net Receipts (Oct 2014 NEFAB+hist avg)	4,282,000,000	4,418,000,000	4,622,000,000	4,797,000,000	4,955,000,000
10 General Fund transfers-out	(188,350,000)	(198,100,000)	(198,100,000)	(197,300,000)	(197,300,000)
11 General Fund transfers-in in forecast		44,200,000	39,200,000	0	0
12 Cash Reserve transfers (current law)	50,500,000	0	0	0	0
13 Cash Reserve transfers (new)	17,201,112	0	0	0	0
14 2015 Revenue Bills	0	0	0	0	0
15 General Fund Net Revenues	4,161,351,112	4,264,100,000	4,463,100,000	4,599,700,000	4,757,700,000
<b>16 APPROPRIATIONS</b>					
17 Appropriations (2014 Session)	4,105,825,530	4,105,825,530	4,105,825,530	4,105,825,530	4,105,825,530
19 2015 Mainline Budget Actions - Preliminary	28,104,917	162,876,391	268,188,637	268,188,637	268,188,637
18 Projected budget increase, following biennium	--	--	--	189,117,366	381,818,049
20 2015 State Claims (LB 554))	2,210,995	0	0	0	0
21 2015 "A" Bills	0	0	0	0	0
22 General Fund Appropriations	4,136,141,442	4,268,701,921	4,374,014,167	4,563,131,533	4,755,832,216
<b>23 ENDING BALANCE</b>					
24 Dollar ending balance (per Financial Status)	299,808,550	228,706,629	312,792,462	344,360,929	341,228,714
25 Dollar ending balance (at Minimum Reserve)			261,131,317		281,656,091
26 Excess (shortfall) from Minimum Reserve			<b>51,661,145</b>		<b>59,572,623</b>
27 Biennial Reserve (%)			3.6%		3.7%
<u>General Fund Appropriations</u>					
28 Annual % Change - Appropriations (w/o deficits)	7.0%	4.0%	2.5%	4.3%	4.2%
29 Two Year Average	6.3%	--	3.2%	--	4.3%
<u>General Fund Revenues</u>					
30 Est. Revenue Growth (rate/base adjusted)	6.3%	5.1%	4.8%	3.8%	3.8%
31 Two Year Average	5.4%	--	5.0%	--	3.8%
32 Five Year Average	6.6%	--	5.7%	--	4.8%
33 <u>On-Going Revenues vs Appropriations</u>	(78,491,442)	(4,601,921)	89,085,833	36,568,467	1,867,784

# Chronology of the Financial Status

At Sine Die 2014, the projected financial status for the FY16/FY17 biennium reflected a \$170.1 million projected shortfall from the minimum reserve. At that point, FY16/FY17 was the “out year” in the five year financial status and there was no projection for FY18/FY19 biennium. At the July 2014 meeting of the Tax Rate Review Committee (TRR), the General Fund financial status declined slightly to \$176.8 million below the minimum reserve. FY2013-14 revenues were \$16.9 million above forecast but under current law revenues above the certified forecast are transferred to the Cash Reserve Fund.

Impact on Variance from Min Reserve (Millions of Dollars)	July 2014 TRR Committee			
	FY15	FY16	FY17	Total
Carryover obligations from FY12-13	0.0	0.0	0.0	1.5
FY14 Actual vs Est General Fund Net Receipts	0.0	0.0	0.0	16.9
FY14 Actual vs Est CRF transfers-automatic	(14.4)	0.0	0.0	(14.4)
FY14 Actual vs Est Accounting adjustment	(11.0)	0.0	0.0	(11.0)
<b>Total Change – July 2014 TRR Committee</b>				<b>(6.7)</b>

The financial status improved significantly in November 2014 when the TRR committee again met. The shortfall from the minimum reserve declined from \$176.8 million to \$50.1 million due to a variety of revenue and spending items. Original NEFAB forecasts for FY16 and FY17 were a combined \$117.7 million above the previously used preliminary LFO revenue estimates. Also the NEFAB increased their FY14-15 forecast by \$61.5 million however these amounts are shown as transferred to the Cash Reserve Fund as prescribed under current law for revenues above certified forecast.

In addition to higher revenues, lower spending projections were used. Those projected appropriation levels used the latest estimates for TEEOSA school aid and information from the agency budget request.

Impact on Variance from Min Reserve (Millions of Dollars)	November 2014 TRR Committee			
	FY15	FY16	FY17	Total
Revenue Forecasts (revised / original Oct 2014)	61.5	60.7	57.0	179.2
"Above certified" FY15 forecast to CRF	0.0	(61.5)	0.0	(61.5)
Change in Minimum Reserve	0.2	0.0	(2.1)	(2.1)
<b>Subtotal - Revenue</b>	<b>61.7</b>	<b>(0.8)</b>	<b>54.9</b>	<b>115.6</b>
Deficit requests vs \$5M	(45.3)	0.0	0.0	(45.3)
Revised TEEOSA aid estimates (Oct 2014 Joint Meeting)	0.0	32.5	62.3	94.8
Operations cost increases (est to 24/7 facility request)	0.0	4.9	10.1	15.0
Medicaid (7.5% to adjusted request)	0.0	(6.6)	19.2	12.6
Health insurance, University+Colleges (10% vs request)	0.0	3.1	7.3	10.3
Public Assistance+Child Welfare (3% to 4% to adjusted request)	0.0	1.6	4.1	5.7
Inmate per diem costs (3% vs request)	0.0	(15.3)	(17.4)	(32.7)
Behavioral health (base restoration + delete future savings est)	0.0	(10.0)	(15.0)	(25.0)
DHHS fund shifts	0.0	(4.5)	(6.9)	(11.4)
Behavioral health (potential maintenance of effort penalty)	0.0	(3.1)	(2.4)	(5.5)
Developmental Disability aid (3% to transition only)	0.0	(3.4)	(3.7)	(7.1)
Homestead exemption (3% to request)	0.0	(1.7)	(1.5)	(3.2)
Revised estimate of budget increases, all other	0.0	(0.4)	3.3	2.9
<b>Subtotal - Appropriations</b>	<b>(45.3)</b>	<b>(2.7)</b>	<b>59.2</b>	<b>11.2</b>
<b>Total Change – November TRR Committee</b>	<b>16.5</b>	<b>(3.5)</b>	<b>114.1</b>	<b>126.7</b>

The Appropriations Committee Preliminary Budget as set forth here, turned that \$50 million “shortfall” into a projected unobligated ending balance \$51.7 million above the minimum reserve. This \$102 million swing was accomplished through a combination of \$104 million of transfers from several cash funds and the Cash Reserve Fund, an appropriations level \$87 million lower than estimated at the November TRR meeting and then offset by a \$90 million (\$45 million per year) increase in transfers to the Property Tax Credit cash fund. The combination of these actions leaves an \$89 million structural balance when comparing on-going revenues and spending.

Impact on Variance from Min Reserve (Millions of Dollars)	Committee Prelim Budget			
	FY15	FY16	FY17	Total
GF Transfers-in	0.0	44.2	39.2	83.4
Cash Reserve Fund transfer to GF (IV-E disallowance)	17.2	0.0	0.0	17.2
GF Transfers-Out - Property Tax Credit	0.0	(45.0)	(45.0)	(90.0)
GF Transfers-Out - expiration of Cultural Trust transfer	0.0	0.0	0.0	0.0
Lapse FY14 / FY15 reappropriations	4.9	0.0	0.0	4.9
Change in Minimum Reserve	0.0	0.0	(1.0)	(1.0)
Subtotal - Revenue	22.1	(0.8)	(6.8)	14.4
Medicaid (other than FMAP)	0.0	15.7	19.2	34.9
Homestead Exemption	0.0	7.7	8.0	15.7
Inmate costs - non-medical, medical & Hepatitis C	0.0	6.8	7.6	14.4
Behavioral Health aid (restore base cut)	0.0	5.0	5.0	10.0
Behavioral Health aid (Fed penalty, MOE)	0.0	3.4	2.7	6.1
Childrens Health Insurance (expanded match rate, ACA)	0.0	3.3	4.3	7.6
Aid to K-12 Schools (TEEOSA), to NDE Jan 2015 estimate	0.0	(10.0)	(3.7)	(13.7)
Staffing and programs (Corrections)	0.0	(3.6)	(3.5)	(7.1)
All Other appropriation changes (net)	0.0	(3.8)	3.3	(0.5)
Deficits and Claims vs Nov TRR	20.0	0.0	0.0	20.0
Subtotal - Appropriations	20.0	24.4	42.9	87.3
Total Change – Appropriations Committee Prelim Budget	42.0	23.6	36.1	101.8

Table 2 Chronology of the Financial Status

(millions of dollars)	FY14 / FY15 Biennium	FY16 / FY17 Biennium
<b>Variance from Minimum Reserve: Sine Die 2014 Session</b>	<b>(170.1)</b>	<b>NA</b>
. Carryover obligations from FY12-13	1.5	--
. FY14 Actual vs Est General Fund Net Receipts	16.9	--
. FY14 Actual vs Est CRF transfers-automatic	(14.4)	--
. FY14 Actual vs Est Accounting adjustment	(11.0)	--
. Change in Minimum Reserve	0.2	--
<b>Variance from Minimum Reserve: TRR July 2014</b>	<b>(176.8)</b>	<b>NA</b>
Revenue Forecasts (revised / original Oct 2014)	179.2	--
"Above certified" FY15 forecast to CRF	(61.5)	--
Deficit requests vs \$5M	(45.3)	--
Revised estimate of FY16/FY17 projected budget (2 yr total)	56.4	--
Change in Minimum Reserve	(2.1)	--
<b>Variance from Minimum Reserve: TRR Nov 2014</b>	<b>(50.1)</b>	<b>(33.0)</b>
Deficits vs Nov TRR estimate	20.0	20.0
Medicaid Nov TRR estimate	34.9	76.5
Homestead Exemption vs Nov TRR estimate	15.7	31.7
Behavioral Health aid vs Nov TRR estimate	16.1	31.6
TEEOSA school aid vs Nov TRR estimate	(13.7)	(35.2)
All Other items vs Nov TRR estimate (net)	14.3	41.6
GF Transfers-Out - Property Tax Credit	(90.0)	(180.0)
GF Transfers-Out - expiration of Cultural Trust transfer	0.0	1.5
GF Transfers-in	83.4	83.4
Lapse FY14 / FY15 reappropriations	4.9	4.9
Cash Reserve Fund transfer to GF (IV-E disallowance)	17.2	17.2
State Claims (est)	0.0	0.0
Change in Minimum Reserve	(1.0)	(0.4)
<b>Committee Preliminary Budget</b>	<b>51.7</b>	<b>59.7</b>

# CASH RESERVE FUND

The Cash Reserve Fund (CRF) is not included as part of the "General Fund Reserve" (which is the statutorily defined ending General Fund balance for a biennium) and was created as a separate and distinct fund to cover cash flow needs within a month or several month period. The Cash Reserve Fund also serves as a "rainy day fund" in that revenues in excess of a "certified forecast" are transferred from the General Fund to Cash Reserve fund at the end of a fiscal year. As the certified forecast is basically the revenue estimate at Sine Die when the budget is finalized, these transfers sequester revenues in excess of that which is needed to balance the budget.

The projected unobligated ending balance at the end of the current FY15/FY16 biennium based on current forecasts and proposed 2015 session actions is \$746.3 million if FY2014-15 receipts reach the current forecast level.

The **Appropriations Committee Preliminary Budget** utilizes \$22 million of Cash Reserve Fund monies, the same as included in the Governors recommendation. This includes two transfers: (1) a \$17.2 million transfer to the General Fund to cover payment of IV-E disallowance penalties imposed on the Dept of Health and Human Services and (2) \$5.5 million transfer to the Republican River Compact Litigation Contingency Cash Fund to pay a court ordered settlement related to the State of Kansas v. State of Nebraska Republican River Compact

Both of these items followed the concepts used by the Appropriations Committee in the 2014 session which were that (1) a significant balance should be retained in the Cash Reserve Fund in light of the cyclical nature of variances from forecast and the dollar level of those variances cumulative over several years, and (2) any use of the Cash Reserve Fund should be for one-time items to match the one-time nature of the financing source.

Table 3 - Cash Reserve Fund Cash Flow

	Estimated FY2014-15	Estimated FY2015-16	Estimated FY2016-17	Estimated FY2017-18	Estimated FY2018-19
Beginning Balance	719,065,306	684,819,968	746,319,968	746,319,968	746,319,968
Excess of certified forecasts (line 3 in Status)	96,721,233	61,500,000	0	0	0
To Gen Fund per current law	(50,500,000)	0	0	0	0
To Nebr Capital Construction Fund (NCCF)	(57,515,459)	0	0	0	0
2015 To Gen Fund – IV-E disallowance penalty	(17,201,112)	0	0	0	0
2015 To Republican River Litigation Fund	(5,500,000)	0	0	0	0
Ending Balance	684,819,968	746,319,968	746,319,968	746,319,968	746,319,968

## Excess of Certified Forecasts

Shown on line 3 of the Financial Status, revenues in excess of "certified" forecasts are required by statute to be transferred from the General Fund to the Cash Reserve Fund. These would take place in July of the fiscal year following completion of that year. The \$96,721,233 transfer in FY15 is the amount that the FY2013-14 actual receipts were above certified. This was \$14.4 million above what was estimated at Sine Die 2014.

The \$61.5 million in FY16 reflects the amount that the NEFAB forecast in October 2014 for FY14-15 exceeds the July certified level and is just an estimate not an actual amount.

## Transfers To / From General Fund

Unlike the automatic transfers that occur after the close of the fiscal year and are statutorily required, other transfers can take place as specifically enacted by the Legislature. In 2014, the Legislature enacted a \$50.5 million transfer to the General Fund in LB130 to cover a series of one-time items as shown below.

<u>Related Item</u>	<u>\$ Amount</u>	<u>Transfer</u>
DCS- temporary housing, county jails	4,950,229	
Natural Resources-Resources Development Fund	10,492,793	
Water Sustainability Fund-(one-time portion)	10,000,000	
Game & Parks Improvement and Maintenance Fund	15,000,000	
Job Training Cash Fund	10,000,000	
<i>Subtotal: Transfer to General Fund</i>	<u>50,443,022</u>	<u>50,500,000</u>

## Transfers To/From Other Funds

In the 2013 session, LB 200 provided for a \$43,015,459 transfer from the Cash Reserve Fund to the Nebraska Capital Construction Fund (NCCF) sometime between July 1, 2013 and June 30, 2017 at the discretion of the Budget Administrator for construction of a new Central Nebraska Veterans Home to replace the existing facilities. Originally this transfer was shown in FY13-14, however has been shifted to FY14-15 since the actual transfer has not yet been made.

