



Summary of Governor's 2017-2019 Budget Recommendations

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INTRODUCTION

On January 5, 2017, the Governor presented specific recommendations for \$276 million in budget adjustments to the current FY 2016-17 budget. The Governor's recommendations for FY 2016-17 were offered early as an important first step in addressing the FY 2015-16 tax receipt shortfall and revisions to tax receipt forecasts made by the Nebraska Economic Forecasting Advisory Board (NEFAB) in October 2016. His recommendations were presented in a publication entitled **Governor's Budget Recommendations FY 2016-17 Budget Adjustments One Hundred Fifth Legislature** and can be found at www.budget.nebraska.gov.

Today, January 12, 2017, the Governor is presenting his budget recommendations for the 2017-2019 biennium accompanied by proposals for tax relief and a more effective, more efficient, and more customer focused state government.

The Nebraska Economic Forecasting Advisory Board established its initial tax receipt forecasts for the 2017-2019 biennium at its October 2016 meeting. The Board will meet again in February and April 2017 to update the estimate of tax receipts prior to enactment of the state budget for the upcoming biennium. The initial forecast of net General Fund tax receipts is \$4.5 billion for FY 2017-18 and \$4.7 billion for FY 2018-19. According to the Legislative Fiscal Office the General Fund revenue growth adjusted for rate and base changes is estimated at four percent and 4.6 percent for FY 2017-18 and FY2018-19 respectively, or a biennium average of 4.3 percent. Nominal growth in General Fund net receipts resulting from the Board's forecast is estimated at 3.3 percent and 4.2 percent for FY 2017-18 and FY 2018-19 respectively, or a biennium increase of 3.7 percent. In addition, the Governor's budget recommendations anticipate \$28.2 million in FY 2017-18 and \$31.2 million in FY 2018-19 in additional tax receipts from online sales.

The Governor's overall budget recommendations for the 2017-2019 biennium provide for two-year average growth in state appropriations of 1.7 percent. The recommendation provides for a biennium ending balance of \$272.7 million, \$5.5 million in excess of the required three percent General Fund Reserve of \$267.2 million. Structural balance is restored to the State budget. The Governor recommends no tax increase and provides for a State Cash Reserve Fund with a \$500 million unobligated balance.

The recommendation includes an increase of \$90.3 million in state aid through the state's school aid funding formula (TEEOSA). This represents a 3.8 percent increase in FY 2017-18, another 1.5 percent increase in FY 2018-19, for a 5.4 percent increase for the biennium. Special education funding is also increased by \$10 million, or 3 percent.

New leadership at that Department of Corrections and legislative oversight has identified improvements for the correctional services workforce and programming for inmates to enhance public safety. An increase of \$20.1 million, or 6.9 percent is provided for specific improvements in our prison system. The Governor recommends the use of \$75.2 million in Cash Reserve Funds for construction of a Reception and Treatment Center at the Diagnostic and Evaluation Center (DEC) and the Lincoln Correctional Center during the 2017-2019 and 2019-2021

biennia. This facility will improve the operational capacity of the DEC and better meet the health needs of the inmate population.

State agencies, boards, and commissions have been required to exercise considerable fiscal restraint during FY 2016-17. Their General Fund budget requests for the 2017-2019 biennium include proposals that represent a possible eight percent budget reduction. Many of these budget modification proposals or other reductions have been included in the Governor's recommendations so that our limited resources may be used to finance K-12 education and operational improvements at the Department of Corrections as a matter of priority.

The Governor's recommendations for cash and revolving funded agencies often include base or other reductions to underscore the importance of good stewardship of non-General Fund tax or fee resources to finance state government services. These agencies are encouraged to reduce unused appropriations, excess balances, or taxes/fees where revenues are excessive.

Detailed tables and narrative are presented elsewhere in this report regarding the Governor's budget recommendations for the 2017-2019 biennium.

TAX RELIEF

Direct Property Tax Relief - Property tax relief continues to be the Governor's number one priority and direct relief is included in his budget recommendations to the members of the 105th Nebraska Legislature convening for their 2017 legislative session.

The Governor is recommending \$448 million in direct property tax relief for the 2017-2019 biennium which will be administered through the Property Tax Credit Cash Fund. This includes an additional \$40 million in direct property tax relief, \$20 million each year of the biennium as anticipated for the Property Tax Credit Cash Fund with enactment of LB 958 during the 2016 legislative session. This amount will be the largest in Nebraska's history and will be distributed to property tax payers as a credit against their local property bill in 2018 and 2019.

Agricultural Valuation Fairness Act - Due to the ever increasing valuation of agricultural land in Nebraska, the Governor is proposing to change the way agricultural land is valued in the state, moving from the current market value rate to an income potential model with a capitalization rate. This change would take place starting on January 1, 2019 with a General Fund impact of additional TEEOSA school aid to begin in FY 2020-21.

Income Tax Relief - The Governor supports cutting the burdensome top income tax rate to provide tax relief for Nebraskans. The Governor's proposal phases in a cut to the top rate starting in FY 2019-20, using a trigger method that reduces the rate each year that net General Fund revenue growth exceeds 3.5 percent for the upcoming fiscal year. This proposal is scheduled to move the top income tax rate from 6.84 percent down to 5.99 percent over an eight-year period.

MORE EFFECTIVE, MORE EFFICIENT, AND MORE CUSTOMER FOCUSED STATE GOVERNMENT

Veterans Homes Merger with Veterans Affairs - Merging the Department of Health and Human Services-Division of Veterans Homes with the Department of Veterans Affairs

(NDVA) will provide Nebraska's veterans and their dependents one place to receive benefits earned through their service. Combining these two entities will allow for a more effective and more efficient service model for Nebraska's veterans and their dependents, with one agency responsible for vet assistance throughout the veteran's life.

Aeronautics Merger with Department of Roads - Merging the Department of Roads and Aeronautics allows for a partnership that will lead to a more effective and more efficient service model in ensuring a 21st century transportation infrastructure across the State of Nebraska. With the creation of the Nebraska Department of Transportation, a central agency will be responsible for all modes of transportation and ensure the State is able to grow and expand. The merger will reduce the size of government, while ensuring we are delivering the most uniform transportation policy possible to continue to Grow Nebraska.

REGULATORY RELIEF

Providing for occupational licensing reforms helps reduce regulatory burdens for prospective job seekers in the State of Nebraska. These reforms will allow businesses to grow and expand by reducing the barriers that are necessary to ensure a healthy economy for the State. This will also allow for Nebraska to be more competitive in attracting and retaining new talent to continue to Grow Nebraska.

AGRICULTURE, ENVIRONMENT, AND NATURAL RESOURCES

AGRICULTURE. DEPARTMENT OF (18)

The agency identified four budget modifications as part of the budget submission for potential reductions in General Fund appropriation totaling \$763,905 in FY 2017-18 and \$779,039 in FY 2018-19 and Personal Service Limitation reductions totaling \$314,000 in FY 2017-18 and \$321,535 in FY 2018-19. The recommendation includes a General Fund appropriation reduction in operations of \$187,000 in FY 2017-18 and FY 2018-19. Also, recommended is a cash fund appropriation reduction of \$237,209 in FY 2017-18 and FY 2018-19 and a reduction in revolving fund appropriation of \$19,666 in FY 2017-18 and FY 2018-19.

Agricultural Suppliers Lease Protection Act - The recommendation does not include the agency request to increase cash fund appropriation by \$18,500 in FY 2017-18 and FY 2018-19 to provide services to local grain elevator owners holding a lease with the railroad. Since LB 435 (2002) there have been few inquiries and no official request for this support service. Historical expenditures in the Agricultural Suppliers Lease Protection Cash Fund do not justify an increase.

Increase Federal Fund Appropriation - The recommendation includes an increase of \$84,678 in FY 2017-18 and an increase of \$86,710 in FY 2018-19 for two federally funded positions under the FDA program for Animal Feed Regulatory Program Standards (ARFPS). Under the Food Safety Modernization Act, this program monitors and directs regulatory activities aimed at reducing foodborne illness attributed to feed safety hazards in facilities that manufacture, process, pack, or hold animal feed materials and supplies and it is critical in maintaining international export markets. This program is expected by the FDA to implement formal improvement plans to ensure continuous progression towards goals set at the state level.

Board and Lodging - The recommendation does not include an increase for board and lodging. The agency requested an additional \$4,892 General Fund appropriation and \$5,980 cash fund appropriation in FY 2017-18 and an additional \$5,137 General Fund appropriation and \$6,278 cash fund appropriation in FY 2018-19. It is recommended to continue reviewing all travel and eliminate non-essential travel.

Riparian Vegetation Aid Funding - The recommendation reduces state aid earmarked for Riparian Vegetation Aid from \$975,000 to \$487,500 in FY 2017-18 and FY 2018-19.

BRAND COMMITTEE, NEBRASKA (39)

The recommendation includes a \$216,000 cash fund appropriation increase in FY 2017-18 and FY 2018-19 to implement an electronic brand inspection document system. Currently, the Nebraska Brand Committee (NBC) uses a complete paper process for brand inspections. The NBC Database System will provide better customer service, while being more efficient by streamlining the way inspection information and fees are collected and forwarded onto the headquarters office.

The agency request to increase additional full-time inspection staff is not recommended. The NBC Database System is the first step to become more efficient. With the electronic brand inspection document system much of the repetitive paperwork done by the inspectors should be eliminated and should lessen the overtime hours.

The recommendation includes a cash fund appropriation reduction of \$357,120 in FY 2017-18 and FY 2018-19.

CORN BOARD, NEBRASKA (88)

The agency's request for a \$900,000 increase of cash fund appropriation in FY 2017-18 and FY 2018-19 is not recommended. The agency received a cash fund appropriation increase of \$838,788 in FY 2015-16 and FY 2016-17 to increase marketing contract activity. The agency reappropriated \$1,038,841 from FY 2015-16 to FY 2016-17. The recommendation includes a cash fund appropriation reduction of \$246,000 in FY 2017-18 and FY 2018-19.

DAIRY INDUSTRY DEVELOPMENT BOARD. NEBRASKA (61)

The agency requested an increase of \$300,043 in cash fund appropriation in FY 2017-18 and FY 2018-19 for increased marketing contract expenditures and administrative expenses. The agency projects revenue to increase in FY 2017-18 and in FY 2018-19 by only \$100,000 each year. The recommendation provides for a continuation level of funding with adjustments for administrative assessments. Should expected revenue occur during the biennium, the agency has sufficient appropriation to allow increased marketing contract expenditures and administrative expenses.

DRY BEAN COMMISSION (86)

The agency requests an increase in cash fund appropriation of \$8,000 for temporary salaries in FY 2017-18 and \$29,002 for temporary salaries and contractual services in FY 2018-19. LB 242A (2015) increased the base appropriation for Dry Bean Commission by \$40,000. The recommendation includes an increase in Personal Service Limitation by \$8,000 in FY 2017-18 and \$8,192 in FY 2018-19. Also, the recommendation includes a cash fund appropriation reduction of \$14,032 in FY 2017-18 and FY 2018-19.

ENERGY OFFICE, NEBRASKA (71)

The recommendation includes the agency's request for a cash fund appropriation reduction of \$435,438 in FY 2017-18 and FY 2018-19 and an offset for anticipated enterprise issues to more accurately reflect historical expenditures and distribution of aid. The recommendation also includes the agency's request to reduce General Fund appropriation by \$218,472 in FY 2017-18 and FY 2018-19, which was previously authorized by LB 469A (2015) to develop a state energy plan. Additional funding is not required.

ENVIRONMENTAL QUALITY, DEPARTMENT OF (84)

The agency identified five budget modifications as part of the budget submission for potential reductions in General Fund appropriation totaling \$580,683 in FY 2017-18 and FY 2018-19. Within the modifications were reductions for Personal Service Limitation of \$308,988 in FY 2017-18 and FY 2018-19. The recommendation includes a General Fund appropriation reduction in operations of \$181,908 in FY 2017-18 and FY 2018-19. Also recommended is a cash fund appropriation reduction of \$572,328 for aid and \$520,612 for operations in FY 2017-18 and in FY 2018-19.

The recommendation also includes eliminating \$1,824,996 of aid earmarked for Storm Water Management Grants in FY 2017-18 and FY 2018-19. LB 1226 (2006) created the Storm Water Management Plan Program and since the passage of the bill, DEQ has allocated approximately \$1,800,000 per fiscal year to communities. The grant funds were to be used for the implementation of the MS4 (Municipal Separate Storm Sewer System) communities' Storm Water Management plans.

Waste Reduction and Recycling Incentive Fund Transfer - The recommendation includes a fund transfer of \$400,000 from the Waste Reduction and Recycling Incentive Fund to the General Fund in FY 2017-18 and FY 2018-19.

Nebraska Litter Reduction and Recycling Fund Transfer - The recommendation includes a fund transfer of \$200,000 from the Nebraska Litter Reduction and Recycling Fund to the General Fund in FY 2017-18 and FY 2018-19.

Petroleum Release Remedial Action Cash Fund Transfer - The recommendation includes a fund transfer of \$500,000 from the Petroleum Release Remedial Action Cash Fund to the General Fund in FY 2017-18 and FY 2018-19. It is also recommended that up to \$1,500,000 be transferred from the Petroleum Release Remedial Action Cash Fund to the Superfund Cost Share Cash Fund so that the state continues to meet Superfund obligations. Without this transfer, Nebraska is still obligated to fund its share of the Superfund cleanups. A transfer eliminates the agency's need for General Funds for this purpose.

ETHANOL BOARD (60)

The recommendation includes a cash fund appropriation reduction of \$20,841 in FY 2017-18 and FY 2018-19. The agency requested a cash fund appropriation increase of \$18,050 in FY 2017-18 and \$30,305 in FY 2018-19 to increase marketing contract expenditures. This is not recommended as the agency has sufficient appropriation.

FAIR BOARD, STATE (52)

The recommendation for Fair Board is consistent with their request. Lottery proceeds are appropriated at a \$4,250,000 level for both FY 2017-18 and FY 2018-19, mirroring the FY 2016-17 appropriation.

GAME AND PARKS COMMISSION (33)

The agency identified four budget modifications as part of the budget submission for potential reductions in General Fund appropriation totaling \$1,380,588 in FY 2017-18 and in FY 2018-19. Specifically, the reductions were \$1,339,238 in operations and \$41,350 reduction in aid for the Niobrara Council. The recommendation includes many of the Commission's requests but a heavier reliance on agency cash funds. The agency request includes an increase in cash fund appropriation with funding provided by LB 745 (2016) that allowed changes to Game and Parks Commission fee and permit provisions. The increase in fees and permits will fund the Commission's duties to maintain and operate Nebraska's park and recreation activities. It is recommended to reduce General Fund appropriation by \$360,956 in FY 2017-18 and FY 2018-19.

Conservation Officer Training and Equipping - The recommendation includes an increase in cash fund appropriation of \$114,500 in FY 2017-18 and \$34,275 in FY 2018-19. These funds will be used to train and equip an additional credentialed Conservation Officer at Lake McConaughy. The agency requested a funding mix of 12 percent General Fund and 88 percent cash funds. However, the agency has sufficient cash balance to fund this request.

Nebraska Environmental Trust Program - The program has been placed administratively under the Nebraska Game and Parks Commission but acts autonomously. The recommendation includes an increase of \$1,500,000 for aid in FY 2017-18 and FY 2018-19 because of an estimated increase in revenue from lottery funds. The additional cash fund authority allows the Nebraska Environmental Trust to increase grant awards as applications continue to increase. The Nebraska Environmental Trust also requested an increase for cash fund appropriation for operations. In FY 2015-16 the Nebraska Environmental Trust budgeted \$537,480 for operational expenses and the actual operational expenses were \$434,048. It is recommended to reduce cash fund appropriation for operations by \$17,497 in FY 2017-18 and FY 2018-19. The Nebraska Environmental Trust program has sufficient funds for its operational requests.

Intensive Upland/Pheasant Habitat Work - The recommendation increases cash fund appropriation by \$689,170 in FY 2017-18 and \$697,146 in FY 2018-19. It is also recommended to increase the Personal Service Limitation by \$164,217 in FY 2017-18 and \$168,158 in FY 2018-19. This will provide an increase in habitat work with cool water streams, grassland management for pollinators and upland game birds. By improving the habitat, this will provide more quality hunting opportunities. This increase includes adding four FTE positions.

Law Enforcement Radio Replacements - It is recommended to replace outdated law enforcement radio equipment. The agency requested a funding mix of 12 percent General Fund and 88 percent cash fund appropriation. The agency has sufficient cash balance to fund this \$210,000 request in FY 2017-18 and FY 2018-19.

Legacy Program Upland Focus - The recommendation includes a \$100,000 cash fund appropriation increase in FY 2017-18 and FY 2018-19. The Legacy Program Upland Focus addresses the challenges of preserving Nebraska's biodiversity. A reduction in available federal

funds generates the recommendation to increase cash fund appropriation for contractual services and cooperative agreements.

Niobrara Council General Fund Support Increase - The Niobrara Council has been placed under the Nebraska Game and Parks Commission for administrative purposes only. The recommendation does not include a requested increase of \$37,989 in General Funds in FY 2017-18 and FY 2018-19. The Niobrara Council has sufficient funding to meet statutory duties laid out before the council. LB 956 (2016) increased cash fund authority by \$33,000 for the Niobrara Council to use for operational expenses, and was reappropriated in FY 2016-17. It is recommended that the General Fund appropriation be decreased by \$1,260 in FY 2017-18 and FY 2018-19.

Open Fields and Waters Program Pheasant Focus - The recommendation includes an increase of \$150,000 cash fund appropriation in FY 2017-18 and FY 2018-19. This is an increase in aid for landowner contracts, marketing, and evaluation. This program provides walk-in hunting and angling opportunities to the public on privately owned land.

Park Operational Increase - Projects that were accomplished in the previous biennium under capital improvement programs will necessitate increases in operational costs and staffing. These projects will have a positive impact on the park users experience. The recommendation includes an increase of \$128,364 cash fund appropriation of which \$33,427 will be used for temporary salaries in FY 2017-18 and \$159,917 cash fund appropriation increase of which \$43,556 will be used for temporary salaries in FY 2018-19.

Park Worker Minimum Wage - The recommendation increases cash fund appropriation by \$406,695 in FY 2017-18 and FY 2018-19 and a Personal Service Limitation increase of \$377,794 in FY 2017-18 and FY 2018-19. The new minimum wage at \$9.00 in the private sector is challenging for NGPC to attract qualified seasonal help. Park Worker I and II positions starting wages are \$7.591 and \$9.011 respectively. The increase in cash fund appropriation and an increase in Personal Service Limitation authority allows NGPC to bring employees in above the hiring rate and hire qualified seasonal help.

