

**Dave Heineman**  
Governor

# STATE OF NEBRASKA

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March 29, 2014

Mr. President, Mr. Speaker,  
and Members of the Legislature  
State Capitol  
Lincoln, NE 68509

Dear Mr. President, Mr. Speaker, and Members of the Legislature:

With this letter, I am returning LB 905 with my signature, but with line-item reductions.

I have vetoed \$45,000 General Funds in FY 2013-14 and \$15,000 General Funds in FY 2014-15 from the Legislative Council that has been appropriated to re-establish Nebraska as an annual dues paying member of the Midwest Interstate Passenger Rail Compact. Sufficient justification has not been presented to explain any benefit that Nebraska has received or will receive from its participation in the Compact. There is simply no obligation to pay the dues merely because a bill has been received from the Compact. The Legislature rightfully eliminated this funding in 2010 and is encouraged to repeal the reference to Nebraska's participation and officially withdraw next session.

I have vetoed \$152,105 General Funds, along with \$88,506 of new Salary Limit, in FY 2014-15 provided to the Legislative Council for increased staffing for the Office of the Inspector General for Child Welfare. The Legislature is encouraged to utilize existing appropriation authority to address staffing needs that may exist in this area consistent with its decision for other state agencies requesting additional funding during this mid-biennium.

I have vetoed \$8,273 General Funds, along with \$6,293 of new Salary Limit in FY 2014-15, provided to the Supreme Court, for an additional salary increase for County Court employees greater than the annual wage increase provided for other state employees. The Supreme Court did not submit a deficit budget request for this additional wage increase for County Court employees. It was not part of my budget recommendations.

I have vetoed a total of \$282,683 General Funds, along with \$245,490 of new Salary Limit in FY 2014-15 provided to the Supreme Court, for reclassification of probation officer positions, which will provide an extra salary increase in addition to the annual wage increase provided for other court employees. I vetoed a similar request by the Supreme Court in 2013 and that veto was sustained by the Legislature in the 2013 Legislative Session. Funding for these extra salary increases that will result from this reclassification of probation officers was not included in my 2014 deficit budget recommendations.

I have vetoed a total of \$1,702,368 General Funds, along with \$1,500,000 of new Salary Limit in FY 2014-15 to the Supreme Court, for additional salary increases for court and probation employees, greater than the annual increase provided for other state employees. The Supreme Court did not submit a deficit budget request for this additional wage increase for Court and Probation employees. It was not part of my budget recommendations. Your recommendation to use one-time monies for ongoing wage obligations is not sound fiscal policy.

I have vetoed \$7,400,000 General Funds in FY 2013-14, provided to the Supreme Court, for a Juvenile Services Project Contingency Program, just in case there is a shortfall in funds already requested and provided to the Supreme Court in Laws 2013, LB 561A for the Juvenile Services Delivery Project. This \$7,400,000 contingency appropriation represents an additional 37.4% over the total amount of General Funds provided to the Courts through LB 561A. The Supreme Court did not submit a deficit budget request, nor was it included in my recommendations. An analysis of year-to-date spending through February 28, 2014, for Probation – Community Corrections Program, reveals that the Supreme Court is estimated to underspend General Fund appropriations by approximately \$8 million by June 30, 2014. This contingency appropriation is not necessary.

I have vetoed \$17,668 General Funds, along with \$12,024 of new Salary Limit, in FY 2014-15 from the Governor's Office provided to convert a half-time position to full-time. This increased appropriation is not a priority.

I have vetoed \$17,668 General Funds, along with \$12,024 of new Salary Limit, in FY 2014-15 from the Lieutenant Governor's Office provided to convert a half-time position to full-time. This increased appropriation is not a priority.

I have vetoed \$176,669 General Funds, along with \$20,000 of new Salary Limit, for each of FY 2013-14 and FY 2014-15 appropriated to the Auditor of Public Accounts to restore their budget to the Legislature's original appropriations enacted during the 2013 Legislative Session. This veto restores the appropriation decisions made during the 2013 Legislative Session. This increased appropriation is not a priority.

I have vetoed \$95,798 General Funds for each of FY 2013-14 and FY 2014-15 that were taken from the Department of Education early childhood education grant program and redirected to finance Department of Education operational costs. Monies intended for state aid to directly benefit Nebraska's children should not be redirected to fund the state bureaucracy. The Department already receives adequate operations funding.