In the 2014 session, LB 130 provided for a \$14.5 million transfer from the Cash Reserve Fund to the NCCF. This covers the cost of the first three years of the State Capitol HVAC systems replacement project (\$11.7 million) and installation of four courtyard fountains in the State Capitol (\$2.5 million).

## Considerations for Amount to Retain in the Cash Reserve Fund

The relatively high balance in the Cash Reserve Fund (CRF) raises the question; is this balance too high? Should the balance be reduced and if so in what manner and by how much? To try and address the issue of what the balance should be, we first look at what is the purpose of the Cash Reserve Fund. The major purpose of the fund is to provide protection against forecast errors. Monies are accumulated in the CRF when receipts exceed certified forecast levels and are then available to offset instances when receipts are below forecasts.

The level of "protection" or in other words the level of funds to retain in the Cash Reserve fund, can be derived by looking at historical variances derived by comparing forecasts at Sine Die of the legislative session when the budget was enacted and actual receipts which are known anywhere from 13 to 15 months later (Table 4 page 10). Over the 27 year period the average negative variance is -4.4% clustered in groups of 3 to 4 years. For simplicity, using a 4% negative variance clustered for four consecutive years would require a balance equal to about 16% of annual net receipts. Applied to the four years of the current "savings" cycle that began in FY11 yields a dollar balance of \$643 million based on projected revenue in FY13-14. Applied to the average forecast from FY16 to FY19 the target balance would be \$751 million. Table 5 (page 11) gives an historical summary of the fund balance.

Another factor to keep in mind is the need for supplemental funds during a budget down period. One recent illustration is the budget shortfall which occurred during the 2008 through 2011 legislative sessions. During that time a total of \$986 million of one-time funds were utilized to balance the budget in addition to the various budget cuts that were made. The largest amount of these one-time funds, \$653.8 million, came from the federal government through several ARRA programs (FMAP, General and Education stabilization) followed by Cash Reserve Fund transfers (\$259 million) and extraordinary cash fund lapses (\$73.2 million). While this was a time of unprecedented revenue declines, it illustrates the cumulative impact of multiple year shortfalls.

Table 4 Historical Variance, Projected vs Actual General Fund Receipts

Millions of \$	Projected Sine Die	Actual Receipts	\$ Variance	% Variance	
				Negative	Positive
FY 1986-87	878.0	886.4	8.4		1.0%
FY 1987-88	924.3	1,016.3	92.0		10.0%
FY 1988-89	988.4	1,133.5	145.1		14.7%
FY 1989-90	1,110.9	1,152.7	41.8		3.8%
FY 1990-91	1,334.6	1,367.1	32.5		2.4%
FY 1991-92	1,493.2	1,490.4	(2.8)	-0.2%	
FY 1992-93	1,537.3	1,524.7	(12.6)	-0.8%	
FY 1993-94	1,662.5	1,653.7	(8.8)	-0.5%	
FY 1994-95	1,729.9	1,706.0	(23.9)	-1.4%	
FY 1995-96	1,834.3	1,836.7	2.4		0.1%
FY 1996-97	1,918.0	2,009.6	91.6		4.8%
FY 1997-98	1,993.8	2,105.4	111.6		5.6%
FY 1998-99	2,102.9	2,123.9	21.0		1.0%
FY 1999-00	2,326.3	2,403.9	77.6		3.3%
FY 2000-01	2,484.3	2,456.8	(27.5)	-1.1%	
FY 2001-02	2,646.0	2,365.5	(280.5)	-10.6%	
FY 2002-03	2,725.7	2,456.4	(269.3)	-9.9%	
FY 2003-04	2,732.0	2,718.7	(13.3)	-0.5%	
FY 2004-05	2,775.5	3,037.2	261.7		9.4%
FY 2005-06	3,092.3	3,352.2	259.9		8.4%
FY 2006-07	3,217.0	3,408.3	191.4		5.9%
FY 2007-08	3,389.2	3,506.1	116.9		3.5%
FY2008-09	3,531.7	3,357.5	(174.3)	-4.9%	
FY2009-10	3,446.7	3,204.7	(242.0)	-7.0%	
FY2010-11	3,422.2	3,499.7	77.4		2.3%
FY2011-12	3,591.1	3,695.9	104.8		2.9%
FY2012-13	3,767.1	4,052.4	285.3		7.6%
FY2013-14	4,020.7	4,117.40	96.7		2.4%
FY2014-15 est	4,175.0	?	?	?	?
FY2015-16 est	4,367.0	?	?	?	?
FY2016-17 est	4,628.0	?	?	?	?
FY2017-18 est	na	?	?	?	?
Avg Variance				-4.4%	4.7%

Table 5 Cash Reserve Fund – Historical Balances

Fiscal Yr	Beginning Balance	Direct Deposit and Interest	Automatic Transfers	Legislative Transfers	Cash Flow	Ending Balance	Balance as % of Expend
FY1983-84	0	37,046,760	na	0	0	37,046,760	4.9%
FY1984-85	37,046,760	(1,472,551)	na	0	0	35,574,209	4.4%
FY1985-86	35,574,209	227,855	na	(13,500,000)	0	22,302,064	2.7%
FY1986-87	22,302,064	1,428,021	na	0	0	23,730,085	2.8%
FY1987-88	23,730,085	1,654,844	na	(7,700,000)	0	17,684,929	2.0%
FY1988-89	17,684,929	139,000	na	32,600,000	0	50,423,929	5.1%
FY1989-90	50,423,929	113,114	na	(10,500,000)	0	40,037,043	3.4%
FY1990-91	40,037,043	0	na	(8,100,000)	0	31,937,043	2.3%
FY1991-92	31,937,043	0	na	(5,000,000)	0	26,937,043	1.7%
FY1992-93	26,937,043	0	na	(9,500,000)	0	17,437,043	1.1%
FY1993-94	17,437,043	0	3,063,462	7,250,000	0	27,750,505	1.7%
FY1994-95	27,750,505	0	(8,518,701)	1,250,000	0	20,481,804	1.2%
FY1995-96	20,481,804	0	(20,481,804)	18,189,565	0	18,189,565	1.0%
FY1996-97	18,189,565	0	19,740,786	3,032,333	0	40,962,684	2.2%
FY1997-98	40,962,684	0	91,621,018	0	0	132,583,702	6.9%
FY1998-99	132,583,702	0	111,616,422	(98,500,000)	0	145,700,124	6.5%
FY1999-00	145,700,124	0	20,959,305	(24,500,000)	0	142,159,429	6.1%
FY2000-01	142,159,429	0	77,576,670	(49,500,000)	0	170,236,099	6.9%
FY2001-02	170,236,099	0	0	(60,170,000)	0	110,066,099	4.2%
FY2002-03	110,066,099	66,476,446	0	(87,400,000)	(30,000,000)	59,142,545	2.3%
FY2003-04	59,142,545	59,463,461	0	(61,577,669)	30,000,000	87,028,337	3.4%
FY2004-05	87,028,337	8,170,556	108,727,007	(26,758,180)	0	177,167,720	6.5%
FY2005-06	177,167,720	0	261,715,297	(165,266,227)	0	273,616,790	9.4%
FY2006-07	273,616,790	0	259,929,524	(17,458,523)	0	516,087,791	16.5%
FY2007-08	516,087,791	0	191,436,773	(161,978,767)	0	545,545,797	16.8%
FY2008-09	545,545,797	0	116,976,571	(84,330,505)	0	578,191,863	17.4%
FY2009-10	578,191,863	0	0	(110,990,237)	0	467,201,626	14.1%
FY2010-11	467,201,626	0	0	(154,000,000)	0	313,201,626	9.4%
FY2011-12	313,201,626	8,422,528	145,155,092	(33,439,198)	(4,461,676)	428,878,372	12.4%
FY2012-13	428,878,372	0	104,789,781	(154,008,427)	4,461,676	384,121,402	10.7%
FY2013-14	384,121,402	0	285,292,610	49,651,294	0	719,065,306	18.7%
FY2014-15 est	719,065,306	0	96,721,233	(130,716,571)	0	684,819,968	16.7%
FY2015-16 est	707,521,080	0	61,500,000	0	0	746,319,968	17.4%
FY2016-17 est	746,319,968	0	0	0	0	746,319,968	16.9%
FY2017-18 est	746,319,968	0	0	0	0	746,319,968	16.2%
FY2018-19 est	746,319,968	0	0	0	0	746,319,968	15.6%

# GENERAL FUND REVENUES

## General Fund Revenue Forecasts

---

### Revenue Forecasts - Current Biennium (FY15, FY16 and FY17)

Revenue estimates for FY2014-15, FY2015-16 and FY2016-17 are the October 2014 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Rate and base adjusted revenue growth implied by the forecasts for the FY16/FY17 biennium average 4.9% (5.0% in FY15-16 and 4.9% in FY16-17). When including the 6.3% growth in FY14-15 forecast, this provides an average growth of 5.4% over the three years that affect the financial status for the upcoming biennium. This reflects growth just slightly above the 5.0% historical 33 year average.

While the rate and base adjusted revenue growth averages 4.9%, the unadjusted, "nominal" growth in revenues (or what's available to use in the financial status) has an average growth of only 3.9% reflecting the annualized impacts of LB987 passed in 2014 which indexed income tax brackets and reduced income taxes on social security and military retirement.

*THE FORECAST BOARD WILL MEET ON THURSDAY FEBRUARY 28, 2013 AND AGAIN IN LATE APRIL 2013 TO REVIEW THE CURRENT FORECASTS. CHANGES TO THESE FORECASTS WILL RESULT IN CHANGES TO THE PROJECTED FINANCIAL STATUS AS NOTED IN THIS REPORT*

### Revenue Forecasts - Following Biennium (FY18 and FY19)

The NEFAB does not make official forecasts for the following biennium or what's commonly referred to as the "out years". Although different methodologies could be utilized, the revenue estimates used for the following biennium (FY17-18 and FY18-19) are derived by the Legislative Fiscal Office (LFO) using a "capped" historical average methodology. This "smoothing" technique derives "out year" revenue estimates by calculating the level of revenues that would yield a five year average growth (FY14 to FY19) roughly equal to the 33 year historical average. Inherent in this methodology is the concept that within any five-year period, below average revenue growth in some years will be offset by above average growth in others and is visually seen in the line graph of historical adjusted revenue growth.

The "capped" provision of this methodology means that the derived growth needed in the out-years to achieve the historical average cannot be higher than the "above average" growth years nor lower than the "below average" growth years. Over the past 33 years, there were 11 years in which revenue growth was "below average" (1.1% average) and 22 years in which revenue growth was above average (7.3% average).

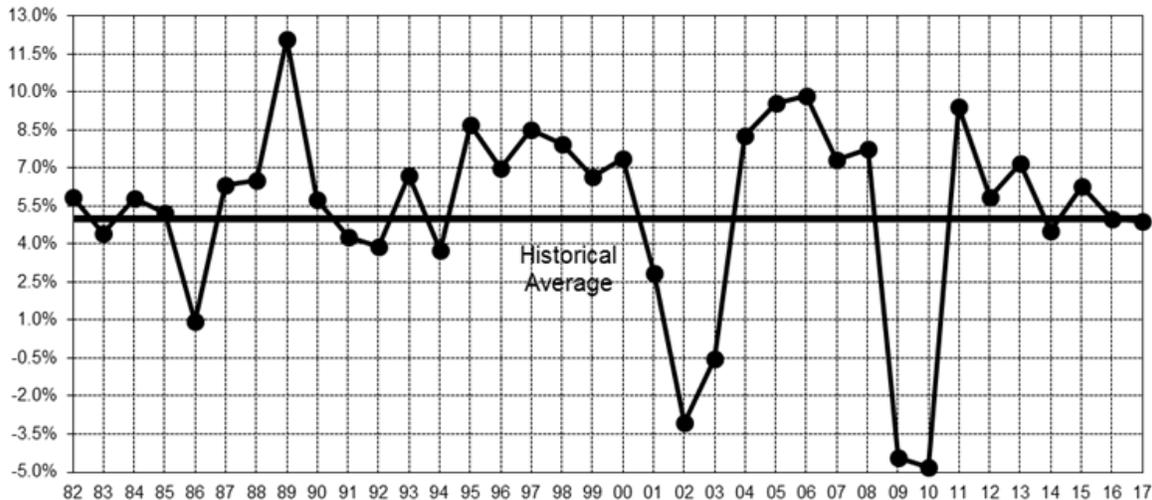
There has been one change in the implementation of this methodology. In the past, the target growth was the 33 year historical average which is 5.0%. Part of this revenue growth can be attributed to "bracket creep" in the income tax where the income tax brackets remained constant while inflation moved up incomes. Some of this bracket creep was subsequently offset by periodic legislatively enacted increases in the income tax brackets. However, because this was accomplished through legislation, the impact was adjusted out as part the base and rate adjustments and the 5% historical growth still includes the impacts of "bracket creep". LB 987 enacted in the 2014 session provides that the income brackets will be indexed for inflation starting with taxable years beginning on or after January 1, 2015 effectively eliminating the growth historically achieved through bracket creep. Therefore, the historical average which is used in the LFO methodology also must be adjusted to eliminate the growth attributed to bracket creep. The estimated revenue reduction of \$11-12 million is equal to approximately .5% of income tax and .25% total General Fund revenues. Therefore the target historical average growth used in this methodology is 4.75%, the historical 5% growth less .25% attributed to bracket creep.

Because the revenue growth in the NEFAB forecasts is slightly above average, the revenue growth needed to yield a 4.75% five year average is 3.8% in both FY17-18 and FY18-19.