Venture Park Operations - The recommendation increases cash fund appropriation by \$482,626 in FY 2017-18 and \$940,036 in FY 2018-19. It is also recommended to increase Personal Service Limitation in FY 2017-18 by \$432,149 and in FY 2018-19 by \$815,204. The increase in Personal Service Limitation will be for an additional 59 part-time and four full-time staff positions that will be necessary to support the first phase of the Venture Park activities.

Wildcat Hills Shooting Complex Funding Shift - The recommendation is to transfer the operating budget authority of Wildcat Hills SRA Shooting Complex from the Communications Division (Program 336) to the Parks Division (Program 549). There would be a no net change but the program funding shift would allow for a more efficient operation and management of the facility with on-site park staff.

State Radio System Device Fee - Due to additional users and devices being added to the Statewide Radio System (primarily from the Department of Roads), the OCIO was able to adjust User/Device Fees for other State agencies, resulting in cost savings beginning in FY 2018-19 from previously budgeted amounts. These savings amount to \$21,355 for the Game and Parks Commission. The recommendation includes reducing the General Fund appropriation by \$21,355 in FY 2018-19.

GRAIN SORGHUM BOARD (92)

The recommendation includes reducing the cash fund appropriation by \$8,907 in FY 2017-18 and FY 2018-19. The agency has sufficient appropriation.

NATURAL RESOURCES, DEPARTMENT OF (29)

The agency identified three budget modifications as part of the budget submission for potential reductions in General Fund appropriation totaling \$1,563,149 in FY 2017-18 and FY 2018-19. Specifically, the reductions were \$1,126,480 in operations in Soil and Water Conservation Program and \$436,669 in aid in NE Soil & Water Conservation Program. The recommendation includes a reduction in General Fund appropriation for operations of \$338,604 and a reduction for aid of \$163,751 in FY 2017-18 and FY 2018-19. It is also recommended to reduce cash fund appropriation in operations by \$28,763 and \$575,490 in aid in FY 2017-18 and FY 2018-19.

It is recommended to extend the grant from the Nebraska Environmental Trust for an additional three-years beginning in FY 2017-18 and to use the same priority points in the ranking process established in LB 229 (2011). This funding is \$3,300,000 each fiscal year which is necessary for the state to meet its commitments for interstate compacts and agreements in fully and overappropriated river basins.

LB 1098 (2014) created the Water Sustainability Fund with the intent of the Legislature that \$11,000,000 be transferred from the General Fund to the Water Sustainability Fund each fiscal year beginning in FY 2015-16. The recommendation includes a reduction of the transfer from General Fund to the Water Sustainability Fund of \$330,000 in FY 2017-18 and FY 2018-19. The Natural Resources Commission is still able to provide cost-share financial assistance to programs, projects, or activities addressing water quantity, water quality, flood mitigation, and other water-related issues. Also when Program 313, the Water Sustainability Fund, was created the Legislature appropriated funds to offset DNR's added cost of personnel and operating expenses in administering this program. It is recommended to consolidate all personnel and related operating costs into the main operating program, Program 334, Soil and Water Conservation. The operating expense budget in Program 313 is \$134,967 which is for two positions, benefits, and operating expenses. There would be no net impact to move all personnel and related operating cost into the main operating program.

OIL AND GAS COMMISSION (57)

The recommendation includes a cash fund appropriation reduction of \$50,000 in FY 2017-18 and FY 2018-19 to more accurately reflect historical spending patterns. The recommendation does not include the agency's request for an additional \$10,000 in FY 2017-18 and FY 2018-19 for website and software costs. The agency has sufficient cash fund appropriation to fund this request.

POWER REVIEW BOARD (74)

The recommendation includes a cash fund appropriation reduction of \$50,000 in FY 2017-18 and FY 2018-19 to more accurately reflect historical spending patterns and should not negatively affect the operations of the agency.

WHEAT BOARD, NEBRASKA (56)

The agency request to decrease cash fund appropriation in FY 2017-18 by \$710,683 and \$642,439 in FY 2018-19 so that the base appropriation level will more closely reflect the projected revenue is recommended.

The agency requested an increase in cash fund appropriation of \$57,895 in FY 2017-18 and \$59,284 in FY 2018-19 for an additional Agriculture Promotion Coordinator. The recommendation includes an increase in Personal Service Limitation. The base level of appropriation is sufficient to allow this request.

ECONOMIC DEVELOPMENT AND REGULATORY

ABSTRACTERS, BOARD OF EXAMINERS (66)

The recommendation includes a decrease in cash fund authority of \$250 in FY 2017-18 and FY 2018-19 in contractual services as requested by the agency. Not included is a request for personal vehicle mileage due to an average underutilization of appropriation of over \$5,000 the last three years. A cash fund base reduction of \$1,495 is also recommended for FY 2017-18 and FY 2018-19 due to the need to exercise fiscal restraint.

ACCOUNTABILITY AND DISCLOSURE COMMISSION (87)

The recommendation includes a decrease in General Fund appropriation of \$1,200 in FY 2017-18 and FY 2018-19 as requested by agency to reduce one-time expenses related to the passage of LB 400 (2016). Several General Fund budget modifications as identified by the agency totaling \$18,111 in FY 2017-18 and FY 2018-19 in reduced General Funds are also included in the recommendation.

BANKING, DEPARTMENT OF (19)

The recommendation includes an agency identified cash fund authority reduction of \$264,443 in FY 2017-18 and \$450,950 in FY 2018-19 to more closely match appropriation to actual expenditures. The recommendation also includes a \$25,000 shift of cash fund appropriation from the Financial Institution Program to the Securities Program to allow expenditures in each program for settlement funds as requested by agency in FY 2017-18 and FY 2018-19.

Securities Act Cash Fund Transfers - The recommendation includes a transfer of \$30,000,000 in FY 2017-18 and FY 2018-19 from the Securities Act Cash Fund to the General Fund.

BARBER EXAMINERS, BOARD OF (45)

The recommendation includes a cash fund base reduction of \$5,000 in FY 2017-18 and FY 2018-19. On average over the last three years, the agency has underutilized its base appropriation by over \$38,000.

ECONOMIC DEVELOPMENT, DEPARTMENT OF (72)

The recommendation includes an increase in cash fund aid of \$400,000 in FY 2017-18 and FY 2018-19 as requested by the agency. Also included is a reduction in federal fund operations of \$96,907 in FY 2017-18 and FY 2018-19 and a reduction in federal fund aid of \$5,000,000 in FY 2017-18 and FY 2018-19 as a result of the conclusion of the Nebraska Progress Loan Fund Program as requested by the agency. The recommendation includes a reduction in cash fund aid authority of \$4,500,000 in FY 2017-18 and FY 2018-19 as requested by the agency.

The agency identified eight modifications as part of the budget submission for potential reductions in General Fund appropriations. The recommendation includes four of these totaling \$424,273 for FY 2017-18 and FY 2018-19. They include a reduction in management consulting services of \$270,000, reduction in personal vehicle mileage of \$25,000, and a cash fund cost shift for a portion of the Economic Development manager responsibilities of \$29,273. Lastly, a General Fund aid reduction to the entrepreneur and small business program of \$100,000 in FY 2017-18 and FY 2018-19 was identified by the agency and is included in the recommendation.

ELECTRICAL DIVISION, STATE (30)

The recommendation includes a cash fund base reduction \$52,100 in FY 2017-18 and FY 2018-19. On average over the last three years, the agency has underutilized its base appropriation by over \$96,000.

ENGINEERS AND ARCHITECTS, BOARD OF (58)

The recommendation includes the agency identified reductions in cash fund authority of \$11,975 in FY 2017-18 and \$14,975 in FY 2018-19 for reduced expenses in printing, mailing, and expenses related to not hosting an event that was previously planned to occur. Additionally, the agency requested a cash fund reduction of \$4,900 in FY 2017-18 and FY 2018-19 for reduced per diem expenses for board members. An additional cash fund base reduction of \$7,900 in FY 2017-18 and FY 2018-19 is also recommended as on average over the last three years, the agency underutilized its base appropriation by over \$91,000.

GEOLOGISTS, BOARD OF (59)

The recommendation includes an increase in cash fund authority of \$1,193 in FY 2017-18 and \$1,693 in FY 2018-19 as requested by the agency to provide for an administrative services contract with the Board of Engineers & Architects. Not included is the agency requested cash fund authority increase for travel expenses and website redesign due to the need to exercise fiscal restraint. A cash fund base reduction of \$1,000 in FY 2017-18 and FY 2018-19 is also recommended as a result of fiscal restraint.

INSURANCE, DEPARTMENT OF (22)

The recommendation includes an agency identified cash fund reduction of \$1,360,075 and federal fund reduction of \$137,275 in FY 2017-18 and a cash fund reduction of \$1,359,376 and federal fund reduction of \$100,488 in FY 2018-19. The recommendation also includes the agency identified correction of \$702,109 to appropriately reflect the aid earmark for the Senior Health Insurance Information Program (SHIIP) as a shift from federal fund operations to federal fund aid with no net overall impact to federal funds. Not included in the request is cash fund authority to add two FTE positions for actuaries as the positions are not deemed mission critical.

Department of Insurance Cash Fund Transfers - The recommendation includes a transfer of \$8,250,000 in FY 2017-18 and FY 2018-19 from the Department of Insurance Cash Fund to the General Fund.

LABOR, DEPARTMENT OF (23)

The recommendation includes the following agency requested items: an increase in federal fund appropriation of \$70,702 in FY 2017-18 for a new ApprenticeshipUSA State Accelerator Grant, an increase in cash fund authority of \$64,583 in FY 2017-18 to gain efficiencies by hiring two permanent inspectors instead of utilizing temporary staff, and an increase in federal fund authority of \$7,000,000 in FY 2017-18 and FY 2018-19 to replace three current information technology systems and create efficiencies for citizens utilizing the Unemployment Insurance Tax and Benefits System. The recommendation also includes a federal fund base reduction as identified by the agency in operations of \$6,423,911 in FY 2017-18 and \$6,448,805 in FY 2018-19 as well as a federal fund base reduction in aid of \$3,600,000 in FY 2017-18 and FY 2018-19 to better align appropriation to current needs. The recommendation includes a General Fund reduction in the amount of \$20,814 in FY 2017-18 and FY 2018-19 instead of the requested agency amount of \$70,814.

The recommendation also includes a reduction of \$164,237 in FY 2017-18 and FY 2018-19 to recognize savings in two vacant information technology positions as well as a Personal Service Limitation reduction of \$260,067 in a multi-agency issue related to Office of the Chief Information Officer information technology consolidation and a reduction of four FTE positions. An additional transfer of \$250,000 from the Nebraska Training and Support Cash Fund to the Sector Partnership Fund is recommended for FY 2017-18 and FY 2018-19 to support the shared funding for the Department of Economic Development. The Department of Labor is currently contributing \$250,000 annually to the development of labor availability studies in the Sector Partnership Program.

LAND SURVEYORS, BOARD OF EXAMINERS (62)

The recommendation includes a cash fund base reduction of \$8,374 in FY 2017-18 and FY 2018-19. On average over the last three years, the agency has underutilized its base appropriation by over \$11,000.

LANDSCAPE ARCHITECTS, NEBRASKA STATE BOARD OF (73)

The recommendation includes an increase in cash fund authority of \$491 in FY 2017-18 and \$991 in FY 2018-19 to provide for an administrative services contract with the Board of Engineers & Architects, and an increase in cash fund authority of \$120 in FY 2017-18 and \$245 in FY 2018-19 for increased association dues which allows access to the registration exam required for licensure. Not included are the requested increases in cash fund authority for attendance at association annual meetings, E-Commerce expense, and educational outreach as a result of the need to exercise fiscal restraint. A cash fund base reduction of \$775 in FY 2017-18 and \$800 in FY 2018-19 is also recommended to exercise further fiscal restraint.

PUBLIC ACCOUNTANCY, BOARD OF (63)

The recommendation includes the agency identified reductions in cash fund authority of \$729 in FY 2017-18 and FY 2018-19 for savings in distributing the annual board letter, a reduction of \$11,000 in FY 2017-18 and FY 2018-19 for legislative changes made in the National Peer Review Program, and a reduction of \$5,000 in FY 2017-18 and FY 2018-19 for savings in bank fees associated with online transactions.

PUBLIC SERVICE COMMISSION (14)

The recommendation includes the agency requested salary reallocation to funding resulting from the passage of LB 938 (2016) which is a reduction of \$136,071 in General Funds and a reduction of \$9,468 in cash funds in FY 2017-18 and FY 2018-19. The recommendation includes a General Fund increase in Commissioner expenses of \$19,516 in FY 2017-18 and FY 2018-19 as requested by the agency. A cash fund base reduction of \$2,500,000 is also included in the recommendation in FY 2017-18 and FY 2018-19 composed of \$1,750,000 aid and \$100,000 in operations in the Universal Service Fund program, \$150,000 in operations in the Telecommunication Relay System Fund, and \$500,000 of operations in the Natural Gas Regulation program. The General Fund request of \$116,824 in FY 2017-18 and \$98,759 in FY 2018-19 for a track inspector and a cash fund request of \$24,000 in FY 2017-18 for a vehicle for the grain department are not included due to the need to exercise fiscal restraint. Budget modifications identified by the agency for salary reallocations that shift expenses from General Funds to cash funds totaling \$94,417 in FY 2017-18 and \$97,454 in FY 2018-19 are included in the recommendation.

RACING COMMISSION, NEBRASKA STATE (36)

The recommendation includes a cash fund base reduction of \$250,000 in FY 2017-18 and FY 2018-19. On average over the last three years, the agency has underutilized its base appropriation by over \$473,000.

REAL ESTATE COMMISSION (41)

The recommendation includes a cash fund base reduction of \$37,000 in FY 2017-18 and FY 2018-19 to exercise fiscal restraint. Due to the need to complete a database replacement project, the recommendation includes \$230,000 of reappropriated funds from FY 2015-16 to be carried into the 2017-2019 biennium. Not included in the recommendation is the cash fund authority request for examination fees and a licensee system support contract as on average over the last three years, the agency has underutilized its base appropriation by over \$38,000.

REAL PROPERTY APPRAISER BOARD (53)

The recommendation includes agency identified reductions in cash fund authority totaling \$14,024 in FY 2017-18 and FY 2018-19 as a result of savings related to the enactment of LB 139 (2015), savings in conference registrations, board and lodging, and other travel expenses. Due to the need to complete a database replacement project, the recommendation includes \$69,409 of reappropriated funds from FY 2015-16 to be carried into the 2017-2019 biennium. Not included in the recommendation is the requested increase in cash fund authority of \$2,652 in FY 2017-18 and \$2,716 in FY 2018-19 for a position reclassification as on average over the last three years, the agency has underutilized its base appropriation by over \$22,000.

SECRETARY OF STATE (09)

Departmental Administration - The recommendation includes the agency request to annualize funding, adjust Personal Service Limitation, and reduce one-time costs from the base as a result of the passage of LB 465 (2016) which recognizes the decrease in General Funds of \$12,068 in FY 2017-18 and \$17,132 in FY 2018-19 and an increase in cash funds of \$6,000 in FY 2018-19. Also included is the agency requested reduction in cash fund base appropriation of \$65,800 for the Rules & Regulations Filing and Approval Project with an anticipated completion date in FY 2016-17. The agency requested an increase in General Funds with a corresponding decrease in cash fund authority of \$65,861 in FY 2017-18 and FY 2018-19 as the paperless system is anticipated to be completed in FY 2016-17 but costs to maintain the system are still present. While it is included in the recommendation, it will be financed with a cash fund transfer from the Records Management Cash Fund to the General Fund. The requested increase in General Funds of \$5,000 for administrative support for boards and commissions in FY 2017-18 and FY 2018-19 is not included due to the need to exercise fiscal restraint.

Election Administration - The recommendation includes the agency requested increase in General Funds for software and hardware maintenance of \$273,439 in FY 2017-18 and \$78,804 in FY 2018-19 as well as the shift from cash funds to General Funds of \$190,810 in FY 2017-18 and \$210,810 in FY 2018-19 and the elimination of \$60,000 in cash fund aid. The General Fund cost of these two items would be offset with a cash fund transfer from the Records Management Cash Fund to the General Fund. Also included is a federal fund reduction of \$98,300 in FY 2017-18 and FY 2018-19 as requested by the agency to reflect the loss of a disability grant. A General Fund base reduction of \$44,015 in FY 2017-18 and FY 2018-19 for this division is also included in the recommendation in lieu of the agency identified budget modification. Not included in the recommendation is a request of cash fund authority of \$108,120 in FY 2017-18 and \$49,920 in FY 2018-19 to implement a two-factor authentication system due to the need to exercise fiscal restraint.

Enforcement of Standards/Corporations - The recommendation includes the agency requested cash fund increase of \$1,635,000 in FY 2017-18 and a cash fund reduction of \$625,000 in FY 2018-19 with shared funding from corporations and Uniform Commercial Code programs.

Enforcement of Standards/Collection Agencies - The recommendation includes the agency requested Personal Service Limitation increase of \$5,000 in FY 2017-18 and FY 2018-19 but does not include the agency requested cash fund appropriation increase of \$25,981 in FY 2017-18 and FY 2018-19 for licensing software maintenance and support costs as on average over the last three years, the agency has underutilized its base appropriation in this program by over \$50,000.

Enforcement of Standards/Records Management - The recommendation includes the agency requested increase in cash fund authority of \$395,258 in FY 2017-18 and \$713,892 in FY 2018-19 for distributing funds to state agencies providing online services through the portal as well as the agency requested decrease in revolving funds of \$208,257 in FY 2017-18 and \$218,365 in FY 2018-19 which includes a reduction of three FTE positions. The recommendation does not include the General Fund request of \$52,810 in FY 2017-18 and \$54,455 in FY 2018-19 to add a Records Analyst position due to fiscal restraint.

Uniform Commercial Code Central Filing - The recommendation includes an agency identified reduction in cash fund authority of \$125,945 in FY 2017-18 and FY 2018-19 as counties no longer require the connection to the state's system to access information for Uniform Commercial Code filings. The recommendation also includes the agency requested

reduction in cash fund authority of \$27,382 in FY 2017-18 and \$54,759 in FY 2018-19 due to the master lien list being published online and efficiencies that have been gained.

Records Management Cash Fund Transfers - The recommendation includes a transfer of \$530,000 in FY 2017-18 and \$356,000 in FY 2018-19 from the Records Management Cash Fund to the General Fund as referenced above in Election Administration and Departmental Administration sections.