I have vetoed \$95,000 General Funds and \$55,000 of new Salary Limit for FY 2014-15 that were appropriated to the Department of Education for additional staff and technical assistance for early childhood education. The Department already receives an adequate appropriation for staff and administration of its aid programs.

I have vetoed \$250,000 General Funds for FY 2014-15 that were appropriated to the Department of Education to contract directly with the Microsoft IT Academy for a pilot project. As this provision causes a state agency sole source contract with one specific vendor by name, it represents special legislation potentially in violation of Article III, Section 18 of the Nebraska Constitution.

I have vetoed \$93,532 General Funds and \$55,048 new Salary Limit for FY 2014-15 that were appropriated to the Department of Education for a student achievement coordinator, a position that was eliminated in 2011. The position was originally created in 2006, but the Department did not implement the functions intended for the position. In 2012, the Legislature appropriated \$75,000 General Funds to the Department to perform the original duties of this position. The additional appropriation in LB 905 does not account for this existing appropriation. Furthermore, LB 438A also provides the Department another full-time position that would perform duties which are closely related to the duties of the position funded in LB 905. This appropriation in LB 905 is not necessary.

I have vetoed \$100,000 General Funds for FY 2014-15 that were appropriated to the Department of Education for an ongoing licensing fee. This specific amount of appropriation does not comport with the Department's own deficit request. The Department already received adequate funding for data systems for the current biennium during the 2013 Legislative Session.

I have vetoed \$13,605 cash fund appropriations and \$7,515 Salary Limit in FY 2013-14 and \$50,964 cash funds appropriation and \$32,273 Salary Limit in FY 2014-15 from the Public Service Commission for an additional administrative assistant. Again, providing additional appropriation to add state employee positions to existing programs is not a priority during this mid-biennium.

I have vetoed \$10,198 cash funds, along with \$8,855 of new Salary Limit, in FY 2013-14 and \$10,428 cash funds, along with \$9,055 of new Salary Limit, in FY 2014-15 provided to the Commission on Problem Gambling (administratively located within the Department of Revenue), to increase the salary for the Commission's administrative support position. LB 6A, 2013 Session Laws provided adequate funding for a staff support position to perform duties and responsibilities on behalf of the Commission. Nothing has occurred in the few short months of the Commission's independence to warrant increasing the cost of the staff support position provided to the Commission.

I have vetoed a \$100,000 cash funds increase in FY 2013-14 provided to the Commission on Problem Gambling that would be used to contract for development of a data collection system to gather demographic and service utilization data. Sufficient flexibility exists within the Commission's current \$3.1 million biennial budget to accommodate development of the system without the \$100,000 increase.

I have vetoed \$15,000 cash funds in FY 2014-15, provided to the Department of Aeronautics, for an increase in aid to the Civil Air Patrol. This \$15,000 was not sought by the Department of Aeronautics in a 2014 deficit budget request and was not included in my recommendations. It represents an unreasonable increase of 59.5% above the current budgeted amount for FY 2014-15.

I have vetoed \$271,128 cash funds, along with \$94,584 of new Salary Limit, in FY 2014-15 provided to the Department of Motor Vehicles to identify a replacement vehicle title and registration system, associated costs, and financing options. This funding was not requested by the Department and is not an emergency that requires an appropriation during the mid-biennium deficit process.

I have vetoed the \$300,000 Health and Human Services Cash Fund earmark in FY 2013-14 for support of the vital records program in the Department of Health and Human Services. The additional spending proposed from the Medicaid False Claims Act Cash Fund over obligates the balance of the fund. The fund balance is not sufficient to support the additional spending from the fund proposed by the Legislature. At the present time there are no additional receipts identified for the remainder of the biennium other than a small amount of interest earnings.

I have vetoed the \$500,000 one-time FY 2014-15 appropriation from the Medicaid False Claims Act Cash Fund designated for the electronic health records initiative. The additional spending proposed from the Medicaid False Claims Act Cash Fund over obligates the balance of the fund. The fund balance is simply not sufficient to support the additional spending from the fund proposed by the Legislature. At the present time there are no additional receipts identified for the remainder of the biennium other than a small amount of interest earnings.