Table 6 General Fund Revenue Forecasts

	NEFAB FY2014-15	NEFAB FY2015-16	NEFAB FY2016-17	LFO Prelim FY2017-18	LFO Prelim FY2018-19
<b>Actual/Forecast</b>					
Sales and Use Tax	1,580,000,000	1,640,000,000	1,710,000,000	1,770,000,000	1,830,000,000
Individual Income Tax	2,165,000,000	2,268,000,000	2,395,000,000	2,520,000,000	2,640,000,000
Corporate Income Tax	325,000,000	320,000,000	325,000,000	315,000,000	310,000,000
Miscellaneous receipts	212,000,000	190,000,000	192,000,000	192,000,000	175,000,000
<b>Total</b>	<b>4,282,000,000</b>	<b>4,418,000,000</b>	<b>4,622,000,000</b>	<b>4,797,000,000</b>	<b>4,955,000,000</b>
<b>Adjusted Growth</b>					
Sales and Use Tax	6.8%	5.0%	3.1%	3.3%	3.2%
Individual Income Tax	6.4%	5.8%	6.4%	6.0%	5.3%
Corporate Income Tax	7.3%	-0.2%	2.5%	-2.5%	-1.3%
Miscellaneous receipts	-1.5%	5.3%	8.1%	-6.5%	-2.3%
<b>Total General Fund Receipts</b>	<b>6.3%</b>	<b>5.0%</b>	<b>4.9%</b>	<b>3.8%</b>	<b>3.8%</b>
Two Yr Average	5.4%	--	4.9%	--	3.8%
Five Yr Average	6.6%	--	5.7%	--	4.74%
<b>Unadjusted (nominal) Change</b>					
Total General Fund Receipts	4.0%	3.2%	4.6%	3.8%	3.3%
Two Yr Average	2.8%	-	3.9%	-	3.5%

General Fund Revenue Growth  
(Adjusted for Tax Rate and Base Changes)



## Other “Out Year” Forecasts

Alternative methods are also available for purposes of deriving revenue estimates for the following biennium. In addition to the historical average methodology used in the financial status, both the Nebraska Dept of Revenue (NDR) and Legislative Fiscal Office (LFO) have calculated revenue estimates for these two “out years” using the same models and input from HIS Economics (previously Global Insight) and Moody’s, the national forecasting services used as input into the tax forecast models. While these forecasts work well for the 1 to 3 year forecasts, when extended further they have a tendency to flatten out and follow the 3 year trend into the 4th and 5th year. In other words, they have difficulty picking up changes in the trend. The historical average methodology has been used since 1991 and the “smoothing” technique used for the most part relies on the trend changes

As shown in Table 7, the preliminary estimates for the two "out years" arrived at using the historical average concept (as used in the Financial Status) tends to the low end however there are very large difference in the various numbers.

Table 7 Comparison of "Out Year" Forecasts

<b>Based on Oct 2014 Revenue Forecasts</b>	Current Status	Average IHS Economics	Average All Forecasts	High Est NDR-Moodysr	Low Est LFO IHS
<b>Dollar Forecast (thousands)</b>					
FY2017-18 Prelim	4,797,000	4,848,246	4,933,808	5,115,346	4,743,375
FY2018-19 Prelim	4,955,000	5,061,293	5,148,091	5,337,189	4,956,224
<b>Calculated Growth (adjusted)</b>					
FY2017-18 Prelim	3.8%	4.9%	6.6%	10.2%	2.8%
FY2018-19 Prelim	3.8%	4.8%	4.7%	4.7%	4.9%
Two Year Average	3.8%	4.8%	5.7%	7.5%	3.8%
Five Year Average	<b>4.7%</b>	<b>5.1%</b>	<b>5.5%</b>	<b>6.2%</b>	<b>4.7%</b>
<b>\$ Difference from Status</b>					
FY2017-18 Prelim	0	51,246	136,808	318,346	(53,625)
FY2018-19 Prelim	0	106,293	193,091	382,189	1,224
Cumulative Total	0	157,538	329,899	700,535	(52,401)

## General Fund Transfers-Out

This area tabulates funds that are transferred from the General Fund to another fund within the state treasury. These items have the same effect as an appropriation but are not expended as such and thus are shown under the revenue category (see line 10 on the Financial Status).

Table 8 - General Fund Transfers Out

Excludes CRF Transfers	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19
Property Tax Credit Fund	(138,000,000)	(183,000,000)	(183,000,000)	(183,000,000)	(183,000,000)
Water Resources Cash Fund	(3,300,000)	(3,300,000)	(3,300,000)	(3,300,000)	(3,300,000)
Cultural Preservation Endowment Fund	(500,000)	(750,000)	(750,000)	0	0
Water Sustainability Fund	(21,000,000)	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)
Victim's Compensation Fund	0	(50,000)	(50,000)	0	0
Game & Parks Improve & Maintenance Fund.	(15,000,000)	0	0	0	0
Job Training Cash Fund	(10,000,000)	0	0	0	0
Legal Ed Public Service/Rural Practice Loan	(500,000)	0	0	0	0
High Growth Business Development Cash Fund	(50,000)	0	0	0	0
<b>Total-General Fund Transfers-Out</b>	<b>(188,350,000)</b>	<b>(198,100,000)</b>	<b>(198,100,000)</b>	<b>(197,300,000)</b>	<b>(197,300,000)</b>

## Property Tax Credit Cash Fund

Under this program transfers are made to the Property Tax Credit Cash Fund at the discretion of the Legislature. Based on the amount of funds available, monies are then allocated to counties by the ratio of the real property valuation in the county to the real property valuation in the state. Counties then allocate funds as credit to each tax payer again based on their proportionate value. Enacted in 2007, the amount available for

credits was \$105 million in FY07-08, and \$115 million in FY08-09 through FY13-14. During the 2014 session, the FY14-15 amount was increased to \$140 million. ***The Committee Preliminary Budget includes a \$45 million increase to a total of \$185 million for both FY15-16 and FY16-17.***

Note that the General Fund transfer amount is \$2 million less than the credit amount. The \$185 million credit level is financed by a combination of General Fund transfers (\$183 million in FY2015-16) and interest that will be earned on the fund balance from the time of transfer to the time of reimbursement payments to the counties, and credits calculated but unpaid relating to properties receiving homestead exemptions.

## **Water Resources Cash Fund**

These transfers were originally enacted by LB 701 (2007) for the purpose of (1) aiding compliance efforts regarding the reduction of consumptive uses of water dealing with those natural resources districts which are deemed over or fully appropriated or are bound by an interstate compact or decree; and (2) for a statewide assessment of short- and long-term water management activities and funding needs that are statutorily required. The bill included transfers of \$2.7 million in both FY07-08 and FY08-09 and intent language for a \$2,700,000 General Fund transfer to occur annually from FY2009-10 through FY2018-19. LB229 enacted during the 2011 Session increased this transfer amount from \$2.7 million to \$3.3 million per year with no change in the FY2018-19 sunset.

## **Nebraska Cultural Preservation Endowment Fund**

The Cultural Preservation Endowment Fund was originally created in 1998 with a transfer of \$5 million from the General Fund. LB 1165 (2008) provided for an additional \$5 million for the endowment fund through a \$1 million transfer from the Cash Reserve Fund and intent language that \$2 million shall be transferred from the General Fund to the Nebraska Cultural Preservation Endowment Fund in both FY2009-10 and FY2010-11. The enacted budget spread that \$4 million over a four year period, \$500,000 in FY10 and FY11 and \$1.5 million in FY12 and FY13. LB1063 (2010) changed the statutory transfers from two \$1.5 million transfers to the Fund in both FY11-12 and FY12-13 to two transfers of \$500,000 and then extending the \$500,000 transfers for three more years, FY13-14, FY14-15, and FY15-16. LB378 (2011) deleted the FY12 and FY13 transfers, and then extended the \$500,000 annual transfers to FY17-18 and FY18-19. The current transfers are based on the provisions of LB193 (2013) which called for a \$500,000 increase in the FY13-14 transfer, a \$250,000 increase in the transfers for both FY16 and FY17 (from \$500,000 to \$750,000) and then eliminated the \$500,000 transfers for FY18 and FY19. Current law provides for no more transfers after FY2016-17.

## **Water Sustainability Fund**

This fund in the Department of Natural Resources, was created through LB906 passed in the 2014 session. An initial General Fund transfer of \$21,000,000 in FY2014-15 was included. Of this transfer, \$10,000,000 was considered one-time as it was financed by a like transfer from the Cash Reserve Fund to the General Fund. Intent language was include that \$11,000,000 General Funds be transferred to the Water Sustainability Fund in each fiscal year beginning in FY2015-16.

The fund is to be used in accordance with guidelines established in LB 1098 (2014) which include programs, projects, or activities in the following categories: (a) Research, data, and modeling; (b) rehabilitation or restoration of water supply infrastructure, new water supply infrastructure, or water supply infrastructure maintenance or flood prevention for protection of critical infrastructure; (c) conjunctive management, storage, and integrated management of ground water and surface water; and (d) compliance with interstate compacts or agreements or other formal state contracts or agreements or federal law.

## **General Fund Transfers In**

---

Cash funds are funds which contain earmarked revenue sources and monies in those funds can only be used for the purposes authorized by statute. In many instances (since the 2009 special session) an authorized use of monies in a cash fund is transfers to the General Fund at the discretion of the Legislature. For accounting purposes, these are shown as "Transfers in" and are included as revenues.

The transfers shown below for FY2014-15 were enacted in the 2013 and 2014 legislative sessions and are already incorporated into the "Net Receipts" figures of the NEFAB forecasts

All the transfers shown for FY2015-16 and FY2016-17 are new transfers included in the Appropriations Committee Preliminary Budget.

Table 9 General Fund Transfers In

	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19
Securities Act Cash Fund	21,000,000	23,000,000	23,000,000	0	0
Tobacco Products Admin Cash Fund	10,000,000	13,000,000	10,000,000	0	0
Dept of Insurance Cash Fund	6,000,000	6,000,000	6,000,000	0	0
Charitable Gaming Oper Fund	0	2,000,000	0	0	0
Dept of Motor Vehicles Ignition Interlock Fund	200,000	200,000	200,000	0	0
Medicaid False Claims Cash Fund	6,800,000	0	0	0	0
<b>Total General Fund Transfers-In</b>	<b>44,000,000</b>	<b>44,200,000</b>	<b>39,200,000</b>	<b>0</b>	<b>0</b>

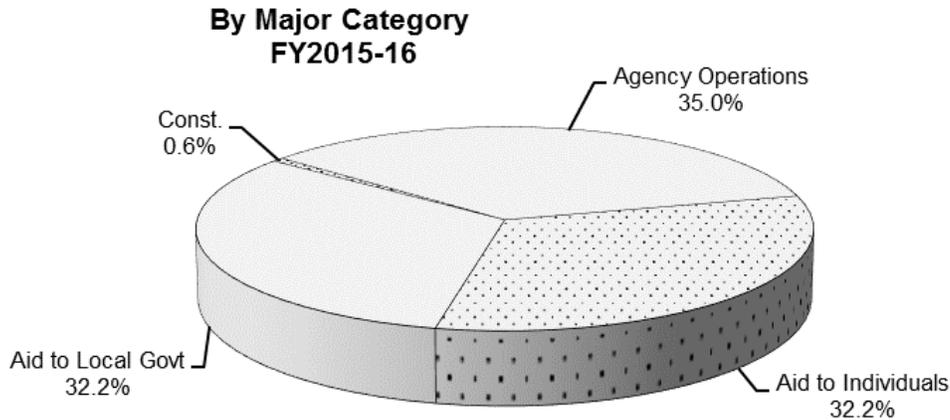
# GENERAL FUND APPROPRIATIONS

Table 10 shows a summary of the current FY2014-15 General Fund appropriations (excluding deficits) and the Committee Preliminary Recommendation for FY2015-16 and FY2016-17

Table 11 (page 20) provides a one-page summary of the most significant increases and reductions while Table 12 and Table 13 (starting on page 21) contain a listing of proposed appropriations by agency and individual aid programs. A complete listing of individual issues starts on Page 26

Table 10 - Committee Preliminary Budget – General Funds

	w/o Deficits FY2014-15	Committee Preliminary		Change over Prior Yr		Change over Prior Yr		2 Yr Avg % Change
		Prelim FY2015-16	Prelim FY2016-17	FY15-16 (w/o deficits) \$	%	FY16-17 (w/o deficits) \$	%	
<b><u>Agency Operations</u></b>								
University/Colleges	592,212,914	609,979,302	628,278,680	17,766,388	3.0%	18,299,378	3.0%	3.0%
Health & Human Services System	235,054,760	248,610,450	255,337,690	13,555,690	5.8%	6,727,240	2.7%	4.2%
Correctional Services	181,813,346	196,659,014	202,939,632	14,845,668	8.2%	6,280,618	3.2%	5.7%
Courts	149,427,839	155,904,798	167,045,785	6,476,959	4.3%	11,140,987	7.1%	5.7%
State Patrol	56,576,821	58,537,010	60,095,811	1,960,189	3.5%	1,558,801	2.7%	3.1%
Revenue	26,428,021	26,930,112	27,506,828	502,091	1.9%	576,716	2.1%	2.0%
Retirement Board	46,645,251	48,347,006	47,024,000	1,701,755	3.6%	(1,323,006)	-2.7%	0.4%
Other 39 Agencies	141,320,139	149,522,500	152,524,077	8,202,361	5.8%	3,001,577	2.0%	3.9%
Total-GF Operations	1,429,479,091	1,494,490,192	1,540,752,503	65,011,101	4.5%	46,262,311	3.1%	3.8%
<b><u>State Aid to Individuals/Others</u></b>								
Medicaid	777,723,897	840,323,875	880,402,275	62,599,978	8.0%	40,078,400	4.8%	6.4%
Child Welfare Aid	137,778,999	141,317,936	144,046,872	3,538,937	2.6%	2,728,936	1.9%	2.2%
Public Assistance	110,319,888	120,190,697	121,231,900	9,870,809	8.9%	1,041,203	0.9%	4.8%
Developmental disabilities aid	137,040,195	145,107,396	149,688,142	8,067,201	5.9%	4,580,746	3.2%	4.5%
Behavioral Health aid	67,444,214	69,189,843	71,077,485	1,745,629	2.6%	1,887,642	2.7%	2.7%
Childrens Health Insurance (SCHIP)	27,560,027	12,402,657	7,733,846	(15,157,370)	-55.0%	(4,668,811)	-37.6%	-47.0%
Aging Programs	9,463,465	9,652,734	9,845,789	189,269	2.0%	193,055	2.0%	2.0%
Higher Ed Student Aid programs	7,553,156	7,553,156	7,553,156	0	0.0%	0	0.0%	0.0%
Public Health Aid	6,437,612	6,437,612	6,437,612	0	0.0%	0	0.0%	0.0%
Community health centers	4,308,060	4,658,060	4,733,060	350,000	8.1%	75,000	1.6%	4.8%
Business Innovation Act	6,760,000	6,760,000	6,760,000	0	0.0%	0	0.0%	0.0%
All Other Aid to Individuals/Other	12,512,373	10,368,853	10,381,968	(2,143,520)	-17.1%	13,115	0.1%	-8.9%
Total-GF Aid to Individuals/Other	1,304,901,886	1,373,962,819	1,419,892,105	69,060,933	5.3%	45,929,286	3.3%	4.3%
<b><u>State Aid to Local Govts</u></b>								
State Aid to Schools (TEEOSA)	913,571,842	949,296,555	955,681,822	35,724,713	3.9%	6,385,267	0.7%	2.3%
Special Education	213,767,961	219,112,160	224,589,964	5,344,199	2.5%	5,477,804	2.5%	2.5%
Aid to Community Colleges	95,040,351	97,891,562	100,828,308	2,851,211	3.0%	2,936,746	3.0%	3.0%
Homestead Exemption	73,521,000	71,000,000	73,000,000	(2,521,000)	-3.4%	2,000,000	2.8%	-0.4%
Aid to ESU's	14,051,761	14,051,761	14,051,761	0	0.0%	0	0.0%	0.0%
Resources Development Fund	13,633,118	3,140,325	586,510	(10,492,793)	-77.0%	(2,553,815)	-81.3%	-79.3%
Early Childhood programs	9,235,164	5,820,164	5,820,164	(3,415,000)	-37.0%	0	0.0%	-20.6%
Community Based Juvenile Services	4,950,000	6,885,784	9,885,784	1,935,784	39.1%	3,000,000	43.6%	41.3%
Other Aid to Local Govt	7,235,912	6,667,799	6,686,246	(568,113)	-7.9%	18,447	0.3%	-3.9%
Total-GF Aid to Local Govt	1,345,007,109	1,373,866,110	1,391,130,559	28,859,001	2.1%	17,264,449	1.3%	1.7%
<b><u>Capital Construction</u></b>								
	26,437,444	26,382,800	22,239,000	(54,644)	-0.2%	(4,143,800)	-15.7%	-8.3%
<b><u>Total General Funds</u></b>								
	4,105,825,530	4,268,701,921	4,374,014,167	162,876,391	4.0%	105,312,246	2.5%	3.2%