TOURISM COMMISSION, NEBRASKA (91)

The recommendation includes a cash fund base reduction of \$160,000 in FY 2017-18 and FY 2018-19 to exercise fiscal restraint. The recommendation also includes a shift of \$250,000 from General Fund aid to cash fund aid in FY 2017-18 and FY 2018-19 as sufficient cash fund revenues are generated by the lodging tax and would continue to support marketing efforts.

EDUCATION AND CULTURAL DEVELOPMENT

ARTS COUNCIL, NEBRASKA (69)

Promotion of the Arts - The agency request for \$14,460 General Funds in FY 2017-18 and \$29,150 General Funds in FY 2018-19 for retirement payouts is not recommended. It is recommended the agency submit a deficit request if additional funding is needed when a retirement occurs. The recommendation includes agency identified budget modifications reducing the agency's General Fund support by \$18,500 in FY 2017-18 and FY 2018-19 which includes scheduled computer replacement, market research provided by consultants for strategic planning, and the biennial Statewide Arts Conference social event.

Aid to the Arts - The requested increase in Basic Support Grant Funding is not recommended. The recommended agency identified low priority which will reduce the agency's general fund support by \$44,750 will eliminate contractual partnerships which provide discounts and services to artists.

COMMUNITY COLLEGE AID, NEBRASKA (83)

After many years of increasing spending, community colleges must participate in restraining spending and increasing efficiencies to lessen the burden on property taxpayers, student tuition, and state taxpayers. The Aid for Community Colleges Program will participate in a reduced appropriation similarly to other state agencies. This results in a decrease of \$3,024,849 General Funds in FY 2017-18 with no annual change in appropriation for FY 2018-19.

EDUCATION, DEPARTMENT OF (13)

Education Administration and Support - The requested upgrade to the Teacher Certification System was ranked as a Tier One by the Nebraska Information Technology Commission and the \$275,000 cash funds in FY 2017-18 and FY 2018-19 is recommended.

The agency proposed to sunset the Council on School Attendance and the recommendation includes reducing \$6,402 General Funds in FY 2017-18 and FY 2018-19. The agency proposed removing the multicultural coordinator and high ability learner coordinator

positions, which are currently vacant. The recommendation reduces \$303,767 General Funds in FY 2017-18 and FY 2018-19 consistent with the agency request. The Microsoft IT Academy was originally intended to be one-time funding and is a recommended modification which reduces \$500,000 General Funds in FY 2017-18 and FY 2018-19. The recommendation includes the agency's ability to use indirect funds for Education Commission of States' dues which reduces \$60,500 General Funds in FY 2017-18 and FY 2018-19.

Master Teacher Program - The Master Teacher Program Act, enacted in 2000, had not received funding from the Legislature until FY 2015-16. The recommendation reduces the \$30,000 in operations and \$470,000 in aid for FY 2017-18 and FY 2018-19.

Vocational Rehabilitation - The agency's Career Pathways Advancement Project federal funding request of \$707,261 in FY 2017-18 and \$1,498,951 in FY 2018-19 is included in the recommendation. The agency request regarding the change in the Federal Workforce Investment and Opportunity Act is not recommended, however, the Department of Education and the Department of Health and Human Services should work together and form a Memorandum of Understanding regarding the organizational management of the program. The agency's request for an increase to program income for additional federal social security funds of \$500,000 in FY 2017-18 and \$1,000,000 in FY 2018-19 is recommended. The agency's request regarding a new funding source for the State Independent Living Grant decreases \$30,111 General Funds in FY 2017-18 and FY 2018-19 is recommended.

Education Aid:

TEEOSA - The Governor's budget emphasizes education as a priority. The recommendation for FY 2017-18 increases TEEOSA by \$36,319,203. The recommendation for FY 2018-19 includes an additional \$51,146,294 over the FY 2016-17 appropriation which results in a biennium increase of general fund support of 5.4 percent while the Governor's overall General Fund state budget only increases 1.7 percent annually. The recommendation which grows more in the first year provides for sufficient planning time for school districts to plan for restrained growth.

TEEOSA School Aid

	FY 2016-17	FY 2017-18	FY 2018-19
	Certified	<u>Governor's Rec</u>	<u>Governor's Rec</u>
State Support			
General Funds	952,153,581	988,472,784	1,003,299,875
Insurance Premium Tax	27,159,388	28,000,000	29,104,536
Total State Support	979,312,969	1,016,472,784	1,032,404,411
State Support Annual Change	26,834,766	37,159,815	15,931,628
State Support Annual percent Change	2.7 percent	3.8 percent	1.5 percent

Special Education Aid - The recommendation includes an additional \$10,042,805 or 3.02 percent General Funds over the biennium while the Governor's overall General Fund state budget only increases 1.7 percent.

School Food Aid Programs - School Breakfast, School Lunch, and Summer Food earmarks are excluded from reductions in FY 2017-18 and FY 2018-19.

EDUCATIONAL LANDS AND FUNDS, BOARD OF (32)

School Land Trust - The agency request to increase \$2,719,990 cash funds in FY 2017-18 and \$4,763,333 cash funds in FY 2017-18 for real estate taxes is recommended. The agency request for field representative retirements of \$39,030 cash funds in FY 2017-18 and \$82,020 cash funds in FY 2018-19 is recommended. The agency request to increase funding to control noxious weeds is recommended which increases \$32,765 cash funds in FY 2017-18 and \$67,165 cash funds in FY 2018-19.

Land Surveys - The requested increase of \$34,117 in FY 2018-19 Personal Service Limitation for the State Surveyor's retirement is recommended. The agency's proposed reduction of .28 FTE position is recommended which reduces \$39,577 General Funds in FY 2017-18 and FY 2018-19.

EDUCATIONAL TELECOMMUNICATIONS COMMISSION, NEBRASKA (47)

The agency's proposal to utilize foundation funds of \$39,000 for television and radio acquisitions is recommended. The recommendation also includes the agency's proposals to reduce UNTV contracted services by \$153,000 General Funds, television discretionary operating expenses by \$40,936 General Funds, and \$142,300 General Funds for the research and the help desk positions in FY 2017-18 and FY 2018-19.

HISTORICAL SOCIETY, STATE (54)

The agency's request to reduce \$100,000 General Funds in FY 2017-18 and \$100,000 General Funds in FY 2018-19 for one-time funding of the Main Street Program is recommended. The sunset of the Sesquicentennial Commission reduces \$94,000 General Funds in FY 2018-19. The recommendation also includes a base reduction of \$135,368 General Funds in FY 2017-18 and \$135,368 General Funds in FY 2018-19 allowing the agency flexibility in determining operating reductions. The Historical Society's request for \$90,000 General Funds in FY 2017-18 and \$90,000 General Funds in FY 2018-19 for storage and preservation of electronic records is not provided; however, the Historical Society and the Library Commission have similar statutory requirements regarding electronic records and are encouraged to work together to develop a shared system for preservation of electronic records.

INDIAN AFFAIRS, NEBRASKA COMMISSION ON (76)

The recommendation includes a General Fund appropriation reduction of \$16,424 in FY 2017-18 and FY 2018-19 to adjust the amount of funding budgeted for health insurance expenses to better reflect actual anticipated expenditures.

LATINO-AMERICAN COMMISSION (68)

The recommendation includes a General Fund appropriation reduction of \$6,385 in FY 2017-18 and FY 2018-19 to encourage the reduction of state spending during the current economic downturn. The recommendation does not include the agency's request to increase General Funds by \$3,500 in FY 2017-18 and FY 2018-19 for additional travel expenses.

LIBRARY COMMISSION, NEBRASKA (34)

The agency's proposed reduction of two vacant positions, an IT Infrastructure Support Technician and a Research Analyst I, is recommended which reduces \$114,353 General Funds in FY 2017-18 and \$171,644 General Funds in FY 2018-19. The recommendation includes the agency provided modification to reduce aid programs reducing \$40,000 General Funds in FY 2017-18 and FY 2018-19.

POSTSECONDARY EDUCATION, COORDINATING COMMISSION FOR (48)

Administration - The \$42,829 General Funds in FY 2017-18 for a retirement payout is recommended. The agency proposed reduction to their health insurance reserve by \$24,561 General Funds in FY 2017-18 and \$17,762 General Funds in FY 2018-19 is recommended. Agency proposed modifications to the employee tuition reimbursement program, operating expenditures, the SHEEO conference, and the travel budget of \$23,499 General Funds in FY 2017-18 and \$23,499 General Funds in FY 2018-19 is recommended.

Nebraska Opportunity Grants - The agency proposed a reduction to the Nebraska Opportunity Grants through the modification process of \$1,878,252 General Funds in FY 2017-18 and FY 2018-19. The Governor recommends reducing \$300,000 General Funds in FY 2017-18 and FY 2018-19; however, this is offset by increasing \$300,000 cash funds in FY 2017-18 and FY 2018-19 from lottery proceeds to allow the commission the spending authority to continue the current level of scholarship grants.

STATE COLLEGE SYSTEM, NEBRASKA (50)

The recommendation includes a decrease of \$749,369 or 1.4 percent General Funds in FY 2017-18 and an annual increase of \$848,433 or 1.6 percent General Funds in FY 2018-19 which is similar to the overall State General Fund budget growth.

UNIVERSITY OF NEBRASKA (51)

The recommendation includes a reduction of \$1,250,000 General Funds in FY 2017-18 and FY 2018-19 to recognize the one-time biennium funding of the Yeutter Institute that was provided in FY 2016-17. The university was reduced only 2.3 percent General Funds in FY 2016-17 with the understanding additional reductions would be made in the 2017-2019 biennial budget. A reduction of 2.1 percent which equals \$12,168,724 General Funds in FY 2017-18 is recommended. The recommendation also includes an annual increase of 1.2 percent which equals \$6,765,809 General Funds in FY 2018-19.

GENERAL GOVERNMENT

GOVERNOR, OFFICE OF (07)

Operating Expense Appropriation Reduction - The biennial budget request for the Office of the Governor included a request to reduce the General Fund appropriation by \$91,383 in each of FY 2017-18 and FY 2018-19 compared to the FY 2016-17 base. The recommendation includes a reduction to the appropriation allocated for operating expenses of \$64,000 General Funds in FY 2017-18 and FY 2018-19 for the Office of the Governor.

Eliminate Executive Assistant Position - The Governor further recommends that the appropriation for the Governor's Office budget be reduced by \$65,482 General Funds and \$52,306 Personal Service Limitation each year, which includes the elimination of one FTE Executive Assistant position.

Increases are provided for employee salary and health insurance expenses. The net overall reduction to the agency budget (excluding the Governor's Salary budget program) prior to adding in funding for employee salaries and health insurance is over six percent compared to the FY 2016-17 base General Fund appropriation.

LEGISLATIVE COUNCIL (03)

Align General Fund Appropriation with Actual Expenditures - Over the past five years from FY 2011-12 through FY 2015-16, the Legislative Council has under-expended its General Fund "new" appropriation by an average of four percent. The recommendation includes a three percent reduction to the base General Fund appropriation (excluding the Legislators' Salaries budget program) with increases then provided for employee salary and health insurance increases. The recommendation also includes an umbrella appropriation of the various operating programs with flexibility that allows the Legislative Council to allocate the appropriation as needed.

LIEUTENANT GOVERNOR, OFFICE OF (08)

Health Insurance Rebase - The biennial budget request for the Lieutenant Governor's Office included a request to rebase the General Fund appropriation to the Lieutenant Governor's salary program by \$1,400 related to the lower than budgeted cost of health insurance. This is in lieu of a reduction to the Lieutenant Governor's Office operating program, which is very small by comparison and consists primarily of the cost of salary and benefits of the Lieutenant Governor's administrative assistant. The recommendation includes the reduction as requested.

HEALTH AND HUMAN SERVICES

BLIND AND VISUALLY IMPAIRED, NEBRASKA COMMISSION FOR THE (81)

The agency requested a General Fund decrease of \$51,513 for FY 2017-18 and FY 2018-19 to replace lost federal funds in the Independent Living program and payments for rent surcharge. The recommendation does not support the replacement of decreasing federal funds with General Funds.

The recommendation includes the agency identified budget modification to eliminate a vacant Counselor Position that has been vacant since 2014 in each year in the amount of \$32,434 of General Funds, \$7,402 of federal funds, \$34,595 of Personal Service Limitation.

The recommendation includes a reduction in the Personal Service Limitation by \$137,636 in each year. The agency did not identify a specific use for this authority and is reduced because it is not needed.

DEAF AND HARD OF HEARING, NEBRASKA COMMISSION FOR THE (82)

The agency requested a General Fund increase of \$139,394 for FY 2017-18 and \$134,996 for FY 2018-19 to expand the services and support of residents and support of a national convention set to take place during 2017. The recommendation does not include additional funding as requested by the agency as the revenues of the state do not support an increase of services at this time or provide one-time funding for a convention that is already set to occur in 2017.

The recommendation includes the agency identified budget modification for a base reduction of \$30,500 General Funds for both years of the biennium.

The recommendation includes a reduction in the Personal Service Limitation by \$15,000 in each year. The agency did not identify a specific use for this authority and is reduced because it is not needed.

FOSTER CARE REVIEW OFFICE (70)

The recommendation includes the agency requested federal fund base reduction of \$184,592 for each of FY 2017-18 and FY 2018-19 based on projections and historical analysis of actual federal funds received by the Foster Care Review Office.

The agency identified through budget modification reductions of \$199,562 General Funds and \$66,521 federal funds for each of FY 2017-18 and FY 2018-19. Implementing the reduction would involve reducing agency staffing by approximately 3.33 FTE positions. The recommendation includes a scaled down reduction of \$56,000 General Funds, along with \$18,667 federal funds and \$38,509 Personal Service Limitation for each fiscal year of the biennium, possibly resulting in a reduction of one FTE position.

HEALTH AND HUMAN SERVICES, DEPARTMENT OF (25)

The recommendation for the General Fund operations and aid budgets for the Department of Health and Human Services for FY 2017-18 and FY 2018-19, along with dollar and percentage changes from the FY 2016-17 base year are shown in the following table:

DHHS General Funds	FY 2016-17 Approp	FY 2017-18 Gov Rec	\$ chg	% chg	FY 2018-19 Gov Rec	\$ chg from FY 2016-17	% chg from FY 2016-17
Operations	262,140,415	264,256,770	2,116,355	0.8%	269,389,461	7,249,046	2.8%
Aid	1,373,437,632	1,339,826,529	(33,611,103)	-2.4%	1,356,379,737	(17,057,895)	-1.2%
Total	1,635,578,047	1,604,083,299	(31,494,748)	-1.9%	1,625,769,198	(9,808,849)	-0.6%

Operations Division

The department requested \$1,916,448 General Funds and \$1,525,510 federal funds for FY 2017-18 and \$1,916,448 General Funds and \$1,525,510 federal funds for FY 2018-19 to support the department's legacy eligibility platform (NFOCUS) as Medicaid migrates to a modern eligibility platform (NTRAC). Increased funding is needed to support the remaining divisions that continue to use the current NFOCUS platform until future phases of the project are implemented. The Governor's recommendation includes the funding to support NFOCUS as requested by the department.

The recommendation includes implementation of numerous modifications identified by the agency totaling a reduction of \$416,950 General Funds for FY 2017-18 and FY 2018-19. Implementing the modifications involve operational efficiencies, contract reductions which include software license reductions, cost savings from business process improvements, and reductions in office supplies and travel expenditures. Executing the modifications will have no impact to client services.

Public Health Division

The recommendation includes merging Program No. 179 - Public Health with Program No. 262 - Public Health Administration for FY 2017-18 and FY 2018-19. Merging the two administrative programs within the Division of Public Health provides much needed flexibility in federal grants management and eliminates the confusion regarding two administrative programs within the division.

The recommendation includes a number of agency identified modifications that reduce General Fund costs by introducing operational and service delivery efficiencies, shifting costs to available cash or federal funds, and rebasing of program budgets to align budget with projected expenditures. The recommended modifications to General Fund appropriations include:

- Aid to local health departments is reduced \$189,824 General Funds for each of FY 2017-18 and FY 2018-19, representing a ten percent reduction in the General Funds available to the 18 local health departments, but a much smaller portion of their total budget. The Department of Health and Human Services will work with each of the local health departments to maximize their opportunity to use federal funds they continue to receive.
- General Fund for the Rural Health Student Loan Repayment Program is reduced by \$78,800 for FY 2017-18 and FY 2018-19. These funds are allocated prospectively, allowing this ten percent reduction to be accomplished without impact to current loan recipients.
- General Fund support of \$104,054 for FY 2017-18 and FY 2018-19 for the State Board of Health is shifted to cash funds to align the work performed by the Board of Health with cash funds from the professional and occupational boards.
- General Funds are reduced by \$38,890 for FY 2017-18 and FY 2018-19 to reflect a shift of cost for certain lab testing related to surveillance to a federal grant.
- General Funds are reduced by \$3,154 for FY 2017-18 and FY 2018-19 to account for a change in hours worked by staff in the Chronic Renal Program that is financed partially by General Funds, to the Cancer Research Program which is financed with cash funds.
- General Funds are reduced by \$17,985 for FY 2017-18 and FY 2018-19 resulting from a fund shift to cash funds in Environmental Health Administration. The cash funds are available from the Radiation and Laboratory Cash Fund.
- General Funds are reduced by \$3,402 for FY 2017-18 and FY 2018-19 by rebasing the Developmental Disabilities Planning Council and the Elemental Formula Program's administrative budgets so that the program budgets align with projected program expenditures.
- General Funds are reduced by \$717,441 for FY 2017-18 and FY 2018-19 by rebasing a number of programs within the Health Aid program budget to more accurately align individual program budgets with projected program expenditures.

Behavioral Health Division

The Legislature reappropriated \$800,000 General Funds for FY 2016-17 to the Norfolk Regional Center (NRC) to open a fifth unit at the facility but did not include funding for the additional unit in the base budget. The agency requested \$683,638 General Funds for FY 2017-18 and \$1,022,261 General Funds for FY 2018-19 as ongoing funding for the opening of the fifth unit. NRC has base funding to serve 95 patients. Individuals are committed to the program from the correctional system for the first phase of sex offender treatment. The in-house census has been consistently ranging from 85 to 90 on any given day while actual admitted census has been 95 on multiple occasions. By December 31, 2016, ten patients will be transferred from the Lincoln Regional Center (LRC) to NRC for the Transitions Life Skills Program, increasing the average daily census to 95. LRC will then have ten beds available to ease the wait times for court ordered treatment. The recommendation includes the requested funds to open the fifth unit at NRC.

The recommendation also includes merging the budget of the NRC facility with the other behavioral health treatment facilities within the Behavioral Health Division in order to take advantage of budget flexibility and operating efficiencies. Appropriations and expenditures will continue to be monitored at the program level with the department having the authority to allocate appropriations among the respective budget programs.

