

# Appropriations Committee Budget Recommendations



## Mid-Biennium Budget Adjustments FY2013-14 and FY2014-15

**March 2014**

Members of the Appropriations Committee

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Sen John Nelson	Sen Tyson Larson
Sen Jeremy Nordquist	Sen Bill Kintner
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# HIGHLIGHTS

## General Fund Financial Status

The financial status since Sine Die of the 2013 Legislative Session has been a continuing ebb and flow of positives and negatives. At Sine Die, the variance from the minimum General Fund reserve (commonly referred to as the surplus or shortfall) was predicted to be only \$1.0 million. The current estimate is a positive \$91.5 million. This is normally considered as the amount available for A Bills and other legislation.

The changes since Sine Die 2013 incorporates higher revenue forecasts and lapse of unexpended prior year appropriations, partially offset by midbiennium budget adjustments as proposed by the Appropriations Committee and described throughout this report.

Since Sine Die 2013, actual and projected revenues have increased by \$215.4 million. Actual receipts for FY2013-14 were \$52.4 million above forecast. In October 2013, the FY13-14 and FY14-15 forecasts were revised by the Nebraska Economic Forecast Advisory Board by a total of \$64 million; \$46.3 million in FY13-14 and \$17.7 million in FY14-15. And at the February 2014 board meeting, the FY13-14 and FY14-15 forecasts were revised by a total of \$99 million; \$36 million in FY13-14 and \$63 million in FY14-15.

Both the FY12-13 and FY13-14 additional revenues are considered “above the certified forecast” and under current law are (\$52.4 million) or will be (\$82.3 million) required to be transferred to the Cash Reserve Fund. The FY14-15 forecast won't be certified until the start of that fiscal year, therefore the \$80.7 million increase in the forecast for FY14-15 would be retained in the General Fund. The increased forecast amounts not transferred to the Cash Reserve Fund and lapse of unused FY12-13 appropriations are mostly translated into a more positive variance from the minimum reserve.

## Cash Reserve Fund

The Appropriations Committee followed the concepts that (1) at this time 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. The projected unobligated ending balance under the committee proposal is \$696.7 million

The Appropriations Committee proposal includes two transfers. The first is a \$50.5 million transfer to the General Fund. This transfer covers a funding of a series of one-time items as shown on page 9. The second is a \$14.2 million transfer to the Nebraska Capital Construction Fund (NCCF) to cover the first three years of the State Capitol HVAC replacement project and installation of four courtyard fountains in the State Capitol.

## General Fund Budget Adjustments

The Appropriations Committee proposed adjustments result in a net increase of General Fund appropriations of \$27,739 over the two year period. About 90% of this overall net change is in the items shown below. A more complete listing of all General Fund items can be found in Table 7 on page 17 and a narrative description of these items starts on page 19.

The more significant net impact over the two years is \$71 million of transfers from the General Fund to other Funds. Of these transfers, \$36 million is anticipated to be on-going (\$25 million to Property Tax Credit and \$11 million to Water Sustainability Fund), and \$35 million as a one-time transfer (\$10 million Job Training, \$15 million to Game and Parks, and \$11 million to Water Sustainability Fund)

<b>Major General Fund Changes - Appropriations</b>	<b>FY2013-14</b>	<b>FY2014-15</b>	<b>2 Yr Total</b>
DHHS-Lower FFY2015 FMAP	0	16,919,325	16,919,325
Nat Resources-One-time funding, Resources Development Fund	0	10,492,793	10,492,793
Corrections-Inmate per diem and medical expenses	3,950,000	4,050,000	8,000,000
Corrections-Inmate capacity issues	880,972	5,139,157	6,020,129
DHHS-Increase funding, waiting list - developmental disability aid	0	5,000,000	5,000,000
DHHS-MAGI Eligibility Rules Under ACA (SCHIP)	1,369,305	2,775,125	4,144,430
Education-Early Childhood grant program, one-time funds	0	3,510,000	3,510,000
DHHS-State Disabled - Medical (net)	742,200	1,598,100	2,340,300
DHHS-ACA Section 2101F Population (SCHIP)	440,134	1,665,075	2,105,209
DHHS-2% increase in provider rates - developmental disability aid	0	2,595,048	2,595,048
University-Pediatric cancer research	0	1,800,000	1,800,000
TEEOSA state aid, NDE calculated per current law	0	(40,254,527)	(40,254,527)
Homestead Exemption	(6,500,000)	(6,000,000)	(12,500,000)
Medicare Part D clawback reduction	(2,800,000)	(4,800,000)	(7,600,000)
Base Adjustments, DHHS programs	(800,000)	(6,922,744)	(7,722,744)
All Other	642,306	4,535,470	5,177,776
<b>Total Change in GF Appropriations</b>	<b>(2,075,083)</b>	<b>2,102,822</b>	<b>27,739</b>

<b>Major General Fund Changes – Transfers-Out</b>	<b>FY2013-14</b>	<b>FY2014-15</b>	<b>2 Yr Total</b>
Transfer to Job Training Cash Fund	0	10,000,000	10,000,000
Transfer to Game & Parks - Improvement and Maintenance Fund	0	15,000,000	15,000,000
Transfer to Water Sustainability Fund	0	21,000,000	21,000,000
Transfer to Property Tax Credit Cash Fund	0	25,000,000	25,000,000
<b>Total Change in GF Transfers-Out</b>	<b>0</b>	<b>71,000,000</b>	<b>71,000,000</b>

## General Fund Revenue Forecasts

Revenue estimates for FY2013-14 and FY2014-15 are the February 2014 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). These forecasts yield a projected adjusted revenue growth of 4.3% in FY13-14 and 4.5% in FY14-15, an average growth of 4.4%. While this two year growth is below the 5% historical average, the average growth for the prior three years (FY11, FY12 and FY13) was 7.2%.

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 (FY15-16 and FY16-17) in the current financial status are prepared by the Legislative Fiscal Office (LFO) using the "capped" historical average methodology. This "smoothing" technique derives a revenue growth for the "out years" by

calculating the level of revenues that would yield a five year average growth (FY12 to FY17) roughly equal to the historical average from FY81 to FY13 (5.1%). Under this method, revenue growth for the two years would average 4.6%.

## Bills Incorporated into the Committee Proposal

A total of 35 bills were assigned to the Appropriations Committee most of which contained an appropriation for a specific purpose. If the Committee approved all or part of the appropriation (or transfer) in these bills, the amounts were incorporated into the mainline budget adjustments in LB905 or LB906 rather than advancing multiple bills. The following is a listing of those instances which had a General Fund impact.

Bills Incorporated into Committee Proposal (Gen Fund)	FY2013-14	FY2014-15	2 Yr Total
LB 666 Intent relating to funding for the Civil Air Patrol	0	Cash	Cash
LB 689 Increase funding, community aging services	0	1,000,000	1,000,000
LB 738 Replacement of the Vehicle, Title, Registration System	0	Cash	Cash
LB 764 1University Pediatric cancer research	0	1,800,000	1,800,000
LB 827 Increase funding, community health centers	0	250,000	250,000
LB 889-Increase funding, EMS training	0	212,000	212,000
LB 891 Midwest Interstate Passenger Rail Compact dues	45,000	15,000	60,000
LB 936 State Ward Permanency Pilot project	0	528,000	528,000
LB 944 Nurturing Healthy Behaviors, early childhood	0	400,000	400,000
<b>Total – GF Appropriations</b>	<b>45,000</b>	<b>4,205,000</b>	<b>4,250,000</b>
LB 797 Funding for fountains at the State Capitol		CRF transfer	CRF transfer
LB 873 Game & Parks - Improvement and Maintenance Fund	0	15,000,000	15,000,000
LB 874 Appropriate funds, Ponca State Park projects		See LB873	see LB873
LB 1033 Appropriate funds, Arbor Lodge State Historical Park projects		See LB873	see LB873
LB 1046 Create Water Sustainability Fund, transfer General Funds	0	21,000,000	21,000,000
LB 1091 Job Training Cash Fund	0	10,000,000	10,000,000
LB 1094 General Fund transfer, Property Tax Credit Cash Fund	0	25,000,000	25,000,000
<b>Total – GF Transfers</b>	<b>0</b>	<b>71,000,000</b>	<b>71,000,000</b>

## Property Tax Credits

The Appropriations Committee proposal includes a \$25 million increase in the amount for the Property Tax Credits increasing the credit from \$115 million to \$140 million. It is intended that the \$140 million credit level be continued into the future therefore this increase is financed with a transfer from the General Fund not the Cash Reserve Fund which would be a one-time source of revenue. The \$25 million increase would equate to a 3.3% annual increase if applied to the first full year in 2008. While this percent increase is under the 5.9% average growth in valuation, it exceeds the 2.5% average growth in the General fund budget since 2008.

With this increase, the amount of the 2014 credit is projected at roughly \$74 per \$100,000 compared to the current 2013 level of \$65.97 per \$100,000 of valuation and a projected credit amount of \$61 per \$100,000 of valuation if the total credit amount was left at \$115 million. (See page 31).

## **Water Funding Initiatives**

Water related funding is one of the largest amounts included in the Appropriations Committee Proposal. A total of \$31 million is included in FY2014-15 which consists of a \$10.5 million increase in General Fund appropriations for the Resources Development Fund and a \$21 million transfer of monies to the Water Sustainability Fund. Of this transfer, \$10 million is considered a one-time item and is covered by a like transfer from the Cash Reserve Fund to the General Fund.

Note that the actual appropriation of monies from the Water Sustainability fund is not contained in the committee proposal. While the transferred funds would be held in the Water Sustainability Fund, the actual appropriation that will allow the funds to be expended would be carried out via LB 1098A. (See page 33)

## **Game & Parks Improvement and Maintenance Fund**

The Appropriation Committee's recommendation for the Game and Parks Commission combines the provisions of LB 873, LB 874 and LB 1033 by providing a \$15 million transfer from the Cash Reserve Fund (through the General Fund) and a \$2.5 million transfer from the State Recreation Road Fund to the Commission for deferred maintenance and improvement projects at state parks. (See page 33)

## **Job Training Funding**

The Appropriations Committee recommendation includes the transfer of \$10,000,000 from the Cash Reserve Fund (through the General Fund) to the Job Training Cash Fund in the Department of Economic Development in FY2014-15. This fund is used to provide employee training assistance to businesses that maintain, expand and diversify the state's economic base and in the process, retain and create quality jobs for Nebraska residents. (See page 33)

## **TEEOSA School Aid**

The Appropriations Committee proposal includes TEEOSA aid funding at a total of \$899.9 million for FY2014-15, \$880.5 million General Fund and \$19.4 million Insurance Premium Tax. This is based on the current TEEOSA law and reflects the state aid calculated and presented by the Department of Education (NDE) in January 2014. This \$899.9 million total aid level is \$40.2 million less than the \$940.2 million estimated at the end of the 2013 legislative session and funded in the originally enacted FY2014-15 budget.

LB 725 currently on Final Reading would restore \$33 million of this amount by reducing the Local Effort Rate (LER) to \$1.00 and if enacted would utilize about one-third of the \$91.5 million available for A Bills. As this \$1.00 LER is already currently law starting in FY16, this would have no impact on the out year estimates for TEEOSA.

## **Correctional Services**

Despite a significant increase in the number of parolees in the past two years, the Nebraska Department of Correctional Services (DCS) has experienced a marked increase in the overall inmate population at the various correctional facilities in the state which is creating capacity issues. As of January 31, 2014, the inmate population was 154.90% of design capacity. Last

session funding was provided in FY2013-14 and FY2014-15 for DCS to prepare a program statement providing for a comprehensive and updated long-range capital construction master plan for all state correctional facilities. This study will be completed in the fall of 2014. The Appropriations Committee, following the proposals of the Governor, included a substantial amount of funds, \$4.8 million in FY14 and \$9.2 million in FY15, for inmate per diem and medical costs and several items that are intended to address the immediate short-term capacity needs.

For the long-term, there is prison reform legislation in the Judiciary Committee. What this legislation will ultimately address is not known at this time, but it is expected to address both the front-end (probation/community corrections options) and the back-end (more options for parolees). Additionally, the Council of State Governments plans to examine Nebraska's prison system over the next year or so. Finally, as previously noted, DCS is updating its long-range capital construction master plan regarding inmate projections and capacity needs and facility options.

## **Developmental Disability Aid**

The committee proposal includes a substantial increase in FY2014-15 funding for developmental disability aid. First, the recommendation includes \$2,595,048 general funds to provide a 2% increase in provider rates for developmental disability providers in FY2014-15 and \$5,000,000 million to provide services to persons on the developmental disability waiting list (\$4,745,000 for aid and \$255,000 for service coordination)

## **State Capitol Building Projects**

The Appropriations Committee recommended a \$14.5 million transfer from the Cash Reserve Fund to the Nebraska Capital Construction Fund for two State Capitol Building projects. The first is \$2,500,000 for installation of fountains to be located in each of the four Nebraska State Capitol courtyards consistent with the original design of the building. The second is a seven-phase, 10-year project to renovate the existing Capitol HVAC systems and complete associated infrastructure, fire protection, life safety and architectural improvements. The committee appropriates \$11.7 million from the Capital Construction Fund (NCCF) to cover the first three years of the project. The remaining years would be financed with General fund appropriations.



# General Fund Financial Status

FINANCIAL STATUS	Actual	Biennial Budget		Est for Following Biennium	
	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
<b>1 Beginning Balance</b>					
2 Beginning Cash Balance	\$498,526,356	\$814,678,170	\$361,335,741	\$338,527,254	\$337,999,516
3 Cash Reserve Fund transfer-automatic	(104,789,781)	(285,292,610)	(82,313,000)	0	0
4 Carryover obligations from FY13	0	(259,952,427)	0	0	0
5 LB 905 Lapse FY13 reappropriated funds	0	514,185	0	0	0
6 Allocation for potential deficits	0	0	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	393,736,575	269,947,318	274,022,741	333,527,254	332,999,516
<b>8 Estimated Receipts</b>					
9 Net Receipts (Feb 2014 NEFAB+Hist Avg)	4,047,001,258	4,103,000,000	4,238,000,000	4,404,000,000	4,628,000,000
10 General Fund transfers-out (current law)	(114,700,000)	(121,300,000)	(116,800,000)	(117,050,000)	(117,050,000)
11 General Fund transfers-in (current law)	in forecast	in forecast	in forecast	0	0
12 Cash Reserve transfers (current law)	78,000,000	(53,000,000)	0	0	0
13 LB 130 Cash Reserve Fund transfers	0	0	50,500,000	0	0
14 LB 905 General Fund transfers-out	0	0	(71,000,000)	(36,000,000)	(36,000,000)
15 LB 905 General Fund transfers-in	0	0	6,800,000	0	0
16 <b>Bills Enacted Into Law</b>	0	0	0	0	0
17 <b>Bills Passed</b>	0	0	0	0	0
18 General Fund Net Receipts	4,010,301,258	3,928,700,000	4,107,500,000	4,250,950,000	4,474,950,000
<b>19 Appropriations</b>					
20 Expenditures/Approp per 2013 Sessions	3,589,359,663	3,838,168,907	4,040,892,665	4,261,533,932	4,434,554,026
21 LB 905 Mainline Midbiennium adjustments	0	(2,075,083)	2,102,822	(15,056,194)	(15,337,512)
22 LB 949 State Claims	0	1,217,753	0	0	0
23 General File amendments	0	0	0	0	0
24 Select File amendments	0	0	0	0	0
25 Vetoes-Mainline bills	0	0	0	0	0
26 Veto overrides-Mainline bills	0	0	0	0	0
27 <b>Bills Enacted Into Law</b>	0	0	0	0	0
28 <b>Bills Passed</b>	0	0	0	0	0
29 General Fund Appropriations	3,589,359,663	3,837,311,577	4,042,995,487	4,246,477,738	4,419,216,514
<b>30 Ending Balance</b>					
31 \$ Ending balance (Financial Status as Shown)	814,678,170	361,335,741	338,527,254	337,999,516	388,733,002
32 \$ Ending balance (at Minimum Reserve)	--	--	247,085,609	--	264,012,444
33 Difference = Variance from Minimum Reserve	--	--	<b>91,441,645</b>	--	<b>124,720,557</b>
34 Biennial Reserve (%)	--	--	4.2%	--	4.5%
35 Annual Spending Growth (w/o deficits)	4.7%	5.7%	5.3%	5.0%	4.1%
36 Two Year Average Growth	2.7%	--	5.5%	--	4.5%
37 Est. Revenue Growth (rate/base adjusted)	5.4%	4.3%	4.5%	4.6%	4.6%
38 Two Year Average	5.5%	--	4.4%	--	4.6%

CASH RESERVE FUND	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
Beginning Balance	428,878,372	384,121,401	679,398,552	696,711,552	696,711,552
Transfer amounts above forecasts (line 3)	104,789,781	285,292,610	82,313,000	0	0
Transfers under current law	(149,548,126)	0	0	0	0
To/from Gen Fund per current law	(78,000,000)	53,000,000	0	0	0
To Nebr Capital Construction Fund (NCCF)	(80,000,000)	(43,015,459)	0	0	0
To/From Water Contingency Cash Fund (2008)	4,991,572	0	0	0	0
To EPIC Fund (cash flow transfers LB379-2011)	4,461,676	0	0	0	0
To Affordable Housing Trust fund LB???-2012)	(1,000,000)	0	0	0	0
LB 130 To General Fund	0	0	(50,500,000)	0	0
LB 130 To Nebr Capital Construction Fund (NCCF)	0	0	(14,500,000)	0	0
Projected Ending Balance	384,121,401	679,398,552	696,711,552	696,711,552	696,711,552

# Chronology of the General Fund Financial Status

(Shows impact of individual Items and then the subsequent variance from the minimum reserve)