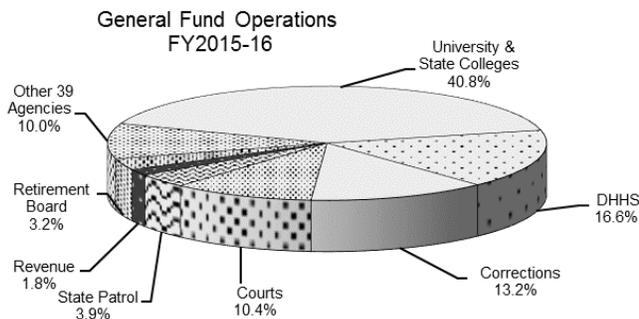


The numbers in the Committee Preliminary Budget are the net result of over 200 individual issues which reflect both increases to and reductions from the current year appropriation.

A complete listing of individual issues starts on page 26. The following highlights some major changes in each category.

## Agency Operations

This area accounts for the costs of actually operating state agencies including costs such as employee salaries and benefits, data processing, utilities, vehicle and equipment purchases, fuel and oil, etc... In the FY2015-16 proposed budget, 35.0% of all General Fund appropriations are for agency operations. Although there are 47 state agencies that receive General Fund appropriations higher education (University of Nebraska and State Colleges) and the six largest agencies (Health and Human Services, Corrections, Courts, State Patrol, Revenue, and Retirement Board) account for 90% of state operations. Note that all of the General Funds for the Retirement Board are actually state contributions for the K-12 School employee retirement plan. They are not shown under aid to local governments as the monies are placed directly into the retirement fund and are not actually paid to a school district.



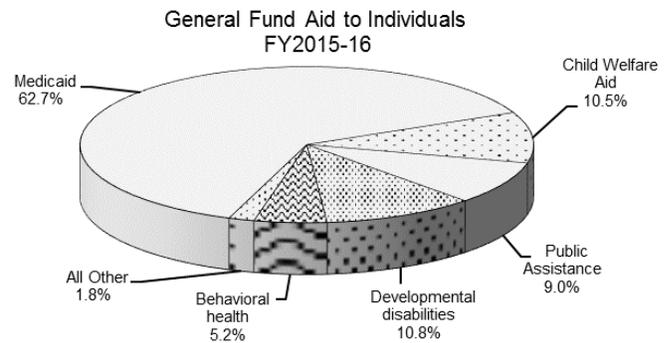
General Funds for agency operations shows a net \$65.1 million increase (4.5%) in FY15-16 and a \$46.3 million increase (3.1%) in FY16-17. The most significant increases in operations in FY15-16 are \$17.2 million for a 3.0% increase in support for the University of Nebraska and State Colleges, \$14.8 million for staffing and inmate per diem costs (mostly health care) under the Dept. of Correctional Services, \$10.4 million for a 2.25% salary increase for state employees, and \$8.1 million for a 15.7% increase in health insurance for state employees, and. Other major operations items include a \$4.2 million reduction in the Dept. of Correctional Services to remove the funding for housing inmates in county jails added last session and at that time was considered one-time pending longer term solutions to the overcrowding issue.

The smaller increase in FY16-17 reflects a much smaller growth in two of the areas which contributed to the higher growth in FY15-16. State employee health insurance is projected to increase at a 5% rate as compared to the 15.7% in FY16 and inmate health care costs are increased by \$2.2 million compared to the \$8.8 million in FY16 where the initial hepatitis C costs are included in the base.

## State Aid to Individuals / Others

This area has the largest overall growth in the budget with a net increase of \$69 million (5.3%) overall growth in FY2015-16. This includes, \$34.2 million to offset a lower federal Medicaid match rate, \$21.9 million for a 2.0% DHHS provider rate increase, \$21.4 million increase for Medicaid eligibility and utilization, and \$8.5 million to increase child care rates to the 60% percentile based on the 2015 market rate survey. These increases were partially offset by a \$17.4 million reduction in Children's Health Insurance (SCHIP) due to a larger federal match under the Affordable Care Act (ACA) health care reform.

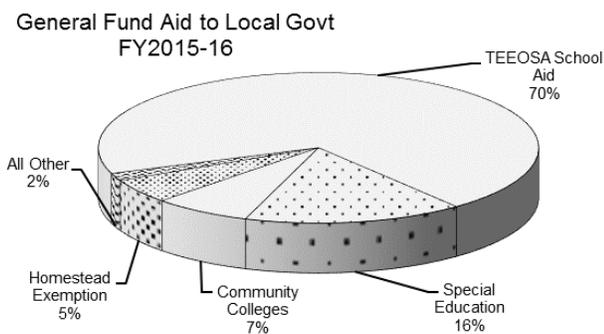
Increased funding is also provided for the developmental disability program including funds for new clients transitioning from high school (\$1.3 million FY16 and \$2.5 million FY17). The preliminary budget does not include an additional funds relating to reducing the waiting list.



## State Aid to Local Governments

Aid to local governments receives a \$28.9 million (2.1%) increase in FY2015-16 and another \$17.2 million (1.3%) increase in FY2016-17.

Because TEEOSA school aid accounts for 69% of all aid to local governments, TEEOSA also significantly influences the growth rate in this category. TEEOSA aid is projected to increase by \$35.7 million (3.9%) in FY15-16 and only \$6.4 million (.7%) in FY16-17). The FY15-16 amount is based on existing law and the Dept. of Education per-certification estimate provided in January 2015. The FY16-17 amount is also based on current law but is a Legislative Fiscal Office estimate based on assumptions in valuation and spending growth as arrived at in the October joint meeting of the Fiscal Office, DAS Budget Office, Dept. of Education and Dept. of Revenue, Property Tax division. The low FY17 growth is the result of a lower spending estimate, continued growth in agricultural value, and growth in residential valuation starting to rise.



Or significant increases in FY2015-16 Special Education (\$5.3 million, 2.5%) and Community College aid (\$2.8 million, 3.0%). Homestead exemption reimbursements are budgeted at estimates based on current law which show a \$2.5 reduction from the FY15 base level before deficits.

The committee preliminary budget also includes two base reduction to remove one-time funding included in FY14-15; \$10.4 million for the Resources Development Fund and \$3.4 million for early childhood programs which amount was to cover a three year period.

## Capital Construction

The Committee Preliminary recommendation reflects minimal change in construction compared to the current FY14-15 level. Virtually all of the General Funds included in the committee preliminary budget are to cover the dollar amounts needed to complete funding of projects approved in previous sessions, commonly referred to as reaffirmations. The only General Funds for new construction are \$1.361 million for a renovation/conversion project at the Western Nebraska Veterans Home and financed by lapsing a like amount from the unexpended FY15 General Funds in the veterans home operations budget.

Table 11 Significant Increases and Reductions  
(numbers are \$ changes compared to the FY15 Base)

Amounts shown are \$ change from FY15 base year	Committee Preliminary			% of Total
	FY2015-16	FY2016-17	Two Yr total	Change
<b>1 <u>SIGNIFICANT INCREASES:</u></b>				
2 Medicaid (other than FMAP)	35,131,479	70,579,360	105,710,839	24.5%
3 TEEOSA Aid to Schools (General Funds only)	35,724,713	42,109,980	77,834,693	18.1%
4 Federal Medicaid Match rate (op & aid)	35,048,141	40,891,678	75,939,819	17.6%
5 General Increase (University+Colleges)	17,766,389	36,065,766	53,832,155	12.5%
6 Salaries+Health Insurance (Agencies)	18,505,395	33,458,578	51,963,973	12.1%
7 Public Assistance (other than FMAP)	9,476,434	10,462,160	19,938,594	4.6%
8 Inmate per diem costs - Medical & Hepatitis C (Corrections)	8,770,710	11,050,102	19,820,812	4.6%
9 Special Education	5,344,199	10,822,003	16,166,202	3.8%
10 Juveniles, court jurisdiction - LB464 (Courts)	2,970,373	12,071,602	15,041,975	3.5%
11 Funds shifts (DHHS)	6,426,704	6,426,704	12,853,408	3.0%
12 Developmental Disability aid (other than FMAP)	3,878,323	7,658,839	11,537,162	2.7%
13 Staffing and programs (Corrections)	5,017,185	4,911,840	9,929,025	2.3%
14 Child Welfare aid (other than FMAP)	2,962,817	5,713,082	8,675,899	2.0%
15 Community Colleges	2,851,211	5,787,957	8,639,168	2.0%
16 Community Based Juvenile Services aid	2,000,000	5,000,000	7,000,000	1.6%
17 Behavioral health aid (other than FMAP)	1,745,629	3,633,271	5,378,900	1.2%
18 Operating inflation+DAS rates (State Agencies)	2,073,297	3,015,701	5,088,998	1.2%
19 Student assessment (Education)	1,600,000	1,600,000	3,200,000	0.7%
20 Childrens Health Insurance (other than FMAP & ACA)	629,588	2,070,853	2,700,441	0.6%
21 Inmate per diem costs - non-medical (Corrections)	1,061,343	1,552,644	2,613,987	0.6%
22 Retirement, K-12 School / Judges / Patrol	1,701,755	378,749	2,080,504	0.5%
23 Annualize Public Guardianship Act LB920 (Courts)	618,134	618,134	1,236,268	0.3%
24 Subtotal-Increases Listed	201,303,819	315,879,003	517,182,822	120.0%
<b>25 <u>SIGNIFICANT REDUCTIONS:</u></b>				
26 Childrens Health Insurance (expanded match rate, ACA)	(17,383,901)	(23,712,590)	(41,096,491)	-9.5%
27 Resources Development Fund (one-time & complete projects)	(10,492,793)	(13,046,608)	(23,539,401)	-5.5%
28 Use of county jail housing (Corrections)	(4,226,625)	(4,226,625)	(8,453,250)	-2.0%
29 Early Childhood grant program	(3,415,000)	(3,415,000)	(6,830,000)	-1.6%
30 Capital Construction	(54,644)	(4,198,444)	(4,253,088)	-1.0%
31 Homestead Exemption	(2,521,000)	(521,000)	(3,042,000)	-0.7%
32 Subtotal-Reductions Listed	(38,093,963)	(49,120,267)	(87,214,230)	-20.2%
<b>33 <u>OTHER NOT LISTED (NET)</u></b>	(333,465)	1,429,901	1,096,436	0.3%
<b>34 <u>TOTAL GENERAL FUND CHANGE</u></b>	162,876,391	268,188,637	431,065,028	100.0%