I have vetoed \$10,000,000 General Funds in FY 2014-15 redirected from the Patient Protection and Affordable Care Act Contingency Fund program to the Behavioral Health Aid program. The \$10,000,000 General Funds represent only a portion of the savings to state behavioral health program attributable to the passage of the Affordable Care Act (ACA). It is imperative that these savings be captured as intended during the 2013 Legislative Session to help offset the cost to the state due to the ACA.

The Developmental Disability Aid program received significant increases when the biennial budget was developed during the 2013 Legislative Session, including \$8.7 million for transitioning students, \$13.0 million to address the waiting list, \$5.9 million for provider rates, and \$42 million for a new rate methodology for paying providers. The new rate methodology was adopted during the 2013 Legislative Session to pay providers based upon actual costs of providing services in the state with provisions for future adjustments for inflation. LB 905 includes an additional \$10.5 million for FY 2014-15 for the waiting list and \$5.4 million for FY 2014-15 for provider rates. I have vetoed \$2,595,048 General Funds and \$2,821,240 federal

funds in FY 2014-15 for the additional adjustment in provider rates. It is premature to add funds for additional rate adjustments before the new methodology is implemented in FY 2014-15. All other increases listed above remain intact after my modest veto for provider rates.

I have vetoed \$1,500,000 General Funds and \$1,500,000 federal funds in FY 2014-15 for the state ward permanency pilot project. A request to establish a state ward permanency pilot was withdrawn by the Department of Health and Human Services, indicating that the request was more appropriate to address during development of the biennial budget than for consideration for supplemental or deficit funding. I concur that this pilot project should be considered during the regular biennial budget process for the 2015-2017 biennium. Adequate funding remains after my veto for the Department to serve these wards.

I have vetoed Salary Limit amounts of \$408,000 in FY 2013-14 and \$871,600 in FY 2014-15 designated for the behavioral health operations program. Adequate justification does not exist for this increase in Salary Limit.

I have vetoed \$85,000 General Funds in FY 2014-15 for increased funding for Nebraska Advocacy Services. The \$85,000 represents an increase of more than 21% above the current \$399,750 General Funds allocated for this purpose. This unreasonable increase is not necessary.

I have vetoed Salary Limit amounts of \$293,422 in FY 2013-14 and \$387,540 in FY 2014-15 designated for the Norfolk Sex Offender Treatment program. The Salary Limit increases of \$293,421 for FY 2013-14 and \$387,539 for FY 2014-15 remaining after my veto is sufficient to operate the facility during the biennium.

Senator Mello's AM2408 to LB 905 reduced the FY2013-14 General Fund appropriation to Medicaid by \$2,400,000 and gave those monies to the Supreme Court. It also substituted a Cash Fund appropriation for Medicaid of \$2,400,000 for FY 2013-14 to be funded from the Medicaid False Claims Act Cash Fund. I have vetoed this \$2,400,000 FY 2013-14 Cash Fund appropriation from the Medicaid False Claims Act Cash Fund to the Medical Assistance program. The additional spending proposed from the Medicaid False Claims Act Cash Fund over obligates the balance of the fund. The fund balance is not sufficient to support the additional spending from the fund proposed by the Legislature. There are no additional receipts identified for the remainder of the biennium other than a small amount of interest earnings.

I have vetoed \$50,000 of the \$150,000 cash fund appropriation provided to the Nebraska Game and Parks Commission for administration and operations related to increased deferred maintenance projects to reflect the reduction in the level of deferred maintenance to be undertaken by the Commission. I have vetoed \$7,350,000 of the \$17,350,000 provided to the

Nebraska Game and Parks Commission for state parks facilities deferred maintenance. Of the remaining \$10 million appropriation, I have left in \$1,500,000 to be expended at Ponca State Park to replace the existing swimming pool with a new aquatic feature and \$1,000,000 for new camper cabins. The remaining appropriation also includes \$2,107,000 to be expended at Arbor Lodge State Historical Park for deferred repairs and maintenance improvements at the mansion, carriage house, and grounds. I understand the need to maintain our state parks, state historical parks and state recreation areas for the benefit of our citizens. LB 814 proposes to direct over \$3 million annually of sales tax revenue to Nebraska Game & Parks Commission for deferred maintenance. This \$10.0 million and over \$3 million annually is adequate to initiate and continue a program of deferred maintenance based on the priorities shared with us by the Game and Parks Commission.