Millions of Dollars	Current Biennium			Following Biennium		
	FY12	FY13	3 Yr Total	FY14	FY15	5 Yr Total
<b>Sine Die 2013 Session</b>			<b>1.0</b>			<b>(3.8)</b>
Carryover obligations from FY11-12	0.0	0.0	0.2	0.0	0.0	0.2
FY13 Actual vs Est General Fund Net Receipts	0.0	0.0	52.4	0.0	0.0	52.4
FY13 Actual vs Est CRF transfers-automatic	(52.4)	0.0	(52.4)	0.0	0.0	(52.4)
FY13 Actual vs Est Accounting adjustment	0.0	0.0	(5.4)	0.0	0.0	(5.4)
Assumed lapse, FY13 unexpended appropriations	20.0	0.0	20.0	0.0	0.0	20.0
Change in Minimum Reserve	0.0	(8.4)	(8.4)	0.0	8.0	(0.4)
<b>July 2013 Tax Rate Review Committee</b>			<b>7.4</b>			<b>10.7</b>
Revenue Forecasts (revised Oct 2013)	46.3	17.7	64.0	17.1	18.1	99.2
"Above certified" FY14 forecast to CRF	0.0	(46.3)	(46.3)	0.0	0.0	(46.3)
Change in Minimum Reserve	0.0	(0.5)	(0.5)	0.0	(1.0)	(1.5)
<b>Post October 2013 NEFAB forecasts</b>			<b>24.6</b>			<b>62.0</b>
Lapse FY12 & FY13 appropriations >July TRR	14.7	0.0	14.7	0.0	0.0	14.7
Exclude allocation for deficits	5.0	0.0	5.0	0.0	0.0	5.0
2013 Midbiennium Budget Requests (original)	(12.7)	(35.9)	(48.6)	(33.4)	(33.4)	(115.4)
TEEOSA School Aid revisions (Oct 2013meeting)	0.0	0.0	0.0	0.0	0.0	0.0
Change in Minimum Reserve	0.0	0.0	0.0	0.0	0.8	0.8
<b>Nov 2013 Tax Rate Review Committee</b>			<b>(4.3)</b>			<b>(32.8)</b>
Committee Prelim vs Nov TRR (agency request)	20.4	28.9	49.4	27.5	27.5	104.4
TEEOSA School Aid to current law	0.0	40.3	40.3	42.1	42.4	124.7
Allocation for Post Hearing Adjustments	(5.0)	(49.0)	(54.0)	(13.0)	(13.0)	(80.0)
GF Transfers-in, Medicaid False Claims Cash Fund	0.0	6.8	6.8	0.0	0.0	6.8
State Claims (est)	(1.2)	0.0	(1.2)	0.0	0.0	(1.2)
Change in Minimum Reserve	0.0	(0.2)	(0.2)	0.0	(1.0)	(1.2)
<b>Committee Preliminary Budget</b>			<b>36.8</b>			<b>120.7</b>
Delete Allocation for Post Hearing Adjustments	5.0	49.0	54.0	13.0	13.0	80.0
Increase funding, Resources Development Fund	0.0	(10.5)	(10.5)	0.0	0.0	(10.5)
Correctional Services, costs and population issues	(4.8)	(9.2)	(14.0)	(5.0)	(5.0)	(23.9)
Developmental disability - waiting list	0.0	(5.0)	(5.0)	(5.0)	(5.0)	(15.0)
Education-Early childhood grant program	0.0	(3.5)	(3.5)	(0.1)	(0.1)	(3.7)
Developmental disability - 2% provider rates	0.0	(2.6)	(2.6)	(2.6)	(2.6)	(7.8)
University-Pediatric cancer research	0.0	(1.8)	(1.8)	0.0	0.0	(1.8)
All Other appropriation items	(0.8)	(2.8)	(3.6)	(2.8)	(2.8)	(9.1)
Transfer to Game & Parks – Improve/Maint Fund	0.0	(15.0)	(15.0)	0.0	0.0	(15.0)
Transfer to Job Training Cash Fund	0.0	(10.0)	(10.0)	0.0	0.0	(10.0)
Transfer to Water Sustainability Fund	0.0	(21.0)	(21.0)	(11.0)	(11.0)	(43.0)
Transfer to Property Tax Credit Cash fund	0.0	(25.0)	(25.0)	(25.0)	(25.0)	(75.0)
Transfer: Cash Reserve Fund to General Fund	0.0	50.5	50.5	0.0	0.0	50.5
Revenue Forecasts (revised Oct 2013)	36.0	63.0	99.0	37.0	0.0	136.0
"Above certified" FY14 forecast to CRF	0.0	(36.0)	(36.0)	0.0	0.0	(36.0)
Change in Minimum Reserve	0.0	(0.7)	(0.7)	0.0	0.6	(0.1)
<b>Committee Budget to the Floor</b>			<b>91.5</b>			<b>124.7</b>

# Cash Reserve Fund

The Cash Reserve Fund (CRF) is not included as part of the "General Fund Reserve" (which is the 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 Cash Reserve Fund unobligated balance at the end of the current FY14/FY15 biennium is projected at \$697 million per the committee proposal.

Table 1 Cash Reserve Fund

	Actual FY2012-13	Estimated FY2013-14	Estimated FY2014-15	Estimated FY2015-16	Estimated FY2016-17
Beginning Balance	428,878,372	384,121,401	679,398,552	696,711,552	696,711,552
Excess of certified forecasts	104,789,781	285,292,610	82,313,000	0	0
To Gen Fund per current law	(78,000,000)	53,000,000	0	0	0
To Nebr Capital Construction Fund (NCCF)	(80,000,000)	(43,015,459)	0	0	0
To Affordable Housing Trust fund	(1,000,000)	0	0	0	0
Repayment of Water Contingency transfer	4,991,572	0	0	0	0
EPIC cash flow transfers (LB379-2011)	4,461,676	0	0	0	0
2014 – Transfer to General Fund	0	0	(50,500,000)	0	0
2014 – Transfer to NCCF	0	0	(14,500,000)	0	0
Ending Balance	384,121,401	679,398,552	696,711,552	696,711,552	696,711,552

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 (see Appendix E). 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 FY15 to FY17 the target balance would be \$702 million. Another factor to keep in mind is the need for supplemental funds during a budget down period. One recent illustration is the latest 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 one-time funds came from the federal government through the ARRA budget followed by Cash Reserve Fund transfers and extraordinary cash fund lapses. While this was a time of unprecedented revenue declines, it illustrates the cumulative impact of multiple year shortfalls.

<u>One-time Funds used in last Budget Crisis</u>	<u>FY2008-09</u>	<u>FY2009-10</u>	<u>FY2010-11</u>	<u>3 Yr total</u>
ARRA Child Care	0	7,000,000	3,200,000	10,200,000
ARRA Enhanced FMAP	64,840,697	105,476,177	128,682,483	298,999,357
ARRA Unemployment FMAP	0	39,431,000	15,600,000	55,031,000
ARRA Enhanced FFP	1,180,453	1,627,715	832,548	3,640,716
ARRA General Stabilization	0	35,000,000	17,000,000	52,000,000
ARRA Education Stabilization	0	93,668,750	140,287,176	233,955,926
ARRA used in state GF budget	66,021,150	282,203,642	305,602,207	653,826,999
Cash Reserve Fund Transfers (1)	0	105,000,000	154,000,000	259,000,000
Extraordinary cash fund transfers (2)	0	37,010,000	36,158,100	73,168,100
<b>Total One-Time Funds</b>	<b>66,021,150</b>	<b>424,213,642</b>	<b>495,760,307</b>	<b>985,995,099</b>

(1) Enacted in 2008, 2009, 2010 sessions (2) Amounts above a \$36 million average lapse

## Appropriations Committee Proposal

The Appropriations Committee followed the concepts that (1) at this time 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. The projected unobligated ending balance under the committee proposal is \$696.7 million

The Appropriations Committee proposal includes two transfers. The first is a \$50.5 million transfer to the General Fund. This transfer covers a funding of a series of one-time items as shown below.

The second is a \$14.2 million transfer to the Nebraska Capital Construction Fund (NCCF) to cover the first three years of the State Capitol HVAC replacement project and installation of four courtyard fountains in the State Capitol.

<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>
DAS-State Capitol HVAC system replacement	11,701,900	
DAS-State Capitol courtyard fountains	2,500,000	
<i>Subtotal: Transfer to NCCF</i>	<u>14,201,900</u>	<u>14,500,000</u>
<b>Total Transfers from the Cash Reserve Fund</b>	<b>64,644,922</b>	<b>65,000,000</b>

## 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 \$104,789,781 transfer in FY13 reflects the amount the FY2011-12 actual receipts were above certified. The \$285,292,610 million in FY2013-14 reflects the amount that the FY2012-13 exceeded the July certified level of which it is estimated that \$125 million of non-recurring tax on capital gains was collected during final payments in the spring of 2013.

The \$82,313,000 million in FY2014-15 reflects the amount that the current revenue forecast (\$4,103,000,000) exceeds the July certified level (\$4,020,687,000). The certified forecast is the estimate at Sine Die 2013 when the FY2013-14 budget was enacted. Note that these amounts are included in the \$697 million estimated unobligated fund balance but are not yet "cash in the bank".

## Transfers-To & From General Fund – Current Law

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. Transfers in FY2012-13 under existing law include LB 379-2011 (\$68,000,000) and LB131-2012 (\$10,000,000) to assist in balancing the budgets in those respective sessions. In the 2013 session, a \$53 million transfer from the General Fund to the Cash Reserve Fund was enacted in LB199. This transfer was the amount of the increased April 2013 revenue forecasts for FY13-14 and FY14-15 and was proposed by the Appropriations Committee after the Forecast Board meeting.

<u>Transfers to/from the General Fund</u>	<u>FY2012-13</u>	<u>FY2013-14</u>
To General Fund, LB 379-2011	(68,000,000)	0
To General Fund, LB131-2012	(10,000,000)	0
From General Fund, LB199-2013	0	53,000,000
Net Transfers to/From General Fund	(78,000,000)	53,000,000

## Transfers To & From Other Funds – Current Law

In the 2008 session, LB1094 provided for a \$9 million transfer to the Water Contingency Cash Fund for the purpose of paying water right holders who agreed to lease and forgo water use to assist in the management, protection and conservation of the water resources of river basins, but remain unpaid due to litigation. Repayment by the NRD receiving said funds is required once the litigation is resolved no later than FY2012-13. The amount used was \$8.5 million and is being repaid over two years, \$3.6 million in FY12 and \$4.99 million in FY13.

Also LB379-2011 allowed transfers to be made to the Ethanol Production Incentive (EPIC) Fund for cash flow purposes. A total of \$4,461,676 was borrowed in FY2011-12 with repayment shown in FY2012-13.

In the 2012 session there were two transfers made to other funds. The first is a \$1 million transfer to the Affordable Housing Trust Fund which followed from notice of an amount to be

credited from the National Mortgage Settlement. The second is an \$80 million transfer to the Nebraska Capital Construction Fund (NCCF) for five different capital construction projects: State Colleges - Chadron Armstrong Gym (\$6,700,000), State Colleges - Peru Oak Bowl improvements (\$7,500,000), University of Nebraska - UNK Allied Health (\$15,000,000). University of Nebraska - UNMC Cancer Research tower (\$50,000,000) and DAS-Centennial Mall project (\$800,000).

In the 2013 session, \$43 million was transferred from the Cash Reserve Fund to the Nebraska Capital Construction Fund in FY13-14 for construction of a new Central Nebraska Veterans Home to replace the existing facilities.

**Table 2 Cash Reserve Fund – Historical Balances**

Fiscal Yr	Beginning Balance	Direct Deposit and Interest	Automatic Transfers	Legislative Transfers	Cash Flow	Ending Balance	Balance as % of revenues
FY1983-84	0	37,046,760	na	0	0	37,046,760	4.7%
FY1984-85	37,046,760	(1,472,551)	na	0	0	35,574,209	4.5%
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	2.7%
FY1987-88	23,730,085	1,654,844	na	(7,700,000)	0	17,684,929	1.7%
FY1988-89	17,684,929	139,000	na	32,600,000	0	50,423,929	4.4%
FY1989-90	50,423,929	113,114	na	(10,500,000)	0	40,037,043	3.5%
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	1.8%
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	2.0%
FY1997-98	40,962,684	0	91,621,018	0	0	132,583,702	6.3%
FY1998-99	132,583,702	0	111,616,422	(98,500,000)	0	145,700,124	6.9%
FY1999-00	145,700,124	0	20,959,305	(24,500,000)	0	142,159,429	5.9%
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	4.7%
FY2002-03	110,066,099	66,476,446	0	(87,400,000)	(30,000,000)	59,142,545	2.4%
FY2003-04	59,142,545	59,463,461	0	(61,577,669)	30,000,000	87,028,337	3.2%
FY2004-05	87,028,337	8,170,556	108,727,007	(26,758,180)	0	177,167,720	5.8%
FY2005-06	177,167,720	0	261,715,297	(165,266,227)	0	273,616,790	8.2%
FY2006-07	273,616,790	0	259,929,524	(17,458,523)	0	516,087,791	15.1%
FY2007-08	516,087,791	0	191,436,773	(161,978,767)	0	545,545,797	15.6%
FY2008-09	545,545,797	0	116,976,571	(84,330,505)	0	578,191,863	17.2%
FY2009-10	578,191,863	0	0	(110,990,237)	0	467,201,626	14.6%
FY2010-11	467,201,626	0	0	(154,000,000)	0	313,201,626	8.9%
FY2011-12	313,201,626	8,422,528	145,155,092	(33,439,198)	(4,461,676)	428,878,372	11.6%
FY2012-13	428,878,372	0	104,789,781	(154,008,428)	4,461,676	384,121,401	9.5%
FY2013-14 est	384,121,401	0	285,292,610	9,984,541	0	679,398,552	16.6%
FY2014-15 est	679,398,552	0	82,313,000	(65,000,000)	0	696,711,552	16.4%
FY2015-16 est	696,711,552	0	0	0	0	696,711,552	15.8%
FY2016-17 est	696,711,552	0	0	0	0	696,711,552	15.1%

# General Fund Revenues

## Revenue Forecasts

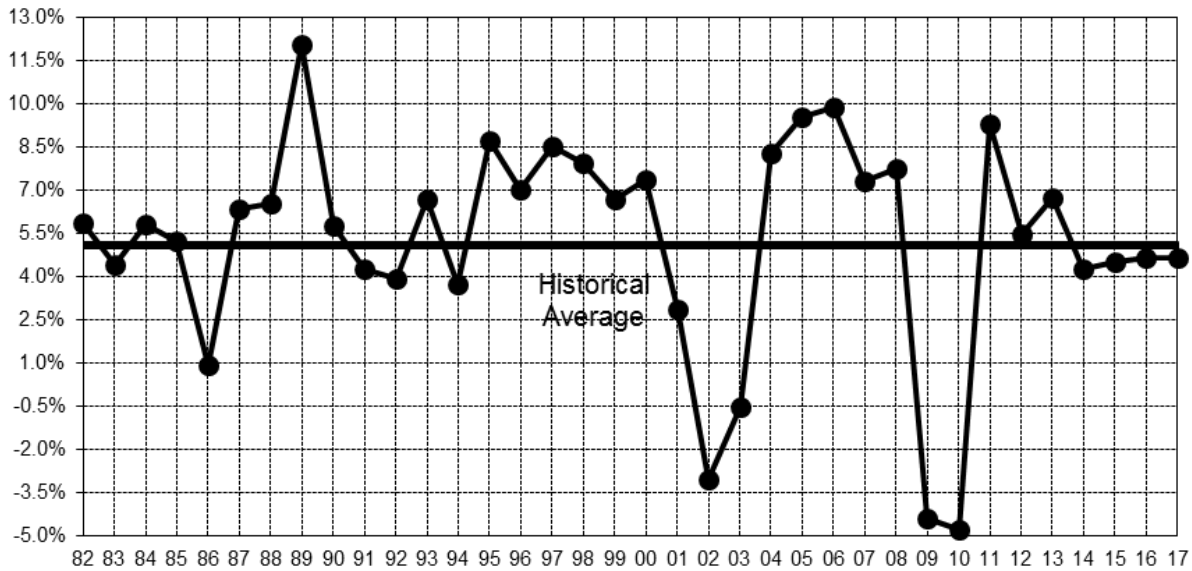
Revenue estimates for FY2013-14 and FY2014-15 are the February 2014 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). These forecasts yield a projected adjusted revenue growth of 4.3% in FY13-14 and 4.5% in FY14-15, an average growth of 4.4%. While this two year growth is below the 5% historical average, the average growth for the prior three years (FY11, FY12 and FY13) was 7.2%. The projected numbers for FY2013-14 and FY2014-15 also reflect initial implementation of LB84 (2011) which diverts the equivalent of ¼% sales tax to highway funding (approximately \$70 million per year). This did not impact the calculated revenue growth in the “out years” as the growth calculations are all rate and base adjusted.

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 (FY15-16 and FY16-17) in the current financial status are prepared by the Legislative Fiscal Office (LFO) using the “capped” historical average methodology. This “smoothing” technique derives a revenue growth for the “out years” by calculating the level of revenues that would yield a five year average growth (FY12 to FY17) roughly equal to the historical average from FY81 to FY13 (5.1%). 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. Under this method, revenue growth for the two years would average 4.6%.

Table 3 - General Fund Revenue Forecasts

<i>Revenue Estimates Used in Financial Status</i>	Actual FY2012-13	NEFAB FY2013-14	NEFAB FY2014-15	LFO Prelim FY2015-16	LFO Prelim FY2016-17
<b>Actual/Forecast</b>					
Sales and Use Tax	1,474,942,641	1,510,000,000	1,560,000,000	1,607,000,000	1,692,000,000
Individual Income Tax	2,101,912,041	2,115,000,000	2,216,000,000	2,343,000,000	2,476,000,000
Corporate Income Tax	275,562,990	265,000,000	263,000,000	278,000,000	296,000,000
Miscellaneous receipts	199,940,938	213,000,000	199,000,000	176,000,000	164,000,000
Total Gen Fund Revenues	4,052,358,610	4,103,000,000	4,238,000,000	4,404,000,000	4,628,000,000
<b>Adjusted Growth</b>					
Total Gen Fund Revenues	6.7%	4.3%	4.5%	4.6%	4.6%
Five Yr Average	--	--	--	--	5.1%

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



**Other “Out Year” Forecasts**

As noted above, other alternative methods are 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 Department of Revenue (NDR) and Legislative Fiscal Office (LFO) have calculated revenue estimates for these two “out years” using the same models and input from 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 4<sup>th</sup> and 5<sup>th</sup> year. In other words, they have difficulty picking up changes in the trend. The historical average methodology, the method used since 1991 and used in the current financial status, utilizes a “smoothing” technique which derives a revenue growth for the “out years” by calculating the level of revenues that would yield a five year average growth (FY09 to FY13) roughly equal to the historical average from FY81 to FY11 (currently 5.0%).

As shown in Table 5, the preliminary estimates for the two “out years” arrived at using the historical average concept (as used in the Financial Status), are very similar to the Global Insight model averages although there is significant difference between the NDR and LFO Global Insight generated estimates. Forecasts using Moody’s are significantly higher in both cases compared to the historical average method or Global Insight. Except for the LFO Global Insight number, the historical average methodology is now on the relatively low side of the forecast range.



Table 4 - Comparison of "Out Year" Forecasts

<b>Based on Feb 2014 Revenue Forecasts</b>	Current Status	Average Global Insight	Average All Forecasts	High Est NDR-Moodys	Low Est LFO Global
<b><u>Dollar Forecast (thousands)</u></b>					
FY2015-16 Prelim	4,404,000	4,406,230	4,461,410	4,582,893	4,317,584
FY2016-17 Prelim	4,628,000	4,650,373	4,720,622	4,883,359	4,523,095
<b><u>Calculated Growth (adjusted)</u></b>					
FY2015-16 Prelim	4.6%	4.7%	5.9%	8.4%	2.8%
FY2016-17 Prelim	4.6%	5.0%	5.3%	6.0%	4.3%
Two Year Avg (Prelim)	4.6%	4.9%	5.6%	7.2%	3.6%
Five Year Avg	<b>5.0%</b>	<b>5.0%</b>	<b>5.3%</b>	<b>6.0%</b>	<b>4.5%</b>
<b><u>\$ Difference from Status</u></b>					
FY2015-16	0	2,230	57,410	178,893	(86,416)
FY2016-17	0	22,373	92,622	255,359	(104,905)
Cumulative Total	0	24,603	150,032	434,252	(191,321)

## General Fund Transfers-Out

General Fund Transfers-Out accounts for 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 from the General Fund as such and therefore are shown under the revenue category as transfers-out from the General Fund and subsequently expended from the receiving fund.

