



**Pete Ricketts**  
*Governor*

## STATE OF NEBRASKA

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January 22, 2015

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

Dear Mr. President and Members of the Legislature:

Today I am presenting my budget recommendations for the 2015-2017 biennium including an additional \$120 million in direct property tax relief, an increase of \$60 million each year, as my top priority for your consideration. This is a 43% increase in State financed direct property tax relief, and brings the total tax relief each year from the Property Tax Credit Fund to \$200 million, or \$400 million for the biennium. The message from Nebraskans is clear as I travel across the state: Nebraskans are seeking relief from high property taxes.

I am supporting a reduction in the assessed valuation of agricultural and horticultural land for taxation purposes from 75% of actual value to 65% of actual value. My budget allocates \$9.5 million in FY 2016-17 for this purpose and also anticipates allocating \$19 million in FY 2017-18 and \$30 million in FY 2018-19.

I appreciate the 103<sup>rd</sup> Legislature's effort in 2014 to assist Nebraska veterans by excluding a portion of their military retirement benefit income from taxation. However, I have heard from veterans across Nebraska that the benefit of last year's legislation fell short of reaching them. I support your consideration and enactment of legislation to enhance this benefit for Nebraska military retirees. My budget includes \$23 million to improve this support for our veterans. I look forward to working with the Revenue Committee on this important matter.

Nebraska's historical average tax revenue growth rate of 5.0 percent, Nebraskans' desire for lower taxes, and our goals to create jobs leading to continued economic prosperity in Nebraska establish a framework for our decision-making about spending by state government. My budget recommendations for the 2015-2017 biennium represent a two-year average growth in General Fund spending of 3.1%. A concerted effort on our part to restrain spending will create our next and continuing opportunities for reducing the tax burden in Nebraska.

The state's resilient and growing economy has produced excess tax revenues and a state Cash Reserve Fund now estimated to exceed \$740 million. I have exercised great caution and today create no additional obligations that rely on the state Cash Reserve Fund. However, it is clear that with continued spending restraint and a growing reserve of excess tax receipts, the opportunity for additional and continued tax relief for our citizens is within reach.

My recommendations include an increase of \$71 million in state aid through the state's primary school aid funding formula (TEEOSA). This represents a 3.0% increase in FY 2015-16 and 1.6% in FY 2016-17, as estimated by the Nebraska Department of Education in November 2014. In addition, I am recommending an additional \$16.2 million for state aid for special education which represents an increase of 2.5% each year. My recommendations for the University of Nebraska, Nebraska State College System, and community colleges provide a state funding increase of 3.0%.

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Most of the increase in funding of the Department of Health and Human Services, and the state budget for that matter, is a result of federal requirements related to our participation in the Medicaid program. The increase in the state General Fund appropriation for Medicaid is \$63.1 million, or 8.1% for FY 2015-16 alone.

My recommendations for the Department of Corrections include \$10.8 million in the current fiscal year and an additional \$45.7 million for the 2015-2017 biennium to address the operational costs of our prison system. I am excited to have a new leader in the Department of Corrections and I look forward to working with my new Corrections Director and the Legislature as we consider necessary improvements in the corrections system.

As you begin your work on the next biennial state budget I ask you to join me in providing direct property tax relief as priority one. I look forward to working with you and am hopeful that your use of Nebraska's conservative fiscal approach to development of the state budget will lead to greater opportunity and prosperity for the citizens of Nebraska.

Sincerely,

Pete Ricketts  
Governor