The department requested \$200,000 cash spending authority for the lease of Automated Medication Dispensing Cabinets (ADC) at the Lincoln Regional Center and Norfolk Regional Center. The ADC system supports decentralized medication management featuring safety, efficiency, and cost effectiveness. The technology provides operational savings by avoiding additional pharmacy personnel, decreasing nursing medication dispensing time, and decreasing avoidable medication errors. The recommendation includes the cash spending authority to lease the medication dispensing cabinets for the NRC and LRC.

The department requested \$200,000 cash funds for FY 2017-18 for an exterior security camera system at the Lincoln Regional Center to be used in conjunction with the existing closed-circuit surveillance system. The security cameras are intended to assist law enforcement when conducting investigations and help ensure the security of patients and staff. The recommendation includes the requested cash authority as well as \$6,000 cash authority for FY 2018-19 for ongoing costs associated with the camera system.

The recommendation includes a number of agency identified modifications that reduce General Fund costs and facilitate the efficient and effective administration within the Division of Behavioral Health. These recommended modifications to General Fund appropriations include:

- Regional Behavioral Health Authority contract reductions of \$1,186,633 General Funds for FY 2017-18 and FY 2018-19. Reductions to the contracts, representing 1.5 percent of total contract funds and slightly less than two percent of General Funds, will be focused to minimize any reduction to local provider capacity, promote efficiency, and cost effectiveness with continuity of service across the state.
- Office of Consumer Affairs contract reductions of \$30,905 General Funds are recommended for FY 2017-18 and FY 2018-19 as a result of operational efficiencies and realignment with historic as well as projected utilization, with minimal impact to services anticipated.
- Tribal Outpatient contract reductions of \$150,801 General Funds are recommended for FY 2017-18 and FY 2018-19 as a result of operational efficiencies and realignment with historic as well as projected utilization, with minimal impact to services anticipated.

- Family Navigator contract reductions of \$93,582 General Funds are recommended for FY 2017-18 and FY 2018-19. Administrative savings will accrue from the elimination of a contract with an organization serving as an intermediary between the department and local organizations. Additional savings will come from the implementation of a case rate for the services instead of an expense-based reimbursement. Administrative efficiencies are also being explored through technical assistance to the organizations to minimize impact to service capacity.
- Mental Health First Aid Training savings of \$10,000 General Funds for FY 2017-18 and FY 2018-19 are accomplished with a train-the-trainer approach which improves operational capacity. Additional system partners are now involved in providing training.
- Voucher Capacity for Interchurch Ministries reductions of \$52,408 General Funds for FY 2017-18 and FY 2018-19 are result of operational efficiencies and a realignment to match funding needs with utilization.
- Division of Behavioral Health Training Contracts are reduced by \$77,200 General Funds for FY 2017-18 and FY 2018-19 based on matching resources with historic and projected utilization. The reduction does not reduce service capacity.
- Organizational restructure at Lincoln Regional Center and Hastings Regional Center resulting in a combined General Fund savings of \$229,879 for FY 2017-18 and FY 2018-19 will be achieved by eliminating four FTE positions identified that do not impact the ability to maintain service capacity at the respective institutions.
- Administrative organizational restructuring will result in General Fund reductions of \$174,946 for FY 2017-18 and FY 2018-19 from focusing marketing efforts for the family helpline and reducing 0.5 FTE position within the Behavioral Health central administrative office.

Children and Family Services Division

The department requested \$3,900,000 General Funds and \$22,100,000 federal funds for FY 2017-18, and \$5,900,000 General Funds and \$10,100,000 federal funds for FY 2018-19 to replace and modernize the current Economic Assistance (EA) eligibility determination system with the same system as the Medicaid and Long Term Care Division is implementing. By using the same system, ACCESSNebraska will operate under one eligibility system for both divisions of the Department of Health and Human Services, resulting in efficiencies in cost and eligibility determination. Enhanced federal match is available through December 31, 2018, which will finance 85 percent of the project cost. The recommendation includes the funding for the new eligibility system as requested by the agency.

The department requested \$1,412,624 General Funds and \$1,023,228 Personal Service Limitation for FY 2016-17 and \$1,446,528 General Funds and \$1,047,786 Personal Service Limitation for FY 2018-19 for 31 FTE direct care staff positions at the state's two youth Developmental Centers at Kearney and Geneva. Increased staffing levels will provide a safer environment for youth and staff as well as improve the effectiveness of treatment programs. The recommendation includes the additional funding and Personal Service Limitation for the additional staff as requested.

The recommendation includes a number of agency identified modifications that reduce General Fund costs through a combination of operational and service delivery efficiencies, rate reductions, shifting to non-General Fund resources, and focused program eliminations. These modifications to General Fund appropriations include:

- General Funds for provider rates are reduced by \$640,914 for FY 2017-18 and FY 2018-19, representing a 2.2 percent reduction in the General Funds available for provider rates.

- Ending the State Disability Maintenance Program results in a General Fund reduction of \$466,684 for FY 2017-18 and FY 2018-19. The state-only program financed entirely by General Funds pays for household expenses for an average of 50 people. It is an expensive program that is not federally mandated. Without the state-only program, if an individual is determined eligible for federal Supplemental Security Income (SSI), Social Security Disability provides back payments for a specified period to the individual.
- Ending the State Disability Medical Program results in a General Fund reduction of \$3,766,035 for FY 2017-18 and FY 2018-19. The state-only program pays for medical care for an average of 50 people and is financed entirely out of General Funds. It is an expensive program that is not federally mandated. Without the program, if an individual is determined eligible for federal Supplemental Security Income (SSI), Social Security Disability provides back payments for a specified period to the individual.
- Implementing a \$2.50 fee for each central registry background check will generate an estimated \$300,000 cash funds that can be used to reduce reliance on General Funds for FY 2017-18 and FY 2018-19. Schools, hospitals, nursing homes, child care centers, and others who are required to conduct Child Protective Services and Adult Protective Services Central Registry background checks will pay the nominal fee.
- General Fund savings of \$50,000 for FY 2017-18 and FY 2018-19 will be realized by eliminating land line telephones in local offices for staff who rely primarily on cell phones to conduct daily business.
- Implementation of efficiencies including increased use of technology and automation, as well as continued process improvement within ACCESSNebraska will reduce funding requirements for the program by \$175,000 General Funds and \$141,460 federal funds for FY 2017-18 and FY 2018-19 without adverse impact on service.
- Reducing reliance on family finding contracts will result in General Fund savings of \$883,800 for FY 2017-18 and FY 2018-19. Delivery of Family Finding will shift from contracted services to department staff who have developed the skills and experience to seek out and connect relatives with state ward children in need of a permanent placement and other lifelong supports.
- Support of the domestic violence program is reduced by 50 percent, resulting in a \$752,813 General Fund reduction for FY 2017-18 and FY 2018-19. Provider agencies have access to financial resources other than state General Fund and are not wholly dependent on department funding.
- Reduction of \$2,068,529 General Funds for FY 2017-18 and FY 2018-19 will be achieved by ending a contract for voluntary post-adoption and post guardianship services and shift the activity to current department staff. These services are not federally mandated and there are no federal matching funds available.
- Shifting the cost of conducting background checks for licensing foster parents from the General Fund to the child placement agencies reduces reliance on the General Fund by \$170,000 for FY 2017-18 and FY 2018-19. The placement agencies receive an administrative rate to cover the costs of recruiting, training, licensing, and supporting foster parents that affiliate with them.
- Ending the new worker training contract will result in \$500,000 General Fund savings for FY 2017-18 and FY 2018-19. A Request for Proposal for new worker training will provide opportunities for cost savings through programmatic and operational efficiencies.
- Reducing reliance on child placement agencies will result in a net \$3,776,315 General Fund savings for FY 2017-18 and FY 2018-19 by shifting delivery of the lower levels of essential and enhanced parenting support services to department staff. The department would continue to contract for only the more intense level of parent services and support. Implementation of this modification includes the addition of 14 FTE positions to the department.

Developmental Disabilities Division

The department requested \$302,042 General Funds for FY 2017-18 and FY 2018-19 for costs associated with growth forecasted in the number of persons with a developmental disability ordered by the court into the department's custody with mandatory participation in the developmental disability program. The forecast included analysis of historic trends and forecasted program changes. The recommendation includes the funding for Custody Act cases as requested by the department.

The recommendation includes \$1,697,234 General Funds for FY 2017-18 and \$3,474,752 General Funds for FY 2018-19 to serve eligible persons with developmental disabilities in crisis situations or at risk for placement in a more restrictive setting.

The department requested a reduction of \$2,672,753 General Funds for FY 2017-18 and \$3,429,664 General Funds for FY 2018-19, along with the corresponding federal fund match increases in Medicaid associated with an improved Federal Medical Assistance Percentage (FMAP). The recommendation includes the decrease in General Funds and federal fund increase associated with the FMAP change as requested.

The recommendation includes a \$2,106,852 General Fund reduction and a \$1,356,851 federal fund reduction for FY 2017-18, and a General Fund reduction of \$2,121,539 and a federal fund reduction of \$1,371,539 for FY 2018-19 to BSDC. The recommendation also includes corresponding increases of the same amounts to the central administrative program of DHHS. This recommendation serves to transition 29 FTE positions from the operating budget of the Beatrice State Developmental Center to the central administrative budget of the Department of Health and Human Services to more accurately reflect the duties being performed by the staff. Included in the transfer of General Fund appropriation from BSDC to the HHS central administrative program is \$750,000 General Funds to finance a rate methodology study leading to a rebasing of rates.

The recommendation includes a number of agency identified modifications that reduce General Fund costs through efficient and effective administration, rate reductions and rebasing of programs within the Division for the Developmentally Disabled. These recommended modifications to General Fund appropriations include:

- The recommendation includes a General Fund reduction of \$3,226,428 General Funds for FY 2017-18 and \$3,226,428 for FY 2018-19 representing a funding reduction of 2.2 percent available for provider rates.
- General Funds are recommended to be reduced by \$2,927,063 for FY 2017-18 and \$2,927,063 for FY 2018-19 to rebase the budget of the Beatrice State Developmental Center, properly aligning the appropriation available to the facility with projected funding needs. There will be no impact to services with implementation of this agency identified modification.
- General Fund savings of \$175,000 General Funds for FY 2017-18 and \$175,000 for FY 2018-19 will be achieved by eliminating a contract and transitioning services in-house while ensuring quality professionally-based individualized skills training and habilitation supports to residents of the Beatrice State Developmental Center (BSDC).
- General Fund savings of \$568,196 for FY 2017-18 and \$568,196 for FY 2018-19 will result from discontinuing service and administrative contracts at BSDC as a result of operational efficiencies and a realignment with historic and projected utilization, with no service impact.

Medicaid and Long Term Care Division (MLTC)

The department requested \$175,844 General Funds and \$1,582,594 federal funds for FY 2017-18, along with \$37,125 General Funds and \$334,125 federal funds for FY 2018-19 to support the procurement and implementation of an Asset Verification System (AVS) and services to achieve compliance with federal regulations requiring state implementation of AVS to verify assets when determining Medicaid eligibility for the Aged, Blind, and Disabled population. The recommendation includes funding for the asset verification system as requested by the department.

The recommendation includes \$17,198,064 General Funds and \$25,226,419 federal funds for FY 2017-18 and \$34,766,785 General Funds and \$51,381,618 federal funds for FY 2018-19 for the costs associated with forecasted growth in the number of persons eligible and costs related to the Medicaid and CHIP programs. It is expected that the aged population will increase 1.5 percent each year, the Blind/Disabled population will increase by three percent each year, the adult population will increase one percent each year, and the population of children will increase by 1.5 percent each year. A four percent drug price increase was based on the Consumer Price Index as more high-cost medications become available on the market.

The agency requested a reduction of \$13,161,180 General Funds for FY 2017-18 and \$16,847,211 General Funds for FY 2018-19, along with the corresponding federal fund match increases associated with an improved FMAP. The recommendation includes the decrease in General Funds and federal fund increases associated with the FMAP change as requested by the department.

The recommendation for Medicaid includes \$332,500 federal funds for FY 2017-18 and \$332,500 for FY 2018-19 representing the federal funding associated with the Developmentally Disabled Division's requested funding to account for forecasted growth in the number of persons with a developmental disability court ordered into the department's custody with mandatory participation in the developmental disability program. The forecast is based on an analysis of historic trends as well as forecasted program changes.

The department requested a reduction in federal fund spending authority totaling \$100,000,000 for FY 2017-18 and FY 2018-19, thereby reducing the federal appropriation estimate closer to which the department can earn based on current forecasts. The recommendation includes the request to reduce the federal fund estimate as requested by the department.

The amount the state is required to reimburse the federal government for Medicaid/Medicare Dual eligible prescription drug costs paid through Medicare Part D is increasing 10.1 percent, effective January 1, 2017. The recommendation includes \$10,420,693 General Funds for FY 2017-18 and \$12,182,999 for FY 2018-19 to finance the annualized estimated cost of these payments to the federal government commonly referred to as clawback payments.

The state Medicaid program is required by federal law to contribute to Medicare Part B premiums for certain enrollees. Medicare Part B premiums are increasing significantly in 2017. The recommendation includes \$5,761,146 General Funds and \$6,237,718 federal funds for FY 2017-18, and \$5,539,296 General Funds and \$6,010,810 federal funds for FY 2018-19 to annualize the costs of the 2017 Medicare Part B premium increase.

The recommendation includes the merging the Medicaid Prescription Drug Act Administration Program (Budget Program No. 032) appropriations into the Medicaid and Long Term Care Administrative Program (Budget Program No. 263). Combining these programs

streamlines the budget setting and reporting process. Program 032 financial activity will continue to be tracked and monitored in a separate subprogram within the state accounting system. CMS, Legislative, and department reporting requirements will continue to be met.

The recommendation includes the streamlining the Medicaid program by merging of appropriations for the Medical Assistance (Medicaid) Program (Budget Program No.348) and the Children's Health Insurance Program (CHIP) (Budget Program No.344). Medicaid and CHIP are both entitlement programs that operate using the same delivery system, benefit package, and regulations. By combining these programs, we are increasing the flexibility for matching state aid as needed when enrollment or utilization shifts occur. CMS, Legislative, and department reporting requirements will continue to be met. Expenditures will continue to be monitored through the existing two separate budget programs, with the agency having the authority to allocate appropriations from a single program, commonly referred to as an umbrella program, to two individual tracking programs, namely Medical Assistance and CHIP.

The recommendation includes a number of agency identified modifications that reduce General Fund costs through efficient and effective administration and rate reductions within the Division of Medicaid and Long Term Care. These recommended modifications to General Fund appropriations include:

- General Fund savings of \$76,160 for FY 2017-18 and FY 2018-19 along with federal matching funds savings of \$83,840 each year will be achieved by correcting payments for rural health clinics. The current Medicaid payment system reimburses rural clinics at 100 percent of billed charges. State regulations specify that the clinics are to be reimbursed the lesser of the Medicare rate or billed charges. This recommended modification accounts for the savings when rural health clinics are reimbursed at the Medicare rate when it is lower than billed charges.
- General Fund savings of \$119,648 for FY 2017-18 and FY 2018-19 along with federal matching funds savings of \$358,944 each year will be realized with the termination of the Telligen contract. Telligen provides prior authorization for certain services, utilization review of inpatient hospital stays, and other utilization review activities for fee-for-service clients. Savings associated with the movement of these responsibilities to the Heritage Health plans as more individuals are enrolled in managed care account for the possible reduction in General Funds.
- Appropriation reductions of \$819,185 General Funds and \$901,792 federal funds for each of FY 2017-18 and FY 2018-19 are possible with the employment of a fiscal intermediary to manage claims payments for home and community-based services resulting in opportunities for cost savings. A fiscal agent for home care could reduce aid costs by detecting and avoiding potential fraud, waste and abuse.
- General Fund savings of \$2,306 and \$2,306 of federal fund savings for each of FY 2017-18 and FY 2018-19 can be achieved by reducing travel and supply procurement within the Medicaid and Long Term Care Division.
- Net savings of \$23,428 General Funds and \$988,287 federal funds are achievable for FY 2017-18 and FY 2018-19 by making strategic staffing changes within the division. The savings are associated with the division's plan to reallocate and reorganize the division as the agency transforms from paying claims to contract management and strategic purchasing of services. An estimated 51 FTE positions will be eliminated and 24 FTE positions added, representing a net reduction of 27 FTE positions by the end of the biennium. Savings are anticipated to increase in years beyond the next biennium.
- The recommendation includes the elimination of three community support specialist FTE positions within the division. Savings are estimated at \$80,563 General Funds and \$80,563 federal funds for each of FY 2017-18 and FY 2018-19. The positions currently perform outreach and education functions. The duties would be absorbed by other staff

and contractors with the elimination of the three positions, with no impact on direct services.

- Reductions of \$129,348 General Funds and \$257,691 federal funds for FY 2017-18 and \$344,929 General Funds and \$687,175 federal funds for FY 2018-19 will be achieved through the consolidation of document imaging operations. The reductions represent efficiencies and savings associated with the closure of the division operated document imaging center in Lincoln and consolidation of ACCESSNebraska mail and scanning activities at the document imaging center in Omaha.
- System enhancements allow for General Fund reductions of \$2,300,000 General Funds and \$2,500,000 federal funds for each of FY 2017-18 and FY 2018-19 by capturing additional drug rebates for prescription drugs administered directly by physicians. This savings represents anticipated recurring annual increases in rebate collections, allowing for offset to General Fund appropriation requirements.
- General Funds are reduced by \$24,215,008 and federal funds are reduced by \$32,066,339 for FY 2017-18 and FY 2018-19 to account for reduced funding available for provider rates by three percent. Provider rate reductions require CMS approval. Some providers may experience reductions to individual rates higher or lower than three percent as MLTC determines a reduction strategy that seeks to preserve access to care for critical services and populations.
- Dental services for adults currently have an annual service cap of \$1,000. A reduction in the cap to \$500 is proposed, with estimated saving to the General Fund of \$1,023,153 and to federal funds of \$1,126,328 for each of FY 2017-18 and FY 2018-19. This is an optional service under federal regulations. MLTC plans to develop a process to allow for exceptions in certain limited circumstances such as a need for dentures.
- MLTC is planning an array of strategies intended to reduce unnecessary costs to Medicaid through efficiencies in the managed care program, Heritage Health. General Funds are reduced by \$6,114,252 and federal funds are reduced by \$6,730,815 for FY 2017-18 and FY 2018-19 as estimates of savings from targeted efforts to reduce potentially preventable episodes of care, hospitalizations, and re-hospitalizations.