Table 5 General Fund Transfers-Out

Excludes CRF Transfers	Actual	Current Biennial Budget		Following Biennium	
	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
Property Tax Credit Fund	(110,000,000)	(113,000,000)	(113,000,000)	(113,000,000)	(113,000,000)
Water Resources Cash Fund	(4,700,000)	(3,300,000)	(3,300,000)	(3,300,000)	(3,300,000)
Cultural Preservation Endowment Fund	0	(1,000,000)	(500,000)	(750,000)	(750,000)
Nebraska Capital Construction Fund	0	(4,000,000)	0	0	0
<i>General Fund Transfers-Out (current law)</i>	<i>(114,700,000)</i>	<i>(121,300,000)</i>	<i>(116,800,000)</i>	<i>(117,050,000)</i>	<i>(117,050,000)</i>
Property Tax Credit Fund	0	0	25,000,000	25,000,000	25,000,000
Water Sustainability Fund	0	0	21,000,000	11,000,000	11,000,000
Game & Parks Improvt and Maintenance.	0	0	15,000,000	0	0
Job Training Cash Fund	0	0	10,000,000	0	0
<i>General Fund Transfers-Out -2014 Session</i>	<i>(0)</i>	<i>0</i>	<i>(71,000,000)</i>	<i>(36,000,000)</i>	<i>(36,000,000)</i>
<i>General Fund Transfers-Out</i>	<i>(114,700,000)</i>	<i>(121,300,000)</i>	<i>(187,800,000)</i>	<i>(153,050,000)</i>	<i>(153,050,000)</i>

The committee proposal includes a total of \$71 million transfers to four different funds. A description of the transfers and cash fund appropriations for these items can be found in the

section on other fund sources. Property Tax Credit Fund (page 31), Water Sustainability Fund (page 33), Game & Parks Improvement and Maintenance Fund (page 33), and Job Training Fund (page 33).

## 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 were enacted in the 2013 legislative session and are already incorporated into the “Net Receipts” figures of the NEFAB forecasts.

The Appropriations Committee proposed budget adjustments include one additional transfer. The Governor had recommended the transfer of \$6,800,000 from the Medicaid False Claims Cash Fund to the State General Fund in July 2014 (FY 2014-15). The current balance in the fund is \$11.6 million. The Committee concurred with this recommendation.

Table 6 General Fund Transfers-In

	Actual	Current Biennial Budget		Following Biennium	
	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
Securities Act Cash Fund	19,000,000	21,000,000	21,000,000	0	0
Tobacco Products Admin Cash Fund	7,000,000	10,000,000	10,000,000	0	0
Dept of Insurance Cash Fund	6,000,000	6,000,000	6,000,000	0	0
Dept of Motor Vehicles Cash Fund	1,000,000	0	0	0	0
Dept of Motor Vehicles Ignition Interlock	0	200,000	200,000	0	0
Mutual Finance Assistance Fund	300,000	0	0	0	0
Local Civic, Cultural, Convention Fund	75,000	0	0	0	0
<i>Transfers-In Already in forecast</i>	33,375,000	37,200,000	37,200,000	0	0
2014 - Medicaid False Claims Cash Fund	0	0	6,800,000	0	0
<i>Total General Fund Transfers-In</i>	33,375,000	37,200,000	44,000,000	0	0

# General Fund Appropriations

The financial status shown in this section includes the Appropriations Committee budget recommendations for current year deficits (FY2013-14) and adjustments for FY2014-15, the second year of the biennial budget. A listing of the most significant General Fund adjustments is shown in Table 8. The amount of mid-biennium budget adjustments in the Committee budget is a net \$27,739 increase over the two year period.

<b>FY2012-13</b>	Operations	State Aid	Construction	Total
<b>Total Per 2012 Session</b>	1,259,610,962	2,352,040,560	20,772,233	3,632,423,755
2013 Session Deficits	(5,612,847)	(8,310,469)	0	(13,923,316)
2013 Session State Claims	825,270	0	0	825,270
2013 Session "A" bills	1,000,000	0	0	1,000,000
<b>Final Appropriation with deficits</b>	1,255,823,385	2,343,730,091	20,772,233	3,620,325,709

<b>FY2013-14</b>	Operations	State Aid	Construction	Total
<b>Total Per 2013 Session</b>	1,315,231,996	2,497,106,887	25,830,024	3,838,168,907
2014 Session-Committee Proposed	4,184,495	(6,749,578)	490,000	(2,075,083)
2014 Session-State Claims	0	0	0	0
2014 Session-Floor Actions	0	0	0	0
2014 Session-Governor Vetoes	0	0	0	0
2014 Session-Veto Overrides	0	0	0	0
2014 Session "A" bills	0	0	0	0
2014 Session - Deficits	4,184,495	(6,749,578)	490,000	(2,075,083)
<b>Final Appropriation with deficits</b>	1,319,416,491	2,490,357,309	26,320,024	3,836,093,824
Change over prior year (excluding deficits)				
Dollar	55,621,034	145,066,327	5,057,791	205,745,152
Percent	4.4%	6.2%	24.3%	5.7%

<b>FY2014-15</b>	Operations	State Aid	Construction	Total
<b>Total Per 2013 Session</b>	1,395,116,374	2,617,466,291	28,310,000	4,040,892,665
2014 Session-Committee Proposed	12,722,518	(11,644,140)	1,024,444	2,102,822
2014 Session-Floor Actions	0	0	0	0
2014 Session-Mainline Governor Vetoes	0	0	0	0
2014 Session-Mainline Veto Overrides	0	0	0	0
2014 Session "A" bills	0	0	0	0
Post 2014 Session	0	0	0	0
2014 Session - Midbiennium Adjustments	12,722,518	(11,644,140)	1,024,444	2,102,822
<b>Total Per 2014 Session</b>	1,407,838,892	2,605,822,151	29,334,444	4,042,995,487
Change over prior year (excluding deficits)				
Dollar	92,606,896	108,715,264	3,504,420	204,826,580
Percent	7.0%	4.4%	13.6%	5.3%
Two Year Avg Growth (excluding deficits)	5.7%	5.3%	18.8%	5.5%

Table 7 General Fund Budget Adjustments – 2014 Session

	Appropriations Committee Proposed		
	FY2013-14	FY2014-15	Two Yr total
<b>SIGNIFICANT INCREASES:</b>			
1 DHHS-Lower FFY2015 FMAP	0	16,919,325	16,919,325
2 Nat Resources-One-time funding, Resources Development Fund	0	10,492,793	10,492,793
3 Reallocate ACA contingency - behavioral health aid	0	10,000,000	10,000,000
4 Corrections-Inmate per diem and medical expenses	3,950,000	4,050,000	8,000,000
5 Corrections-Inmate capacity issues	880,972	5,139,157	6,020,129
6 DHHS-Increase funding, waiting list - developmental disability aid	0	5,000,000	5,000,000
7 DHHS-MAGI Eligibility Rules Under ACA (SCHIP)	1,369,305	2,775,125	4,144,430
8 Education-Early Childhood grant program, one-time funds	0	3,510,000	3,510,000
9 DHHS-State Disabled - Medical (net)	742,200	1,598,100	2,340,300
10 DHHS-ACA Section 2101F Population (SCHIP)	440,134	1,665,075	2,105,209
11 DHHS-2% increase in provider rates - developmental disability aid	0	2,595,048	2,595,048
12 University-Pediatric cancer research (LB 764)	0	1,800,000	1,800,000
13 Hist Society-Move from K St facility to Experian Building	691,686	485,086	1,176,772
14 DHHS-Increase funding, community aging services (LB 689)	0	1,000,000	1,000,000
15 DHHS-State Ward Permanency Pilot project (LB 936)	0	528,000	528,000
16 Attorney Gen-Deficit Request-Water Litigation	400,000	0	400,000
17 Education-Nurturing Healthy Behaviors, early childhood (LB 944)	0	400,000	400,000
18 State Auditor-Restore Appropriations	176,669	176,669	353,338
19 Supreme Court-Probation officer reclassification	0	282,683	282,683
20 All -NETC - Radio transmission replacement project	140,000	140,000	280,000
21 DHHS-Increase funding, community health centers (LB 827)	0	250,000	250,000
22 Education-Microsoft IT academy program and certification	0	250,000	250,000
23 Retirement-Defined benefit plan contributions	0	226,671	226,671
24 Coord Comm- Nebr Opportunity Grant financial aid funding	0	200,000	200,000
25 DHHS-Increase funding, EMS training (LB 889)	0	212,000	212,000
26 DHHS-Increase funding, Rural Health Provider Incentive program	0	150,000	150,000
27 Education-Continued funding, E-Scholar data warehouse	0	100,000	100,000
28 DHHS-Lincoln Regional Center Kitchen project (net)	(884,444)	884,444	0
29 Subtotal-Increases listed	7,906,522	70,830,176	78,736,698
<b>SIGNIFICANT REDUCTIONS:</b>			
30 TEEOSA state aid, to NDE calculated per current law	0	(40,254,527)	(40,254,527)
31 Homestead Exemption	(6,500,000)	(6,000,000)	(12,500,000)
32 Reduce ACA behavioral health contingency	0	(10,000,000)	(10,000,000)
33 Medicare Part D clawback reduction	(2,800,000)	(4,800,000)	(7,600,000)
34 Base Adjustments, DHHS programs	(800,000)	(6,922,744)	(7,722,744)
35 DHHS-Reduce Medicaid, shift to community aging services (LB689)	0	(1,000,000)	(1,000,000)
27 DHHS-Reallocate funding to EMS training (LB 889)	0	(212,000)	(212,000)
23 Subtotal-Reductions listed	(10,100,000)	(69,189,271)	(79,289,271)
24 <b>ALL OTHER (Net)</b>	118,395	461,917	580,312
36 <b>GENERAL FUND NEW APPROPRIATIONS</b>	(2,075,083)	2,102,822	27,739

Table 8 Summary of FY2014-15 General Fund Budget

	w/o Deficits FY2012-13	FY2013-14 w/o Deficits FY2013-14	2012 Session FY2014-15	FY2014-15		Change over Prior Yr		2 Yr Avg % Change	% of Total FY14-15
				Midbiennium FY2014-15	With deficits FY2014-15	FY14-15 (w/o deficits) \$	%		
<b><u>Agency Operations</u></b>									
University/Colleges	543,449,583	567,109,821	589,576,414	1,800,000	591,376,414	24,266,593	4.3%	4.3%	14.6%
Health & Human Services System	236,425,259	233,169,499	233,902,402	(405,463)	233,496,939	327,440	0.1%	-0.6%	5.8%
Correctional Services	156,840,269	167,048,868	170,854,827	9,189,157	180,043,984	12,995,116	7.8%	7.1%	4.5%
Courts	84,265,483	107,213,686	133,832,254	290,956	134,123,210	26,909,524	25.1%	26.2%	3.3%
State Patrol	54,253,448	56,153,379	56,576,821	0	56,576,821	423,442	0.8%	2.1%	1.4%
Revenue	25,642,530	25,398,331	25,912,626	0	25,912,626	514,295	2.0%	0.5%	0.6%
Retirement Board	29,991,325	24,290,810	46,418,580	226,671	46,645,251	22,354,441	92.0%	24.7%	1.2%
Other 39 Agencies	128,743,065	134,847,602	138,042,450	1,621,197	139,663,647	4,816,045	3.6%	4.2%	3.5%
Total-GF Operations	1,259,610,962	1,315,231,996	1,395,116,374	12,722,518	1,407,838,892	92,606,896	7.0%	5.7%	34.8%
<b><u>State Aid to Individuals/Others</u></b>									
Medicaid	644,573,194	710,247,560	773,561,292	1,533,418	775,094,710	64,847,150	9.1%	9.7%	19.2%
Child Welfare Aid	153,774,584	156,756,327	138,879,572	(686,061)	138,193,511	(18,562,816)	-11.8%	-5.2%	3.4%
Public Assistance	108,524,785	107,116,945	108,181,405	1,777,331	109,958,736	2,841,791	2.7%	0.7%	2.7%
Developmental disabilities aid	101,878,371	109,173,012	126,248,291	10,791,904	137,040,195	27,867,183	25.5%	16.0%	3.4%
Behavioral Health aid	75,133,219	70,759,664	57,344,214	10,000,000	67,344,214	(3,415,450)	-4.8%	-5.3%	1.7%
Childrens Health Insurance (SCHIP)	13,107,750	17,638,937	22,425,227	5,134,800	27,560,027	9,921,090	56.2%	45.0%	0.7%
ACA Contingency	0	0	10,000,000	(10,000,000)	0	0	100.0%	na	0.0%
Aging Programs	7,999,438	8,229,427	8,463,465	1,000,000	9,463,465	1,234,038	15.0%	8.8%	0.2%
Higher Ed Student Aid programs	6,993,156	7,308,156	7,353,156	200,000	7,553,156	245,000	3.4%	3.9%	0.2%
Public Health Aid	4,790,612	6,040,612	5,890,612	297,000	6,187,612	147,000	2.4%	13.6%	0.2%
Community health centers	3,758,060	4,058,060	4,058,060	250,000	4,308,060	250,000	6.2%	7.1%	0.1%
Business Innovation Act	7,156,396	6,760,000	6,760,000	0	6,760,000	0	0.0%	-2.8%	0.2%
All Other Aid to Individuals/Other	7,980,123	8,803,123	8,862,373	150,000	9,012,373	209,250	2.4%	6.3%	0.2%
Total-GF Aid to Individuals/Other	1,135,669,688	1,212,891,823	1,278,027,667	20,448,392	1,298,476,059	85,584,236	7.1%	6.9%	32.1%
<b><u>State Aid to Local Govts</u></b>									
State Aid to Schools (TEEOSA)	836,867,085	884,888,317	920,786,352	(40,254,527)	880,531,825	(4,356,492)	-0.5%	2.6%	21.8%
Special Education	193,893,842	203,588,534	213,767,961	0	213,767,961	10,179,427	5.0%	5.0%	5.3%
Aid to Community Colleges	87,870,147	91,384,953	95,040,351	0	95,040,351	3,655,398	4.0%	4.0%	2.4%
Homestead Exemption	72,500,000	71,600,000	74,900,000	(6,000,000)	68,900,000	(2,700,000)	-3.8%	-2.5%	1.7%
Aid to ESU's	14,051,761	14,051,761	14,051,761	0	14,051,761	0	0.0%	0.0%	0.3%
Early Childhood programs	0	5,915,962	5,915,962	3,319,202	9,235,164	3,319,202	56.1%	na	0.2%
Other Aid to Local Govt	11,188,037	12,785,537	14,976,237	10,842,793	25,819,030	13,033,493	101.9%	51.9%	0.6%
Total-GF Aid to Local Govt	1,216,370,872	1,284,215,064	1,339,438,624	(32,092,532)	1,307,346,092	23,131,028	1.8%	3.7%	32.3%
<b><u>Capital Construction</u></b>									
	20,772,233	25,830,024	28,310,000	1,024,444	29,334,444	3,504,420	13.6%	18.8%	0.7%
<b><u>Total General Funds</u></b>									
	3,632,423,755	3,838,168,907	4,040,892,665	2,102,822	4,042,995,487	204,826,580	5.3%	5.5%	100.0%

# Significant General Fund Items

## Probation Officer Reclassification (Supreme Court)

In recent years, the Probation System has moved resources and personnel to concentrate on the supervision of those probationers who are at the highest risk to reoffend which include probationers who are chronic substance abusers, domestic violence and sexual assault perpetrators, serial drunk drivers, mentally ill, or gang members. Currently, the minimum salary of approximately \$34,000 after one year of employment is the same for officers who supervise low-risk probationers and for officers who supervise high-risk probationers. The goal of this issue is to compensate officers who supervise high-risk probationers for the additional skills and abilities needed and consists of increasing the minimum salary to approximately \$41,000. For new officers and existing officers whose current salary is below the minimum, salaries will be increased to the minimum. For existing officers whose salaries are above the minimum, smaller increases will be given to maintain salary equity. This additional funding, \$282,683 General funds, would result in an overall 5% increase for those positions affected. Some officers would receive a larger increase, some a smaller increase.

## TEEOSA School Aid (Education)

The Appropriations Committee proposal adjusts the FY2014-15 budgeted TEEOSA aid amount to the level called for under the existing law. This is \$40.2 million lower than estimated at Sine Die last year and included in the budget enacted at that time. The following table shows the total amounts for TEEOSA aid (under current law), the key data elements important in determining the total, and the dollar and percent changes.

	Actual FY2012-13	Actual FY2013-14	Current Law FY2014-15	Estimated FY2015-16	Estimated FY2016-17
<u>Key Assumptions</u>					
School Disbursements	2.5%	-0.6%	2.7%	3.7%	4.0%
Gen Fund Operating Expenditures (GFOE)	3.3%	1.6%	2.6%	3.7%	4.0%
Property Valuations (assessed)	4.3%	5.8%	8.5%	8.4%	4.0%
Property Valuations (used in formula)	2.9%	2.1%	2.1%	5.5%	4.0%
% of Valuation used in formula	92.1%	89.5%	84.3%	82.0%	82.0%
Cost Growth Factor	0.50%	2.00%	4.00%	5.00%	5.00%
Local Effort Rate	\$1.0395	\$1.0300	\$1.0300	\$1.0000	\$1.0000
<u>TEEOSA Total by Fund Source</u>					
General Funds	836,867,085	884,888,317	880,531,825	971,189,817	1,013,407,375
Insurance Premium Tax	15,000,000	21,693,014	19,400,000	22,385,000	24,444,625
Lottery funds, reorg incentives	212,958	0	0	0	0
Total TEEOSA state aid	852,080,043	906,581,331	899,931,825	993,574,817	1,037,852,000
<u>General Funds - Change over Prior Year</u>					
Dollar	32,177,998	48,021,232	(4,356,492)	90,657,992	42,217,558
Percent	4.0%	5.7%	-0.5%	10.3%	4.3%
Two Yr Avg % Change	2.5%		2.6%		7.3%
<u>All Funds - Change over Prior Year</u>					
Dollar	30,026,186	54,501,288	(6,649,507)	93,642,992	44,277,183
Percent	3.7%	6.4%	-0.7%	10.4%	4.5%
Two Yr Avg % Change	-7.4%		2.8%		7.4%

The following table shows the chronology of the TEEOSA estimates since Sine Die 2013. The amounts shown are total TEEOSA aid including amounts financed with General Funds and Insurance Premium Tax. Since Sine Die 2013 the estimates for the formula data elements and subsequent aid amount, have now been replaced with actual data that is utilized to certify the FY2014-15 TEEOSA state aid. This includes calculation of formula students, actual Annual Financial Report data which is the basis for calculating NEEDS and other receipts, and property valuations which is the basis for calculating yield from local effort rate. The result is a significant reduction in the amount of aid that is required by the formula under existing law compared to the estimate made last spring. There were two revisions in the TEEOSA number. First revisions were made at the statutory joint meeting where the Department of Education (NDE), the Property Tax Administrator, the Legislative Fiscal Analyst, and the budget division of DAS are to provide an estimate for the upcoming year. The second changes occurred with the development of the NDE calculation of aid under the current law in January 2014.