I have vetoed \$10,000 cash funds appropriation in FY 2013-14 and FY 2014-15 from the Nebraska Real Estate Commission for funding of educational expenses. The Commission has sufficient existing appropriations to meet its educational expenses. This additional appropriation is not necessary.

I have vetoed \$10,000 General Funds in FY 2013-14 from the Coordinating Commission for Postsecondary Education that has been appropriated to conduct a search for an executive director. I have also vetoed \$11,000 General Funds and \$14,000 Salary Limit in FY 2014-15 that has been appropriated for a retirement payout. The Commission is accruing vacancy savings due to staff resignations and should redirect its existing appropriations to fund its search for a new Executive Director and provide for retirement payout.

I have vetoed \$2,500,000 Nebraska Capitol Construction Funds in FY 2014-15 from the Department of Administrative Services (Office of the Capitol Commission) for the construction of four courtyard fountains. The State Capitol was completed in 1932. The decision was made at that time not to install fountains because it was not a priority use of taxpayer money. The citizens of Nebraska have managed well without fountains in the courtyards for over 80 years. This expenditure lacks justification.


I have vetoed \$11,701,900 Nebraska Capitol Construction Funds in FY 2014-15 from the Department of Administrative Services (Office of the Capitol Commission) to renovate the heating, ventilation, and air condition system in the State Capitol. The Capitol Commission did not request funding for this project during this mid-biennium. LB 905 only provides funding of \$11.7 million of the \$77.8 million current estimated total cost of this project with the balance of \$66.1 million relegated to future Legislatures to resolve. This project should be presented and considered during a regular biennial budget process along side other capital projects with full consideration and a commitment to recognize and fund the full costs identified for the project.

I have vetoed \$3,000 General Funds for both FY 2013-14 and FY 2014-15 that were appropriated to the Nebraska Arts Council for operations to pay stipends to art reviewers. These reviewers traditionally have been unpaid volunteers and should remain so. Furthermore, changing this prudent volunteer relationship for the Arts Council would set a precedent for all other agencies to seek the same consideration for their unpaid volunteers.

I have vetoed the \$10,000,000 cash fund appropriation and the \$10,000,000 General Fund transfer provided to the Department of Economic Development for the Job Training Program in FY 2014-15. This increase is not needed at this time. No increase was requested by the Department of Economic Development.

I urge you to sustain my line-item reductions.

Sincerely,

A handwritten signature in black ink that reads "Dave Heineman". The signature is written in a cursive, flowing style.

Dave Heineman  
Governor

Attachment

**103rd LEGISLATURE, SECOND SESSION (2014)  
Governor's Line-Item Budget Reductions**

**LB 905 - Mid-Biennial Budget Bill**

**Line-Item Appropriation Reductions**

<b>Ag #</b>	<b>Agency</b>	<b>Item Vetoed</b>	<b>Fund</b>	<b>FY2013-14 Gov Veto Amount</b>	<b>FY2014-15 Gov Veto Amount</b>
<b>003</b>	<b>Legislature</b>				
		Additional staff for Child Welfare OIG	General	0	152,105
			PSL	0	88,506
		Midwest Interstate Passenger Rail Compact dues (LB 891)	General	45,000	15,000
<b>005</b>	<b>Supreme Court</b>				
		Additional salary increases for county court employees	General	0	8,273
			PSL	0	6,293
		Additional salary increases for court and probation employees	General	0	1,702,368
			PSL	0	547,476
		Contingency appropriation in case of deficit spending	General	7,400,000	0
		Additional salary increases for probation employees	PSL	0	952,524
		Salary increases for reclassification of probation employees	General	0	282,683
			PSL	0	245,490
<b>007</b>	<b>Governor</b>				
		Convert half-time position to full time	General	0	17,668
			PSL	0	12,024
<b>008</b>	<b>Lieutenant Governor</b>				
		Convert half-time position to full time	General	0	17,668
			PSL	0	12,024
<b>010</b>	<b>State Auditor</b>				
		Restore Appropriations	General	176,669	176,669
			PSL	20,000	20,000
<b>013</b>	<b>Education</b>				
		Additional administration for Early Childhood	General	95,798	95,798
		Additional Early Childhood Staff (LB 984)	General	0	95,000
			PSL	0	55,000
		Education Specialist III for LEP/Poverty Plans	General	0	93,532
			PSL	0	55,048
		Additional data systems costs (E-Scholar)	General	0	100,000
		Microsoft IT Academy contract	General	0	250,000
<b>014</b>	<b>Public Service Comm.</b>				
		Addition of Administrative Assistant	Cash	13,605	50,964
			PSL	7,515	32,273