Veterans' Homes Division

The recommendation includes a number of agency identified modifications that reduce General Fund costs by introducing operational and service delivery efficiencies and shifting costs to available cash and federal funds within the Division of Veterans' Homes. These recommended modifications to General Fund appropriations include:

- The department identified the ability to use \$1,600,139 available federal funds for FY 2017-18 and FY 2018-19 to replace General Fund appropriation in the operation of the state's system of four veterans' homes. This fund shift allows for less reliance on the General Fund without a reduction in the overall budget of the veterans' homes.
- The department identified the ability to use \$494,800 available cash funds for FY 2017-18 and FY 2018-19 to replace General Fund appropriation for recruiting, Certified Nursing Assistant training, and transportation expense at the veterans' homes. This fund shift allows for less reliance on the General Fund without a reduction in the overall budget of the veterans' homes.
- Savings of \$401,258 General Funds for FY 2017-18 and FY 2018-19 have been identified from the introduction of new software and medication dispensing machines within each of the four homes. The technology provides operational savings by avoiding additional pharmacy personnel, decreasing nursing medication dispensing time, and decreasing avoidable medication errors.
- The agency identified the ability to terminate a pharmacy consultant contract resulting in savings of \$200,000 General Funds for FY 2017-18 and FY 2018-19. Medication chart

reviews will be conducted by pharmacists employed by the facilities as pharmacist duties change from dispensing to member medication plan review.

INDUSTRIAL RELATIONS, COMMISSION OF (77)

The recommendation includes \$8,648 General Funds for FY 2017-18 and FY 2018-19 to finance increased employee health insurance expense associated with an employee's health benefit plan change.

The recommendation includes an agency requested base reduction of \$12,186 General Funds for each of FY 2017-18 and FY 2018-19 to account for funds not needed in the base budget, based on an employee's change of plans with respect to retirement. The recommendation for FY 2018-19 includes \$15,687 General Funds, along with \$13,624 Personal Service Limitation to finance the rescheduled retirement of the long term commission employee.

The recommendation includes an agency-wide base reduction of \$6,200 General Funds for FY 2017-18 and FY 2018-19 in lieu of recommending individual agency identified modifications totaling \$41,485 for each year of the biennium.

VETERANS' AFFAIRS, DEPARTMENT OF (28)

The recommendation includes a reduction of \$30,000 General Funds for each of FY 2017-18 and FY 2018-19 based on the department identified modification reducing the amount budgeted for employees' health insurance to be more in line with estimated expenses for the employee benefit.

The recommendation includes a department General Fund base reduction of \$15,150 for each of FY 2017-18 and FY 2018-19, reducing recommended General Funds to be more in line with agency spending.

The recommendation includes an increase in cash fund spending authority of \$250,000 for FY 2017-18 and \$80,000 for FY 2018-19, along with corresponding General Fund reductions of the same amounts. The increased cash is available for the operation of the state veterans' cemetery with proceeds from the sale of license plates honoring military service. This fund shift will not adversely impact the operation of the cemetery.

The recommendation includes \$31,112 General Funds and \$25,924 Personal Service Limitation for FY 2017-18, along with \$33,006 General Funds and \$26,548 Personal Service Limitation for FY 2018-19 to annualize costs associated with the Commission on Military and Veteran Affairs created with the passage of LB 754 (2016).

LAW ENFORCEMENT AND PUBLIC SAFETY

ATTORNEY GENERAL, NEBRASKA (11)

Interstate Water Litigation - The Attorney General's FY 2016-17 base General Fund budget includes \$921,500 in continuation of ongoing defense of the State of Nebraska against allegations of non-compliance by the State of Kansas on the Republican River Compact. The Attorney General's budget request for the upcoming biennium includes an issue to eliminate this base funding level, but to allow the reappropriation of any unexpended amounts in the Water Litigation program at June 30, 2017 into FY 2017-18. The recommendation accommodates both of these requests.

Agency Legal Service Contracts - The Attorney General's budget request includes an issue to expand revolving fund appropriations by \$205,000 (including \$180,000 increased Personal Service Limitation) in both FY 2017-18 and FY 2018-19, to allow for additional and extended contracts for legal services with a number of state agencies. As the issue detail does not request additional staffing, it more accurately represents a reallocation of existing resources within the agency's existing budget, which can be accomplished without expanding the revolving fund base. The recommendation does not include these increases.

Medicaid Fraud Control Unit Investigator - The Attorney General requests additional cash funding of \$100,000 (\$60,000 increased Personal Service Limitation) in each fiscal year of the upcoming biennium to hire an additional Medicaid Fraud Investigator. The overall increase in cash fund authority would also go to provide state match for the agency's federal Medicaid Fraud grant, however, it is unclear the level of benefit to be derived from such an additional position, and the projected federal grant funding does not appear to warrant a \$100,000 increase as a match. The recommendation does not include this increase.

Sexual Assault Nurse Examiner - LB 843 (2016), creates a Sexual Assault Payment Program Cash Fund administered through the Nebraska Commission on Law Enforcement and Criminal Justice to ensure state-wide uniformity and best practices for forensic examinations of sexual assault victims and eliminates the requirement for payment of out-of-pocket costs for forensic examination by local law enforcement. The bill also establishes, under the direction of the Attorney General, the position of Administrator for the Sexual Assault Payment Program. The Attorney General requests \$125,000 General Funds (with \$100,000 Personal Service Limitation) in both FY 2017-18 and FY 2018-19 to hire a Sexual Assault Nurse Examiner to serve as Administrator for the Sexual Assault Payment Program. The recommendation provides for these additional appropriations.

Expand Tobacco Enforcement Investigations - The Attorney General's Office is requesting a \$200,000 increase in cash fund appropriations in both FY 2017-18 and FY 2018-19 (with \$175,000 Personal Service Limitation each year) to assist in the enforcement of the state's tobacco laws. The issue does not request additional FTE positions. The recommendation does not include these increases as the agency should be able to reallocate existing resources to tobacco investigations if that is a priority, without a budget increase, since it is not requesting additional staffing.

Transfer DNA Sample and Database Cash Fund to State Patrol - LB 190 (2010), established the State DNA Sample and Database Cash Fund within the Department of Justice,

to be administered by the Attorney General. The actual work of collecting DNA samples is performed by the Nebraska State Patrol, counties, and the Department of Correctional Services. The State Patrol orders and provides the DNA kits to law enforcement agencies and helps collect the funds. The Patrol already has the authority to expend monies from this fund and the Attorney General requests transferring the administration of the fund to the State Patrol. The recommendation provides for the transfer of responsibility for the cash fund to the State Patrol.

Attorney General Budget Modification - The Attorney General proposed a budget modification option for curtailing General Fund spending in the upcoming biennium, by reducing certain staff and operating costs. As a means of managing overall General Fund spending, the recommendation accepts a portion of the Attorney General's modification in the amount of \$328,748 in each fiscal year of the upcoming biennium.

CORRECTIONAL SERVICES, DEPARTMENT OF (46)

Protective Services Staffing - The Nebraska Department of Correctional Services (NDCS) conducted a staffing analysis in FY 2015-16, which indicated a number of areas in which the department staffing levels were insufficient to provide optimal security and operation. As a result, the agency is requesting 55 new FTE positions in FY 2017-18 (53 Protective Services, or Custody positions, and two Facilities Construction Coordinators) for a total operating cost increase of \$3,190,484 General Funds, with \$2,151,938 Personal Service Limitation; and 135 new FTE positions in FY 2018-19 (the 55 FTE positions from FY 2017-18, plus an additional 48 Protective Services positions for existing facilities and 32 additional FTE positions) to operate the new Community Corrections Center – Lincoln facility expansion when construction is completed in FY 2018-19, for a total operating cost increase of \$8,072,345 General Funds, with \$5,448,063 Personal Service Limitation. The recommendation supports this necessary increase in staffing and operating costs.

Evidence-Based Educational Services Staffing - The Nebraska Department of Correctional Services (NDCS) requests 8.5 additional FTE positions in both FY 2017-18 and FY 2018-19 to provide additional educational services and cognitive behavioral programming to inmates. National studies indicate correctional education participants are ten to 20 percent less likely to reoffend than the average inmate released into the community. The recommendation matches the agency request, providing an additional \$574,223 General Funds (\$299,768 related Personal Service Limitation) in FY 2017-18 and \$691,667 General Funds (\$409,283 Personal Service Limitation) in FY 2018-19.

Health Services - NDCS is requesting a total of \$256,416 General Funds in FY 2017-18 and \$54,000 General Funds in FY 2018-19 to establish and maintain an Electronic Medication Administration Record (eMAR) system and an Electronic Health Records (EHR) software system. In addition, NDCS is requesting adding eight FTE positions (one Nurse Supervisor, four Registered Nurses, one Licensed Practical Nurse, and two Medical Technologists) to ensure it can continue to provide the community standard of health care for inmates, as required by Nebraska Revised Statutes, section 83-4,154. Total additional cost of the staffing increases is \$444,618 in FY 2017-18 and \$454,941 in FY 2018-19. The recommendation supports these efforts, providing total General Fund increases of \$701,034 (Personal Service Limitation \$312,126) in FY 2017-18 and \$508,941 (Personal Service Limitation \$319,619) in FY 2018-19 for these issues.

Remove County Jail Funding - NDCS has utilized temporary housing of correctional inmates in county jail facilities in FY 2014-15, FY 2015-16 and FY 2016-17. LB 956 (2016), section 72, states: "It is the intent of the Legislature that no further funding be provided after FY 2016-17 to contract with county jail facilities to house Department of Correctional Services facilities inmates." The NDCS General Fund base appropriation in FY 2016-17 included

\$4,607,147 related to county jail housing. The agency request reflects, and the recommendation provides for a reduction of \$4,607,147 General Funds in both FY 2017-18 and FY 2018-19 to eliminate the temporary housing of NDCS inmates in county jails.

Under-Resourced Areas - NDCS requested a total of 14.5 additional FTE positions to provide support in under-resourced functions, as follows: seven FTE positions related to food service, facility maintenance, training, grievances, and admin; seven FTE positions related to transportation of inmates for transfers, court appointments, medical services, parole hearings, etc.; and a 0.5 FTE position to annualize an administrative position funded for half a year in LB 867 (2016). Total General Fund increase in FY 2017-18 is \$959,775 (\$594,060 Personal Service Limitation) and the increase in FY 2018-19 is \$970,712 (\$608,317 Personal Service Limitation). The recommendation provides for these staffing and appropriation increases to meet these important needs.

Transfer IT Staff to OCIO - As part of a broader effort by the Office of the Chief Information Officer (OCIO), working with state agencies to consolidate information technology positions and provide better, more efficient service, the NDCS is shifting three IT-related FTE positions to the OCIO, which will reduce the General Fund appropriation needs at NDCS by \$232,572 (\$185,261 Personal Service Limitation) in both FY 2017-18 and FY 2018-19. The Governor recommends this action.

Other Information Technology Issues - NDCS has a number of IT project requests for the OCIO related to business requirements and performance tracking, which will require an additional \$200,000 per fiscal year. The OCIO is changing the fee structure on productivity software to be based on FTE rather than devices, which will increase NDCS costs an additional \$756,152 in FY 2017-18 and \$755,522 in FY 2018-19. Finally, maintenance fees on analogue radios will run an additional \$18,000 per fiscal year. The recommendation provides for a total increase in General Fund appropriation of 974,152 in FY 2017-18 and \$973,522 in FY 2018-19 to address these issues.

Corrections Information and Tracking System - NDCS currently maintains data relating to inmates' trust fund accounts, referred to as Corrections Information and Tracking (CIT), on a 20-year old mainframe system. This system provides limited reporting capabilities, with certain reports and data only being available through the use of Structured Query Language (SQL). The OCIO and NDCS have limited resources capable of ensuring this outdated system remains operational. NDCS is requesting \$700,000 revolving funds in both FY 2017-18 and FY 2018-19 to contract with the OCIO to move the CIT to a web-based Nebraska Inmate Case Management System (NICaMS). The recommendation supports this effort.

One-Time Cash Appropriation Increase - NDCS is requesting, and the recommendation provides for the agency to increase cash fund appropriations by \$1,000,000 in FY 2017-18, with an offsetting decrease in General Funds, to utilize part of an excess cash balance currently existing in the Correctional Facilities Cash Fund.

Cornhusker State Industries Staff Request - The Cornhusker State Industries (CSI) division at NDCS is requesting two additional FTE positions – an Operations Manager at the Lincoln Correctional Center (LCC), which functions are currently being performed by a number of other staff, and a Shop Operator at Tecumseh State Correctional Institution (TSCI), which would allow the expansion of the furniture shop in that facility. The Shop Operator position would begin in FY 2018-19. The recommendation includes an additional \$61,002 revolving funds (\$44,268 Personal Service Limitation) in FY 2017-18 and an additional \$121,417 revolving funds (\$80,755 Personal Service Limitation) in FY 2018-19.

State Radio System Device Fees - Due to additional users and devices being added to the Statewide Radio System (primarily from the Department of Roads), the OCIO Communications Division was able to adjust User/Device Fees for other State agencies, resulting in cost savings beginning in FY 2018-19 from previously budgeted amounts. These savings amount to \$27,636 for the Department of Correctional Services. The recommendation includes reducing the General Fund appropriation for NDCS by \$27,636 in FY 2018-19.

Special Correctional Services Employee Pay Adjustments - LB 657 (2015), section 162 states: "It is the intent of the Legislature that the Department of Correctional Services reduce mandatory overtime at the department's facilities. The department shall examine reducing mandatory overtime by studying its pay structure, including, but not limited to, adopting a pay structure that allows employees to advance through the pay line, adopting a step plan or a similar type plan, or by adopting another method that gives incentives for employees to remain employed by the department." Negotiations between the state and the employee bargaining unit produced special pay adjustments for key inmate-contact employee classifications, beginning in December 2016. The classifications include Corrections Unit Caseworkers, Corrections Officers, Corporals, Sergeants, Mental Health Practitioners I and II, Registered Nurses, and Food Service Specialists. Specific increases varied by classification pay lines, but the changes will result in an annual General Fund impact of \$3,189,305. The recommendation includes additional General Fund appropriations of \$3,189,305 (\$2,769,696 Personal Service Limitation) in both FY 2017-18 and FY 2018-19 to provide for these special wage changes.

EQUAL OPPORTUNITY COMMISSION (67)

Reduce General Funds Commensurate with Investigative Demands - The Nebraska Equal Opportunity Commission (NEOC) identified \$50,000 General Funds in its FY 2016-17 base appropriations which were originally budgeted for use in investigating Federal Equal Pay Act claims regarding pregnancy accommodations. The agency has not experienced enough such cases to warrant these additional funds and included a reduction of \$50,000 General Funds in both FY 2017-18 and FY 2018-19 in their biennial request. The recommendation includes this \$50,000 per year reduction.

Computer Replacement - The NEOC requested an additional \$30,000 General Funds in FY 2018-19 for office computer replacement. The recommendation does not include this increase as spending history for the agency over the last ten years suggests it can absorb this level of one-time expenditure within existing budgeted resources.

FIRE MARSHAL, STATE (21)

Bunker Storage Rent - The Fire Marshal requested an increase of \$2,934 General Funds in FY 2017-18 and \$3,774 General Funds in FY 2018-19 to accommodate an increase in rental rate and additional square footage necessary for adequate storage of critical materials. The recommendation does not include these increases, as the Fire Marshal has the ability to absorb these minimal cost changes within existing resources.

Staff Position Consolidation - The Fire Marshal consolidated a part-time Secretary position and a recently vacant full-time Office Clerk position into one full time position, with resulting savings of \$19,081 General Funds per year. The recommendation acknowledges this reduction in General Fund appropriations in both FY 2017-18 and FY 2018-19.

Cigarette Ignition Program Cash Fund Appropriation - The Fire Marshal requested a cash fund appropriation increase of \$3,000 each year in the Cigarette Ignition Propensity Testing program. Some of the costs for this program were being absorbed by other programs within the agency's umbrella program group, and the agency wanted to provide appropriation in

the specific Cigarette program to match total costs. Because the Cigarette Ignition program is part of the agency's umbrella program grouping, it has the ability to shift appropriations among those programs to manage costs and budgets within the group as whole, without necessarily increasing the appropriation for an individual program. Accordingly, the recommendation does not include this cash fund appropriation increase.

Software Maintenance Fees - In order to be more "user-friendly" to constituents, city planners and developers, the Fire Marshal is replacing its old database building plans submission paper process with a new web-based software that will allow electronic submission of building plans. The new software will have annual maintenance fees of \$15,000. The Fire Marshal requested \$15,000 in additional cash fund appropriation for both FY 2017-18 and FY 2018-19 to cover these increased costs. The recommendation includes this requested increase.

Statewide Radio System User/Device Fees - The Fire Marshal requested a reduction of \$14,395 General Funds and \$5,057 cash funds (\$19,452 total) in FY 2018-19 as a result of savings in estimated user/device fees charged by the Office of the Chief Information Officer (OCIO) for access to the statewide radio system network. The recommendation includes reductions of \$23,471 General Funds and \$8,247 cash funds (\$31,718 total) in FY 2018-19 as a result of revised figures provided by the OCIO on user/device fees to be charged in FY 2018-19.

Fire Marshal Modifications - The Fire Marshal proposed ten potential modifications as part of their budget submission, to identify possible reductions in General Fund appropriations in FY 2017-18 and FY 2018-19 due to reduced available General Fund receipts. The recommendations include all or part of three of the lower priority modifications, as follows: \$83,000 General Fund reduction in both fiscal years by eliminating certain upgrades and maintenance costs on old radios, as the agency is purchasing new replacement radios in FY 2016-17, eliminating the need for these costs; \$17,500 General Fund reduction in uniform costs, through more efficient management of these expenses; and \$11,515 General Fund reduction from reduced overtime costs.

LAW ENFORCEMENT AND CRIMINAL JUSTICE, COMMISSION ON (78)

County Justice Reinvestment Grant Program - LB 605A (2015), appropriated \$600,109 General Funds (with \$49,052 Personal Service Limitation) in FY 2016-17 to the Nebraska Commission on Law Enforcement and Criminal Justice (Crime Commission) for the County Justice Reinvestment Grant Program. Of this amount, \$500,000 was earmarked as state aid. The Crime Commission originally estimated it would need an additional FTE position for a new grant administrator to manage this program. The Commission has since determined it can manage the program with existing staff, so the additional grant administrator is not needed. The recommendation reduces the General Fund appropriation to the Crime Commission by \$79,109 (including \$49,052 Personal Service Limitation) in both FY 2017-18 and FY 2018-19 to reflect the elimination of this grant administrator position.