**Table 12 General Fund Appropriations by Agency  
Appropriations Committee Preliminary Budget**

Agency	Type	Committee Preliminary Budget			Change over Prior Year			
		w/o deficits FY2014-15	Preliminary FY2015-16	Preliminary FY2016-17	FY2015-16		FY2016-17	
					\$	%	\$	%
#03 Legislative Council	Oper	19,095,539	20,002,816	20,606,731	907,277	4.8%	603,915	3.0%
#03 Legislative Council	Total	19,095,539	20,002,816	20,606,731	907,277	4.8%	603,915	3.0%
#05 Supreme Court	Aid	200,000	0	0	(200,000)	-100.0%	0	na
#05 Supreme Court	Oper	149,427,839	155,904,798	167,045,785	6,476,959	4.3%	11,140,987	7.1%
#05 Supreme Court	Total	149,627,839	155,904,798	167,045,785	6,276,959	4.2%	11,140,987	7.1%
#07 Governor	Oper	1,879,549	2,238,705	2,280,286	359,156	19.1%	41,581	1.9%
#07 Governor	Total	1,879,549	2,238,705	2,280,286	359,156	19.1%	41,581	1.9%
#08 Lt. Governor	Oper	144,051	147,735	149,486	3,684	2.6%	1,751	1.2%
#08 Lt. Governor	Total	144,051	147,735	149,486	3,684	2.6%	1,751	1.2%
#09 Secretary of State	Oper	1,496,302	1,498,607	1,710,424	2,305	0.2%	211,817	14.1%
#09 Secretary of State	Total	1,496,302	1,498,607	1,710,424	2,305	0.2%	211,817	14.1%
#10 State Auditor	Oper	2,295,617	2,364,506	2,433,029	68,889	3.0%	68,523	2.9%
#10 State Auditor	Total	2,295,617	2,364,506	2,433,029	68,889	3.0%	68,523	2.9%
#11 Attorney General	Oper	5,638,473	5,770,860	5,894,957	132,387	2.3%	124,097	2.2%
#11 Attorney General	Total	5,638,473	5,770,860	5,894,957	132,387	2.3%	124,097	2.2%
#12 State Treasurer	Aid	0	0	0	0	na	0	na
#12 State Treasurer	Oper	1,301,283	1,302,247	1,321,949	964	0.1%	19,702	1.5%
#12 State Treasurer	Total	1,301,283	1,302,247	1,321,949	964	0.1%	19,702	1.5%
#13 Education	Aid	1,156,384,882	1,191,969,431	1,203,850,949	35,584,549	3.1%	11,881,518	1.0%
#13 Education	Oper	20,643,004	24,774,407	25,218,938	4,131,403	20.0%	444,531	1.8%
#13 Education	Total	1,177,027,886	1,216,743,838	1,229,069,887	39,715,952	3.4%	12,326,049	1.0%
#14 Public Service Comm	Oper	2,429,539	2,491,777	2,533,710	62,238	2.6%	41,933	1.7%
#14 Public Service Comm	Total	2,429,539	2,491,777	2,533,710	62,238	2.6%	41,933	1.7%
#15 Parole Board	Oper	850,640	876,256	897,887	25,616	3.0%	21,631	2.5%
#15 Parole Board	Total	850,640	876,256	897,887	25,616	3.0%	21,631	2.5%
#16 Revenue	Aid	73,521,000	71,000,000	73,000,000	(2,521,000)	-3.4%	2,000,000	2.8%
#16 Revenue	Oper	26,428,021	26,930,112	27,506,828	502,091	1.9%	576,716	2.1%
#16 Revenue	Total	99,949,021	97,930,112	100,506,828	(2,018,909)	-2.0%	2,576,716	2.6%
#18 Agriculture	Oper	5,922,021	6,063,817	6,197,820	141,796	2.4%	134,003	2.2%
#18 Agriculture	Total	5,922,021	6,063,817	6,197,820	141,796	2.4%	134,003	2.2%
#21 Fire Marshal	Oper	4,093,785	4,238,438	4,356,727	144,653	3.5%	118,289	2.8%
#21 Fire Marshal	Total	4,093,785	4,238,438	4,356,727	144,653	3.5%	118,289	2.8%
#23 Labor	Oper	663,563	679,089	690,814	15,526	2.3%	11,725	1.7%
#23 Labor	Total	663,563	679,089	690,814	15,526	2.3%	11,725	1.7%
#25 HHS System	Aid	1,278,863,443	1,350,067,896	1,395,984,067	71,204,453	5.6%	45,916,171	3.4%
#25 HHS System	Oper	235,054,760	248,610,450	255,337,690	13,555,690	5.8%	6,727,240	2.7%
#25 HHS System	Total	1,513,918,203	1,598,678,346	1,651,321,757	84,760,143	5.6%	52,643,411	3.3%
#28 Veterans Affairs	Oper	1,228,082	1,273,920	1,305,986	45,838	3.7%	32,066	2.5%
#28 Veterans Affairs	Total	1,228,082	1,273,920	1,305,986	45,838	3.7%	32,066	2.5%
#29 Natural Resources	Aid	16,301,154	5,458,361	2,904,546	(10,842,793)	-66.5%	(2,553,815)	-46.8%
#29 Natural Resources	Oper	10,849,418	11,086,574	11,286,789	237,156	2.2%	200,215	1.8%
#29 Natural Resources	Total	27,150,572	16,544,935	14,191,335	(10,605,637)	-39.1%	(2,353,600)	-14.2%
#31 Military Dept	Aid	988,775	858,775	858,775	(130,000)	-13.1%	0	0.0%
#31 Military Dept	Oper	4,276,279	4,288,819	4,379,433	12,540	0.3%	90,614	2.1%
#31 Military Dept	Total	5,265,054	5,147,594	5,238,208	(117,460)	-2.2%	90,614	1.8%
#32 Ed Lands & Funds	Oper	321,217	328,604	335,359	7,387	2.3%	6,755	2.1%
#32 Ed Lands & Funds	Total	321,217	328,604	335,359	7,387	2.3%	6,755	2.1%

Agency	Type	Committee Preliminary Budget			Change over Prior Year				
		w/o deficits FY2014-15	Preliminary FY2015-16	Preliminary FY2016-17	FY2015-16		FY2016-17		
					\$	%	\$	%	
#33	Game & Parks	Aid	42,011	42,011	42,011	0	0.0%	0	0.0%
#33	Game & Parks	Oper	11,148,845	11,404,840	11,612,895	255,995	2.3%	208,055	1.8%
#33	Game & Parks	Total	11,190,856	11,446,851	11,654,906	255,995	2.3%	208,055	1.8%
#34	Library Commission	Aid	1,209,240	1,221,970	1,235,085	12,730	1.1%	13,115	1.1%
#34	Library Commission	Oper	2,569,572	2,691,538	2,790,888	121,966	4.7%	99,350	3.7%
#34	Library Commission	Total	3,778,812	3,913,508	4,025,973	134,696	3.6%	112,465	2.9%
#35	Liquor Control	Oper	1,046,759	1,151,402	1,173,203	104,643	10.0%	21,801	1.9%
#35	Liquor Control	Total	1,046,759	1,151,402	1,173,203	104,643	10.0%	21,801	1.9%
#46	Correctional Services	Aid	3,500,000	3,500,000	3,500,000	0	0.0%	0	0.0%
#46	Correctional Services	Oper	181,813,346	196,659,014	202,939,632	14,845,668	8.2%	6,280,618	3.2%
#46	Correctional Services	Total	185,313,346	200,159,014	206,439,632	14,845,668	8.0%	6,280,618	3.1%
#47	NETC	Oper	9,840,715	10,016,789	10,161,068	176,074	1.8%	144,279	1.4%
#47	NETC	Total	9,840,715	10,016,789	10,161,068	176,074	1.8%	144,279	1.4%
#48	Coordinating Comm	Aid	7,553,156	7,553,156	7,553,156	0	0.0%	0	0.0%
#48	Coordinating Comm	Oper	1,321,637	1,362,740	1,390,520	41,103	3.1%	27,780	2.0%
#48	Coordinating Comm	Total	8,874,793	8,915,896	8,943,676	41,103	0.5%	27,780	0.3%
#50	State Colleges	Oper	49,396,030	50,877,911	52,404,248	1,481,881	3.0%	1,526,337	3.0%
#50	State Colleges	Total	49,396,030	50,877,911	52,404,248	1,481,881	3.0%	1,526,337	3.0%
#51	University of Nebraska	Oper	542,816,884	559,101,391	575,874,432	16,284,507	3.0%	16,773,041	3.0%
#51	University of Nebraska	Total	542,816,884	559,101,391	575,874,432	16,284,507	3.0%	16,773,041	3.0%
#54	Historical Society	Oper	4,932,223	4,920,695	4,552,409	(11,528)	-0.2%	(368,286)	-7.5%
#54	Historical Society	Total	4,932,223	4,920,695	4,552,409	(11,528)	-0.2%	(368,286)	-7.5%
#64	State Patrol	Oper	56,576,821	58,537,010	60,095,811	1,960,189	3.5%	1,558,801	2.7%
#64	State Patrol	Total	56,576,821	58,537,010	60,095,811	1,960,189	3.5%	1,558,801	2.7%
#65	Admin Services (DAS)	Oper	7,821,743	8,330,996	8,630,092	509,253	6.5%	299,096	3.6%
#65	Admin Services (DAS)	Total	7,821,743	8,330,996	8,630,092	509,253	6.5%	299,096	3.6%
#67	Equal Opportunity	Oper	1,186,439	1,186,572	1,262,802	133	0.0%	76,230	6.4%
#67	Equal Opportunity	Total	1,186,439	1,186,572	1,262,802	133	0.0%	76,230	6.4%
#68	Latino American Comm.	Oper	190,981	199,417	204,334	8,436	4.4%	4,917	2.5%
#68	Latino American Comm.	Total	190,981	199,417	204,334	8,436	4.4%	4,917	2.5%
#69	Arts Council	Aid	903,069	928,069	928,069	25,000	2.8%	0	0.0%
#69	Arts Council	Oper	604,088	600,001	618,415	(4,087)	-0.7%	18,414	3.1%
#69	Arts Council	Total	1,507,157	1,528,070	1,546,484	20,913	1.4%	18,414	1.2%
#70	Foster Care Review	Oper	1,616,119	1,756,921	1,607,042	140,802	8.7%	(149,879)	-8.5%
#70	Foster Care Review	Total	1,616,119	1,756,921	1,607,042	140,802	8.7%	(149,879)	-8.5%
#72	Economic Development	Aid	6,860,000	6,860,000	6,860,000	0	0.0%	0	0.0%
#72	Economic Development	Oper	4,899,875	4,967,260	5,008,219	67,385	1.4%	40,959	0.8%
#72	Economic Development	Total	11,759,875	11,827,260	11,868,219	67,385	0.6%	40,959	0.3%
#74	Power Review Board	Oper	200,000	0	0	(200,000)	-100.0%	0	na
#74	Power Review Board	Total	200,000	0	0	(200,000)	-100.0%	0	na
#76	Indian Commission	Oper	208,175	215,260	220,673	7,085	3.4%	5,413	2.5%
#76	Indian Commission	Total	208,175	215,260	220,673	7,085	3.4%	5,413	2.5%
#77	Industrial Relations	Oper	313,047	320,351	325,660	7,304	2.3%	5,309	1.7%
#77	Industrial Relations	Total	313,047	320,351	325,660	7,304	2.3%	5,309	1.7%
#78	Crime Commission	Aid	5,973,828	7,909,612	10,909,612	1,935,784	32.4%	3,000,000	37.9%
#78	Crime Commission	Oper	3,706,000	3,932,365	4,027,886	226,365	6.1%	95,521	2.4%
#78	Crime Commission	Total	9,679,828	11,841,977	14,937,498	2,162,149	22.3%	3,095,521	26.1%

Agency	Type	Committee Preliminary Budget			Change over Prior Year				
		w/o deficits FY2014-15	Preliminary FY2015-16	Preliminary FY2016-17	FY2015-16		FY2016-17		
					\$	%	\$	%	
#81	Blind & Visually Impaired	Aid	176,890	176,890	176,890	0	0.0%	0	0.0%
#81	Blind & Visually Impaired	Oper	869,100	892,141	910,123	23,041	2.7%	17,982	2.0%
#81	Blind & Visually Impaired	Total	1,045,990	1,069,031	1,087,013	23,041	2.2%	17,982	1.7%
#82	Deaf & Hard of Hearing	Oper	874,808	900,409	920,483	25,601	2.9%	20,074	2.2%
#82	Deaf & Hard of Hearing	Total	874,808	900,409	920,483	25,601	2.9%	20,074	2.2%
#83	Community Colleges	Aid	95,040,351	97,891,562	100,828,308	2,851,211	3.0%	2,936,746	3.0%
#83	Community Colleges	Total	95,040,351	97,891,562	100,828,308	2,851,211	3.0%	2,936,746	3.0%
#84	Environmental Quality	Aid	2,141,196	2,141,196	2,141,196	0	0.0%	0	0.0%
#84	Environmental Quality	Oper	3,393,198	3,694,600	3,922,413	301,402	8.9%	227,813	6.2%
#84	Environmental Quality	Total	5,534,394	5,835,796	6,063,609	301,402	5.4%	227,813	3.9%
#85	Retirement Board	Oper	46,645,251	48,347,006	47,024,000	1,701,755	3.6%	(1,323,006)	-2.7%
#85	Retirement Board	Total	46,645,251	48,347,006	47,024,000	1,701,755	3.6%	(1,323,006)	-2.7%
#87	Account/Disclosure	Oper	468,402	484,947	497,268	16,545	3.5%	12,321	2.5%
#87	Account/Disclosure	Total	468,402	484,947	497,268	16,545	3.5%	12,321	2.5%
#91	Tourism Commission	Aid	250,000	250,000	250,000	0	0.0%	0	0.0%
#91	Tourism Commission	Oper	250,000	250,000	250,000	0	0.0%	0	0.0%
#91	Tourism Commission	Total	500,000	500,000	500,000	0	0.0%	0	0.0%
#93	Tax Equal/Review Comm	Oper	730,051	816,079	837,359	86,028	11.8%	21,280	2.6%
#93	Tax Equal/Review Comm	Total	730,051	816,079	837,359	86,028	11.8%	21,280	2.6%
Construction-Total		Total	26,437,444	26,382,800	22,239,000	(54,644)	-0.2%	(4,143,800)	-15.7%
OPERATIONS			1,429,479,091	1,494,490,192	1,540,752,503	65,011,101	4.5%	46,262,311	3.1%
STATE AID			2,649,908,995	2,747,828,929	2,811,022,664	97,919,934	3.7%	63,193,735	2.3%
CONSTRUCTION			26,437,444	26,382,800	22,239,000	(54,644)	-0.2%	(4,143,800)	-15.7%
TOTAL GENERAL FUNDS			4,105,825,530	4,268,701,921	4,374,014,167	162,876,391	4.0%	105,312,246	2.5%

Table 13 General Fund Appropriations by Individual Aid Program  
Appropriations Committee Preliminary Budget