**103rd LEGISLATURE, SECOND SESSION (2014)  
Governor's Line-Item Budget Reductions**

<b>Ag #</b>	<b>Agency</b>	<b>Item Vetoed</b>	<b>Fund</b>	<b>FY2013-14 Gov Veto Amount</b>	<b>FY2014-15 Gov Veto Amount</b>
<b>016</b>	<b>Comm. on Problem Gambling (Revenue)</b>				
		Salary increase for reclassification of staff support position	Cash	10,198	10,428
			PSL	8,855	9,055
		Contract for new Data Collection System	Cash	100,000	0
<b>017</b>	<b>Aeronautics</b>				
		Increase state aid provided to the Civil Air Patrol (LB 666)	Cash	0	15,000
<b>024</b>	<b>Motor Vehicles</b>				
		Replacement of Vehicle Title and Registration System (LB 738)	Cash	0	271,128
			PSL	0	94,584
<b>025</b>	<b>Health and Human Services</b>				
		Additional rate increase for DD providers	General	0	2,595,048
			Federal	0	2,821,240
		Increase funding for Nebraska Advocacy Services	General	0	85,000
		Medicaid cut to finance Courts' juvenile services project	Cash	2,400,000	0
		Lincoln Regional Center PSL Increase	PSL	408,000	871,600
		Additional funds for NE Health Information Initiative	Cash	0	500,000
		Norfolk Sex Offender Program PSL Increase	PSL	293,422	387,540
		Redirect ACA savings to behavioral health regions	General	0	10,000,000
		State Ward Permanency Pilot project (LB 936)	General	0	1,500,000
			Federal	0	1,500,000
<b>033</b>	<b>Game &amp; Parks Comm.</b>				
		Maintenance funding administration (LB 873)	Cash	0	50,000
		Parks improvement and maintenance (LB 873, 874, 1033)	Cash	0	7,350,000
<b>041</b>	<b>Real Estate Comm.</b>				
		Additional appropriations for Educational Services Expense	Cash	10,000	10,000
<b>048</b>	<b>Postsecondary Educ. Coord. Comm.</b>				
		Additional appropriations for Executive Director search	General	10,000	0
		Additional appropriations for leave payment upon retirement	General	0	11,000
			PSL	0	14,000
<b>065</b>	<b>Administrative Services</b>				
		Capitol courtyard fountains (LB 797)	NCCF	0	2,500,000
		Capitol heating, ventilation, and air conditioning replacement	NCCF	0	11,701,900
<b>069</b>	<b>Arts Council</b>				
		Stipend for volunteer grant review panelists	General	3,000	3,000

**103rd LEGISLATURE, SECOND SESSION (2014)  
Governor's Line-Item Budget Reductions**

Ag #	Agency	Item Vetoed	Fund	FY2013-14 Gov Veto Amount	FY2014-15 Gov Veto Amount
072	Economic Development				
		Increased funding for Job Training Cash Fund (LB 1091)	Cash		10,000,000
<b>Total Line-Item Appropriation Reductions</b>			General	7,730,467	17,200,812
			Cash	2,533,803	18,257,520
			Federal	0	4,321,240
			NCCF	0	14,201,900
			<b>Total</b>	<b>10,264,270</b>	<b>53,981,472</b>
			PSL	737,792	3,403,437

**Line-Item Appropriation Transfer Reductions**

Ag #	Agency	Item Vetoed	FY2013-14 Gov Veto Amount	FY2014-15 Gov Veto Amount
072	Economic Development			
		Transfer to support appropriation to Job Training program		
		-Transfer from General Fund to Job Training Cash Fund (Section 81)		10,000,000

**For Informational Purposes:**

LB 905 General Fund Vetoes

LB 906 Water Sustainability Fund Veto (Omaha sewer separation earmark only)

**Biennial Total**

24,931,279

1,100,000

26,031,279