Criminal Justice Information System Funding - The Criminal Justice Information System (CJIS) program in the Crime Commission is currently financed primarily with federal funds (84 percent). The Crime Commission requests reducing federal fund appropriations by \$220,000 and increasing cash fund appropriations by \$220,000 in both FY 2017-18 and FY 2018-19, on the possibility federal funds would not be available over time. The recommendation retains the federal and cash funding levels for the CJIS program at current base levels, as the projections for federal grants appear adequate to continue such funding levels for the biennium.

Law Enforcement Training Center Funding - The Law Enforcement Training Center (LETC) within the Crime Commission derives funding from court fees and training class tuitions. The training class tuitions are minimal as the LETC provides training to local law enforcement agencies without charge. Court fee revenues have been declining over the past five years. The Crime Commission requests replacing \$276,000 in cash fund appropriations with \$276,000 General Fund appropriations in both FY 2017-18 and FY 2018-19 to offset the declining cash revenues. Based on actual vs. budgeted spending patterns over the past five years in the LETC program, the recommendation continues the cash funding of the LETC for the upcoming biennium, while the Crime Commission develops a long-range business plan to continue funding the LETC beyond the upcoming biennium. In the meantime, in order to bolster the LETC Cash Fund during the biennium, the recommendation further provides for a transfer of \$200,000 in both FY 2017-18 and FY 2018-19 from the Uniform Data Analysis Cash Fund to the Law Enforcement Training Center Cash Fund.

LB 843 – Sexual Assault Program - LB 843 (2016), which becomes effective on July 1, 2017, requires the Crime Commission to administer the Sexual Assault Payment Program Cash Fund. This fund shall consist of funds appropriated by the Legislature including federal funds. The allowable uses of this fund include the purchase of forensic medical examination kits and payment for forensic medical examinations. The estimated costs per year are \$543,000. The recommendation includes General Fund appropriations of \$108,600, along with federal fund appropriations of \$434,400 in both FY 2017-18 and FY 2018-19 to manage the provisions of this legislation.

Personal Service Limitation Increases Related to Federal Grants - In accordance with LB 956 (2016), section 73, the Governor approved increased Personal Service Limitation for the Crime Commission in FY 2016-17 based on the agency need to hire additional staff to manage an increase in the number and value of federal grants. The Commission requests establishing these Personal Service Limitation increases in its Victim Assistance and CJIS programs in the upcoming biennium. The recommendation includes Personal Service Limitation increases of \$224,506 in both FY 2017-18 and FY 2018-19.

Crime Commission Modifications - As a means of managing overall General Fund spending, the recommendations accept a portion of the Crime Commission's proposed modifications in the amount of \$411,000 reductions in General Fund appropriations in both FY 2017-18 and FY 2018-19. The modifications include reductions in agency operating expenses of \$231,000 and reductions in community-based juvenile services state aid of \$180,000.

LIQUOR CONTROL COMMISSION (35)

Liquor Control Commission Modifications - As a means of managing overall General Fund spending, the recommendation accepts a portion of the Liquor Control Commission's proposed modification in the amount of \$41,116 reduction in General Fund appropriations in both FY 2017-18 and FY 2018-19. The modifications include reductions in state-owned transportation costs, lodging, and air travel of \$32,343 and operating cost reductions of 8,773. The modification amounts in the recommendations represent three percent of the agency's FY 2016-17 General Fund appropriation base. Actual General Fund expenditures over the last ten years indicate the agency underspent total budgeted General Fund appropriations by more than this amount in each of the last ten years.

MILITARY DEPARTMENT (31)

Additional Positions - Due to increasing federal requirements, the Nebraska Military Department is requesting to add a total of five new positions for the upcoming biennium. They include; one Environmental Analyst II for the Air National Guard environmental program, one Environmental Analyst II for the Army National Guard environmental program, and three IT Infrastructure Support Technicians for the Army National Guard distance learning program. In line with the agency request the recommendation includes a total of \$287,283 additional federal fund appropriation (with \$198,894 additional Personal Service Limitation) in both FY 2017-18 and FY 2018-19 to accommodate the cost of these five new positions.

Governor's Emergency Program Appropriations - The Governor's Emergency Program is comprised of General Fund, cash fund, and federal fund appropriations. The recommendation includes reducing the General Fund appropriation by \$250,000 and increasing the cash fund appropriation by the same amount in both FY 2017-18 and FY 2018-19 in the Governor's Emergency Program to utilize the cash balance funds available and temporarily reduce the reliance on General Funds.

Statewide Radio System User/Device Fees - The recommendation includes a reduction of \$11,933 General Funds in FY 2018-19 to the Military Department, as a result of revised figures provided by the OCIO on user/device fees to be charged to the agency in FY 2018-19 relative to access to the statewide radio system network.

Military Department Modifications - As a means of managing overall General Fund spending, the recommendations accept a portion of the Military Department's proposed modifications in the amount of \$85,867 reduction in General Fund appropriations in both FY 2017-18 and FY 2018-19. The modifications include reductions in facility maintenance and other operating costs for the National Guard of \$59,016, and staff re-organizations in the Nebraska Emergency Management Agency (NEMA), which shifts \$26,851 from General Fund costs to federal Emergency Management Preparedness Grant funding.

PAROLE/PARDONS, NEBRASKA BOARD OF (15)

Increased Service Costs - LB 598 (2015), moved the Office of Parole Administration from within the Department of Correctional Services to the Board of Parole on July 1, 2016. As the Department of Correctional Services continues to work toward preparing more inmates for parole, the Parole Board estimates they will need to administer an additional 300 parolees by FY 2018-19, which includes providing additional programming services such as anger management, life skills, employment training, and outpatient treatments. The agency is requesting an additional \$390,000 General Funds in FY 2018-19 to accommodate the needs of the increased number of parolees. The recommendation includes this increased appropriation to provide for the additional cost for Parolee services.

New Office Space Rent - With Parole Administration moving from the Department of Correctional Services to the Parole Board, the Parole Administration and Parole Board staff currently housed at the Department of Correctional Services Central Office are seeking new office space. At the same time, Parole staff currently located in Trabert Hall in Lincoln need to find other office space as the Trabert Hall facility is scheduled to be sold in April 2017. The Parole Board has been working with the Department of Administrative Services Building Division to find approximately 13,000 square feet of office space for 36 staff. The agency requests an additional \$132,000 General Funds each fiscal year for the cost of the new office space. The recommendation includes funding for the new office rent needs of the agency.

Salary Adjustments for Parole Officers - LB 598 (2015), stated: "Parole Officers shall be compensated with salaries substantially equal to other state employees who have similar responsibilities, including employees of the Office of Probation Administration. This subsection shall apply only to field parole service officers and support staff and shall not apply to the Parole Administrator, any deputy parole administrator, or any other similarly established management position". This provision is now codified in Nebraska Revised Statutes, section 83-1,100(2). After negotiations with the employee bargaining group, the state Employee Relations Division has established a new pay line series for Parole Officers, to include three new categories: Parole Officer Trainee, Parole Officer, and Parole Officer Specialized. The most recent estimates of additional cost to the agency to move current Parole Officer staff into the new classifications is \$154,443 General Funds per year (including \$134,123 of additional Personal Service Limitation). The new rates are scheduled to go into effect July 1, 2017. The recommendation provides for additional General Fund appropriation of \$154,443, with \$134,123 of Personal Service Limitation, in each of FY 2017-18 and FY 2018-19.

Parole Board Modification - The Parole Board proposed a budget modification option for curtailing General Fund spending in the upcoming biennium, by reducing certain staff, service costs, and operating costs. As a means of managing overall General Fund spending, the recommendations accept a portion of the Parole Board's modification in the amount of \$215,000 in each fiscal year of the upcoming biennium.

PUBLIC ADVOCACY, COMMISSION ON (94)

Office Rent - The Nebraska Commission on Public Advocacy requested additional cash fund appropriation of \$3,437 in FY 2017-18 and \$7,687 in FY 2018-19 to cover contractual rent rate increases. The recommendation does not include these increases as spending history for the agency over the last ten years indicates it can absorb this modest level of increased expenditures within existing budgeted resources.

Rural Practice Loan Repayment Assistance Funding - LB 907 (2014), renamed the "Legal Education for Public Service Loan Repayment Fund" as the "Legal Education for Public Service and Rural Practice Loan Repayment Assistance Fund." LB 907A directed the one-time transfer of \$500,000 from the General Fund to this new fund on or before July 11, 2014. The A-Bill also provided cash fund appropriations in the Rural Practice Loan Repayment Assistance program for FY 2014-15 and FY 2015-16. LB 657 (2015), established a base cash fund appropriation in this program of \$151,500 in FY 2016-17. The agency expended cash from this fund in FY 2014-15, FY 2015-16, and is projecting expenditure amounts in FY 2016-17. These expenditures are projected to leave the cash fund with a balance of approximately \$95,000 by June 30, 2017. The agency request reflects eliminating any ongoing appropriation in this program, as there is no continuation revenue source identified. The recommendation includes eliminating the cash fund base appropriation of \$151,500 for both FY 2017-18 and FY 2018-19 as well as lapsing the projected remaining balance of \$95,000 from this cash fund back to the General Fund in July 2017.

STATE PATROL, NEBRASKA (64)

Capitol Security Staffing - In an effort to improve structure, organization, and leadership for the capitol security detail and executive protection teams, the Nebraska State Patrol (NSP) is requesting funding for the creation of a captain position over this division. The NSP is also requesting additional Personal Service Limitation for this division to accommodate overtime and compensatory time. The recommendation includes an additional \$140,786 revolving fund appropriation (with \$101,735 Personal Service Limitation) in both FY 2017-18 and FY 2018-19, to fund the captain position, and \$29,653 of additional Personal Service Limitation only to accommodate the overtime and compensatory time needs of the division.

CLEIN Cash Fund Administration - The "Combined Law Enforcement Information Network" (CLEIN) is a message switch that serves to funnel information between law enforcement agencies. The Nebraska State Patrol (NSP) and the Office of the Chief Information Officer (OCIO) Communications Division share responsibilities for CLEIN. The NSP manages the message switch, supports CLEIN terminals, trains users, and controls access. The OCIO provides the data network connecting CLEIN terminals to the State Patrol and manages the finances. The CLEIN system is user funded via a fee that is structured to cover the costs of operating the system. The fees are currently paid to the OCIO and are accounted for within the OCIO's Communications program (173). Both the OCIO and the NSP believe it would be mutually beneficial to transfer the CLEIN Fund from the OCIO to the NSP. The recommendation approves the transfer of this fund to the NSP and provides \$725,000 cash fund appropriations in both FY 2017-18 and FY 2018-19 to allow the NSP to manage the costs associated with CLEIN.

DROP Retirement Contributions - State Patrol Troopers who enter the Deferred Retirement Option Program (DROP) do not continue to contribute to the retirement plan. The agency also ceases making contributions to the plan at that time, although they must pay out any accumulated Comp Time and Holiday Comp Time. Due to the number of employees eligible for DROP and the estimated number expected to enter the program in the upcoming biennium, the recommendation includes a General Fund increase of \$3,222 in FY 2017-18 (with a Personal Service Limitation increase of \$37,888) and a General Fund decrease of \$70,318 in FY 2018-19 (with a Personal Service Limitation increase of \$18,944) to reflect the costs for agency contributions and payouts.

LB 467 Retirement Contributions - LB 467 (2016), requires that for each officer who commences service on or after July 1, 2016, there shall be assessed against the appropriation of the Nebraska State Patrol a sum equal to the amount of 17 percent of each officer's monthly compensation which shall be credited to the State Patrol Retirement Fund. The NSP request and the recommendation provides for additional General Fund appropriation of \$15,409 and cash fund appropriation of \$5,136 in FY 2017-18 and of \$24,517 General Funds and \$8,172 cash funds in FY 2018-19 to accommodate the provisions of LB 467.

Facility Rent Savings - Working with the Department of Administrative Services - State Building Division and the Department of Roads, the NSP has the opportunity to re-locate certain office space from a DAS facility to a Roads facility, which will allow them to save approximately \$100,000 per year in rent costs. The recommendation includes a decrease of \$100,000 General Funds in both FY 2017-18 and FY 2018-19 to reflect these savings.

Information Technology Position Consolidation - As part of a broader effort by the Office of the Chief Information Officer (OCIO), working with state agencies to consolidate Information Technology positions and provide better, more efficient service, the NSP is shifting two IT-related FTE positions to the OCIO, which will reduce the General Fund appropriation needs at NSP by \$167,180 (\$126,651 Personal Service Limitation) in both FY 2017-18 and FY 2018-19. The recommendation supports this action.

Gasoline Prices - The State Patrol's FY 2016-17 budget for gasoline used an average price of \$3.02 per gallon. With current prices significantly lower and with projections from the U.S. Energy Information Administration and the Nebraska Energy Office of the average price of gasoline through 2017 in the \$2.28 - \$2.32 range, the recommendation includes a reduction in appropriations for gasoline of \$275,000 General Funds in FY 2017-18 and of \$250,000 General Funds in FY 2018-19.

Creation of a New Cash Fund - Through the federal equitable sharing process, the NSP receives a share of seizure funds from both the Department of Justice and federal Treasury agencies. During a review of the NSP's federal equitable sharing program, the Department of Justice identified an issue with placing both Department of Justice and Treasury Department fund shares in the same NSP cash fund. The NSP requests creation of a new cash fund to account separately for Treasury Department funds. The recommendation supports the creation of this new fund. No appropriation changes are necessary.

Statewide Radio System User/Device Fees - The recommendation includes a reduction of \$262,138 General Funds and \$115,338 cash funds in FY 2018-19 to the Nebraska State Patrol, as a result of revised figures provided by the OCIO on user/device fees to be charged to the agency in FY 2018-19 relative to access to the statewide radio system network.

Staff Fund Shift - The State Patrol presented, as an alternative to certain budget modifications, a plan to shift 12 positions within the Criminal Investigations Division (CID) from the General Funds to cash funds. The agency will utilize State Patrol Cash Fund resources to fund these positions in the upcoming biennium. The recommendation accepts this plan, reducing General Fund appropriations by \$477,354 and increasing cash fund appropriations by a like amount in both FY 2017-18 and FY 2018-19.

State Patrol Modifications - The recommendation includes accepting a portion of a number of agency-proposed budget modifications for the upcoming biennium, including reductions in promotional materials (\$5,000); dues and subscriptions (\$3,127); travel and lodging (\$17,805); supplies and equipment (\$32,290); IT costs (\$163,653); eliminating the State Patrol's share of the 511 Weather Line (Department of Roads will pick up the additional \$107,500 annual cost); and reducing up to nine civilian positions (\$436,471). Total recommended General Fund reductions are \$765,846 in both FY 2017-18 and FY 2018-19.

SUPREME COURT (05)

Change Funding of Information Technology Personnel from Cash Funds to General Funds - The Court Automation program was established to fund the development and maintenance of the judicial branch IT systems. The program funding comes primarily from court automation fees (court costs). The Supreme Court budget request includes an issue to move a total of eleven IT staff positions from the Court Automation program to the Court Administration program (ten positions) and the Statewide Probation program (one position), in an effort to shift the funding of these individuals from cash funds (court fees) to General Funds. The impact to the General Fund would be an additional expense of \$977,447 per year. The recommendations

include maintaining the current cash funding through the Court Automation program for the 2017-2019 biennium, relieving the General Fund of additional burden and giving the Court time to determine the appropriate level of court costs necessary to adequately manage this program.

Court Employee Salary Increases - The Supreme Court contracted with the National Center for State Courts (NCSC) to conduct a salary comparability study relative to Court and Probation employees, receiving the survey results in January 2014. During the 2014 legislative session, the Court, at its budget hearing with the Appropriations Committee, requested an increase in Personal Service Limitation to allow implementation of the salary survey recommendations. As identified in the legislative publication titled 2014 Biennial Budget Report (“*State of Nebraska FY 2013-14 and FY 2014-15 Biennial Budget AS Revised in the 2014 Legislative Session*”), dated May 2014: “*Only Personal Service Limitation was requested as the agency would use carry-over funds, an estimated \$4.5 million, to fund this salary increase in FY 2014-15...*” “*The Legislature approved only a portion of the request increasing the Personal Service Limitation by \$1.5 million so that the \$4.5 million carry-over funds would cover both the FY 2014-15 increase as well as the two years of the following biennium.*” In August 2014 (FY 2014-15) the Court initiated salary adjustments equivalent to 75 percent of the proposed NCSC survey recommendation totals. In its 2015-2017 biennium budget request, the Supreme Court included a request for additional appropriation amounts in FY 2015-16 and FY 2016-17 to cover the continued cost of the 75 percent of the NCSC survey-recommended salary adjustments for the biennium.

In a separate budget issue, the Supreme Court also requested additional appropriations and Personal Service Limitation in FY 2015-16 and FY 2016-17 to implement the remaining 25 percent of the NCSC survey-recommended salary adjustments.

For the 2017-2019 biennium, the Supreme Court budget request includes an issue for additional funding of \$4,392,136 in both FY 2017-18 and FY 2018-19 to provide the base appropriations for the previously-implemented salary changes.

The Supreme Court also requests additional funding of \$1,873,701 in FY 2017-18 and \$1,918,670 in FY 2018-19 to implement the remaining 25 percent for the salary survey recommendations.

The recommendation allows for the agency to continue to utilize carry-over funds to manage the initial salary increases previously implemented. The recommendation does not include funding the additional 25 percent NCSC survey amounts, however, appropriation and Personal Service Limitation have been recommended to accommodate an annual employee salary increase each fiscal year, consistent with the salary recommendations for other state employees.

CASA General Fund Aid Appropriation Reduction - LB 229 (2015), provided a General Fund base appropriation for the Court Appointed Special Advocate (CASA) aid funding, which had previously been cash funded. The Supreme Court requested the removal of the automatic carry-forward of the FY 2016-17 base General Fund appropriation for CASA (\$300,000), indicating base-level funding should not be assumed for this aid, but should be sought each year, if needed by CASA itself. The recommendation retains the \$300,000 General Fund appropriation for FY 2017-18 and FY 2018-19.

Eliminate Current IT Contract and Bring Services In-House - Currently, the Supreme Court contracts with the Workers Compensation Court (WCC) for information technology (IT) support. The WCC has indicated it is no longer able to provide this support. The Supreme Court budget issue would eliminate this contract cost and replace it with the cost for an in-house IT support position. As the appropriation changes net out, between personnel costs and

contract service costs, the request is for Personal Service Limitation only of \$56,814 in both FY 2017-18 and FY 2018-19. The recommendation provides for this Personal Service Limitation increase.