Agency	Aid Program	w/o Deficits FY2014-15	Committee Preliminary		Change over Prior Year				
			Preliminary FY2015-16	Preliminary FY2016-17	FY2015-16		FY2016-17		
					\$ Chnge	% Chnge	\$ Chnge	% Chnge	
#05	Courts	Court Appointed Special Advocate	200,000	0	0	(200,000)	-100.0%	0	na
#13	Education	TEEOSA State Aid to Education	913,571,842	949,296,555	955,681,822	35,724,713	3.9%	6,385,267	0.7%
#13	Education	Special Education	213,767,961	219,112,160	224,589,964	5,344,199	2.5%	5,477,804	2.5%
#13	Education	Aid to ESU's	14,051,761	14,051,761	14,051,761	0	0.0%	0	0.0%
#13	Education	High ability learner programs	0	0	0	0	na	0	na
#13	Education	Early Childhood grant program	5,235,164	1,820,164	1,820,164	(3,415,000)	-65.2%	0	0.0%
#13	Education	Early Childhood Endowment	4,000,000	4,000,000	4,000,000	0	0.0%	0	0.0%
#13	Education	Nurturing Healthy Behaviors	400,000	400,000	400,000	0	0.0%	0	0.0%
#13	Education	School Lunch	392,032	392,032	392,032	0	0.0%	0	0.0%
#13	Education	Textbook loan program	465,500	465,500	465,500	0	0.0%	0	0.0%
#13	Education	School Breakfast reimbursement	453,008	542,595	561,042	89,587	19.8%	18,447	3.4%
#13	Education	Adult Education	214,664	214,664	214,664	0	0.0%	0	0.0%
#13	Education	Learning Communities Aid	725,000	625,000	625,000	(100,000)	-13.8%	0	0.0%
#13	Education	Summer Food Service grants	130,000	130,000	130,000	0	0.0%	0	0.0%
#13	Education	High School Equivalency Assistance	750,000	750,000	750,000	0	0.0%	0	0.0%
#13	Education	Step Up to Quality Child Care - Scholarship	100,000	100,000	100,000	0	0.0%	0	0.0%
#13	Education	Step Up to Quality Child Care - Bonuses	26,700	69,000	69,000	42,300	158.4%	0	0.0%
#13	Education	Vocational Rehabilitation	2,101,250	0	0	(2,101,250)	-100.0%	0	na
#16	Revenue	Homestead Exemption	73,521,000	71,000,000	73,000,000	(2,521,000)	-3.4%	2,000,000	2.8%
#25	HHS System	Behavioral Health Aid	67,444,214	69,189,843	71,077,485	1,745,629	2.6%	1,887,642	2.7%
#25	HHS System	Medical student assistance/RHOP	787,086	787,086	787,086	0	0.0%	0	0.0%
#25	HHS System	Childrens Health Insurance	27,560,027	12,402,657	7,733,846	(15,157,370)	-55.0%	(4,668,811)	-37.6%
#25	HHS System	Public Assistance	110,319,888	120,190,697	121,231,900	9,870,809	8.9%	1,041,203	0.9%
#25	HHS System	Medicaid	777,723,897	840,323,875	880,402,275	62,599,978	8.0%	40,078,400	4.8%
#25	HHS System	Child Welfare Aid	137,778,999	141,317,936	144,046,872	3,538,937	2.6%	2,728,936	1.9%
#25	HHS System	Community developmental disabilities	137,040,195	145,107,396	149,688,142	8,067,201	5.9%	4,580,746	3.2%
#25	HHS System	Community health centers	4,308,060	4,658,060	4,733,060	350,000	8.1%	75,000	1.6%
#25	HHS System	Health Aid	6,437,612	6,437,612	6,437,612	0	0.0%	0	0.0%
#25	HHS System	Care Management	2,225,644	2,270,157	2,315,560	44,513	2.0%	45,403	2.0%
#25	HHS System	Area agencies on aging	7,237,821	7,382,577	7,530,229	144,756	2.0%	147,652	2.0%
#29	Nat Resources	Nebr Water Conservation Fund	2,318,036	2,318,036	2,318,036	0	0.0%	0	0.0%
#29	Nat Resources	Resources Development Fund	13,633,118	3,140,325	586,510	(10,492,793)	-77.0%	(2,553,815)	-81.3%
#29	Nat Resources	NRD Water Management grants	350,000	0	0	(350,000)	-100.0%	0	na
#31	Military Dept	Governors Emergency Program	500,000	250,000	250,000	(250,000)	-50.0%	0	0.0%
#31	Military Dept	Guard tuition assistance	488,775	608,775	608,775	120,000	24.6%	0	0.0%

Agency	Aid Program	w/o Deficits FY2014-15	Committee Preliminary		Change over Prior Year				
			Preliminary FY2015-16	Preliminary FY2016-17	FY2015-16		FY2016-17		
					\$ Chnge	% Chnge	\$ Chnge	% Chnge	
#33	Game & Parks	Niobrara Council	42,011	42,011	42,011		0.0%	0	0.0%
#34	Library Comm	Local libraries	1,209,240	1,221,970	1,235,085	12,730	1.1%	13,115	1.1%
#46	Corrections	Vocational and Life Skills Program	3,500,000	3,500,000	3,500,000	0	0.0%	0	0.0%
#48	Coord. Comm	Nebr Opportunity Grant Program	6,868,156	6,868,156	6,868,156	0	0.0%	0	0.0%
#48	Coord. Comm	Access College Early Scholarship	685,000	685,000	685,000	0	0.0%	0	0.0%
#69	Arts Council	Aid to arts programs	903,069	928,069	928,069	25,000	2.8%	0	0.0%
#72	Econ Develop	Business Innovation Act	6,760,000	6,760,000	6,760,000	0	0.0%	0	0.0%
#72	Econ Develop	Grow Nebraska	100,000	100,000	100,000	0	0.0%	0	0.0%
#78	Crime Comm	Juvenile services grants	587,812	587,812	587,812	0	0.0%	0	0.0%
#78	Crime Comm	Community Based Juvenile Services aid	4,950,000	6,885,784	9,885,784	1,935,784	39.1%	3,000,000	43.6%
#78	Crime Comm	Crimestoppers program	13,457	13,457	13,457	0	0.0%	0	0.0%
#78	Crime Comm	Victim Witness assistance	52,559	52,559	52,559	0	0.0%	0	0.0%
#78	Crime Comm	Crime Victims reparations	20,000	20,000	20,000	0	0.0%	0	0.0%
#78	Crime Comm	Violence Prevention Grants	350,000	350,000	350,000	0	0.0%	0	0.0%
#81	Blind & Vis Imp	Blind rehabilitation	176,890	176,890	176,890	0	0.0%	0	0.0%
#83	Comm Colleges	Aid to Community Colleges	95,040,351	97,891,562	100,828,308	2,851,211	3.0%	2,936,746	3.0%
#84	Environ Qlty	Superfund cleanup	316,200	316,200	316,200	0	0.0%	0	0.0%
#84	Environ Qlty	Storm Water Management grants	1,824,996	1,824,996	1,824,996	0	0.0%	0	0.0%
#91	Tourism Comm	Tourism grant program	250,000	250,000	250,000	0	0.0%	0	0.0%
Total State Aid			2,649,908,995	2,747,828,929	2,811,022,664	97,919,934	3.7%	63,193,735	2.3%

# Detailed List – Specific General Fund Adjustments

(Appropriations Committee Preliminary Budget – Amounts are \$ change from FY15 Base)

Ag	Prog	Issue Type	Type	FY2015-16	FY2016-17
3	Legislative Council	0 Pay Advancement (Multiple programs)	Oper	73,275	219,184
3	Legislative Council	126 Additional Research Analyst position (Prog 126)	Oper	84,822	81,156
3	Legislative Council	129 Additional Performance Auditor position (Prog 129)	Oper	78,163	74,997
3	Legislative Council	501 Full usage of travel allocation (Prog 501)	Oper	10,000	10,000
3	Legislative Council	501 Increased organization dues (Prog 501)	Oper	5,014	11,692
3	Legislative Council	504 Admin Assistant from .6 FTE to full-time (Prog 504)	Oper	28,970	28,970
3	Legislative Council	122 Funding for UNO contract, Planning (Prog 122)	Oper	50,000	50,000
3	Legislative Council	501 Travel expenses, Uniform Commission on State Laws members	Oper	9,000	9,000
5	Supreme Court	3 FICA Maximum Wage Rate Increase (Prog 3)	Oper	2,344	4,948
5	Supreme Court	4 FICA Maximum Wage Rate Increase (Prog 4)	Oper	2,009	4,281
5	Supreme Court	6 FICA Maximum Wage Rate Increase (Prog 6)	Oper	22,432	47,356
5	Supreme Court	7 FICA Maximum Wage Rate Increase (Prog 7)	Oper	19,418	40,994
5	Supreme Court	52 Remove one-time GF for CASA aid	Aid	(200,000)	(200,000)
5	Supreme Court	52 Remove on-time GF CASA operations	Oper	(10,000)	(10,000)
5	Supreme Court	52 Annualize LB464, 2014: Juvenile Court Jurisdiction (Prog 52)	Oper	264,262	600,568
5	Supreme Court	52 Annualize LB920, 2014: Public Guardian Act (Prog 52)	Oper	618,134	618,134
5	Supreme Court	52 Interpreter Pay Increase (Prog. 52).	Oper	50,000	50,000
5	Supreme Court	52 Interpreter Services (Prog. 52).	Oper	100,000	100,000
5	Supreme Court	67 Probation Information Technology (Prog. 67).	Oper	151,416	151,416
5	Supreme Court	435 LB464, 2014: Juvenile Court Jurisdiction (Prog 435)	Oper	2,706,111	11,471,034
7	Governor	21 National Governor's Association (NGA) Dues (Prog. 021)	Oper	6,500	6,500
7	Governor	21 Add 2.0 FTE, strategic and performance management (prog 021)	Oper	385,081	385,081
7	Governor	125 Reduce Transition Expenses for one-time costs. (Prog 125)	Oper	(85,288)	(85,288)
9	Secretary of State	45 Reduce base funding for one-time expenses (Prog 45)	Oper	(50,000)	(50,000)
9	Secretary of State	45 Replace expiring HAVA Funds (prog. 045)	Oper	0	94,557
9	Secretary of State	45 Revert Elections Operations to General Funds (prog. 045)	Oper	34,592	138,367
10	Auditor	506 NASACT Peer Review (prog. 506)	Oper	0	15,000
12	Treasurer	24 Reduce Postage and Printing Expenses (prog. 024)	Oper	(6,000)	(6,000)
12	Treasurer	24 Reduce PSL (Prog. 024)	Oper	(19,732)	(19,732)
13	Education	25 Decrease one-time funding for the pilot IT Academy project	Oper	(250,000)	(250,000)
13	Education	25 Continue funding, Ed Opportunity for Military Children (prog. 25).	Oper	0	10,000
13	Education	25 Increase funds for State Assessment System (prog. 25).	Oper	1,000,000	1,000,000
13	Education	25 Increase funds for State Assessment System – Spec Ed (prog 25).	Oper	600,000	600,000
13	Education	25 Teacher/Principal Effectiveness Administrator (prog. 25).	Oper	125,000	125,000
13	Education	25 Continue the pilot IT Academy (prog. 25).	Oper	250,000	250,000
13	Education	25 Shift salary of Exec Office Assoc to indirect cost funds (prog. 25).	Oper	(85,735)	(85,735)
13	Education	25 Reduce funding for the Data Warehouse (prog. 25).	Oper	(100,000)	(100,000)
13	Education	158 Decrease early childhood aid, reflect one-time appropriation	Aid	(3,415,000)	(3,415,000)
13	Education	158 Increase aid for the Step Up to Quality Act per LB 507	Aid	42,300	42,300
13	Education	158 Increase funding for the School Breakfast Program (prog. 158).	Aid	89,587	108,034
13	Education	158 Increase aid for Special Education services by 2.5% (prog. 158).	Aid	5,344,199	10,822,003
13	Education	158 Increase TEEOSA Aid (per NDE Jan 2015 est, prog. 158).	Aid	35,724,713	42,109,980
13	Education	158 Reduce Learning Community Aid	Aid	(100,000)	(100,000)
13	Education	351 Accounting change, shift aid from Gen to fed funds (prog. 351).	Aid	(2,101,250)	(2,101,250)
13	Education	351 Increase GF voc rehab services, match federal funds (prog. 351).	Oper	22,007	70,049
13	Education	351 Accounting change, shift aid from Gen to fed funds (prog. 351)	Oper	2,101,250	2,101,250
13	Education	401 Supplementary srvs, deaf & hard of hearing students (prog 401).	Oper	39,432	80,836
13	Education	402 Increase funds, services for visually impaired students (prog. 402).	Oper	38,954	79,857
14	Public Service Comm	16 Reduce Commissioner's Fringe Benefits	Oper	(1,329)	(1,329)
14	Public Service Comm	54 Reduction in One-Time stipend per staff request (prog. 054)	Oper	(14,855)	(14,855)
14	Public Service Comm	54 Rent Expense (prog. 054)	Oper	1,000	1,900
14	Public Service Comm	54 Lump-Sum Retirement Payouts (prog. 054)	Oper	8,800	0
16	Revenue	102 Annualize LB987 (2014) Income Tax changes. (Prog. 102)	Oper	(132,628)	(132,628)
16	Revenue	102 Annualize LB191 (2014) Job Creation/Mainstreet Revitalization	Oper	(119,144)	(124,944)
16	Revenue	102 Annualize LB 814 (2014) ATV and UTV Sales Tax (Prog. 102)	Oper	(44,485)	(44,485)
16	Revenue	102 Annualize LB 867 (2014), exam sales tax records (Prog. 102)	Oper	(7,500)	(6,500)
16	Revenue	108 Annualize LB1087 (2014) Homestead Exempt, veterans	Aid	406,000	416,000