	All Funds FY2013-14	All Funds FY2014-15	All Funds FY2015-16	All Funds FY2016-17
<b>Sine Die 2013</b>	<b>906,581,331</b>	<b>940,186,352</b>	<b>1,035,653,344</b>	<b>1,080,211,844</b>
Valuation, 2013 from 7.94% to 8.52% actual	0	(6,782,784)	(7,054,096)	(7,336,259)
Valuation; 2014 (4.0% to 8.5%), 2015 (keep at 4%)	0	0	(70,221,339)	(73,025,681)
Change factor, yield from LER used in formula	0	6,260,710	66,886,485	69,561,944
Spending growth, SFY14 3.5% to 3.72%, SFY15 stays at 4%	0	0	6,745,591	7,015,415
Revise system averaging adjustment	0	2,930,944	5,759,021	5,989,382
Revise formula NEEDS stabilization	0	1,197,189	(2,455,362)	(2,553,576)
Revise student growth adjustment	0	(1,893,464)	(1,963,901)	(2,042,457)
Revise new school adjustment	0	(5,888,735)	(6,107,796)	(6,352,108)
Change in NEEDS gained or lost in basic funding calculation	0	2,391,425	11,514,835	11,975,428
Change in Learning Community, impact of non-equalization	0	(117,139)	(2,307)	(602)
Remove plug numbers	0	(427,663)	959,861	276,394
Voluntary termination in out years	0	0	(3,018,695)	(3,139,443)
Total Change - Oct 2013 Joint Meeting	0	(2,329,517)	1,042,297	368,437
<b>Oct 2013 Joint Meeting</b>	<b>906,581,331</b>	<b>937,856,835</b>	<b>1,036,695,641</b>	<b>1,080,580,281</b>
Actual FY13 AFR, lower disbursement growth	0	(9,554,007)	(9,909,417)	(10,305,793)
Actual FY13 AFR, lower fed categorical GFOE adjustment	0	19,860,274	20,599,076	21,423,039
Actual FY13 AFR, higher PL 81-874 impact aid GFOE adjustment	0	(10,770,195)	(11,170,847)	(11,617,680)
Actual FY13 AFR, higher retirement GFOE adjustment	0	(9,810,270)	(10,175,212)	(10,582,220)
Actual FY13 AFR, higher voluntary termination GFOE adjust	0	(6,460,699)	(6,701,037)	(6,969,079)
Actual FY13 AFR, lower redemption of debt principal GFOE adjust	0	3,227,626	3,347,693	3,481,601
Actual FY13 AFR, Lower other GFOE adjustments	0	5,416,530	5,618,025	5,842,746
Change in NEEDS gained or lost in basic funding calculation	0	(37,714,557)	(42,522,941)	(44,223,859)
Revise system averaging adjustment	0	7,378,868	7,629,422	7,934,599
Higher Student Growth Adjustment	0	2,863,564	2,970,088	3,088,892
Lower Poverty/LEP/Student Growth Corrections	0	5,705,939	5,918,200	6,154,928
Higher formula NEEDS stabilization	0	377,519	(637,889)	(663,405)
Lower effective Yield from Local Effort Rate	0	46,727,796	43,498,130	45,231,719
Higher Minimum Levy Adjustment	0	(48,613,421)	(48,613,421)	(48,613,421)
Actual FY13 AFR, higher Other Receipts	0	(4,941,484)	(1,372,064)	(1,292,738)
Higher Non Equalized Levy Aid Adjustment	0	(1,513,916)	(1,513,916)	(1,513,916)
All Other	0	(104,576)	(84,715)	(103,695)
Total Change – to NDE Jan 2014 Amount	0	(37,925,010)	(43,120,824)	(42,728,282)
<b>Jan 2014 NDE Current Law Calculation</b>	<b>906,581,331</b>	<b>899,931,825</b>	<b>993,574,817</b>	<b>1,037,852,000</b>
Change - Oct 2013 Joint Meeting	0	(2,329,517)	1,042,297	368,437
Change - NDE Jan 2014	0	(37,925,010)	(43,120,824)	(42,728,282)
Total Change since Sine Die 2013	0	(40,254,527)	(42,078,527)	(42,359,845)

## **Nurturing Healthy Behaviors (Education)**

The committee includes \$400,000 of general funds in FY2014-15 for the State Department of Education to expand the Nurturing Healthy Behaviors program. Currently, about \$400,000 of federal funds are allocated for three programs in the state which provide early childhood consultation services to children from birth through eight years of age. The funds may be used for mental health screening, assessment, individualized program plans, staff training, curriculum development and program evaluation for children in child care centers, preschool programs and elementary schools. Intent language provides that at least one new program shall be funded in the third Congressional district with a portion of the new general funds provided in FY15. This item was originally included in LB 944.

## **Early Childhood Grant Program (Education)**

The committee proposal includes an additional \$3,415,000 of general funds in FY 2014-15 as aid for the early childhood education grant program. The aid is provided to the State Department of Education on a one-time basis to provide grants for early childhood programs over a three year period, from FY2014-15 through FY2016-17. The recommendation also includes \$95,000 of general funds in each of the three years for an additional position in the department to provide monitoring and technical assistance to newly funded early childhood education programs bringing the three year total to \$3.7 million.

In addition, the recommendation provides a \$ 95,798 reduction of general fund aid for the early childhood grant program and a like increase in operating funds to provide additional technical assistance to grantees in FY2013-14 and FY2014-15.

## **Microsoft IT Academy Program (Education)**

The committee budget includes \$250,000 of general funds in FY2014-15 provided to the State Department of Education for a pilot project for a Microsoft IT Academy. The department is to select school districts to participate in the project and evaluate the results of the project. The project shall be conducted in collaboration with the community colleges and business interests. There is to be statewide representation in the project with at least two rural school districts selected for participation.

## **Water Litigation Funding (Attorney General)**

A total of \$400,000 in General Funds is provided to the Attorney General for FY2013-14 for continuation of water litigation issues. This funding will be used for litigation and arbitration between Nebraska, Kansas, and Colorado over issues arising from the Republican River Compact and Final Settlement Stipulation. This additional amount along with \$350,000 appropriated last session will provide funding for both FY14 and FY15.

## **Restore Base Funding (State Auditor)**

During the 2013 Legislative Session, \$176,669 General Funds was vetoed from the Auditors proposed budget and the amount was not overridden. However, the Legislature subsequently passed LR384 indicating its intent to restore the funding through the deficit process. With the passage of LR384 the Auditor has been operating in good faith that the appropriation would be



restored. The committee proposal includes restoration of these funds. Without this funding, the Auditor's Office would need to reduce staffing by at least 4 positions.

## Homestead Exemption (Revenue)

In the 2013 legislative session, funding for homestead exemption reimbursement was estimated at LB 195 appropriated \$71.6 million for FY2013-14 and \$74.9 million for FY2014-15. Actual tax losses certified by the counties for the current fiscal year (FY2013-14) total \$65,087,564. This allows for a \$6.5 million reduction in the amount originally estimated for FY2013-14 and provides for the certified amount plus a small amount for potential revisions since the counties may amend their requests for homestead funding at any time. Because the FY2013-14 amount was lowered, this allows for a lowering of the estimated FY2014-15 amount. It is estimated that the appropriation for FY2014-15 may be reduced from \$74.9 million to \$68.9, a reduction of \$6.0 million.

Note that the level of homestead exemption is statutorily determined. This reduction simply reflects the estimated cost of the existing program relative to the original budget estimates and does not reflect any programmatic changes.

## Reduced Medicaid Match Rate (DHHS)

The current biennial budget enacted last session, was based on a federal medical assistance percentage (FMAP) of 55.76% rate for FFY2014 and an estimated FMAP of 54.74% starting October 2014 (FFY2015). It is now known that the FFY2015 FMAP will be 53.27% or 1.47% lower than estimated last session.

The base FMAP is also used in the calculation of the enhanced Children's Health Insurance Program (SCHIP) match rate. The current biennial budget enacted last session, was based on an SCHIP FMAP of 69.03% for FFY2014 and estimated SCHIP FMAP of 68.32% for FFY2015. It is now known that the FFY2015 FMAP will be 53.27% or 1.03% lower than estimated last session.

These lower federal match rates result in a higher state match and additional General Fund appropriations. The FMAP affects multiple program as shown below.

Program	Type	FY2013-14	FY2014-15
33 Developmental disability service coordination	Oper	0	111,910
344 Childrens Health Insurance (SCHIP)	Aid	0	694,600
347 Public Assistance	Aid	0	277,331
348 Medicaid	Aid	0	13,358,062
354 Child Welfare	Aid	0	285,939
365 Mental Health operations	Oper	0	51,494
421 Beatrice State Develop Center (BSDC)	Oper	0	188,133
424 Developmental disability aid	Aid	0	1,951,856
Total GF impact of FMAP change		0	16,921,325

## **Children's Health Insurance (SCHIP) ACA MAGI Eligibility Rules (DHHS)**

The SCHIP MAGI Conversion beginning on January 1, 2014, includes a 5% FPL disregard on top of the converted income standard for the CHIP group, thus increasing the number of eligible children qualifying for coverage. This new group resulted from a clarification by CMS of program requirements under the ACA. CMS did not publish or rule on the SCHIP portion of the 5% FPL disregard until 7/15/13. Therefore, the Department did not include any request for these funds in the FY2013-2015 budget submittal. These funds will be needed to cover the additional enrollees as coverage for this group is mandatory. SCHIP would be expanded, affecting approximately 3,500 children at a cost of \$2,484 per child annually.

The 5% disregard is only applied if a child fails income eligibility. For example, if the child's MAGI is 217%, they would be ineligible for CHIP. However, when the 5% MAGI disregard is applied, their MAGI is now 212% ( $217\% - 5\% = 212\%$ ) and they are eligible for CHIP under the 5% MAGI group. Additional costs amount to \$1,369,305 Gen Funds and \$2,977,695 Fed Funds in FY2013-14 and \$2,775,125 Gen Funds and \$5,918,875 Fed Funds in FY2014-15.

## **Children's Health Insurance (SCHIP) ACA Section 2101F Population (DHHS)**

2101F Separate SCHIP is a temporary program created under Section 2101(f) of the Affordable Care Act that will run from January, 2014, through December, 2015, and will impact SFY14-SFY16. This program will cover SCHIP eligibles for one year who no longer qualify for Medicaid and SCHIP due to the conversion to MAGI methodology. This new group resulted from a clarification by CMS of program requirements under the ACA therefore, the Department did not include any request for these funds in the FY2013-2015 budget submittal. These funds will be needed to cover the additional enrollees as coverage for this group is mandatory. CHIP services would be continued for an estimated 3,000 children at a cost of \$2,484 per child annually.

The converted Marginal Adjusted Gross Income (MAGI) income eligibility for this group is 213% for CHIP and 194% for pregnant women. If a child is over this income limit they would not qualify, but this provision provides for an additional year of eligibility. Additional costs amount to \$440,134 Gen Funds and \$957,116 Fed Funds in FY2013-14 and \$1,665,075 Gen Funds and \$3,551,325 Fed Funds in FY2014-15.

## **State Disabled - Medical (DHHS)**

The State Disabled Program (SDP) – Medical provides medical coverage for persons with a disability that is expected to last longer than six months but shorter than twelve months. Historically, a look back to the original date of application allowed the State to retroactively change coding from SDP to Medicaid. Policy review determined this process was not accurate.

Due to HHS no longer retroactively changing expenses from SDP to Medicaid back to the date of application, additional state general funds are needed. The State Disabled Program – Medical has a \$3 million General Fund deficit in both FY14 and FY15. In FY14, Program 347 will be able to assume \$900,000 of the increased cost with savings from Aid to Dependent

Children (\$500,000) and Aged, Blind and Disabled (AABD) Special Rates (\$400,000), and a transfer of \$1,357,800 in formerly used Medicaid General Fund match for this population bringing the remaining deficit in FY14 to \$742,200 GF. In FY15 a transfer of \$1,401,900 in formerly used Medicaid General Fund match for this population will be used to offset the deficit bringing the remaining deficit to \$1,598,100 GF.

<u>Finance Shortfall</u>	<u>FY2013-14</u>	<u>FY2014-15</u>	<u>2 Yr Total</u>
Reallocate ADC	500,000	0	500,000
Reallocate AABD special rates	400,000	0	400,000
Reallocate Medicaid GF match	1,357,800	1,598,100	2,955,900
Additional Gen Fund Appropriation	742,200	1,598,100	2,340,300
Total State Disabled Medical Shortfall	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(6,000,000)</u>

## **Revised Program Costs, DHHS Programs (DHHS)**

The Governors recommendation included three areas where an evaluation of year to date expenditures or other factors indicate excess appropriations in those programs. Actual year to date expenditure experience relates to the programs under Public Assistance, Medicaid, and administration of the Medicaid RX drug act. The Appropriations Committee proposal also includes these base reductions as shown below.

<u>Program</u>	<u>FY2013-14</u>	<u>FY2014-15</u>	<u>2 Yr Total</u>
Medicaid RX Drug Act Admin (Prog 32)	(800,000)	(800,000)	1,600,000
Public Assistance (Prog 347)	0	(1,500,000)	(1,500,000)
Medicaid (Prog 348)	0	(4,622,744)	(4,622,744)
Base Adjustments, DHHS programs	<u>(800,000)</u>	<u>(6,922,744)</u>	<u>(7,722,744)</u>

## **Medicaid Part D Clawback Reduction (DHHS)**

Mandatory state payments to the federal government to help finance the Medicaid Part D benefit for individuals eligible for both Medicare and Medicaid, known as dual eligibles has decreased. The payments are commonly called "clawback" payments. The current appropriation for this purpose is reduced by \$2.8 million in FY2013-14 and \$4.8 million in FY2014-15.

## **Reallocate ACA Contingency to Behavioral Health Aid (DHHS)**

In the 2013 legislative session, behavioral health aid was reduced by \$15 million due to potential savings due to provisions of the Affordable Care Act (ACA). At the same time, \$10 million of general fund aid was appropriated to a new budget program as a contingency in the event that the ACA did not result in \$10 million of savings in behavioral health services. Behavioral health providers indicate it is likely that \$10 million of savings will not result from the ACA in FY15. The committee proposes that the \$10 million of general funds be reallocated back to Program 38 to provide aid to behavioral health providers in FY2014-15 and eliminate the contingency Program 46.

## **Developmental Disability Aid (DHHS)**

The committee proposal includes a substantial increase in funding for developmental disability aid. First, the recommendation includes \$2,595,048 general funds and \$2,821,240 federal

Medicaid funds to provide a 2% increase in provider rates for developmental disability providers in FY2014-15. Last session funds were included to implement a new rate methodology but no general provider rate increase.

The committee also includes an additional \$4,745,000 General and \$5,776,064 Federal (Medicaid) as state aid to provide services to persons on the developmental disability waiting list in FY2014-15. Funding is also included to add 9.5 FTE administrative and service coordination staff to assist in the provision of services to individuals taken off of the waiting list (\$255,000 General, \$289,000 Federal).

### **State Ward Permanency Pilot Project (DHHS)**

Funding is provided for the State Ward Permanency Pilot Project. The purpose of the pilot project is to provide developmental disabilities services to state wards in order to provide optimal habilitative supports and promote permanency. The pilot project would serve state wards who are eligible for developmental disabilities services but do not qualify for priority status and state wards who are in need of habilitative supports to achieve permanency. The Project will collect data on the impact of the services, the number of state wards participating who achieve permanency, the stability of the placements for these youth and the impact of the support to families before and after permanency is achieved. The data will be submitted to the Foster Care Review Office for analysis. The Foster Care Review Office will report to the Health and Human Services Committee every six months during the length of the project.

The total amount appropriated for the project is \$3,000,000 with \$972,000 reallocated from Child Welfare Aid; \$528,000 additional General Funds and \$1,500,000 from federal Medicaid matching funds.

### **Rural Health Incentive Funding (DHHS)**

An additional \$150,000 is provided in FY 15 for the Rural Health Incentive Program. There are two different incentive programs, a student loan forgiveness program and a loan repayment program that requires a community match equal to the amount of the state match. Cash funds equal to the amount of the General Fund appropriation is provided to allow the Rural Health Advisory Committee the maximum flexibility in deciding the distribution of the funding.

### **Federally Qualified Community Health Centers (DHHS)**

LB 827 would have provided an additional \$1.5 million in General Funds to the six Federally Qualified Health Centers (FQHC). The committee proposal appropriates an additional \$250,000 from General Funds and \$750,000 from the Health Care Cash Fund in FY 15.

### **Emergency Management Services Aid (DHHS)**

The committee proposal includes \$212,000 General Funds for aid to emergency management services (EMS) for training. Prior appropriations equal to this amount were never fully expended on EMS training. The full appropriation amount is transferred from Program 033 Administration to the Program 514 Health Aid.

## Community Aging Services Aid (DHHS)

General Fund aid community-based aging services is increased by \$1 million starting in FY14-15 financed by a reduction in Medicaid General Fund appropriations of a like amount.

## Resources Development Fund (Natural Resources)

A total of \$492,793 General Funds appropriated to the Department of Natural Resources for the Water Funding Task Force in FY2013-14 will be lapsed back to the General Fund. This funding represents the unused portion of the \$1,000,000 General Fund appropriation approved under LB 517A of 2013. This lapsed amount plus an additional \$10 million provides a total of \$10,492,793 General Funds which is recommended to be appropriated to the Resources Development Fund in the Department of Natural Resources in FY2014-15. The additional funding is intended to expedite the cash flow of approved projects in conjunction with the ongoing \$3,140,325 General Fund appropriation. It is anticipated that the program will not require additional funding after the FY15-17 biennium.

## Inmate Per Diem and Medical Costs (Correctional Services)

The committee proposal includes additional funds for the Department of Correctional Services (DCS) related to increased inmate population and medical costs.

Item	FY2013-14	FY2014-15	2 Yr Total
Inmate medical expenses	3,000,000	3,000,000	6,000,000
Inmate per diem expenses	950,000	1,050,000	2,000,000
Issue Total	3,950,000	4,050,000	8,000,000

Increased population and increasing costs for food, clothing, and other inmate-related institutional items directly impacts the expenses of the Department of Correctional Services (DCS). DCS will use additional funding for per diem expenses to provide food, clothing, and other basic needs to the inmate population

The Department of Correctional Services (DCS) continues to experience a significant increase in medical expenses. DCS estimates FY2014 medical costs of \$23.5 million. Actual medical operating expenses for FY2010 were \$15.5 million and for FY2013 they had increased to \$19.9 million. The annual average cost per inmate for medical services has continued to increase: in FY2010 it was \$3,412 and by FY2013 it was \$4,123. It is estimated to be \$4,892 in FY2014. Medical services that are not available in secure facilities and must be provided in the community account for almost all of the estimated increase. These are services such as surgery, specialty visits (cardiac, respiratory, digestive, endocrine and metabolic disease), and emergency services (including physician emergency services after hours). DCS provides only primary care in the secure facilities. DCS notes that as the inmate population ages, the need for these services is expected to rise. DCS has 847 inmates age 50 and older, an increase from 671 (or 26.2%) approximately one year ago. Older inmates generally require more care than an individual in the same age group who has not been in prison. DCS is required to provide inmates with the community standard of medical care.