Juvenile Detention Costs - LB 561 (2013), requires the Office of Probation to pay for the cost of juveniles in detention in county jails. A number of counties have requested rate increases for detention housing, so the Supreme Court request seeks an additional \$365,522 General Funds in both FY 2017-18 and FY 2018-19 to accommodate the potential increase in detention costs. The FY 2016-17 base budget for detention was approximately \$7 million. The recommendation does not provide for additional General Fund appropriation for detention, as Probation has indicated the number of youth in detention have decreased since the passage of LB 561 and should continue to do so, and the increased county rates have not yet been adopted.

Probation Contractual Services - The Probation Contractual Services program provides a means for counties to contract with the Office of Probation for personnel who can provide specific services. Funding for probation is provided by the counties on a reimbursement basis. Probation has received requests for an additional Drug Technician for the problem-solving court in Washington County and a Juvenile Detention Alternatives Initiative Data Analyst Coordinator in Douglas County. The agency request is for Personal Service Limitation only of \$63,836 in both FY 2017-18 and FY 2018-19 to provide these additional staff. The recommendation includes these Personal Service Limitation increases in order to provide the additional support services requested.

Probation Funding Transfers - The Office of Probation currently utilizes a number of operating programs for delineating and managing Probation personnel and service costs, including programs 67 – statewide probation, 435 – probation community corrections, and 437 – juvenile justice. The Supreme Court has the authority to move appropriation and Personal Service Limitation among these programs and has requested a transfer of \$3,264,361 General Funds, with \$2,046,603 of Personal Service Limitation from program 435 to program 67. The intent is for program 67 to contain probation administration and traditional adult supervision and program 435 to contain adult probation services and programs such as reporting centers. The recommendation provides for this transfer consistent with the flexibility given the Court and Probation to manage their operations.

Probation Provider Rate Increases - The Supreme Court requests an increase of \$2,490,773 General Funds in FY 2017-18 and \$2,907,609 General Funds in FY 2018-19 to provide increased reimbursement rates to Probation service providers. The FY 2017-18 amount represents a 17.5 percent increase over the base FY 2016-17 rates. The Supreme Court request also asks that rates be kept comparable in future years by the Legislature including Probation in provider rate increases appropriated as part of the overall state budget. The recommendation does not include the Court's requested increase in this area as Probation did increase provider rates by 2.5 percent from FY 2015-16 to FY 2016-17, and the recommendation for the Department of Health and Human Services includes lower rates to providers.

Annualize LB 605A, the Justice Reinvestment Act - LB 605 (2015) began a multi-year "justice reinvestment" initiative, a data-driven approach to increase the use of probation in lieu of incarceration, increase supervision and programming options and opportunities, and reduce recidivism. The five-year extended fiscal notes submitted by the Supreme Court and the Legislative Fiscal Office on LB 605, differed with respect to the timing of when additional staffing and service expenses would likely occur. The Legislative Fiscal Office (LFO) requested that the Supreme Court resubmit its budget request to include funding for justice reinvestment in the

next biennium. The Court's budget issue more closely reflects the projected fiscal impact by the LFO for the upcoming biennium, with overall increases of \$4,569,667 (including \$1,272,357 in Personal Service Limitation) in FY 2017-18 and \$7,775,461 (including \$1,489,398 in Personal Service Limitation) in FY 2018-19. The recommendation supports the Supreme Court request.

Base Adjustment - The Supreme Court has the authority to transfer General Fund appropriation and Personal Service Limitation among the Court operation programs, the Probation administration programs, the Adult Probation programs, and the Juvenile Justice programs. Total combined General Fund base appropriation in FY 2016-17 for all of these programs was \$154,420,344. Given the flexibility provided the Supreme Court relative to program appropriations, and in lieu of accepting the Supreme Court modifications for reductions to General Funds, which would more severely target Probation services, the recommendation includes a reduction of four percent of the FY 2016-17 General Fund base (\$6,176,814) to be applied in both FY 2017-18 and FY 2018-19. This overall reduction helps maintain the Supreme Court General Fund appropriation level approximately flat compared to the FY 2016-17 base for the upcoming biennium.

WORKERS' COMPENSATION COURT (37)

Office Rent - The Workers Compensation Court requested an increase in cash fund appropriation of \$11,578 in FY 2017-18 and \$23,593 in FY 2018-19 to provide for increases in the agency's office rent over the upcoming biennium. The recommendation does not include this increase as spending patterns by the agency indicate its ability to absorb this relatively small increase in expense.

Base Reduction - The recommendation includes a base appropriation reduction of \$145,000 cash funds in each of FY 2017-18 and FY 2018-19. Actual cash fund expenditures over the last ten years indicate the agency underspent total budgeted appropriations by more than this amount in each of the last ten years.

PUBLIC FINANCE

ADMINISTRATIVE SERVICES, DEPARTMENT OF (65)

The recommendation for FY 2017-18 includes an increased General Fund appropriation of \$5,143,884, cash fund appropriation of \$896,203, revolving fund appropriation of \$1,415,160, and Personal Service Limitation of \$641,150. The recommendation for FY 2018-19 includes an increased General Fund appropriation of \$6,938,703, cash fund appropriation of \$716,701, revolving fund appropriation of \$1,292,648, and Personal Service Limitation of \$641,150.

Detail of the recommendation for each division of the Department follows:

Departmental Administration

The recommendation includes an increase of \$1,346,006 revolving funds and \$785,622 Personal Service Limitation in FY 2017-18 and \$1,349,128 revolving funds and \$798,952 Personal Service Limitation in FY 2018-19. These increases support the Center of Excellence initiatives and creation of a Shared Services program. The recommendation also includes revolving fund reductions for each year of the biennium of \$99,400 for one-time funding provided by LB 867 (2016) and a base reduction of \$13,486 for operational savings and

efficiencies. The increase in Personal Service Limitation supports the transfer of three FTE positions from other divisions of the agency and creation of ten new FTE positions.

Centers of Excellence - The agency requested the creation of new state-wide assessments for two new initiatives. The recommendation does not include the creation of new assessments at this time but instead recommends an increase of \$185,970 to revolving fund and \$107,717 Personal Service Limitation in both years of the biennium. This increase will allow the Department to complete implementation of a state-wide Center of Excellence - Continuation of Operations Program (COOP) and Center of Excellence - Process Improvement. Both of these initiatives have been started by using internal fund balances and the recommendation continues to use internal sources until the programs are fully operational. At that time, an ongoing funding source will be identified.

The COOP initiative will assist all state agencies, boards, and commissions in the development and maintenance of continuation of operations plans. This will ensure that the plans are up-to-date if the plan would need to be implemented.

The Process Improvement initiative will assist all state agencies, boards, and commissions to improve internal work processes with the goal of being more efficient, provide improved customer service, and reduce expenses.

Shared Services - The recommendation includes \$922,809 revolving funds and \$466,349 Personal Service Limitation in FY 2017-18 and \$897,809 revolving funds and \$466,349 Personal Service Limitation in FY 2018-19. This funding will support the creation of a Shared Service program within the Department. The Department would be authorized to hire up to ten new positions. The Shared Services program will bill for human resource and process improvement expertise to agencies, boards, commissions, political subdivisions, and other governmental entities.

Materiel Division

The recommendation includes \$450,000 revolving funds in FY 2017-18 and \$55,000 revolving funds in FY 2018-19 for a new barcode scanner system to replace the current system that is obsolete. The recommendation also includes revolving fund reductions for each year of the biennium of \$99,400 for one-time funding provided by LB 851 (2016) and a base reduction of \$537,335 for operational savings and efficiencies.

Transportation Services Bureau

The recommendation includes revolving fund reductions for each year of the biennium of \$416,837 for one-time funding provided by LB 605 (2016) and a base reduction of \$262,756 for operational savings and efficiencies.

Budget Division

The recommendation includes an agency identified budget modification to General Funds that adjusts the health insurance assumption contained in the base. The modification reduces General Funds by \$36,671 in each year of the biennium.

Risk Management Administration

State Insurance Program – The recommendation includes a revolving fund increase of \$2,000,000 in each year of the biennium so the agency can utilize an expected increase in the payments of insurance claims to the state for property damage experienced in the past.

State Building Division

The recommendation includes a General Fund decrease of \$7,240 in both years of the biennium and an agency identified budget modification that reduces the base for repairs and maintenance at the Governor's Residence.

The recommendation includes a cash fund increase of \$700,000 in each year of the biennium for the Vacant Building and Excess Land (VBEL) program. The VBEL Cash Fund has built up a balance and the increase to cash fund appropriation will allow more projects to undertaken by the Division.

The recommendation includes revolving fund base reductions for each year of the biennium of \$881,862 for operational savings and efficiencies, and \$88,698 revolving fund reduction for the transfer of a position to Departmental Administration to support the COOP initiative of the agency.

Accounting Division

Enterprise Resource Management Consolidation - The recommendation includes General Fund appropriation of \$5,149,000 in FY 2017-18 and \$6,900,000 in FY 2018-19 so the agency may begin the process to consolidate enterprise resources of the state. This funding will improve enterprise operational, process, and expense synergies and minimize operational risk and complexity through the migration and consolidation of disparate legacy human resource, financial, and other duplicative technology platforms onto one cloud-based enterprise resource management platform. Currently, the State's human resources information is managed across four different software vendors. The state accounting system is managed by the state on physical servers. The current system is over 12 years old and is in need of major upgrades. Using the existing vendor for the accounting system, a consolidated system will be developed that will be more efficient and less costly.

The recommendation includes revolving fund base reduction for each year of the biennium of \$2,344 for operational savings and efficiencies, and a \$318,495 revolving fund reduction for the transfer of three positions to Departmental Administration to support the Process Improvement initiative of the agency.

Task Force for Building Renewal

The recommendation includes a cash fund increase of \$4,151 and an increase to Personal Service Limitation of \$2,209 in FY 2017-18 and cash fund increase of \$8,501 and an increase to Personal Service Limitation of \$4,439 in FY 2018-19

Personnel Division

The recommendation does not include the agency identified modification to restructure the personnel staff of the division. The recommendation includes base revolving fund reductions in each year of the biennium of \$3,814 for operational savings and efficiencies.

Benefits Administration

The recommendation includes the agency request for a cash fund increase of \$190,000 in FY 2017-18 for health insurance plan consultant fees. The recommendation includes a cash fund decrease of \$3,814 in FY 2017-18 and FY 2018-19 for operational savings and efficiencies.

Employee Relations Division

The recommendation does not include the agency identified budget modification of a reduction of one position.

Office of the Chief Information Officer (OCIO)

Detail of the recommendation for each division of the OCIO follows:

Chief Information Officer

The division identified budget modification to shift funding for the OCIO legal counsel from General Funds to the overhead allocation to all programs of the OCIO is included. This shift reduced the General Fund by \$39,695 in FY 2017-18 and \$41,104 in FY 2018-19.

Statewide Computer Network

The recommendation includes the division identified reduction of \$500,000 for savings realized by the consolidation of data centers in the state.

Information Management Services

The recommendation includes division identified reductions of \$500,000 revolving fund for each year of the biennium for one-time funding provided by LB 956 (2016), \$1,314,688 in FY 2017-18 and \$2,474,088 in FY 2018-19 related to savings expected to be realized by shifting contract IT professions to state employees, and \$1,522,000 each year transferred to the Public Safety Communications System division for billings that are better recognized by that division.

The recommendation includes an increase of Personal Service Limitation of \$418,823 and seven positions in FY 2017-18, and Personal Service Limitation of \$775,547 and 13 positions in FY 2018-19, for the transfer of contract IT positions to state employees.

Communications Division

The division requested increase to revolving fund appropriation of \$949,713 in FY 2017-18 and \$979,877 in FY 2018-19 for the consolidation of IT staff and resources, revolving fund increase of \$1,189,780 in each year for increasing costs to provide productivity software to the state, and a revolving fund increase of \$2,900,000 each year for an expected increase in services provided by the division to state agencies.

The recommendation provides \$1,274,998 revolving funds each year for the consolidation of IT staff and resources, \$1,189,780 revolving funds each year for productivity software, and \$1,450,000 each year to respond to the expected increase in the demand for services provided by the division to state agencies.

The recommendation also includes a reduction of \$288,469 revolving funds and \$220,205 Personal Service Limitation in each year for IT positions closed by the division.

OCIO IT Consolidation and Position Closings - The recommendation supports the OCIO in its on-going efforts to consolidate IT resources within the OCIO.

The recommendation includes the transfer of 15 positions from four agencies and an increase of revolving fund appropriation to the OCIO in both years. Individual agencies realize an immediate savings as their personal costs are decreased and a reduction in the

appropriations for these impacted state agencies is included in their individual budgets. The OCIO is able bring these positions into their organization without an increase in rates. The OCIO is continuing the review of all state agencies to find additional cost savings and efficiencies.

Transfer of positions to OCIO

<u>Agency</u>	<u>Salary</u>	<u>Positions</u>	<u>Appropriation</u>
OCIO	\$970,547	15	\$1,274,998
Corrections	(185,261)	(3)	(232,572)
Roads	(65,690)	(1)	Savings transferred to Construction Program
DHHS	(458,931)	(7)	(588,200)
Labor	(260,067)	(4)	(325,285)

All amounts are included in the recommendation.

The OCIO is tasked with reviewing the needs of all agencies for IT personnel and has authority on the hiring of IT personnel. The ongoing review of IT related positions has identified nine positions in five agencies that are no longer necessary and have been closed.

The recommendation includes reductions for the impacted agencies as shown below.

<u>Agency</u>	<u>Salary</u>	<u>Positions</u>	<u>Appropriation</u>
Revenue	\$53,747	1	\$61,890
Labor	133,438	2	164,237
Roads	74,660	1	Savings transferred to Construction Program
State Patrol	126,651	2	167,180
OCIO	220,205	3	253,567
Net savings realized=	608,701	9	646,874

Public Safety Communications System

The division requested an increase in revolving fund appropriation of \$1,000,000 in each year to fund the purchase of equipment to upgrade the radio system, \$1,900,000 in each year to pay the pass-through costs of radios and equipment purchased for state agencies, and \$1,522,000 in each year for billings that are better recognized by this division. The recommendation includes these requested amounts.

Statewide Radio Device Fee - Due to the projected increase of users and devices being added to the Statewide Radio system from the Department of Roads, the OCIO is able to adjust the per user device fee for all users of the system, resulting in a cost savings beginning in FY 2018-19. The recommendation includes a reduction of General Fund appropriations by \$347,789 and cash fund appropriations by \$460,165 in FY 2018-19 to the agencies impacted by a reduction in the fee.

Agency	Projected Devices on System	Rate Differential	Annual Cost Savings
National Guard	8	26.17	2,512
Agriculture	2	26.17	628
State Fire Marshall	101	26.17	31,718
Motor Vehicles	8	26.17	2,512
Health and Human Services	4	26.17	1,256
Roads	1,770	15.61	331,556
NEMA	30	26.17	9,421
Game and Parks Commission	68	26.17	21,355
Corrections	88	26.17	27,636
State Patrol	1,202	26.17	377,476
Environmental Quality	2	26.17	628
Brand Committee	4	26.17	1,256
Total	3,287	-	\$807,954

Office of the Capitol Commission

The recommendation includes the division request for \$98,417 cash fund and \$61,553 Personal Service Limitation for FY 2017-18, and \$104,677 and \$63,030 Personal Service Limitation for FY 2018-19, to fund a project manager for the HVAC replacement project that has started. The recommendation supports the agency request. Funding for the project manager is included in the total costs of the project; however, for accounting purpose, the expenses for the project manager will be recorded in the commission's operations program. To provide funding, the recommendation includes a transfer from the Nebraska Capitol Construction Fund to the Capitol Restoration Cash Fund of \$98,417 in FY 2017-18 and \$104,677 in FY 2018-19.

AUDITOR OF PUBLIC ACCOUNTS (10)

The recommendation for the Auditor of Public Accounts provides for a total funds increase of 0.85 percent in FY 2017-18 and 1.99 percent in FY 2018-19 compared to the current FY 2016-17 base appropriation.

Requested Appropriation Increases - The Auditor of Public Accounts requested a General Fund appropriation increase of 15.5 percent in FY 2017-18 and 18.8 percent in FY 2018-19 compared to the FY 2016-17 base including, among other things, the addition of five FTE Auditor positions, funding to allow auditor salary increases that are in excess of the increases allowed for other auditors employed by the state, and technology expenses. The recommendation does not include increased appropriation for these items.

Direct Audit Resources to Cooperative Audits - The Governor recommends the Auditor of Public Accounts direct \$75,000 of staff resources and related operating expenses from the State Agency and County Post Audit budget program to the Cooperative Audits budget program. This program funding shift will allow the Auditor's Office to direct increased audit scrutiny on political subdivisions, state agency use of federal funds, and grantees of federal funds disbursed by state agencies.

Reduce for One-Time Peer Review Cost - The recommendation includes a reduction of \$15,000 General Funds in each of FY 2017-18 and FY 2018-19 to remove the one-time appropriation provided in FY 2016-17 for the cost of an external peer review to evaluate the Auditor's Office's compliance with quality control and assurance standards established by the federal Government Accountability Office.

INVESTMENT COUNCIL, NEBRASKA (75)

The agency requested a cash fund increase of \$290,511 for FY 2017-18 and \$434,968 for FY 2018-19. Contained in the agency's request is appropriations for an increase to the salaries of investing professionals; an increase for outside service agreements; a new computer program to track outside investment managers; an increase in the costs for outside investment consultants that advise the agency on investment decisions; and recognizes a decrease in appropriations related to the LB 447 (2016).

The recommendation does not include additional funding for outside service agreements or for a new program to track outside investment managers. The agency has shown the ability to manage their existing resources by not fully using the authorized level of cash fund appropriation in past years and has available appropriations to internalize these expected costs.

The recommendation includes \$100,000 each year for outside investment consultants, a ten percent increase over the current amount budgeted by the agency for these services. The agency intends to seek a Request for Proposal from companies that perform investment consulting services in the early part of 2017 and a better understanding of the costs for this service will be known at that time. It is anticipated that the agency will be able to secure a high quality investment consultant within the amounts included in the Governor recommendation.

The recommendation includes an increase to the Personal Service Limitation of \$40,000 in FY 2017-18 and \$80,000 in FY 2018-19 for salary increases of agency investing professionals. This is the same amount provided in the last biennium. No additional cash fund appropriation is included. In a period of stagnant salary increases for all state employees, the agency should consider carefully the increase of salary for their employees.

The recommendation includes a base reduction of cash funds of \$40,000 in each year.