Ag	Prog	Issue Type	Type	FY2015-16	FY2016-17	
16	Revenue	108	Annualize LB 986 (2014) Homestead Exempt develop disabled	Aid	847,000	980,000
16	Revenue	108	Homestead Exemption funding to 2014 certification level.	Aid	(3,774,000)	(1,917,000)
18	Agriculture	78	Reduction in paperless inspection program	Oper	(33,273)	(33,273)
18	Agriculture	78	Funding for Agricultural Laboratory equipment. (Prog. 78)	Oper	0	8,334
23	Labor	194	Annualize LB 560, enforce Wage Payment and Collection	Oper	1,286	1,286
25	DHHS	33	One-time funding for NEHII	Oper	(500,000)	(500,000)
25	DHHS	33	Decrease in Fed Medical Assistance Pct (FMAP) (Prog 33)	Oper	237,874	282,930
25	DHHS	33	Hepatitis C and Other Medication Impacts (Prog 033)	Oper	0	30,000
25	DHHS	33	Eligibility System Maintenance and Operation (Prog 033)	Oper	0	1,484,435
25	DHHS	33	Physical Health Managed Care Expansion (Prog 033)	Oper	0	102,565
25	DHHS	33	Service Coord, Develop Disability New Graduates (Prog 033)	Oper	73,111	73,111
25	DHHS	33	Transfer DOJ SC & Comm Support Staff from BSDC (Prog 033)	Oper	753,875	753,875
25	DHHS	33	Depletion of IV-E Training Fund (Prog 033)	Oper	3,200,000	3,200,000
25	DHHS	33	HIPPA Admin Simplification Maint/Operation (Prog 033)	Oper	78,750	92,620
25	DHHS	33	Provider Screening and Enrollment Maint/Operation ( Prog 033)	Oper	657,380	639,135
25	DHHS	33	Defer Annual Work Station Replacement (Prog 033)	Oper	(300,000)	(300,000)
25	DHHS	33	Funding for Nebraska Health Initiative	Oper	500,000	500,000
25	DHHS	38	Reduce behavioral health aid, drugs for indigent (prog. 38).	Aid	(105,000)	(105,000)
25	DHHS	38	2% provider rate increase (Prog 38)	Aid	1,850,629	3,738,271
25	DHHS	250	Inflationary increases; food, drugs, medical (Prog 250)	Oper	57,522	116,412
25	DHHS	344	Decrease in Fed Medical Assistance Pct (FMAP) (Prog 344)	Aid	1,596,943	1,815,556
25	DHHS	344	Physical Health Managed Care Expansion (Prog 344)	Aid	0	(12,989)
25	DHHS	344	CHIP at 23% Enhanced FMAP (Prog 344)	Aid	(17,383,901)	(23,712,590)
25	DHHS	344	Utilization and Cost Increases (Prog 344)	Aid	333,708	1,680,221
25	DHHS	344	2% provider rate increase (Prog 344)	Aid	295,880	403,621
25	DHHS	347	Decrease in Fed Medical Assistance Pct (FMAP) (Prog 347)	Aid	394,375	449,852
25	DHHS	347	Child Care Market Rate Survey, 60% percentile (Prog 347)	Aid	8,510,036	8,510,036
25	DHHS	347	2% provider rate increase (Prog 347)	AID	966,398	1,952,124
25	DHHS	348	Decrease in Fed Medical Assistance Pct (FMAP) (Prog 348)	Aid	27,468,499	32,099,018
25	DHHS	348	Hepatitis C and Other Medication Impacts (Prog 348)	Aid	1,800,000	1,800,000
25	DHHS	348	Physical Health Managed Care Expansion (Prog 348)	Aid	0	(89,576)
25	DHHS	348	Utilization and Cost Increases (Prog 348)	Aid	21,434,884	44,203,043
25	DHHS	348	Balancing Incentive Program (Prog 348)	Aid	1,100,000	175,000
25	DHHS	348	2% provider rate increase (Prog 348)	Aid	13,425,782	27,120,080
25	DHHS	348	Remove Balancing Incentive Program from the base.	Aid	(2,629,187)	(2,629,187)
25	DHHS	353	Base adjustment -- move Children's Commission to FCRO	Oper	(94,000)	(94,000)
25	DHHS	354	Decrease in Fed Medical Assistance Pct (FMAP) (Prog 354)	Aid	576,120	554,791
25	DHHS	354	Child Care Market Rate Survey (Program 354)	Aid	266,479	266,479
25	DHHS	354	2% provider rate increase (Prog 354)	Aid	2,696,338	5,446,603
25	DHHS	354	Annualize LB 905 State Ward Permanency Project	Aid	0	972,000
25	DHHS	354	Continue fundis State Ward Permanency Pilot Project (prog. 354)	Aid	0	(972,000)
25	DHHS	365	Decrease in Fed Medical Assistance Pct (FMAP) (Prog 365)	Oper	62,774	65,854
25	DHHS	365	Inflationary increases; food, drugs, medical (Prog 365)	Oper	128,093	259,732
25	DHHS	365	Gen funds to offset cash/fed funds, regional center (prog. 365).	Oper	4,226,704	4,266,704
25	DHHS	421	Decrease in Fed Medical Assistance Pct (FMAP) (Prog 421)	Oper	522,678	634,569
25	DHHS	421	Inflationary increases; food, drugs, medical (Prog 421)	Oper	40,285	81,733
25	DHHS	421	Independent Expert Fees at BSDC (prog. 421).	Oper	(215,505)	(215,505)
25	DHHS	421	Transfer service coordi/comm support staff, BSDC to Prog 33	Oper	(753,875)	(753,875)
25	DHHS	424	Decrease in Fed Medical Assistance Pct (FMAP) (Prog 424)	Aid	4,188,878	4,989,108
25	DHHS	424	Provide services, DD transitioning from high school (prog. 424.).	Aid	1,338,335	2,528,063
25	DHHS	424	2% provider rate increase (Prog 424)	Aid	2,539,988	5,130,776
25	DHHS	424	Annualize LB 905 State Ward Permanency Project	Aid	0	(1,500,000)
25	DHHS	424	Continue funds, State Ward Permanency Pilot project (prog. 424.)	Aid	0	1,500,000
25	DHHS	502	Fund the Heartland Health Center in Grand Island (Prog 502)	Aid	350,000	425,000
25	DHHS	519	Inflationary increases; food, drugs, medical (Prog 519)	Oper	81,005	163,915
25	DHHS	519	Fund source shift - Gen Fund to cash and federal (prog. 519).	Oper	(1,000,000)	(1,000,000)
25	DHHS	559	2% provider rate increase (Prog 559)	Aid	44,513	89,916
25	DHHS	571	2% provider rate increase (Prog 571)	Aid	144,756	292,408
25	DHHS	870	Inflationary increases; food, drugs, medical (Prog 870)	Oper	26,418	52,701
29	Natural Resources	307	Reduce one-time funds, Resources Development Fund	Aid	(10,492,793)	(10,492,793)
29	Natural Resources	307	Reduce base funding, program close-out. (Prog. 307)	Aid	0	(2,553,815)
29	Natural Resources	311	Close out program per intent in FY13-15 budget bill	Aid	(350,000)	(350,000)
29	Natural Resources	334	One time Commission costs - LB 1098A	Oper	(22,950)	(22,950)

Ag	Prog	Issue Type	Type	FY2015-16	FY2016-17	
31	Military Dept	192	Reduce Governors Emergency Fund	Aid	(250,000)	(250,000)
31	Military Dept	544	Transfer Admin Assist, Prog 544 to Prog 545 (Prog 544).	Oper	(65,754)	(65,754)
31	Military Dept	545	Transfer Admin Assist, Prog 544 to Prog 545 (Prog 545).	Oper	32,877	32,877
31	Military Dept	545	Great Plains Interstate Fire Compact costs (Prog 545).	Oper	3,500	3,500
31	Military Dept	545	Reduce budgeted funds, IT related expenditures (Prog 545).	Oper	(41,000)	(16,000)
31	Military Dept	548	National Guard Tuition Assistance Program (Prog 548).	Aid	120,000	120,000
33	Game and Parks	336	Fill two vacant Conservation Officer positions (Prog 336).	Oper	6,000	6,000
33	Game and Parks	337	Increases in IT hardware and software costs plus training (337).	Oper	2,500	2,500
33	Game and Parks	337	Agency efficiency review and reorganization (Prog 337).	Oper	(131,608)	(131,608)
33	Game and Parks	337	Reduce temporary salaries (Prog 337).	Oper	(21,185)	(21,185)
33	Game and Parks	550	Agency efficiency review and reorganization (Prog 550).	Oper	131,608	131,608
34	Library Commission	302	Increases in NebraskAccess subscription fees. (Prog. 302)	Aid	12,730	25,845
34	Library Commission	302	Office space lease expense. (Prog. 252)	Oper	28,362	53,093
35	Liquor Control	73	Add Field Audit Position. (Prog. 73)	Oper	77,139	77,139
46	Corrections	200	Remove County Jail Funding, considered one-timeFY15 budget	Oper	(4,226,625)	(4,226,625)
46	Corrections	200	Annualize LB907A, 2014, Reentry Plan	Oper	(17,025)	(17,025)
46	Corrections	200	One-time funding, LB483A, 2013: reentry planning pilot	Oper	(250,000)	(250,000)
46	Corrections	200	Increase Cash Fund Appropriation (Prog. 200).	Oper	(384,500)	(384,500)
46	Corrections	200	Inmate Medical Per Diem (Prog. 200).	Oper	8,770,710	11,050,102
46	Corrections	200	Security Staffing (Prog. 200).	Oper	2,589,899	2,538,978
46	Corrections	200	Inmate Per Diem (Prog. 200).	Oper	1,061,343	1,552,644
46	Corrections	200	PSL Shortage – Overtime (Prog. 200).	Oper	373,230	373,230
46	Corrections	200	Utilities & Facility Maintenance (Prog. 200).	Oper	213,242	223,904
46	Corrections	200	Vocational & Life Skills (Prog. 200).	Oper	315,000	315,000
46	Corrections	200	Violence Reduction Program (Prog. 200).	Oper	197,748	187,827
46	Corrections	200	Behavioral Health Staffing (Prog. 200).	Oper	1,215,177	1,170,674
46	Corrections	200	Health Services (Prog. 200).	Oper	326,131	326,131
48	Postsecond Coord	640	Remove one-time FY15 item, retirement leave payout	Oper	(11,000)	(11,000)
48	Postsecond Coord	640	Increase in MHEC dues. (Prog 640)	Oper	20,000	20,000
50	State Colleges	48	3% Overall increase - component for salary increase	Oper	740,941	1,504,109
50	State Colleges	48	3% Overall increase - component for core need/strategic initiative	Oper	740,940	1,504,109
51	University of Nebr	515	One time funding, Pediatric Cancer Research (LB764)	Oper	(1,800,000)	(1,800,000)
51	University of Nebr	515	3% Overall Increase - funding amount equal to Pediatric Cancer	Oper	1,800,000	1,800,000
51	University of Nebr	both	3% Overall Increase - 1% per yr salary increase	Oper	6,523,292	13,111,817
51	University of Nebr	515	3% Overall Increase - Inovation Campus	Oper	750,000	1,500,000
51	University of Nebr	515	3% Overall Increase - Health Science Education Complex	Oper	1,000,000	2,000,000
51	University of Nebr	515	3% Overall Increase - STEM Maker Spaces	Oper	250,000	250,000
51	University of Nebr	516	3% Overall Increase - Teaching Resources Fund	Oper	50,000	100,000
51	University of Nebr	both	3% Overall Increase - All Other	Oper	7,711,215	16,095,731
54	Historical Society	648	Reduce one-time cost for spacesaver storage	Oper	0	(461,563)
54	Historical Society	648	Utilities	Oper	20,000	20,000
54	Historical Society	648	LB 191 Shift from General to Cash Funds	Oper	(154,685)	(154,685)
54	Historical Society	648	Lease Rate Adjustment (prog. 648)	Oper	21,380	21,380
54	Historical Society	648	Management Consultant Services (prog. 648)	Oper	(20,000)	(20,000)
64	State Patrol	100	Communications Center Consolidation (Prog. 100).	Oper	0	(108,856)
64	State Patrol	100	Drop Retirement Program (Prog. 100).	Oper	46,330	(34,046)
64	State Patrol	100	Increased Utility and Maintenance Costs - Crime Lab (Prog. 100).	Oper	90,000	90,000
64	State Patrol	100	Overtime Compensation (Prog. 100).	Oper	(60,000)	(60,000)
64	State Patrol	100	Gasoline Prices (Prog. 100).	Oper	(250,000)	(250,000)
65	Admin Services	685	Apprenticeship program and job classification adjust (prog 685)	Oper	8,675	8,675
65	Admin Services	685	Increase funds, repair/maint supplies and materials. (Prog 685)	Oper	40,100	40,100
65	Admin Services	685	Increase funds, Capitol utilities costs. (Prog 685)	Oper	293,570	461,004
67	Equal Opportunity	59	Additional Unit Director (Prog. 059)	Oper	0	47,741
67	Equal Opportunity	59	Reduce General Funds and increase federal funds (Prog 059)	Oper	(37,650)	(37,650)
68	Latino-American	537	Commission travel. (Prog 537)	Oper	2,000	2,000
69	Arts Council	326	Base adjustment - One-time retirement payout	Oper	(27,746)	(27,746)
69	Arts Council	327	Touring program and annual series grants. (Prog. 327)	Aid	25,000	25,000

Ag	Prog	Issue Type	Type	FY2015-16	FY2016-17	
70	Foster Care Review	353	Base adjustment -- move Children's Commission to FCRO	Oper	94,000	94,000
70	Foster Care Review	353	Commission sunsets June 30, 2016 under current law	Oper	0	(182,000)
74	Power Review Board	72	Annualize LB 1115, reduce one-time cost for contract	Oper	(200,000)	(200,000)
77	Industrial Relations	490	Transfer funds to program 531	Oper	(4,031)	(16,433)
77	Industrial Relations	531	Legal Services. (Prog. 531)	Oper	2,000	2,000
77	Industrial Relations	531	Payout for retirement. (Prog. 531)	Oper	0	12,402
77	Industrial Relations	531	General operating increases (Prog. 531)	Oper	2,031	2,031
78	Crime Commission	155	Annualize LB561-2013 (juvenile justice system changes)	Aid	2,000,000	5,000,000
78	Crime Commission	155	Reallocate funds for Fiscal Compliance Analyst (Aid, Prog. 155).	Aid	(64,216)	(64,216)
78	Crime Commission	155	Reallocate funds for Fiscal Compliance Analyst (Oper, Prog. 155).	Oper	64,216	64,216
83	Community Colleges	151	Increase state aid, support community colleges (Prog 151)	Aid	2,851,211	5,787,957
85	Retirement	515	State School Employee Defined Benefit Plan.(Prog. 515)	Oper	790,072	1,096,481
85	Retirement	515	Omaha School Employees Defined Benefit Plan (Prog. 515)	Oper	255,550	205,042
85	Retirement	515	State Patrol Defined Benefit Plan.(Prog. 515)	Oper	284	(1,452,774)
85	Retirement	515	Judges' Defined Benefit Plan (Prog. 515)	Oper	655,849	530,000
93	TERC	115	Operations funding, shift from Cash to General Fund. (Prog. 115)	Oper	45,000	45,000
93	TERC	115	Increase in travel and operating expenses. (Prog. 115)	Oper	14,000	14,000
99	Construction	101	Reaffirmations versus prior year total construction	Const	(1,416,444)	(4,198,444)
99	Construction	102	Committee Preliminary, new construction	Const	1,361,800	0
All	Agencies	---	DAS Charges & Assessments	Oper	627,850	1,040,042
All	Agencies	---	DAS HRMS Assessment	Oper	515,312	526,258
All	Agencies	---	FY16 / FY17 Salary Increases	Oper	10,407,337	21,718,622
All	Agencies	---	FY16 / FY17 Health Insurance Increases	Oper	8,098,058	11,739,956
Total Adjustments (Operations)				Oper	65,011,101	111,273,412
Total Adjustments (State Aid)				Aid	97,919,934	161,113,669
Total Adjustments (Construction)				Const	(54,644)	(4,198,444)
Total General Fund Budget Adjustments				Total	162,876,391	268,188,637