## Inmate Capacity Issues (Correctional Services)

Despite a significant increase in the number of parolees in the past two years, the Nebraska Department of Correctional Services (DCS) has experienced a marked increase in the overall inmate population at the various correctional facilities in the state which is creating capacity issues. As of January 31, 2014, the inmate population was 154.90% of design capacity. Last session funding was provided in FY2013-14 and FY2014-15 for DCS to prepare a program statement providing for a comprehensive and updated long-range capital construction master plan for all state correctional facilities. This study will be completed in the fall of 2014.

The Appropriations Committee, following the proposals of the Governor, funded the following items that are intended to address the immediate short-term capacity needs: The committee also included intent language that DCS investigate the feasibility of leasing the former Lancaster County jail facility located in Air Park, and whether leasing this facility could be part of the long-term plan for addressing the overcrowding of current Department facilities

Item	FY2013-14	FY2014-15	2 Yr Total
Maximize existing bed space	127,020	762,122	889,142
McCook Work Ethic camp beds	30,348	150,410	180,758
Temporary housing, county jails	723,604	4,226,625	4,950,229
Issue Total	880,972	5,139,157	6,020,129

1. Maximize Existing Facility Bed Space – DCS currently contracts with the U.S. Marshal Service to house federal inmates in Nebraska prison facilities. Nebraska houses approximately 20 such inmates and the cost for these inmates is covered with federal funds. Returning these inmates to federal custody to reclaim these beds requires an increase in the General Fund appropriation of \$127,020 in FY14 (two months), and \$762,122 in FY15 (full year).

2. Increase Available McCook Work Ethic Camp (WEC) Beds – This item will increase WEC beds to 200. This increase in capacity would be allocated as follows: 40 beds for additional inmates and 12 reserved for probationers. Increasing WEC capacity and inmate count require three additional staff, at a cost of \$30,348 General Funds in FY14 (two months) and \$150,410 General Funds in FY15 (full year).

3. Manage Facility Capacity Issues – A number of county jail facilities in the state have available empty beds. In order to temporarily ease current DCS capacity issues, this item provides funding for DCS to contract with willing counties to house up to 150 Nebraska inmates in county jails. The net cost to DCS to house 150 inmates at the county level is estimated to require additional General Fund appropriations of \$723,604 in FY2013-14 (two months) and \$4,226,625 in FY2014-15 (full year). At this time, this is a one-time item.

For the long-term, there is prison reform legislation in the Judiciary Committee. What this legislation will ultimately address is not known at this time, but it is expected to address both the front-end (probation/community corrections options) and the back-end (more options for parolees). Additionally, the Council of State Governments plans to examine Nebraska's prison system over the next year or so. Finally, as previously noted, DCS is updating its long-range capital construction master plan regarding inmate projections and capacity needs and facility options.

## **Pediatric Cancer Research (University of Nebraska)**

The Appropriations Committee's proposal includes \$1.8 million for pediatric cancer research at the University of Nebraska Medical Center (UNMC). Currently, Nebraska ranks third in the nation per population in the number of cases of childhood cancer. Funding would allow UNMC to hire two new researchers to develop new therapies and treatments. State funding will allow UNMC to leverage additional federal and private funding.

## **Relocation of Leased Space (Historical Society)**

The committee proposal includes \$691,686 in FY2013-14 and \$485,086 in FY2014-15 for Nebraska State Historical Society to acquire new leased space. The funding will allow NSHS to consolidate three locations (archeology lab, the archeology collection, and the historic records currently stored at the K St. facility) into a single space. The Experian building has become available as new leased space at a rate of \$10/sf for 20,000 sf. This will be a long-term lease (10+ years). Funds provided would be used for lease payment, purchase space saving storage shelving, and moving costs. The funding provides a long-term solution that will address space needs for years to come. Current space is inadequate to house historical artifacts, papers, and collections.

# Total Appropriations – All Funds

Table 9 shows the total appropriation from all fund sources as enacted in the 2013 legislative session with the Appropriations Committee proposal for budget adjustments in the 2014 session.

Table 9 Total Appropriations - All Funds

<b>FY2012-13</b>	General	Cash	Federal	Rev/Other	Total
<b>Adjusted Per 2012 Session</b>	3,632,423,755	1,854,087,842	2,676,111,718	843,560,595	9,006,183,910
2013 Session Deficits	(13,923,316)	(2,079,313)	(3,796,263)	(708,621)	(20,507,513)
2013 Session State Claims	825,270	1,200,000	0	150,000	2,175,270
2013 Session "A" bills	1,000,000	0	0	0	1,000,000
<b>Final Appropriation per 2013 Session</b>	<b>3,620,325,709</b>	<b>1,853,208,529</b>	<b>2,672,315,455</b>	<b>843,001,974</b>	<b>8,988,851,667</b>
<b>FY2013-14</b>	General	Cash	Federal	Rev/Other	Total
<b>Total Per 2013 Session</b>	3,838,168,907	2,054,629,664	2,875,826,694	816,730,442	9,585,355,707
2014 Session-Committee Proposed	(2,075,083)	11,298,815	20,682,149	6,350,000	36,255,881
2014 Session State Claims	0	0	0	0	0
2014 Session Floor Actions	0	0	0	0	0
2014 Session Vetoes	0	0	0	0	0
2014 Session Overrides	0	0	0	0	0
2014 Session "A" bills	0	0	0	0	0
<i>2014 Deficits</i>	<i>(2,075,083)</i>	<i>11,298,815</i>	<i>20,682,149</i>	<i>6,350,000</i>	<i>36,255,881</i>
<b>Final Total - 2014 Session</b>	<b>3,836,093,824</b>	<b>2,065,928,479</b>	<b>2,896,508,843</b>	<b>823,080,442</b>	<b>9,621,611,588</b>
Change over prior year (without deficits)					
Dollar	205,745,152	200,541,822	199,714,976	(26,830,153)	579,171,797
Percent	5.7%	10.8%	7.5%	-3.2%	6.4%
<b>FY2014-15</b>	General	Cash	Federal	Rev/Other	Total
<b>Total Per 2013 Session</b>	4,040,892,665	2,044,309,317	2,892,865,676	764,788,062	9,742,855,720
2014 Session-Committee Proposed	2,067,486	57,257,520	(5,904,544)	22,351,900	75,772,362
2014 Session Floor Actions	0	0	0	0	0
2014 Session Vetoes	0	0	0	0	0
2014 Session Overrides	0	0	0	0	0
2014 Session "A" bills	0	0	0	0	0
Post 2014 Session	0	0	0	0	0
<i>2014 Session Midbiennium Actions</i>	<i>2,067,486</i>	<i>57,257,520</i>	<i>(5,904,544)</i>	<i>22,351,900</i>	<i>75,772,362</i>
<b>Total Per 2014 Session</b>	<b>4,042,960,151</b>	<b>2,101,566,837</b>	<b>2,886,961,132</b>	<b>787,139,962</b>	<b>9,818,628,082</b>
Change over prior year (without deficits)					
Dollar	204,791,244	46,937,173	11,134,438	(29,590,480)	233,272,375
Percent	5.3%	2.3%	0.4%	-3.6%	2.4%

While a complete listing of all items is contained in Appendix A, the major cash and federal items are shown in Table 10 below. For the largest cash fund item and the NCCF items a narrative description follows Table 10



WITH RESPECT TO CASH AND FEDERAL FUNDS, MOST OF THE ITEMS LISTED ARE RELATED TO A GENERAL FUND ISSUE DESCRIBED IN THE GENERAL FUND SECTION.

Table 10 Significant Non-General Fund Budget Adjustments – 2014 Session

Major Items - Cash Funds	FY2013-14	FY2014-15	2 Yr Total
Revenue-Property Tax Credit Cash Fund	0	25,000,000	25,000,000
Game & Parks - Improvement and Maintenance Fund (LB 873, 874, 1033)	0	17,500,000	17,500,000
DED-Job Training Cash Fund (LB 1091)	0	10,000,000	10,000,000
DHHS-Upper Payment limit. DHHS and UNMC	0	7,700,000	7,700,000
Game & Parks-Environmental Trust Grant Funding Increase	4,250,000	2,000,000	6,250,000
Treasurer-Convention Center/Sports Arena Support Fund	2,820,180	0	2,820,180
Labor-Dept. of Labor Retirement Plan Settlement	2,773,000	0	2,773,000
Tourism Commission-Increased cash fund expenditure authority	350,000	750,000	1,100,000
Education-Additional Authority for Excellence in Teaching	400,000	400,000	800,000
DHHS-Increase funding, community health centers (LB 827)	0	750,000	750,000
DHHS-Nebr Health Information Initiative, additional one-time funds	0	500,000	500,000
Banking-Indemnification Claims litigation expense assessment	200,000	0	200,000
DMV-Replace the Vehicle, Title, Registration System (LB 738)	0	271,128	271,128
State Patrol-Medical cost payment, Regional West Medical Center	203,889	0	203,889
Revenue-Gamblers Assistance (several items)	110,198	10,428	120,626
All Other	191,548	75,964	267,512
<b>TOTAL CASH FUNDS</b>	<b>11,298,815</b>	<b>64,957,520</b>	<b>76,256,335</b>

Major Items - Federal Funds	FY2013-14	FY2014-15	2 Yr Total
Labor-Dept. of Labor Retirement Plan Settlement	19,189,538	0	19,189,538
DHHS-Upper Payment limit. DHHS and UNMC	0	9,200,000	9,200,000
DHHS-MAGI Eligibility Rules Under ACA (SCHIP)	2,977,695	5,918,875	8,896,570
DHHS-Increase funding, waiting list - developmental disability aid	0	5,776,064	5,776,064
DHHS-ACA Section 2101F Population (SCHIP)	957,116	3,551,325	4,508,441
DHHS-2% increase in provider rates - developmental disability aid	0	2,821,240	2,821,240
DHHS-State Ward Permanency Pilot project (LB 936)	0	1,500,000	1,500,000
DHHS-Lower 2013 FMAP	0	(16,919,325)	(16,919,325)
DHHS-Base Adjustment, Medicaid	0	(5,269,710)	(5,269,710)
DHHS-State Disabled - Medical	(1,642,200)	(1,598,100)	(3,240,300)
DHHS-Reduce Medicaid, shift to community aging services (LB689)	0	(1,173,913)	(1,173,913)
DHHS-Base Adjustment, Medicaid RX Drug Act Admin.	(800,000)	(800,000)	(1,600,000)
All Other	0	289,000	289,000
<b>TOTAL FEDERAL FUNDS</b>	<b>20,682,149</b>	<b>3,295,456</b>	<b>23,977,605</b>

Major Items – NCCF / Revolving	FY2013-14	FY2014-15	2 Yr Total
DAS-IMS Increased Spending Authority	6,000,000	6,500,000	12,500,000
DAS-State Capitol HVAC system replacement (NCCF)	0	11,701,900	11,701,900
DAS-State Capitol courtyard fountains (LB 797) (NCCF)	0	2,500,000	2,500,000
DCS-Infrastructure and maintenance (NCCF)	0	1,500,000	1,500,000
All Other (Revolving)	350,000	150,000	500,000
<b>TOTAL NCCF / REVOLVING FUNDS</b>	<b>6,350,000</b>	<b>22,351,900</b>	<b>28,701,900</b>

## Convention Center Support Fund (Treasurer)

The Convention Center Facility Financing Assistance Act (as amended by LB551-2007) provides that sales tax revenue collected by retailers and operators doing business at an approved convention and meeting center facility, sports arena facility, or associated hotel be allocated to the Convention Center Support Fund. Of this amount, 70% goes back to the relevant political subdivision and 30% goes to the Local Civic, Cultural, and Convention Center Financing Fund. A total of \$4,028,827 was certified to be credited to the Convention Center Support Fund of which \$2,580,939 is remitted back to Omaha, \$239,241 is remitted back to Ralston, and \$1,208,649 transferred to the Local Civic, Cultural, and Convention Center Financing Fund.

## Property Tax Credit Cash Fund (Revenue)

Enacted in 2007, 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. The FY14/FY15 enacted budget provides for \$115 million of credits each year financed by a combination of General Fund transfers (\$110 million in FY2012-13 and \$113 million in FY2013-14 and FY2014-15) 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.

The committee proposes to increase the credit from \$115 million to \$140 million, a \$25 million increase. This would be financed with a transfer from the General Fund to the Property Tax Credit Cash Fund with an accompanying cash fund appropriation. The \$25 million increase would equate to a 3.3% annual increase applied to the first full year in 2008. While this percent increase is under the 5.9% average growth in valuation, it exceeds the 2.5% average growth in the General fund budget since 2008.

The following table shows the amount of credit by tax year with the 2014 amount estimated at both the \$115 million level and \$140 million level. In both cases, 2014 valuation is estimated at a 8.4% increase which is the estimate used for calculation of TEEOSA aid for FY2015-16.

<u>Tax Year</u>	<u>State Total Credit</u>	<u>Valuations (Real Only)</u>	<u>Credit Per \$100,000 Value</u>
2007	\$105,000,000	126,173,249,573	\$83.22
2008	\$115,000,000	133,526,060,086	\$86.13
2009	\$115,000,000	139,872,647,990	\$82.22
2010	\$115,000,000	145,728,785,008	\$78.91
2011	\$115,000,000	152,707,187,248	\$75.31
2012	\$115,000,000	160,846,501,888	\$71.50
2013	\$115,000,000	174,325,264,970	\$65.97
<u>2014 Projected</u>			
No increase	\$115,000,000	188,898,857,121	\$60.88
With \$25 M	\$140,000,000	188,898,857,121	\$74.11

## **Retirement Plan Settlement (Labor)**

The Department of Labor requested an increase in Reed Act appropriations to fund the proposed settlement agreement related to the class action lawsuits brought in 2010 by employees and retirees who are members of the Department of Labor Retirement Plan. This plan was established in 1961 and closed to new members in 1984 in response to federal regulatory changes. The U.S. Dept. of Labor agreed to subsidize the plan through a supplemental appropriation process until such time as the retirement plan was fully-funded. The USDOL considered continued employee contributions to be a condition of its agreement to subsidize the unfunded retirement plan liability. In 1994, the then Commissioner of Labor agreed to an employee committee's recommendation to cease all employee and employer contributions to the retirement plan because the plan was believed then to be fully-funded. This triggered the end of federal subsidization of the retirement plan and set the stage for the retirement plan's future funding problems and the resultant lawsuits.

Total funding for the settlement amounts to \$2,773,000 cash funds and \$19,189,538 federal funds.

## **Replace the Vehicle Title Registration System (Motor Vehicles)**

The recommendation includes the establishment of a new Vehicle Title Registration System Replacement and Maintenance Cash Fund to be administered by the Department of Motor Vehicles (DMV). LB 906 includes language to create the cash fund and to transfer \$12.5 million from the DMV Cash Fund to the newly created fund. The fund shall be used by the department to pay for costs associated with the acquisition, implementation, maintenance and support, upgrades and replacement of the vehicle titling and registration computer system. An appropriation of \$271,128 of cash funds is made for FY2014-15 in LB 905 to identify a replacement vehicle title registration system, associated costs and financing options. DMV is required to report to the Legislature regarding the use of the funds and progress made in identifying a new system on or before July 31, 2015. This item was originally included in LB 738.

## **Health Care Cash Fund Transfer (DHHS)**

An additional \$1 million per year is transferred into the Health Care Cash Fund beginning in FY 15 to reflect the increase of \$750,000 for the Federally Qualified Health Centers and to conform the transfer amount to the appropriation amount.

## **Health Information Initiative Electronic Records (DHHS)**

In FY 15, one-time funding in the amount of \$500,000 is provide for electronic records initiative from the Medicaid False Claims Act funding has been provided.

## **Upper Payment Limit. DHHS and UNMC (DHHS)**

The Department of Health and Human Services (HHS) and the University of Nebraska Medical Center (UNMC) have designed a process, allowable by the federal Centers for Medicare and Medicaid and similar to others that are in place in Nebraska, that allows certain revenues from UNMC to be transferred to DHHS; the transferred revenues will be used to as a match for

additional Medicaid funds. The cash and federal funds together will then be paid to UNMC. In Program 348 – Medicaid, the cash fund authority is increased by \$7.7 million and the federal fund estimated by \$9.2 million in FY 15 to reflect the additional revenue and expenditures.

## **Water Sustainability Fund (Natural Resources)**

The Appropriations Committee recommendation includes the creation of Water Sustainability Fund in the Department of Natural Resources. The fund would be used in accordance with guidelines to be established in LB 1098 of 2014, and for the administrative costs of the Department of Natural Resources. Fund creation language includes legislative intent that \$21,000,000 General Funds be transferred to the Water Sustainability Fund in FY2014-15 and that \$11,000,000 General Funds be transferred to the Water Sustainability Fund in each fiscal year beginning in FY2015-16.

LB 906 includes a \$21,000,000 transfer from the General Fund to the Water Sustainability Fund. Of this transfer, \$10,000,000 is considered a one-time item and is covered by a like transfer from the Cash Reserve Fund to the General Fund.

Note that the actual appropriation of monies from the Water Sustainability fund is not contained in the committee proposal. While the transferred funds would be held in the Water Sustainability Fund, the actual appropriation that will allow the funds to be expended would be carried out via LB 1098A.

## **Job Training Funding (Economic Development)**

The Appropriations Committee recommendation includes the transfer of \$10,000,000 from the Cash Reserve Fund (through the General Fund) to the Job Training Cash Fund in the Department of Economic Development in FY2014-15. This fund is used to provide employee training assistance to businesses that maintain, expand and diversify the state's economic base and in the process, retain and create quality jobs for Nebraska residents. Because the existing balance of the Job Training Cash Fund is committed to qualified projects, additional funding is required to allow the Department the flexibility to offer job training grants to companies seeking to locate or expand operations in the state. A corresponding \$10,000,000 cash fund appropriation increase in FY2014-15 will allow the Department of Economic Development to expend the additional funds as needed.

## **Game & Parks Improvement / Maintenance Fund (Construction)**

The Appropriation Committee's recommendation for the Game and Parks Commission combines the provisions of LB 873, LB 874 and LB 1033 by providing a \$15 million transfer from the Cash Reserve Fund (through the General Fund) and a \$2.5 million transfer from the State Recreation Road Fund to the Commission for deferred maintenance and improvement projects at state parks. This will accommodate twelve new replacement cabins and a new aquatic feature to replace the pool at Ponca State Park, deferred maintenance and improvements at Arbor Lodge State Historical Park that will facilitate a local partner assuming operation and maintenance responsibility, and making headway on the \$44 million worth of statewide deferred maintenance and ADA needs identified by the Commission.

## **Correctional Services Infrastructure & Maintenance (Construction)**

Over the years, the 309 Task Force has provided the Department of Correctional Services (DCS) with significant funding for deferred repair, ADA, fire/life safety, and energy conservation projects. DCS was notified by the 309 Task Force that their strategy for the remainder of the fiscal year would be to consider only emergency requests for DCS, due to their thin financial resources. The Governor recommended an appropriation from the Nebraska Capital Construction Fund (NCCF) of \$1,500,000 in FY2014-15 to a separate capital construction budget program to provide funding for high priority infrastructure maintenance and repair projects. The committee proposal also includes this funding.

## **State Capitol Courtyard Fountains (Construction)**

The Appropriations Committee recommendation includes \$2,500,000 from the Nebraska Capital Construction Fund for installation of fountains to be located in each of the four Nebraska State Capitol courtyards consistent with the original design of the building. The funding will also accommodate infrastructural improvements to support operation and maintenance of the fountains as well as associated courtyard landscape restoration.

## **State Capitol HVAC Systems Replacement (Construction)**

In response to a directive contained in LB198 [2013], the Office of the Nebraska Capitol Commission updated the Nebraska State Capitol HVAC Master Plan which was originally compiled in 2007. The Master Plan Amendment, dated September 20, 2013, provides an analysis of existing Capitol heating, ventilating, and air conditioning (HVAC) systems, the majority of which date to a 1964 systems renovation. In addition, the Master Plan Amendment recommends a seven-phase, 10-year project to renovate the existing Capitol HVAC systems and complete associated infrastructure, fire protection, life safety and architectural improvements. Consistent with cost and cash flow estimates contained in the Master Plan Amendment, the Appropriations Committee recommendation includes funding provisions to accommodate finalization of engineering and architectural planning and to initiate and complete the project over ten fiscal years beginning in FY2014-15. The committee appropriates \$11,701,900 from the Capital Construction Fund (NCCF) to cover the first three years of the project. The source of the NCCF monies is a transfer from the Cash Reserve Fund.

<u>Fiscal Yr</u>	<u>Amount</u>
2014-15	2,306,215
2015-16	2,306,215
2016-17	7,089,470
2017-18	9,529,333
2018-19	8,727,526
2019-20	7,994,885
2020-21	8,755,725
2021-22	11,185,556
2022-23	11,020,750
2023-24	8,851,425
Total	<u>77,767,100</u>

## Appendix A

### Detailed Listing of All Budget Adjustments

	Fund	Current Biennium		Est for Following Biennium	
		FY2013-14	FY2014-15	FY2015-16	FY2016-17
<b><u>#03-Legislative Council</u></b>					
501 Midwest Interstate Passenger Rail Compact dues (LB 891)	Gen	45,000	15,000	15,000	15,000
504 Additional staff, Office of Inspector General-Child Welfare	Gen	0	152,105	139,588	139,588
<b><u>#07-Governor</u></b>					
21 Convert half-time FTE to full time, beginning January 1, 2014.	Gen	0	17,668	35,335	35,335
<b><u>#08-Lt. Governor</u></b>					
124 Convert half-time FTE to full time, beginning January 1, 2014.	Gen	0	17,668	35,335	35,335
<b><u>#05-Supreme Court</u></b>					
52 County Courty employee salaries (Flat amount to 1%)	Gen	0	8,273	8,273	8,273
67 Probation officer reclassification	Gen	0	260,156	260,156	260,156
420 Probation officer reclassification	Gen	0	19,112	19,112	19,112
435 Probation officer reclassification	Gen	0	3,415	3,415	3,415
52 Judges' Retirement Contributions - Cash Fund transfers	Gen	0	YES	0	0
<b><u>#10-State Auditor</u></b>					
506 Restore Appropriations	Gen	176,669	176,669	176,669	176,669
<b><u>#11-Attorney General</u></b>					
496 Deficit Request-Water Litigation	Gen	400,000	0	0	0
<b><u>#12-State Treasurer</u></b>					
665 Convention Center / Sports Arena Support Fund	Cash	2,820,180	0	0	0

		Current Biennium		Est for Following Biennium		
	Fund	FY2013-14	FY2014-15	FY2015-16	FY2016-17	
<b><u>#13-Dept of Education</u></b>						
25	Education Specialist III for LEP/Poverty Plans	Gen	0	93,532	93,532	93,532
25	Early Childhood grant, shift aid to technical assistance	Gen	95,798	95,798	95,798	95,798
25	Early Childhood grant, technical assistance for increased funds	Gen	0	95,000	95,000	95,000
25	Continued funding, E-Scholar data warehouse	Gen	0	100,000	100,000	100,000
25	Microsoft IT academy program and certification	Gen	0	250,000	250,000	250,000
158	School Breakfast Program	Gen	94,581	0	0	0
158	Early Childhood grant, shift aid to technical assistance	Gen	(95,798)	(95,798)	(95,798)	(95,798)
158	TEEOSA state aid, to NDE calculated per current law	Gen	0	(40,254,527)	(42,078,527)	(42,359,845)
158	Nurturing Healthy Behaviors prog, early childhood (LB 944)	Gen	0	400,000	400,000	400,000
158	Early Childhood grant program, one-time funds	Gen	0	3,415,000	0	0
161	Additional Authority for Excellence in Teaching	Cash	400,000	400,000	400,000	400,000
614	Professional Practices Commission Personal Service	Cash	1,381	0	0	0
614	Professional Practices Comm. Retirement Payout	Cash	38,000	0	0	0
<b><u>#14-Public Service Commission</u></b>						
686	Addition of Administrative Assistant	Cash	13,605	50,964	50,964	50,964
<b><u>#16-Dept of Revenue</u></b>						
13	Leave payout, Tax Commissioner (\$16,500)	PSL	0	0	0	0
108	Homestead Exemption	Gen	(6,500,000)	(6,000,000)	(6,000,000)	(6,000,000)
132	Property Tax Credit Cash Fund	Cash	0	25,000,000	25,000,000	25,000,000
164	Gamblers Assistance - Data Collection System	Cash	100,000	0	0	0
164	Gamblers Assistance - Admin assistant II reclassification	Cash	10,198	10,428	10,428	10,428
<b><u>#17-Dept of Aeronautics</u></b>						
26	Increase state aid provided to the Civil Air Patrol. (LB666)	Cash	0	15,000	15,000	15,000
<b><u>#18-Dept of Agriculture</u></b>						
78	Eliminate duplicate funding, climate study	Gen	(44,746)	0	0	0

	Fund	Current Biennium		Est for Following Biennium	
		FY2013-14	FY2014-15	FY2015-16	FY2016-17
<b><u>#19-Dept of Banking</u></b>					
66 Indemnification Claims litigation expense assessment	Cash	200,000	0	0	0
<b><u>#23-Dept of Labor</u></b>					
31 Dept. of Labor Retirement Plan Settlement	Cash	2,773,000	0	0	0
31 Dept. of Labor Retirement Plan Settlement	Fed	19,189,538	0	0	0
<b><u>#24-Dept of Motor Vehicles</u></b>					
70 Replacement of the Vehicle, Title, Registration System (LB 738)	Cash	0	271,128	583,775	11,645,097
<b><u>#25-DHHS System</u></b>					
32 Base Adjustment, Medicaid RX Drug Act Admin.	Gen	(800,000)	(800,000)	(800,000)	(800,000)
32 Base Adjustment, Medicaid RX Drug Act Admin.	Fed	(800,000)	(800,000)	(800,000)	(800,000)
33 Vital Records	Cash	0	YES	0	0
33 Reallocate funding to EMS training (LB 889)	Gen	0	(212,000)	(212,000)	(212,000)
33 Nebr Health Information Initiative, additional one-time funds	Cash	0	500,000	0	0
33 Service coordination for Increased waiting list funding	Gen	0	255,000	255,000	255,000
33 Service coordination for Increased waiting list funding	Fed	0	289,000	289,000	289,000
38 Reallocate ACA contingency - behavioral health aid	Gen	0	10,000,000	10,000,000	10,000,000
46 Reduce ACA behavioral health contingency set aside	Gen	0	(10,000,000)	(10,000,000)	(10,000,000)
175 Increase funding, Rural Health Provider Incentive program	Gen	0	150,000	150,000	150,000
344 ACA Section 2101F Population (SCHIP)	Gen	440,134	1,665,075	1,665,075	1,665,075
344 ACA Section 2101F Population (SCHIP)	Fed	957,116	3,551,325	3,551,325	3,551,325
344 MAGI Eligibility Rules Under ACA (SCHIP)	Gen	1,369,305	2,775,125	2,775,125	2,775,125
344 MAGI Eligibility Rules Under ACA (SCHIP)	Fed	2,977,695	5,918,875	5,918,875	5,918,875
347 State Disabled - Medical	Gen	2,100,000	3,000,000	3,000,000	3,000,000
347 Base Adjustment, Public Assistance	Gen	0	(1,500,000)	(1,500,000)	(1,500,000)
348 State Disabled - Medical	Gen	(1,357,800)	(1,401,900)	(1,401,900)	(1,401,900)
348 State Disabled - Medical	Fed	(1,642,200)	(1,598,100)	(1,598,100)	(1,598,100)



	Fund	Current Biennium		Est for Following Biennium	
		FY2013-14	FY2014-15	FY2015-16	FY2016-17
348 State Ward Permanency Pilot project (LB 936)	Fed	0	1,500,000	1,500,000	1,500,000
354 State Ward Permanency Pilot project (LB 936)	Gen	0	(972,000)	(972,000)	(972,000)
424 State Ward Permanency Pilot project (LB 936)	Gen	0	1,500,000	1,500,000	1,500,000
348 Base Adjustment, Medicaid	Gen	0	(4,622,744)	(4,622,744)	(4,622,744)
348 Base Adjustment, Medicaid	Fed	0	(5,269,710)	(5,269,710)	(5,269,710)
348 Medicare Part D clawback reduction	Gen	(2,800,000)	(4,800,000)	(4,800,000)	(4,800,000)
348 Reduce Medicaid, shift to community aging services (LB689)	Gen	0	(1,000,000)	(1,000,000)	(1,000,000)
348 Reduce Medicaid, shift to community aging services (LB689)	Fed	0	(1,173,913)	(1,173,913)	(1,173,913)
348 Upper Payment limit. DHHS and UNMC	Cash	0	7,700,000	7,700,000	7,700,000
348 Upper Payment limit. DHHS and UNMC	Fed	0	9,200,000	9,200,000	9,200,000
365 Lincoln Regional Center Kitchen, reallocate operations funds	Gen	(1,234,444)	0	0	0
365 Lincoln Regional Center, PSL Increase (\$408,000 FY14, \$871,600 FY15)	PSL	YES	0	0	0
424 2% increase in provider rates - developmental disability aid	Gen	0	2,595,048	2,595,048	2,595,048
348 2% increase in provider rates - developmental disability aid	Fed	0	2,821,240	2,821,240	2,821,240
424 Increase funding, waiting list - developmental disability aid	Gen	0	4,745,000	4,745,000	4,745,000
348 Increase funding, waiting list - developmental disability aid	Fed	0	5,776,064	5,776,064	5,776,064
502 Increase funding, community health centers (LB 827)	Gen	0	250,000	250,000	250,000
502 Increase funding, community health centers (LB 827)	Cash	0	750,000	750,000	750,000
514 Increase funding, Nebraska Advocacy Services	Gen	0	85,000	85,000	85,000
514 Increase funding, EMS training (LB 889)	Gen	0	212,000	212,000	212,000
571 Increase funding, community aging services (LB 689)	Gen	0	1,000,000	1,000,000	1,000,000
870 Norfolk Sex Offenders, PSL Increase	PSL	0	YES	YES	YES
33 Lower FFY2015 FMAP - Develop disability service coordination	Gen	0	111,910	149,213	149,213
33 Lower FFY2015 FMAP - Develop disability service coordination	Fed	0	(111,910)	(149,213)	(149,213)
344 Lower FFY2015 FMAP - Childrens Health Insurance (SCHIP)	Gen	0	694,600	926,133	926,133
344 Lower FFY2015 FMAP - Childrens Health Insurance (SCHIP)	Fed	0	(694,600)	(926,133)	(926,133)
347 Lower FFY2015 FMAP - Public Assistance	Gen	0	277,331	369,775	369,775
347 Lower FFY2015 FMAP - Public Assistance	Fed	0	(277,331)	(369,775)	(369,775)
348 Lower FFY2015 FMAP - Medicaid	Gen	0	13,358,062	17,810,749	17,810,749
348 Lower FFY2015 FMAP - Medicaid	Fed	0	(13,358,062)	(17,810,749)	(17,810,749)

		Current Biennium		Est for Following Biennium		
		Fund	FY2013-14	FY2014-15	FY2015-16	FY2016-17
354	Lower FFY2015 FMAP - Child Welfare aid	Gen	0	285,939	381,252	381,252
354	Lower FFY2015 FMAP - Child Welfare aid	Fed	0	(285,939)	(381,252)	(381,252)
365	Lower FFY2015 FMAP - Mental Health operations	Gen	0	51,494	68,659	68,659
365	Lower FFY2015 FMAP - Mental Health operations	Fed	0	(51,494)	(68,659)	(68,659)
421	Lower FFY2015 FMAP - Beatrice State Develop Center (BSDC)	Gen	0	188,133	250,844	250,844
421	Lower FFY2015 FMAP - Beatrice State Develop Center (BSDC)	Fed	0	(188,133)	(250,844)	(250,844)
424	Lower FFY2015 FMAP - Developmental disability aid	Gen	0	1,951,856	2,602,475	2,602,475
348	Lower FFY2015 FMAP - Developmental disability aid	Fed	0	(1,951,856)	(2,602,475)	(2,602,475)
<b><u>#29-Dept of Natural Resources</u></b>						
334	One-time funding, Resources Development Fund	Gen	0	10,492,793	0	0
334	Water Sustainability Fund (LB 1046)	Cash	0	0	0	0
<b><u>#33-Game and Parks Commission</u></b>						
162	Environmental Trust Grant Funding Increase	Cash	4,250,000	2,000,000	2,000,000	2,000,000
549	Game & Parks - Improvement and Maintenance Fund (LB 873)	Cash	0	150,000	0	0
<b><u>#41-Real Estate Commission</u></b>						
77	Educational services expense	Cash	10,000	10,000	10,000	10,000
77	Retirement of Deputy Director for Enforcement	Cash	28,562	0	0	0
<b><u>#46-Dept of Correctional Services</u></b>						
200	Inmate medical expenses	Gen	3,000,000	3,000,000	3,000,000	3,000,000
200	Inmate per diem expenses	Gen	950,000	1,050,000	1,050,000	1,050,000
200	Inmate capacity issues - maximize existing bed space	Gen	127,020	762,122	762,122	762,122
200	Inmate capacity issues - McCook Work Ethic camp beds	Gen	30,348	150,410	150,410	150,410
200	Inmate capacity issues - temporary housing, county jails	Gen	723,604	4,226,625	0	0
<b><u>#48-Postsecondary Coordinating Commission</u></b>						
640	Executive Director search	Gen	10,000	0	0	0
640	Leave payment upon retirement	Gen	0	11,000	0	0
690	Additional Nebr Opportunity Grant financial aid funding	Gen	0	200,000	200,000	200,000

		Current Biennium		Est for Following Biennium		
	Fund	FY2013-14	FY2014-15	FY2015-16	FY2016-17	
<b><u>#51-University of Nebraska</u></b>						
515	Pediatric cancer research (LB 764)	Gen	0	1,800,000	0	0
<b><u>#54-Historical Society</u></b>						
648	Utilities	Gen	10,560	18,715	18,715	18,715
648	Move from K St facility to Experian Building	Gen	691,686	485,086	485,086	485,086
<b><u>#64-State Patrol</u></b>						
100	Medical cost payment, Regional West Medical Center	Cash	203,889	0	0	0
<b><u>#65-Administrative Services</u></b>						
172	IMS Increased Spending Authority	Rev	6,000,000	6,500,000	6,500,000	6,500,000
592	Agency assessments appropriation authority	Rev	350,000	150,000	150,000	150,000
<b><u>#69-Arts Council</u></b>						
326	Hardware, Software and IT Services	Gen	0	12,210	12,210	12,210
326	Stipend for Review Panelists	Gen	3,000	3,000	3,000	3,000
326	Accumulated leave retirement pay-out.	Gen	0	27,746	0	0
<b><u>#72-Dept of Economic Development</u></b>						
603	Job Training Cash Fund (LB 1091)	Cash	0	10,000,000	0	0
<b><u>#78-Crime Commission</u></b>						
198	Increase PSL, employee retirement payout - Program 198	PSL	YES	0	0	0
155	Revise earmark funding for Program 155	Gen	0	50,000	50,000	50,000
155	Revise earmark funding for Program 155	Gen	0	(50,000)	(50,000)	(50,000)
202	Crime Victim's Reparations Cash Fund	Cash	100,000	0	0	0

	Fund	Current Biennium		Est for Following Biennium		
		FY2013-14	FY2014-15	FY2015-16	FY2016-17	
<b><u>#85-Public Employees Retirement Board</u></b>						
515	Statutory Contribution - School 2%	Gen	0	448,519	448,519	448,519
515	Statutory Contribution - OPS service annuity	Gen	0	(170,042)	(170,042)	(170,042)
515	Actuarially required contribution - Judges plan	Gen	0	0	0	0
515	Actuarially required contribution - State Patrol plan	Gen	0	52,774	52,774	52,774
515	State Patrol Plan - Eliminate need for LB 137 contribution	Gen	0	(104,580)	(104,580)	(104,580)
<b><u>#91-Nebraska Tourism Commission</u></b>						
618	Additional Staffing	Cash	0	0	0	0
618	Increased cash fund expenditure authority	Cash	350,000	750,000	750,000	750,000
<b><u>Capital Construction Projects</u></b>						
900	DHHS - Lincoln Regional Center Kitchen project	Gen	350,000	884,444	0	0
900	NETC - Radio transmission replacement project	Gen	140,000	140,000	0	0
900	Infrastructure and maintenance (NCCF)	NCCF	0	1,500,000	0	0
900	DAS - State Capitol HVAC system replacement	NCCF	0	11,701,900	0	0
900	DAS - State Capitol courtyard fountains (LB 797)	NCCF	0	2,500,000	0	0
900	Game & Parks - Improvement / Maintenance Fund (LB 873,874,1033)	Cash	0	17,350,000	0	0
900	NETC - remove reapprop, completed projects (\$21,392)	Gen	YES	0	0	0
900	NETC - remove reapprop, completed projects (\$130,624)	Cash	YES	0	0	0
900	NETC - remove reapprop, completed projects (\$144,145)	Fed	YES	0	0	0
General Funds			(2,075,083)	2,102,822	(15,056,194)	(15,337,512)
Cash Funds			11,298,815	64,957,520	54,770,167	65,831,489
Federal Funds			20,682,149	3,295,456	(2,344,319)	(2,344,319)
Nebraska Capital Construction Fund (NCCF)			0	15,701,900	0	0
Revolving Funds			6,350,000	6,650,000	6,650,000	6,650,000
Total			36,255,881	92,707,698	26,669,654	37,449,658