# COMPARISON TO GOVERNORS RECOMMENDATION

## Appropriations Committee Preliminary Budget

## Governor Recommendation

	Appropriations Committee Preliminary Budget			Governor Recommendation		
	Current Yr FY2014-15	Upcoming Biennium FY2015-16 FY2016-17		Current Yr FY2014-15	Upcoming Biennium FY2015-16 FY2016-17	
<b>1 BEGINNING BALANCE</b>						
2 Beginning Cash Balance	673,683,437	299,808,550	228,706,629	673,683,437	299,545,235	226,734,525
3 Cash Reserve transfers-automatic	(96,721,233)	(61,500,000)	0	(96,721,233)	(61,500,000)	0
4 Carryover obligations from FY14	(303,875,124)	0	0	(303,875,124)	0	0
5 Lapse FY15 reappropriations	<b>1,511,800</b>	no estimate	0	<b>1,511,800</b>	0	0
6 Allocation for potential deficits	0	(5,000,000)	(5,000,000)	0	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	274,598,880	233,308,550	223,706,629	274,598,880	233,045,235	221,734,525
<b>8 REVENUES</b>						
9 Net Receipts (Oct 2014 NEFAB+hist avg)	4,282,000,000	4,418,000,000	4,622,000,000	4,282,000,000	4,418,000,000	4,622,000,000
10 General Fund transfers-out (current law)	(188,350,000)	(153,050,000)	(153,050,000)	(188,350,000)	(153,050,000)	(153,050,000)
11 General Fund transfers-in (current law)	in forecast	0	0	in forecast	0	0
12 Cash Reserve transfers (current law)	50,500,000	0	0	50,500,000	0	0
13 2015 Cash Reserve transfers	17,201,112	0	0	17,201,112	0	0
14 2015 General Fund transfers-out	0	(45,050,000)	(45,050,000)	0	(60,000,000)	(60,000,000)
15 2015 General Fund transfers-in	0	44,200,000	39,200,000	0	44,300,000	39,150,000
16 2015 Revenue Bills	0	0	0	0	0	0
17 General Fund Net Revenues	4,161,351,112	4,264,100,000	4,463,100,000	4,161,351,112	4,249,250,000	4,448,100,000
<b>18 APPROPRIATIONS</b>						
19 Appropriations (2014 Session)	4,105,825,530	4,105,825,530	4,105,825,530	4,105,825,530	4,105,825,530	4,105,825,530
21 2015 Mainline Budget Actions	28,104,917	162,876,391	268,188,637	28,368,232	149,735,180	249,472,814
20 Projected budget increases, following bienniu	--	--	--	--	--	--
22 2015 State Claims (LB 554))	2,210,995	0	0	2,210,995	0	0
23 2015 "A" Bills	0	0	0	0	0	0
24 General Fund Appropriations	4,136,141,442	4,268,701,921	4,374,014,167	4,136,404,757	4,255,560,710	4,355,298,344
<b>25 ENDING BALANCE</b>						
26 Dollar ending balance (per Financial Status)	299,808,550	228,706,629	312,792,462	299,545,235	226,734,525	314,536,181
27 Dollar ending balance (at Minimum Reserve)			261,131,317			260,254,230
28 Excess (shortfall) from Minimum Reserve			<b>51,661,145</b>			<b>54,281,951</b>
29 Biennial Reserve (%)			3.6%			3.6%
<b>General Fund Appropriations</b>						
30 Annual % Change - Appropriations (w/o deficit)	7.0%	4.0%	2.5%	7.0%	3.6%	2.3%
31 Two Year Average	--	--	3.2%	--	--	3.0%

CASH RESERVE FUND	FY2014-15	FY2015-16	FY2016-17	FY2014-15	FY2015-16	FY2016-17
Beginning Balance	719,065,306	684,819,968	746,319,968	719,065,306	684,819,968	746,319,968
Excess of certified forecasts (line 3 in Status)	96,721,233	61,500,000	0	96,721,233	61,500,000	0
To/from Gen Fund per current law	(50,500,000)	0	0	(50,500,000)	0	0
To Nebr Capital Construction Fund (NCCF)	(57,515,459)	0	0	(57,515,459)	0	0
2015 Session - To General Fund	(17,201,112)	0	0	(17,201,112)	0	0
2015 Session - To Republican River Litigation	(5,500,000)	0	0	(5,500,000)	0	0
Projected Unobligated Ending Balance	684,819,968	746,319,968	746,319,968	684,819,968	746,319,968	746,319,968

Over the two-year biennial budget, there is only a \$2.6 million difference between the variance from the minimum reserve under the Committee preliminary budget (+\$51.7 million) and the Governor (+\$54.3 million).

Of the amount above the required minimum reserve, the Governor recommended using \$23 million for military retirement tax reduction, \$9.5 million for TEEOSA relating to ag land value at 65%, and \$22.5 million unallocated.

The Committee proposal includes a \$90 million (\$45 million per year) transfer to the Property Tax Credit Fund which is \$30 million (\$15 million per year) lower than the Governors recommendation while the proposed level of appropriations is \$31.8 million (\$13.1 million FY16 and \$18.7 million FY17) above the Governor.

Almost all of the appropriation amount above the Governors recommendation can be attributed to three things. The latest TEEOSA estimate used in the Committee preliminary budget is \$14.8 million above the October 2014 estimate used by the Governor. Second, the committee included the full amount envisioned to annualize the impact of two juvenile justice related bills while the Governor partially funded the FY17 impact of LB464 enacted in 2012 and included no additional county juvenile justice aid funds as intended during the enactment of LB561 in 2013. The difference in funding these two bills amounts to \$14 million. And third, the actual child care market survey results used by statute to determine child care rates was available at the time the Committee developed its preliminary budget. The amount to fund the actual survey was \$8.5 million higher than the estimates used in the Governors recommendation.

---

### General Fund FY15-16 and FY16-17 Appropriations

---

<u>General Fund Appropriations</u>	<u>Governor FY2015-16</u>	<u>Governor FY2016-17</u>	<u>Committee FY2015-16</u>	<u>Committee FY2016-17</u>
Operations	1,496,321,350	1,533,323,573	1,494,490,192	1,540,752,503
Aid to Individuals	1,371,991,058	1,418,042,443	1,373,962,819	1,419,892,105
Aid to Local Govt	1,360,865,502	1,381,693,328	1,373,866,110	1,391,130,559
Construction	26,382,800	22,239,000	26,382,800	22,239,000
<b>Total</b>	<b>4,255,560,710</b>	<b>4,355,298,344</b>	<b>4,268,701,921</b>	<b>4,374,014,167</b>

<u>Committee vs Governor (Operations/Aid)</u>	<u>FY2015-16</u>	<u>FY2016-17</u>	<u>Two Yr Total</u>
Operations	(1,831,158)	7,428,930	5,597,772
Aid to Individuals	1,971,761	1,849,662	3,821,423
Aid to Local Govt	13,000,608	9,437,231	22,437,839
Construction	0	0	0
<b>Total</b>	<b>13,141,211</b>	<b>18,715,823</b>	<b>31,857,034</b>

<u>Committee vs Governor (Major Items)</u>	<u>FY2015-16</u>	<u>FY2016-17</u>	<u>Two Yr Total</u>
TEEOSA Aid to Schools	10,681,555	4,126,447	14,808,002
Public Assistance (mostly child care rates)	4,226,674	3,924,748	8,151,422
Community Based Juvenile Services aid	2,000,000	5,000,000	7,000,000
Juveniles, court jurisdiction - LB464 (Courts)	0	6,951,725	6,951,725
Student assessment (Education)	1,600,000	1,600,000	3,200,000
Staffing, security and health services (Corrections)	1,541,308	1,496,805	3,038,113
Salaries & Health Insurance (State Agencies)	480,161	1,956,083	2,436,244
Learning Community aid	625,000	625,000	1,250,000
Vocational & Life Skills, Violence Reduction (Corrections)	512,748	502,827	1,015,575
Use of county jail housing (Corrections)	(6,293,285)	(6,245,285)	(12,538,570)
Medicaid (mostly lower amount for hepatitis C costs)	(497,927)	(1,614,951)	(2,112,878)
<b>All Other</b>	<b>(1,735,023)</b>	<b>392,424</b>	<b>(1,342,599)</b>
<b>Total Difference, Committee vs Governor</b>	<b>13,141,211</b>	<b>18,715,823</b>	<b>31,857,034</b>

<b>General Fund Transfers-In (2 Yr Total)</b>	<b>Governor</b>	<b>Committee</b>	<b>Difference</b>
Securities Act Cash Fund	46,000,000	46,000,000	0
Tobacco Products Admin Cash Fund	23,000,000	23,000,000	0
Dept of Insurance Cash Fund	12,000,000	12,000,000	0
Charitable Gaming Oper Fund	2,000,000	2,000,000	0
Convention Center Support Fund	150,000	0	(150,000)
Severance Tax Admin Cash Fund	300,000	0	(300,000)
Dept of Motor Vehicles Ignition Interlock Fund	0	400,000	400,000
General Fund Transfers In	83,450,000	83,400,000	(50,000)

<b>General Fund Transfers-Out (2 Yr Total)</b>	<b>Governor</b>	<b>Committee</b>	<b>Difference</b>
Property Tax Credit Fund	(396,000,000)	(366,000,000)	30,000,000
Water Resources Cash Fund	(6,600,000)	(6,600,000)	0
Cultural Preservation Endowment Fund	(1,500,000)	(1,500,000)	0
Water Sustainability Fund	(22,000,000)	(22,000,000)	0
Victims Compensation Fund	0	(100,000)	(100,000)
General Fund Transfers In	(426,100,000)	(396,200,000)	(29,900,000)

<b>Cash Reserve Fund Transfers (2 Yr Total)</b>	<b>Committee</b>	<b>Governor</b>	<b>Difference</b>
To General Fund (for IV-E disallowance penalty)	(17,201,112)	(17,201,112)	0
To Republican River Litigation Fund	(5,500,000)	(5,500,000)	0
Cash Reserve Fund Transfers	(22,701,112)	(22,701,112)	0

<b>General Fund Deficits (FY2014-15)</b>	<b>Committee</b>	<b>Governor</b>	<b>Difference</b>
Courts -Court Improvement Project - staff and program	(1,429,886)	0	1,429,886
Courts - Leave payouts (also \$98,890 PSL)	9,300	9,300	0
Courts - Operational excellence and performance management	45,000	45,000	0
Governor - Reduce excess FY2014-15 appropriation	(20,000)	(20,000)	0
Education - TEEOSA Aid; revised Insurance Premium tax	(1,181,754)	(1,181,754)	0
Education - School Breakfast Program	52,380	52,380	0
Revenue - Homestead exemption deficit	(6,121,000)	(6,121,000)	0
DHHS- I V-E Disallowance	3,886,152	3,886,152	0
DHHS - OJS Population & Services, non-transferred clients	301,886	0	(301,886)
DHHS - Redirect FY14 reapprop to Child Welfare Aid (\$7M GF)	YES	YES	
DHHS - OJS Population & Services, non-transferred clients	1,128,000	0	(1,128,000)
DHHS - Foster care reimburse rate, NFC Contract and Tribe	7,584,150	7,584,150	0
DHHS - IV-E Disallowance	13,314,960	13,314,960	0
DHHS - Redirect FY14 reapprop to Child Welfare Aid (\$7M GF)	YES	YES	
DHHS - Reallocation of Balancing Incentive Prog (BIP) funds	0	0	0
DHHS - Reallocation of Balancing Incentive Prog (BIP) funds	0	0	0
DHHS - Transfer LB530A funds, DHHS to Foster Care	(94,000)	LB 430	--
Corrections - County Jail Agreement staffing	263,315	0	(263,315)
Corrections - Funding, FY14 expenses carried forward to FY15	5,732,666	5,732,666	0
Corrections - Increased available cash funds	(384,500)	(384,500)	0

<u>continued</u>	<u>Committee</u>	<u>Governor</u>	<u>Difference</u>
Corrections - Increased Utilities & Maintenance costs	736,506	736,506	0
Corrections - Inmate Medical Per Diem	4,468,829	4,468,829	0
Corrections - Inmate Per Diem	361,639	361,639	0
Corrections - PSL Shortage & Overtime (also \$1,887,152 PSL)	1,392,647	1,392,647	0
Corrections - Reentry and Community Supervision	0	0	0
Corrections - Security Staffing (also \$472,425 PSL)	454,454	454,454	0
Corrections - Adjust Vocational & Life Skills. startup timing	(476,512)	(476,512)	0
Corrections - Adjust Vocational & Life Skills, startup timing	(1,750,000)	(1,750,000)	0
Foster Care - Transfer LB530A funds, DHHS to Foster Care	94,000	LB 430	--
General Fund FY13 Deficit Appropriations	28,368,232	28,104,917	(263,315)
LAPSE FY2013-14 REPPROPRIATIONS	(5,046,613)	(5,046,613)	0

# STATUTORY CHANGES REQUIRED

## New Bill Introduction, Rule 5

---

Rule 5 of the “Rules of the Nebraska Unicameral Legislature” authorizes the Appropriations Committee to introduce new bills in conjunction with the issuance of their Preliminary Report. The intent of the rule is to give the committee the opportunity to review budget requests, develop an initial recommendation and then proceed to hearing on proposed funding levels while other standing committees can hear the new bills that enable the recommendation.

THE SPECIFICS OF THE COMMITTEE PRELIMINARY BUDGET DO NOT REQUIRE INTRODUCTION OF NEW BILLS

Any statutory changes required to carry out the Appropriations Committee Preliminary Budget could be accomplished with bills already introduced as noted below.

## Appropriations Committee Preliminary Budget

---

The Committee Preliminary budget does not rely on enactment of any other bills introduced by individual senators or other committees.

## Governor Recommendation

---

The Governors mainline budget recommendations would not require any specific statutory changes other than those contained within the mainline appropriations bills shown below. The Governor did include a 2.25% per year increase in Judges salaries although no specific bill is mentioned.

## Mainline Appropriations Bills

---

The following bills are the standard appropriations bills as introduced by the Governor that authorize the bulk of state government expenditures. They are listed here for information only.

**LB 656** Provide for deficit appropriations (Speaker Hadley, at the request of the Governor)

**LB 657** Appropriate funds for state government expenses (Speaker Hadley, at the request of the Governor)

**LB 658** Appropriations for legislative salaries (Speaker Hadley, at the request of the Governor)

**LB 659** Appropriate funds, salaries of constitutional officers (Speaker Hadley, at the request of the Governor)

**LB 660** Provide appropriations for capital construction (Speaker Hadley, at the request of the Governor)

**LB 661** Create and transfer funds (Speaker Hadley, at the request of the Governor)

**LB 662** Cash Reserve Fund transfers (Speaker Hadley, at the request of the Governor)