## Appendix B

### General Fund Appropriations by Agency

		FY2012-13	FY2013-14			FY2014-15			Change over Prior Year (excludes deficits)				
			Without deficits	Per 2013 Session	2014 Deficits	Revised Per 2014 Session	Per 2013 Session	2014 Changes	Revised Per 2014 Session	FY14 \$	FY14 %	FY15 \$	FY15 %
#03	Legislative Council	Oper	18,070,091	18,429,470	45,000	18,474,470	18,853,434	167,105	19,020,539	359,379	2.0%	591,069	3.2%
#03	Legislative Council	Total	18,070,091	18,429,470	45,000	18,474,470	18,853,434	167,105	19,020,539	359,379	2.0%	591,069	3.2%
#05	Supreme Court	Aid	0	200,000	0	200,000	200,000	0	200,000	200,000	na	0	0.0%
#05	Supreme Court	Oper	84,265,483	107,213,686	0	107,213,686	133,832,254	290,956	134,123,210	22,948,203	27.2%	26,909,524	25.1%
#05	Supreme Court	Total	84,265,483	107,413,686	0	107,413,686	134,032,254	290,956	134,323,210	23,148,203	27.5%	26,909,524	25.1%
#07	Governor	Oper	1,652,727	1,649,146	0	1,649,146	1,879,549	17,668	1,897,217	(3,581)	-0.2%	248,071	15.0%
#07	Governor	Total	1,652,727	1,649,146	0	1,649,146	1,879,549	17,668	1,897,217	(3,581)	-0.2%	248,071	15.0%
#08	Lt. Governor	Oper	143,610	143,828	0	143,828	144,051	17,668	161,719	218	0.2%	17,891	12.4%
#08	Lt. Governor	Total	143,610	143,828	0	143,828	144,051	17,668	161,719	218	0.2%	17,891	12.4%
#09	Secretary of State	Oper	444,708	841,282	0	841,282	1,446,302	0	1,446,302	396,574	89.2%	605,020	71.9%
#09	Secretary of State	Total	444,708	841,282	0	841,282	1,446,302	0	1,446,302	396,574	89.2%	605,020	71.9%
#10	State Auditor	Oper	2,184,391	2,095,011	176,669	2,271,680	2,118,948	176,669	2,295,617	(89,380)	-4.1%	200,606	9.6%
#10	State Auditor	Total	2,184,391	2,095,011	176,669	2,271,680	2,118,948	176,669	2,295,617	(89,380)	-4.1%	200,606	9.6%
#11	Attorney General	Oper	5,815,369	5,884,596	400,000	6,284,596	5,638,473	0	5,638,473	69,227	1.2%	(246,123)	-4.2%
#11	Attorney General	Total	5,815,369	5,884,596	400,000	6,284,596	5,638,473	0	5,638,473	69,227	1.2%	(246,123)	-4.2%
#12	State Treasurer	Aid	0	0	0	0	0	0	0	0	na	0	na
#12	State Treasurer	Oper	1,389,129	1,297,426	0	1,297,426	1,301,283	0	1,301,283	(91,703)	-6.6%	3,857	0.3%
#12	State Treasurer	Total	1,389,129	1,297,426	0	1,297,426	1,301,283	0	1,301,283	(91,703)	-6.6%	3,857	0.3%
#13	Education	Aid	1,049,348,167	1,113,624,778	(1,217)	1,113,623,561	1,159,880,190	(36,535,325)	1,123,344,865	64,276,611	6.1%	9,720,087	0.9%
#13	Education	Oper	16,184,774	17,976,558	95,798	18,072,356	19,083,626	634,330	19,717,956	1,791,784	11.1%	1,741,398	9.7%
#13	Education	Total	1,065,532,941	1,131,601,336	94,581	1,131,695,917	1,178,963,816	(35,900,995)	1,143,062,821	66,068,395	6.2%	11,461,485	1.0%
#14	Public Service Comm	Oper	2,359,563	2,422,539	0	2,422,539	2,429,539	0	2,429,539	62,976	2.7%	7,000	0.3%
#14	Public Service Comm	Total	2,359,563	2,422,539	0	2,422,539	2,429,539	0	2,429,539	62,976	2.7%	7,000	0.3%
#15	Parole Board	Oper	819,249	834,771	0	834,771	850,640	0	850,640	15,522	1.9%	15,869	1.9%
#15	Parole Board	Total	819,249	834,771	0	834,771	850,640	0	850,640	15,522	1.9%	15,869	1.9%
#16	Revenue	Aid	72,500,000	71,600,000	(6,500,000)	65,100,000	74,900,000	(6,000,000)	68,900,000	(900,000)	-1.2%	(2,700,000)	-3.8%
#16	Revenue	Oper	25,642,530	25,398,331	0	25,398,331	25,912,626	0	25,912,626	(244,199)	-1.0%	514,295	2.0%
#16	Revenue	Total	98,142,530	96,998,331	(6,500,000)	90,498,331	100,812,626	(6,000,000)	94,812,626	(1,144,199)	-1.2%	(2,185,705)	-2.3%

		FY2012-13	FY2013-14			FY2014-15			Change over Prior Year (excludes deficits)				
			Without deficits	Per 2013 Session	2014 Deficits	Revised Per 2014 Session	Per 2013 Session	2014 Changes	Revised Per 2014 Session	FY14	FY14	FY15	FY15
										\$	%	\$	%
								Change	Change	Change	Change		
#18	Agriculture	Oper	5,618,857	5,956,322	(44,746)	5,911,576	5,922,021	0	5,922,021	337,465	6.0%	(34,301)	-0.6%
#18	Agriculture	Total	5,618,857	5,956,322	(44,746)	5,911,576	5,922,021	0	5,922,021	337,465	6.0%	(34,301)	-0.6%
#21	Fire Marshal	Oper	3,991,920	4,086,558	0	4,086,558	4,093,785	0	4,093,785	94,638	2.4%	7,227	0.2%
#21	Fire Marshal	Total	3,991,920	4,086,558	0	4,086,558	4,093,785	0	4,093,785	94,638	2.4%	7,227	0.2%
#23	Labor	Oper	497,939	503,467	0	503,467	509,118	0	509,118	5,528	1.1%	5,651	1.1%
#23	Labor	Total	497,939	503,467	0	503,467	509,118	0	509,118	5,528	1.1%	5,651	1.1%
#25	HHS System	Aid	1,114,177,099	1,190,657,630	(248,361)	1,190,409,269	1,255,689,224	20,248,392	1,275,937,616	76,480,531	6.9%	85,279,986	7.2%
#25	HHS System	Oper	236,425,259	233,169,499	(2,034,444)	231,135,055	233,902,402	(405,463)	233,496,939	(3,255,760)	-1.4%	327,440	0.1%
#25	HHS System	Total	1,350,602,358	1,423,827,129	(2,282,805)	1,421,544,324	1,489,591,626	19,842,929	1,509,434,555	73,224,771	5.4%	85,607,426	6.0%
#28	Veterans Affairs	Oper	1,127,666	1,216,003	0	1,216,003	1,228,082	0	1,228,082	88,337	7.8%	12,079	1.0%
#28	Veterans Affairs	Total	1,127,666	1,216,003	0	1,216,003	1,228,082	0	1,228,082	88,337	7.8%	12,079	1.0%
#29	Natural Resources	Aid	5,958,361	5,808,361	0	5,808,361	5,808,361	10,492,793	16,301,154	(150,000)	-2.5%	10,492,793	180.6%
#29	Natural Resources	Oper	10,397,171	10,676,038	0	10,676,038	10,807,768	0	10,807,768	278,867	2.7%	131,730	1.2%
#29	Natural Resources	Total	16,355,532	16,484,399	0	16,484,399	16,616,129	10,492,793	27,108,922	128,867	0.8%	10,624,523	64.5%
#31	Military Dept	Aid	988,775	988,775	0	988,775	988,775	0	988,775	0	0.0%	0	0.0%
#31	Military Dept	Oper	3,687,973	4,084,520	0	4,084,520	4,276,279	0	4,276,279	396,547	10.8%	191,759	4.7%
#31	Military Dept	Total	4,676,748	5,073,295	0	5,073,295	5,265,054	0	5,265,054	396,547	8.5%	191,759	3.8%
#32	Ed Lands & Funds	Oper	310,575	315,838	0	315,838	321,217	0	321,217	5,263	1.7%	5,379	1.7%
#32	Ed Lands & Funds	Total	310,575	315,838	0	315,838	321,217	0	321,217	5,263	1.7%	5,379	1.7%
#33	Game & Parks	Aid	42,011	42,011	0	42,011	42,011	0	42,011	0	0.0%	0	0.0%
#33	Game & Parks	Oper	10,833,605	11,034,425	0	11,034,425	11,148,845	0	11,148,845	200,820	1.9%	114,420	1.0%
#33	Game & Parks	Total	10,875,616	11,076,436	0	11,076,436	11,190,856	0	11,190,856	200,820	1.8%	114,420	1.0%
#34	Library Commission	Aid	1,043,240	1,201,240	0	1,201,240	1,209,240	0	1,209,240	158,000	15.1%	8,000	0.7%
#34	Library Commission	Oper	2,402,760	2,484,662	0	2,484,662	2,569,572	0	2,569,572	81,902	3.4%	84,910	3.4%
#34	Library Commission	Total	3,446,000	3,685,902	0	3,685,902	3,778,812	0	3,778,812	239,902	7.0%	92,910	2.5%
#35	Liquor Control	Oper	973,825	1,033,269	0	1,033,269	1,046,759	0	1,046,759	59,444	6.1%	13,490	1.3%
#35	Liquor Control	Total	973,825	1,033,269	0	1,033,269	1,046,759	0	1,046,759	59,444	6.1%	13,490	1.3%
#36	Racing Commission	Oper	0	15,000	0	15,000	0	0	0	15,000	na	(15,000)	-100%
#36	Racing Commission	Total	0	15,000	0	15,000	0	0	0	15,000	na	(15,000)	-100%
#46	Correctional Services	Aid	0	0	0	0	0	0	0	0	na	0	na
#46	Correctional Services	Oper	156,840,269	167,048,868	4,830,972	171,879,840	170,854,827	9,189,157	180,043,984	10,208,599	6.5%	12,995,116	7.8%
#46	Correctional Services	Total	156,840,269	167,048,868	4,830,972	171,879,840	170,854,827	9,189,157	180,043,984	10,208,599	6.5%	12,995,116	7.8%
#47	NETC	Oper	9,558,708	9,706,004	0	9,706,004	9,840,715	0	9,840,715	147,296	1.5%	134,711	1.4%
#47	NETC	Total	9,558,708	9,706,004	0	9,706,004	9,840,715	0	9,840,715	147,296	1.5%	134,711	1.4%

		FY2012-13	FY2013-14			FY2014-15			Change over Prior Year (excludes deficits)				
			Without deficits	Per 2013 Session	2014 Deficits	Revised Per 2014 Session	Per 2013 Session	2014 Changes	Revised Per 2014 Session	FY14	FY14	FY15	FY15
										\$	%	\$	%
									Change	Change	Change	Change	
#48	Coordinating Comm	Aid	6,993,156	7,308,156	0	7,308,156	7,353,156	200,000	7,553,156	315,000	4.5%	245,000	3.4%
#48	Coordinating Comm	Oper	1,188,481	1,300,105	10,000	1,310,105	1,310,637	11,000	1,321,637	111,624	9.4%	21,532	1.7%
#48	Coordinating Comm	Total	8,181,637	8,608,261	10,000	8,618,261	8,663,793	211,000	8,874,793	426,624	5.2%	266,532	3.1%
#50	State Colleges	Oper	45,450,893	47,496,183	0	47,496,183	49,396,030	0	49,396,030	2,045,290	4.5%	1,899,847	4.0%
#50	State Colleges	Total	45,450,893	47,496,183	0	47,496,183	49,396,030	0	49,396,030	2,045,290	4.5%	1,899,847	4.0%
#51	University of Nebraska	Oper	497,998,690	519,613,638	0	519,613,638	540,180,384	1,800,000	541,980,384	21,614,948	4.3%	22,366,746	4.3%
#51	University of Nebraska	Total	497,998,690	519,613,638	0	519,613,638	540,180,384	1,800,000	541,980,384	21,614,948	4.3%	22,366,746	4.3%
#54	Historical Society	Oper	3,915,325	4,120,916	702,246	4,823,162	4,179,737	503,801	4,683,538	205,591	5.3%	562,622	13.7%
#54	Historical Society	Total	3,915,325	4,120,916	702,246	4,823,162	4,179,737	503,801	4,683,538	205,591	5.3%	562,622	13.7%
#64	State Patrol	Oper	54,253,448	56,153,379	0	56,153,379	56,576,821	0	56,576,821	1,899,931	3.5%	423,442	0.8%
#64	State Patrol	Total	54,253,448	56,153,379	0	56,153,379	56,576,821	0	56,576,821	1,899,931	3.5%	423,442	0.8%
#65	Admin Services (DAS)	Oper	7,638,096	7,731,281	0	7,731,281	7,821,743	0	7,821,743	93,185	1.2%	90,462	1.2%
#65	Admin Services (DAS)	Total	7,638,096	7,731,281	0	7,731,281	7,821,743	0	7,821,743	93,185	1.2%	90,462	1.2%
#67	Equal Opportunity	Oper	1,178,277	1,168,106	0	1,168,106	1,186,439	0	1,186,439	(10,171)	-0.9%	18,333	1.6%
#67	Equal Opportunity	Total	1,178,277	1,168,106	0	1,168,106	1,186,439	0	1,186,439	(10,171)	-0.9%	18,333	1.6%
#68	Latino American Comm.	Oper	178,681	187,679	0	187,679	190,981	0	190,981	8,998	5.0%	3,302	1.8%
#68	Latino American Comm.	Total	178,681	187,679	0	187,679	190,981	0	190,981	8,998	5.0%	3,302	1.8%
#69	Arts Council	Aid	838,069	903,069	0	903,069	903,069	0	903,069	65,000	7.8%	0	0.0%
#69	Arts Council	Oper	538,267	550,931	3,000	553,931	564,132	42,956	607,088	12,664	2.4%	56,157	10.2%
#69	Arts Council	Total	1,376,336	1,454,000	3,000	1,457,000	1,467,201	42,956	1,510,157	77,664	5.6%	56,157	3.9%
#70	Foster Care Review	Oper	1,379,348	1,652,806	0	1,652,806	1,616,119	0	1,616,119	273,458	19.8%	(36,687)	-2.2%
#70	Foster Care Review	Total	1,379,348	1,652,806	0	1,652,806	1,616,119	0	1,616,119	273,458	19.8%	(36,687)	-2.2%
#72	Economic Development	Aid	7,356,396	6,860,000	0	6,860,000	6,860,000	0	6,860,000	(496,396)	-6.7%	0	0.0%
#72	Economic Development	Oper	4,101,559	4,848,356	0	4,848,356	4,899,875	0	4,899,875	746,797	18.2%	51,519	1.1%
#72	Economic Development	Total	11,457,955	11,708,356	0	11,708,356	11,759,875	0	11,759,875	250,401	2.2%	51,519	0.4%
#76	Indian Commission	Oper	167,410	205,261	0	205,261	208,175	0	208,175	37,851	22.6%	2,914	1.4%
#76	Indian Commission	Total	167,410	205,261	0	205,261	208,175	0	208,175	37,851	22.6%	2,914	1.4%
#77	Industrial Relations	Oper	302,708	309,579	0	309,579	313,047	0	313,047	6,871	2.3%	3,468	1.1%
#77	Industrial Relations	Total	302,708	309,579	0	309,579	313,047	0	313,047	6,871	2.3%	3,468	1.1%
#78	Crime Commission	Aid	2,301,403	4,023,828	0	4,023,828	6,023,828	(50,000)	5,973,828	1,722,425	74.8%	1,950,000	48.5%
#78	Crime Commission	Oper	3,331,208	3,623,960	0	3,623,960	3,656,000	50,000	3,706,000	292,752	8.8%	82,040	2.3%
#78	Crime Commission	Total	5,632,611	7,647,788	0	7,647,788	9,679,828	0	9,679,828	2,015,177	35.8%	2,032,040	26.6%

		FY2012-13	FY2013-14			FY2014-15			Change over Prior Year (excludes deficits)				
			Without deficits	Per 2013 Session	2014 Deficits	Revised Per 2014 Session	Per 2013 Session	2014 Changes	Revised Per 2014 Session	FY14	FY14	FY15	FY15
										\$	%	\$	%
									Change	Change	Change	Change	
#81	Blind & Visually Impaired	Aid	176,890	176,890	0	176,890	176,890	0	176,890	0	0.0%	0	0.0%
#81	Blind & Visually Impaired	Oper	846,113	857,480	0	857,480	869,100	0	869,100	11,367	1.3%	11,620	1.4%
#81	Blind & Visually Impaired	Total	1,023,003	1,034,370	0	1,034,370	1,045,990	0	1,045,990	11,367	1.1%	11,620	1.1%
#82	Deaf & Hard of Hearing	Oper	848,782	861,653	0	861,653	874,808	0	874,808	12,871	1.5%	13,155	1.5%
#82	Deaf & Hard of Hearing	Total	848,782	861,653	0	861,653	874,808	0	874,808	12,871	1.5%	13,155	1.5%
#83	Community Colleges	Aid	87,870,147	91,384,953	0	91,384,953	95,040,351	0	95,040,351	3,514,806	4.0%	3,655,398	4.0%
#83	Community Colleges	Total	87,870,147	91,384,953	0	91,384,953	95,040,351	0	95,040,351	3,514,806	4.0%	3,655,398	4.0%
#84	Environmental Quality	Aid	2,446,846	2,077,196	0	2,077,196	2,141,196	0	2,141,196	(369,650)	-15.1%	64,000	3.1%
#84	Environmental Quality	Oper	3,323,012	3,362,055	0	3,362,055	3,393,198	0	3,393,198	39,043	1.2%	31,143	0.9%
#84	Environmental Quality	Total	5,769,858	5,439,251	0	5,439,251	5,534,394	0	5,534,394	(330,607)	-5.7%	95,143	1.7%
#85	Retirement Board	Oper	29,991,325	24,290,810	0	24,290,810	46,418,580	226,671	46,645,251	(5,700,515)	-19.0%	22,354,441	92.0%
#85	Retirement Board	Total	29,991,325	24,290,810	0	24,290,810	46,418,580	226,671	46,645,251	(5,700,515)	-19.0%	22,354,441	92.0%
#87	Account/Disclosure	Oper	407,548	414,692	0	414,692	468,402	0	468,402	7,144	1.8%	53,710	13.0%
#87	Account/Disclosure	Total	407,548	414,692	0	414,692	468,402	0	468,402	7,144	1.8%	53,710	13.0%
#91	Tourism Commission	Aid	0	250,000	0	250,000	250,000	0	250,000	250,000	na	0	0.0%
#91	Tourism Commission	Oper	250,000	250,000	0	250,000	250,000	0	250,000	0	0.0%	0	0.0%
#91	Tourism Commission	Total	250,000	500,000	0	500,000	500,000	0	500,000	250,000	100.0%	0	0.0%
	Construction Total	Total	20,772,233	25,830,024	490,000	26,320,024	28,310,000	1,024,444	29,334,444	5,057,791	24.3%	3,504,420	13.6%
OPERATIONS			1,259,610,962	1,315,231,996	4,184,495	1,319,416,491	1,395,116,374	12,722,518	1,407,838,892	55,621,034	4.4%	92,606,896	7.0%
STATE AID			2,352,040,560	2,497,106,887	(6,749,578)	2,490,357,309	2,617,466,291	(11,644,140)	2,605,822,151	145,066,327	6.2%	108,715,264	4.4%
CONSTRUCTION			20,772,233	25,830,024	490,000	26,320,024	28,310,000	1,024,444	29,334,444	5,057,791	24.3%	3,504,420	13.6%
TOTAL GENERAL FUNDS			3,632,423,755	3,838,168,907	(2,075,083)	3,836,093,824	4,040,892,665	2,102,822	4,042,995,487	205,745,152	5.7%	204,826,580	5.3%



## Appendix C

### General Fund Appropriations by State Aid Program

		FY2012-13 w/o Deficits	FY2013-14			FY2014-15			Change over Prior Year (exclude deficits)			
			Per 2013 Session	2014 Deficits	Revised 2014 Session	Per 2013 Sess	2014 Change	Revised 2014 Session	FY14 \$ Change	FY14 % Change	FY15 \$ Change	FY15 % Change
Courts	Court Appointed Special Advocate	0	200,000	0	200,000	200,000	0	200,000	200,000	na	0	0.0%
Education	TEEOSA State Aid to Education	836,867,085	884,888,317	0	884,888,317	920,786,352	(40,254,527)	880,531,825	48,021,232	5.7%	(4,356,492)	-0.5%
Education	Special Education	193,893,842	203,588,534	0	203,588,534	213,767,961	0	213,767,961	9,694,692	5.0%	10,179,427	5.0%
Education	Aid to ESU's	14,051,761	14,051,761	0	14,051,761	14,051,761	0	14,051,761	0	0.0%	0	0.0%
Education	Early Childhood grant program	0	1,915,962	(95,798)	1,820,164	1,915,962	3,319,202	5,235,164	1,820,164	na	3,415,000	187.6%
Education	Early Childhood Endowment	0	4,000,000	0	4,000,000	4,000,000	0	4,000,000	4,000,000	na	0	0.0%
Education	Nutrturing Healthy Behaviors	0	0	0	0	0	400,000	400,000	0	na	400,000	na
Education	School Lunch	392,032	392,032	0	392,032	392,032	0	392,032	0	0.0%	0	0.0%
Education	Textbook loan program	465,500	465,500	0	465,500	465,500	0	465,500	0	0.0%	0	0.0%
Education	School Breakfast reimbursement	453,008	453,008	94,581	547,589	453,008	0	453,008	94,581	20.9%	(94,581)	-17.3%
Education	Adult Education	214,664	214,664	0	214,664	214,664	0	214,664	0	0.0%	0	0.0%
Education	Learning Communities Aid	882,275	725,000	0	725,000	725,000	0	725,000	(157,275)	-17.8%	0	0.0%
Education	Summer Food Service grants	128,000	130,000	0	130,000	130,000	0	130,000	2,000	1.6%	0	0.0%
Education	High School Equivalency Assistance	0	750,000	0	750,000	750,000	0	750,000	750,000	na	0	0.0%
Education	Step Up Quality Child Care - Scholarships	0	0	0	0	100,000	0	100,000	0	na	100,000	na
Education	Step Up Quality Child Care - Bonuses	0	0	0	0	26,700	0	26,700	0	na	26,700	na
Education	Vocational Rehabilitation	2,000,000	2,050,000	0	2,050,000	2,101,250	0	2,101,250	50,000	2.5%	51,250	2.5%
Revenue	Homestead Exemption	72,500,000	71,600,000	(6,500,000)	65,100,000	74,900,000	(6,000,000)	68,900,000	(7,400,000)	-10.2%	3,800,000	5.8%
DHHS	Behavioral Health Aid	75,133,219	70,759,664	0	70,759,664	57,344,214	10,000,000	67,344,214	(4,373,555)	-5.8%	(3,415,450)	-4.8%
DHHS	ACA Contingency	0	0	0	0	10,000,000	(10,000,000)	0	0	na	0	na
DHHS	Medical student assistance/RHOP	637,086	637,086	0	637,086	637,086	150,000	787,086	0	0.0%	150,000	23.5%
DHHS	Childrens Health Insurance	13,107,750	17,638,937	1,809,439	19,448,376	22,425,227	5,134,800	27,560,027	6,340,626	48.4%	8,111,651	41.7%
DHHS	Public Assistance	108,524,785	107,116,945	2,100,000	109,216,945	108,181,405	1,777,331	109,958,736	692,160	0.6%	741,791	0.7%
DHHS	Medicaid	644,573,194	710,247,560	(4,157,800)	706,089,760	773,561,292	1,533,418	775,094,710	61,516,566	9.5%	69,004,950	9.8%
DHHS	Child Welfare Aid	153,774,584	156,756,327	0	156,756,327	138,879,572	(686,061)	138,193,511	2,981,743	1.9%	(18,562,816)	-11.8%
DHHS	Developmental disabilities aid	101,878,371	109,173,012	0	109,173,012	126,248,291	10,791,904	137,040,195	7,294,641	7.2%	27,867,183	25.5%
DHHS	Community health centers	3,758,060	4,058,060	0	4,058,060	4,058,060	250,000	4,308,060	300,000	8.0%	250,000	6.2%
DHHS	Health Aid	4,790,612	6,040,612	0	6,040,612	5,890,612	297,000	6,187,612	1,250,000	26.1%	147,000	2.4%
DHHS	Care Management	2,033,123	2,128,869	0	2,128,869	2,225,644	0	2,225,644	95,746	4.7%	96,775	4.5%
DHHS	Area agencies on aging	5,966,315	6,100,558	0	6,100,558	6,237,821	1,000,000	7,237,821	134,243	2.3%	1,137,263	18.6%
Nat Resources	Nebr Water Conservation Fund	2,318,036	2,318,036	0	2,318,036	2,318,036	0	2,318,036	0	0.0%	0	0.0%
Nat Resources	Resources Development Fund	3,140,325	3,140,325	0	3,140,325	3,140,325	10,492,793	13,633,118	0	0.0%	10,492,793	334.1%
Nat Resources	NRD Water Management grants	500,000	350,000	0	350,000	350,000	0	350,000	(150,000)	-30.0%	0	0.0%
Military Dept	Governors Emergency Program	500,000	500,000	0	500,000	500,000	0	500,000	0	0.0%	0	0.0%
Military Dept	Guard tuition assistance	488,775	488,775	0	488,775	488,775	0	488,775	0	0.0%	0	0.0%

		FY2012-13 w/o Deficits	FY2013-14			FY2014-15			Change over Prior Year (exclude deficits)			
			Per 2013 Session	2014 Deficits	Revised 2014 Session	Per 2013 Sess	2014 Change	Revised 2014 Session	FY14 \$ Change	FY14 % Change	FY15 \$ Change	FY15 % Change
Game & Parks	Niobrara Council	42,011	42,011	0	42,011	42,011	0	42,011	0	0.0%	0	0.0%
Library Comm	Local libraries	1,043,240	1,201,240	0	1,201,240	1,209,240	0	1,209,240	158,000	15.1%	8,000	0.7%
Coord. Comm	Nebr Opportunity Grant Program	6,418,156	6,668,156	0	6,668,156	6,668,156	200,000	6,868,156	250,000	3.9%	200,000	3.0%
Coord. Comm	Access College Early Scholarship	575,000	640,000	0	640,000	685,000	0	685,000	65,000	11.3%	45,000	7.0%
Arts Council	Aid to arts programs	838,069	903,069	0	903,069	903,069	0	903,069	65,000	7.8%	0	0.0%
Econ Develop	Business Innovation Act	7,156,396	6,760,000	0	6,760,000	6,760,000	0	6,760,000	(396,396)	-5.5%	0	0.0%
Econ Develop	Small Business Innovation Act	200,000	0	0	0	0	0	0	(200,000)	-100.0%	0	na
Econ Develop	Grow Nebraska	0	100,000	0	100,000	100,000	0	100,000	100,000	na	0	0.0%
Crime Comm	Juvenile services grants	587,812	587,812	0	587,812	587,812	0	587,812	0	0.0%	0	0.0%
Crime Comm	Community Based Juvenile Services aid	1,477,575	3,000,000	0	3,000,000	5,000,000	(50,000)	4,950,000	1,522,425	103.0%	1,950,000	65.0%
Crime Comm	Crimestoppers program	13,457	13,457	0	13,457	13,457	0	13,457	0	0.0%	0	0.0%
Crime Comm	Victim Witness assistance	52,559	52,559	0	52,559	52,559	0	52,559	0	0.0%	0	0.0%
Crime Comm	Crime Victims reparations	20,000	20,000	0	20,000	20,000	0	20,000	0	0.0%	0	0.0%
Crime Comm	Violence Prevention Grants	150,000	350,000	0	350,000	350,000	0	350,000	200,000	133.3%	0	0.0%
Blind & Vis Imp	Blind rehabilitation	176,890	176,890	0	176,890	176,890	0	176,890	0	0.0%	0	0.0%
Comm Colleges	Aid to Community Colleges	87,870,147	91,384,953	0	91,384,953	95,040,351	0	95,040,351	3,514,806	4.0%	3,655,398	4.0%
Environ Qlty	Superfund cleanup	621,850	252,200	0	252,200	316,200	0	316,200	(369,650)	-59.4%	64,000	25.4%
Environ Qlty	Storm Water Management grants	1,824,996	1,824,996	0	1,824,996	1,824,996	0	1,824,996	0	0.0%	0	0.0%
Tourism Comm	Tourism grant program	0	250,000	0	250,000	250,000	0	250,000	250,000	na	0	0.0%
	Individuals/Other	1,135,669,688	1,212,891,823	(248,361)	1,212,643,462	1,278,027,667	20,448,392	1,298,476,059	76,973,774	6.8%	85,832,597	7.1%
	Local Government	1,216,370,872	1,284,215,064	(6,501,217)	1,277,713,847	1,339,438,624	(32,092,532)	1,307,346,092	61,342,975	5.0%	29,632,245	2.3%
	Total General Fund State Aid	2,352,040,560	2,497,106,887	(6,749,578)	2,490,357,309	2,617,466,291	(11,644,140)	2,605,822,151	138,316,749	5.9%	115,464,842	4.6%

# Appendix D

## General Fund Spending Assumptions-Following Biennium

For the “following biennium” (FY15-16 and FY16-17), the mainline budget numbers reflect the annualized impact of the current budget actions plus an estimate of future year increases in entitlement programs, salary and health insurance increases, and other funding requirements that are normally not optional. While the actual funding needs in these areas will not be known until the biennial budget process starts again next session, some level of funding for these items must be acknowledged and shown as likely funding commitments for planning purposes.

**Note that the itemized listing below and subsequent narrative descriptions do not reflect the annualized impacts of 2014 budget actions which are shown separately on the financial status. For example the TEEOSA figures shown below do not reflect the 2014 budget adjustments.**

<i>Dollar Changes from FY15 Base Year</i>	FY16	FY17	2 Yr Avg	FY2014-15	FY2015-16	FY2016-17
<b>FY2014-15 Base Appropriation</b>				<b>4,040,892,665</b>	<b>4,040,892,665</b>	<b>4,040,892,665</b>
TEEOS School Aid (TEEOSA)	10.0%	4.2%	7.1%	--	92,481,992	134,980,867
Special Education	2.5%	2.5%	2.5%	--	5,344,199	10,822,003
Community Colleges	3.5%	3.5%	3.5%	--	3,287,488	6,690,038
County Juvenile Services aid	3.0%	3.0%	3.0%	--	2,000,000	2,000,000
Homestead Exemption	3.0%	3.0%	3.0%	--	2,247,000	4,561,410
Aid to ESU's	2.5%	2.5%	2.5%	--	351,294	711,370
Medicaid	8.4%	7.9%	8.1%	--	64,617,097	130,780,476
Public Assistance	6.0%	6.0%	6.0%	--	6,490,884	13,371,222
Children's Health Insurance (CHIP)	-50.6%	-36.0%	-43.3%	--	(11,343,108)	(15,336,949)
Child Welfare Aid	6.0%	6.0%	6.0%	--	4,166,387	8,457,766
Developmental Disability aid	4.0%	4.0%	4.0%	--	5,049,932	10,301,861
Behavioral Health aid	-5.7%	3.0%	-1.4%	--	(3,279,674)	(1,657,737)
ACA Contingency	--	--	--	--	0	(5,000,000)
Employee Salaries	2.5%	2.5%	2.5%	--	25,679,265	52,000,513
Employee Health Insurance	10.0%	10.0%	10.0%	--	15,228,217	31,979,256
Operations increases	2.0%	2.0%	2.0%	--	5,730,464	11,575,538
Inmate per diem costs	3.0%	3.0%	3.0%	--	1,367,115	1 2,775,244
ACA implementation (operations)	--	--	--	--	2,312,500	0
Juvenile Services reform (LB561-2013)	3.0%	3.0%	3.0%	--	703,176	1,427,447
Construction		to reaffirmation only		--	(1,585,000)	(6,571,000)
All Other	--	--	--	--	(207,963)	(207,963)
Total General Fund Increases (Biennial Basis, excludes impact of 2014 adjustments)				--	220,641,267	393,661,361
<b>Projected w/o 2014 Actions</b>	<b>5.5%</b>	<b>4.1%</b>	<b>4.8%</b>	<b>4,040,892,666</b>	<b>4,261,533,932</b>	<b>4,434,554,026</b>
Impact of committee proposed adjustments				2,102,822	(15,056,194)	(15,337,512)
<b>Projected with Committee 2014 Proposal</b>	<b>5.0%</b>	<b>4.1%</b>	<b>4.5%</b>	<b>4,042,995,666</b>	<b>4,246,477,738</b>	<b>4,419,216,514</b>

About 37% the total projected budget increase in the next biennium is TEEOSA school aid as projected under the current statute. General Funds for TEEOSA school aid is projected to increase by 10.0% in FY16 and 4.2% in FY17. The larger growth in FY16 reflects the change in the local effort rate (LER) which returns to \$1.00 after two years at \$1.03 and \$1.025.

Another 32% of the projected increase is in Medicaid with an average growth of 8.1% per year. This reflects projected growth of 4.5% per year for population client eligibility and utilization and 3% per year for provider rates. Also included in this number are annualized impacts of the Affordable Care Act (ACA) as it phases in to full implementation..

The large decline in the Children's Health Insurance program is the result of an expanded federal match rate (23%) from the Affordable Care Act. For FFY2015 to FFY2019 the federal match rate for SCHIP increases from an estimated 68% to 91%

## **Aid to Local Governments**

State Aid to Schools (TEEOSA): The estimates for FY16 and FY17 are based on the same methodology utilized for the November 15 estimates required under current law for the proposed biennial budget but with Fiscal Office assumptions and should be considered Fiscal Office estimates. They are based on the statutory changes made in LB407 as enacted in the 2013 session.. The estimates reflect a growth in overall school aid of 10% in FY16 and 4.2% in FY17. In the following biennium, TEEOSA aid increases as parts of LB407 expire. Most significant is the local effort rate (LER) which returns to \$1.00 after two years at \$1.03 and \$1.025.

Special Education: Increases for FY15-16 and FY16-17 reflect a 2.5% per year increase. Although statute allows for a growth up to 5% the 2.5% is equal to the basic allowable growth rate under the K-12 school spending limitation and TEEOSA calculations.

Aid to Community Colleges: A 3.5% per year annual increase is included for the following biennium budget reflecting increased state aid to support operations budget increases. This increase amounts to about a \$3.3 million per year increase.

Homestead Exemption: A 3% per year annual increase is included for the following biennium budget reflecting some level of inflationary increases.

Aid to ESU's: The amount of aid to ESU's is based on funding of a certain level of core services and technology infrastructure. Growth in aid is set at the same rate as the basic allowable growth rate under the K-12 school spending limitation (2.5% per year).

## **Aid to Individuals**

Medicaid: For the following biennium, the average growth is 8.1% per year. This reflects projected growth of 4.5% per year for population client eligibility and utilization and 3% per year for provider rates. Also included in this number are annualized impacts of the Affordable Care Act (ACA) as it phases in to full implementation.

Public Assistance and Child Welfare: A basic growth rate of 6.0% per year is utilized for the various Public Assistance programs for the following biennium. This reflects projected growth of 3% per year for population client eligibility and utilization and 3% per year for provider rates.

Children's Health Insurance (CHIP): For the following biennium, a 7.5% per year increase is used which is the same as Medicaid. However the large decline is then the result of an expanded federal match rate (23%) from the Affordable Care Act. For FFY2015 to FFY2019 the federal match rate for SCHIP increases from an estimated 68% to 91%.

Developmental Disability Aid: A 4% per year increase is included. This provides the equivalent of 2.5% per year for rate equity similar to the employee salary assumption and 1.5% for clients transitioning from K-

12 programs. As this projected budget assumes no expanded programs, nothing is assumed for funding of the waiting list.

Behavioral Health Aid: This area includes substance abuse and mental health aid. The increases in the following biennium reflect a 3% increase to reflect some annual increase in provider rates. Savings related to insurance coverage for behavioral health under the Affordable Care Act (ACA) go from \$15 million in FY2014-15 to \$20 million in both FY16 and FY17.

ACA Contingency: The FY14-15 budget included a \$10,000,000 contingency appropriation if budgeted savings in the behavioral health program did not occur as planned. The amount allocated to the ACA Contingency program stays at \$10,000,000 in FY16 and then declines to \$5,000,000 in FY17 and then zero in FY18.

## **Agency Operations / Construction**

Employee Salary Increases: Although salary increases will be the result of bargaining, some level of increase is factored in more for illustration than planning purposes. A 2.5% per year increase is included which approximates inflation and the current biennium funding.

Employee Health Insurance: For planning purposes, a 10% per year increase in health insurance is included for the following biennium. Because rates have been flat for the past several years due to coverage and program changes and drawing down fund balances, this higher growth is utilized to anticipate a potential hike in rates.

Operations Inflation: Included in the projected status is a general 2% increase in agency non-personnel operating costs. Although not provided as an across the board increase, this amount historically covers increases in utility costs at state and higher education facilities as well as food and other inflationary cost increases at 24/7 state facilities such as veterans homes, BSDC, etc...

Inmate Per Diem Costs: While some costs at the Dept of Correctional Services such as staffing are "fixed" within a range of inmate population, some costs change directly with each inmate. This includes items such as food, clothing, and medical care. A 3% per year increase is included to reflect both inflationary costs and an increase in the number of inmates.

Defined Benefit Retirement Plans: The budget incorporated the changes enacted through LB553 (2013) and assume no change in state funding from the level established in FY14.

Juvenile Services reform: LB561 passed in the 2013 session made many significant changes in the juvenile justice system. The bill expands the Nebraska Juvenile Service Delivery Project statewide in a three-phase process with the transfer of such funds to take place on July 1, 2013, January 1, 2014, and July 1, 2014. After July 1, 2013, the Office of Juvenile Services within the Dept of Health and Human Services (HHS) will only have responsibility for the Youth Rehabilitation Centers at Kearney and Geneva. The shift of funding includes about \$23 million that had previously been budgeted under child welfare aid. For purposes here, a 3% per year increase is included in operations for those amounts that had previously been included under child welfare aid.

Capital Construction: General Fund dollars included in the projected budget for the following biennium for capital construction reflect reaffirmations only based on projects funding in the FY14/FY15 biennial budget. These are dollar amounts needed to complete funding of previously approved projects.

## Appendix E

### 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 est	4,020.7	4,067.0	46.3		1.2%
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%	5.0%