PUBLIC EMPLOYEES RETIREMENT SYSTEMS, NEBRASKA (85)

The agency requested a cash fund appropriation increase of \$293,807 in FY 2017-18 and \$424,768 for FY2018-19. The agency requests an increase in appropriation for changes in Department of Administrative Services and Office of the Chief Information Officer rates and assessments, an increase to the director salary above the amount provided for other state employees in the agency, funding for possible staff retirements, and to increase the number of software developers from two to three.

The recommendation includes a cash fund base reduction of \$165,000 for each year of the biennium. A historical analysis of appropriations over the last three years shows the agency has unused appropriations in excess of \$700,000 each year. Therefore, the agency has sufficient base appropriations to seek a third software developer.

The agency request to provide funding for a six percent salary increase in each year of the biennium for the executive director and to provide a pool of funding for leave payouts related to retirements is not recommended.

Board Member Expenses - The recommendation includes a cash fund appropriations decrease of \$7,000 and Personal Service Limitation of \$1,000 in each year of the biennium. The Board Member Expense program has under-utilized the appropriation by an average of \$15,000 during the last three years.

Retirement Plans of the State - The agency administers five separate retirement systems for public employees.

Plan	Comments
<i>State Employee Plan</i>	Two different plans are administered for state and county employees; a defined contribution and a cash balance plan. The employee contributes 4.8% of their salary to their respective plans. The state matches 156% of state employee contributions and the county matches 150% of the county employee contributions. The defined contribution plan is closed to new employees. All new employees enter the cash balance plan, a hybrid defined benefit plan that guarantees a fixed return and allows for dividends to be paid. Members are not guaranteed a fixed month payment upon retirement.
<i>County Employee Plan</i>	
<i>Judges Retirement Plan</i>	A defined benefit plan that guarantees a member a fixed monthly payment that is based upon salary and years of service. The maximum amount of salary that can be received upon retirement is 70%. Active members contribute 1% to 9% of pay, based upon years of service, into the plan. Additional Contributions are provided by a \$6 per case in court fees. The contribution provided by court fees is equal to 209% of what is contributed by an active member.
<i>Nebraska State Patrol Plan</i>	A defined benefit plan that guarantees a member a fixed monthly payment that is based upon salary and years of service. The maximum amount of salary that can be received upon retirement is 75%. Active members contribute 16% of their salary into the plan and the State matches this amount. Active members do not pay into Social Security. Also, an active member must retire at age 60.
<i>School Employee Plan</i>	A defined benefit plan that guarantees a member a fixed monthly payment that is based upon salary and years of service. The maximum amount of salary that can be received upon retirement is 60%. Active members contribute 9.78% of their salary into the plan. The school district matches 101% of the active member contribution.

Defined Benefit Plans Estimated Unfunded Liability - The Retirement System's consulting actuary has estimated additional contributions are required for the State Patrol Plan and the Judges Retirement Plan.

State Patrol Plan - The consulting actuary indicates a need of additional contributions to the plan but a level lower than last year. There is pending litigation against the State regarding the member contribution rates.

For the State Patrol Plan, the recommendation includes a reduction in General Fund appropriation of \$118,180 for FY 2017-18 and a General Fund increase of \$2,174,262 for FY 2018-19.

Judges Retirement Plan - The consulting actuary indicates a need of additional contributions to the plan. The recommendation includes a transfer of \$118,714 for FY 2017-18 and \$979,000 for FY 2018-19 from the Supreme Court Attorney Services Cash Fund to the Nebraska Retirement Fund for Judges. These transfers will provide the funding of additional contribution determined by the actuary for the Judges Retirement Plan.

School Employee Plan - The consulting actuary indicates no need for additional contributions to the plan. The recommendation includes a General Fund appropriation of \$45,959,012 for FY 2017-18 and \$46,237,871 for FY 2018-19. Included in these amounts is \$44,935,877 in FY 2017-18 and \$45,300,000 in FY 2018-19 for the State's 2% match of salary under the School Employees Retirement plan and the Class V School Employees Retirement

plan. Also included is \$992,451 in FY 2017-18 and \$1,000,000 in FY 2018-19 for the Class V Service Annuity.

REVENUE, DEPARTMENT OF (16)

The recommendation for Department of Revenue operations provides for a total funds reduction of 1.17 percent in FY 2017-18 and a reduction of 1.07 percent in FY 2018-19 compared to the current FY 2016-17 base appropriation. The General Fund recommendation represents reduction of 1.37 percent in FY 2017-18 and a 0.46 percent reduction in FY 2018-19, relative to the current FY 2016-17 base appropriation for agency operations.

Highlights of the recommendations for Department of Revenue operations include:

Annualize the Appropriation for Various Legislative Bills - The Legislature enacted a number of bills during the 2016 session that included A-Bills indicating an impact on the amount of funding required for the Department of Revenue's Revenue Administration budget program during the upcoming biennium. The recommendation includes a net increase of \$60,603 General Funds in FY 2017-18 and a net reduction of \$242,131 General Funds in FY 2018-19 to annualize the appropriation for the following bills:

- LB 774 (2016) - Income tax credit for certain employer expenses of TANF recipients
- LB 884 (2016) - Affordable Housing Tax Credit Act
- LB 886 (2016) - Volunteer Emergency Responders Incentive Act
- LB 889 (2016) - School Readiness Tax Credit Act

Reduce Funding for Certain Budgeted Vacant Positions - The Department of Revenue included an identification of budgeted, but vacant, positions with its biennial budget submission that would have a minimal immediate, direct impact on the Department's ability to assess and collect tax revenue due to the state or to regulate property assessment. However, the reduction of the appropriation for these positions, which when vacant allowed the Department to make one-time investments in technology, will require the Department to request increased appropriations in the future to make similar technological improvements. The recommendation includes a reduction of \$636,853 General Funds, \$33,466 cash funds, and \$485,014 Personal Service Limitation in each of FY 2017-18 and FY 2018-19 in the Revenue Enforcement budget program and a reduction of \$71,890 General Funds, \$29,400 cash funds, and \$73,464 Personal Service Limitation in each of FY 2017-18 and FY 2018-19 in the Property Assessment budget program. These reductions represent a reduction of 9.5 FTE positions in the Revenue Enforcement program and a reduction of one FTE position in the Property Assessment program.

Rebase Motor Fuels Tax Administration Appropriation - The Department of Revenue's annual expenditures in the Motor Fuels Tax Administration program indicates there is an amount of unneeded, excess appropriation for the program. The recommendation reduces the cash fund appropriation and Personal Service Limitation by \$100,000 each year.

Rebase Charitable Gaming Operations Appropriation - The recent actual expenditure amounts for the Charitable Gaming Operations Program demonstrate that a base appropriation adjustment may be made to the program without in any way negatively affecting the ability of the Department to regulate charitable gaming activity in the state. The recommendation includes a reduction in the cash fund appropriation and Personal Service Limitation by \$200,000 each year.

Restore Base Following Property Assessment Division Temporary Fund Shift - In 2015, during the development of the 2015-2017 biennial budget, a temporary fund shift reducing General Funds by \$250,000 and increasing cash fund appropriations by the same amount was included in the Property Assessment Division's budget in an effort to reduce an excess cash fund balance. In determining the needed level of appropriation for the program during each of the next two fiscal years, the Department performed a zero-base budget analysis and identified that the General Fund reduction could continue in FY 2017-18 and that only \$198,509 of the General Fund reduction would need to be restored in FY 2018-19. The recommendation includes appropriation changes consistent with the Department's request.

Charitable Gaming Operations Fund Transfer - The Charitable Gaming Operations Fund contains a current balance that is in excess of the amount required to regulate and enforce the charitable gaming laws of the state. The recommendation includes a transfer of \$800,000 from the Charitable Gaming Operations Fund to the General Fund in each of FY 2017-18 and FY 2018-19.

Tobacco Products Administration Cash Fund Transfer - Section 77-4025, R.R.S., provides that any excess receipts in the Tobacco Products Administration Cash Fund may be transferred to the General Fund at the direction of the Legislature. The recommendation includes a transfer of \$10,000,000 in each of FY 2017-18 and FY 2018-19 from the Tobacco Products Administration Cash Fund to the General Fund to operationalize the lapse of excess funds during the 2017-2019 biennium.

The Department of Revenue also currently administers three aid programs. They are the Property Tax Credit Program, the Homestead Exemption Program, and the Personal Property Tax Exemption Program. The recommendations for the department's aid programs include:

Property Tax Credit Act Funding - The Governor is recommending \$448 million in direct property tax relief for the 2017-2019 biennium through the Property Tax Credit Act, representing the largest amount in Nebraska's history. The Act provides a property tax credit for each parcel of real property in the state. The state property tax credit is shown on tax statements as a credit after the full taxes levied by local governments. The recommendation includes the appropriation of \$224 million in each of FY 2017-18 and FY 2018-19, an increase of \$20,000,000 each year. The appropriation increase, in concert with the requisite increase in the General Fund transfer to the Property Tax Credit Cash Fund, represents a ten percent increase in the state's commitment to direct, real property tax relief for Nebraska's farmers, ranchers, homeowners and businesses.

Homestead Exemption Reimbursement to Political Subdivisions - The Homestead Exemption program provides direct relief from property taxes to eligible persons by exempting all or a portion of the valuation of the homestead from taxation. The State reimburses local governments for the taxes lost due to homestead exemptions. The Department has indicated that the estimated homestead exemption tax loss to be experienced by local governments and reimbursed by the State during FY 2017-18 is \$78,200,000 General Funds, which is \$5,685,000, or 7.8 percent, more than the FY 2016-17 base, and \$81,005,500 General Funds in FY 2018-19, which is \$8,490,500, or 11.7 percent, more than the FY 2016-17 base. The recommendation includes appropriations consistent with the department's estimates to provide this property tax relief to eligible Nebraskans.

Personal Property Tax Exemption Reimbursement to Political Subdivisions - The Personal Property Tax Exemption program provides owners of tangible personal property with an exemption from the property tax on the first \$10,000 of valuation of tangible personal property in each "tax district" in which a personal property tax return is required to be filed. The

program also includes a compensating exemption factor for companies that are centrally assessed by the state that is used in determining the personal property tax exemption for those companies. The State reimburses local governments for the lost tax revenue. The Department of Revenue has indicated that the personal property exemption tax loss experienced by local governments to be reimbursed by the State during FY 2017-18 is estimated to be \$15,200,000 General Funds, which is \$4,400,000 less than was previously estimated for the FY 2016-17 base, and \$16,200,000 General Funds for FY 2018-19, which is \$3,400,000 less than the FY 2016-17 base.

Commission on Problem Gambling

Align Commission on Problem Gambling Appropriation to Available

Revenue - The Commission on Problem Gambling has been spending down an excess balance in the Gamblers Assistance Fund during the past several fiscal years, spending about \$200,000 more each of the past two fiscal years than the fund's revenues. The level of spending from the fund will be unsustainable as the fund's balance is reduced. The recommendation includes reducing the cash fund appropriation by \$100,000 in FY 2018-19 to align the Commission's appropriation beginning in that year to available revenue. The Governor further encourages the Commission to establish and publish objectives and benchmarks related to outcomes to allow an evaluation of the Commission's performance at the current level of available revenue.

TAX EQUALIZATION AND REVIEW COMMISSION (93)

The Tax Equalization and Review Commission has three primary duties: hearing and deciding valuation appeals; the equalization of real property assessments for purposes of taxation within each county; and hearing and deciding petitions from the county boards of equalization. The recommendation for the Tax Equalization and Review Commission provides for a total funds reduction of 1.87 percent in FY 2017-18 and a reduction of 0.43 percent in FY 2018-19 compared to the current FY 2016-17 base appropriation.

Restore Base Fund Mix Following Temporary Fund Shift - In 2010, during the development of the 2011-2013 biennial budget, a temporary fund shift reducing General Funds and increasing cash fund appropriations was included in the Commission's budget in an effort to reduce an excess cash fund balance. A portion of the fund shift was restored in the 2015-2017 biennial budget. The Commission requested increasing the General Fund appropriation by \$25,000 and reducing the cash fund appropriation by \$25,000 in each of FY 2017-18 and FY 2018-19 to fully restore the base fund mix. The recommendation reduces the cash fund appropriation by \$25,000 but increases the General Fund appropriation by only \$20,000 as the Commission has not fully utilized the cash fund appropriation and wouldn't need the full amount of the cash fund reduction offset with General Funds.

Base Reduction - The recommendation includes a General Fund base reduction of \$25,000. At 1,291, the number of valuation appeals is at its lowest level in over ten years. At the same time, in 2015, the number of valuation appeals that were disposed that actually required the Commission to issue a Final Order on Merits had slipped to only 7.5 percent of the number of appeals filed. The Commission is encouraged to explore cost-cutting measures in light of these statistics.

TREASURER, STATE (12)

The recommendation for the State Treasurer's Office provides for a General Fund reduction of 2.62 percent in FY 2017-18 and a 2.92 percent reduction in FY 2018-19 compared to the current FY 2016-17 base appropriation.

Reduce Excess Budgeted Personal Services Expense - By taking advantage of technology the State Treasurer's Office has been able to reduce the required level of staffing in the Child Support State Disbursement Unit (SDU). The Treasurer's Office has indicated that the appropriation related to vacant budgeted positions can now be reduced with no impact to the services provided by the agency. The recommendation includes a reduction in the appropriation to the State Disbursement Unit of \$9,211 General Funds and \$13,817 federal funds in each of FY 2017-18 and FY 2018-19 to account for this savings.

Reduced Postage and Printing Expense - The State Disbursement Unit has made efforts in enrolling custodial parents to receive their child support statements and payments electronically, instead of printing and mailing statements and warrants. This provides cost savings for the State Disbursement Unit, both in postage and printing expenses. The agency requested a reduction in the appropriation for the SDU as a result of this expected savings. Consistent with the agency request, the recommendation includes a reduction of \$5,600 General Funds and \$8,400 federal funds in FY 2017-18 and \$8,400 General Funds and \$12,600 federal funds in FY 2018-19.

ABLE Savings Program Staffing - The Nebraska Achieving a Better Life Experience (ABLE) Savings Program allows Nebraskans with certain disabilities to create tax-advantaged savings accounts to use for qualified disability-related expenses. The State Treasurer's Office requested \$20,813 cash funds and \$45,000 Personal Service Limitation to internally re-direct more staff time to the ABLE Savings Program to enhance marketing and increase participation in Nebraska's plan throughout Nebraska as well as to seek partnerships with other states for Nebraska to be their ABLE Program provider. The recommendation includes the \$45,000 Personal Services Limitation to allow the increased marketing.

Long-Term Care Savings Program - LB 756 (2016) terminated the Long-Term Care Savings Program effective January 1, 2018. The fiscal note and A-Bill associated with the bill provided that the appropriation to the program would be reduced by \$22,162 General Funds in FY 2017-18 and by \$44,323 General Funds in FY 2018-19, completely eliminating the appropriation to the program. The State Treasurer's Office's budget request included a reduction of only \$11,182 General Funds in FY 2017-18 while fully eliminating the appropriation in FY 2018-19. The recommendation is consistent with the Legislature's stated intent as outlined in the LB 756 fiscal note and A-Bill.

State Treasurer Health Insurance Savings - The amount budgeted in the State Treasurer's Salary Program for the cost of employee health insurance is greater than is needed through at least FY 2017-18 based on plan selection. The recommendation includes a reduction of \$9,000 General Funds in FY 2017-18 to account for this lower cost.

Sports Arena Facility Financing Assistance - The recommendation includes an increase in the appropriation to the Sports Arena Facility Financing Assistance Program of \$400,000 cash funds in FY 2017-18 and \$600,000 cash funds in FY 2018-19. The recommendation will provide a total estimated appropriation of \$2,600,000 cash funds in FY 2017-18 and \$2,800,000 cash funds in FY 2018-19 to reflect the amount of State sales tax revenue estimated to be attributable to the current approved facility under the act.

Convention Center Facility Financing Assistance - The recommendation includes an increase in the appropriation to the Convention Center Facility Financing Assistance Program of \$200,000 cash funds in FY 2017-18 and \$400,000 cash funds in FY 2018-19. The recommendation will provide a total estimated appropriation of \$4,300,000 cash funds in FY 2017-18 and \$4,500,000 cash funds in FY 2018-19 to reflect the amount of State sales tax revenue estimated to be attributable to the current approved facilities under the act.

TRANSPORTATION

AERONAUTICS, DEPARTMENT OF (17)

The recommendation includes a cash fund appropriation increase of \$11,380,417 in FY 2017-18 and \$5,506,794 in FY 2018-19, excluding enterprise issues. This recommendation recognizes an increase in the amount of funding received from the Federal Aviation Administration for funding of airport improvements. The recommendation also includes the agency's request for a reduction of funding for the Civil Air Patrol of \$40,200 in FY 2017-18 and FY 2018-19 and a cash fund appropriation reduction of \$21,569 in FY 2017-18 and \$35,569 in FY 2018-19 for the decrease in anticipated costs associated with state owned aircrafts.

Further, the recommendation includes a reduction of cash fund appropriation of \$368,923 in FY 2017-18 and \$649,023 in FY 2018-19 to reduce the funding necessary for the Scribner Runway Project as it nears completion and an additional reduction of \$52,289 in FY 2017-18 and \$52,058 in FY 2018-19 for the decrease in navigational aids expenses that were budgeted in the previous biennium and will not reoccur.

The recommendation does not include the agency's request for \$100,000 in FY 2017-18 for additional aircraft expenses and includes a reduction of three unfilled, but budgeted positions, reducing cash fund appropriations and the Personal Service Limitation of \$188,285 in FY 2017-18 and \$198,356 in FY 2018-19.

MOTOR VEHICLES, DEPARTMENT OF (24)

The recommendation includes the agency's request for a cash fund appropriation increase of \$14,598,490 in FY 2017-18 and \$10,134,987 in FY 2018-19 to continue efforts beginning in 2013 to replace the Vehicle Title and Registration (VTR) System and an additional increase of \$128,169 in FY 2017-18 and \$131,401 in FY 2018-19 to fund the State to State Verification Service (S2S) to better protect the personal information of Nebraska residents and deter fraud.

Further, the recommendation includes a cash fund appropriation increase of \$747,902 in FY 2017-18 and \$1,164,016 in FY 2018-19 to allow the Department of Motor Vehicles to implement a new service model for residents in Sarpy and Douglas counties. The recommendation also includes an increase of federal fund appropriation of \$108,674 in FY 2017-18 and \$110,693 in FY 2018-19 with funding provided by a federal grant to maintain the electronic road testing system.

License Plates - The recommendation includes a cash fund appropriation reduction of \$2,074,574 in FY 2017-18 and \$2,846,162 in FY 2018-19 to reduce the appropriation necessary for the manufacture and issuance of the 2017 series license plates.

Indigent Interlock Fund Transfer - The recommendation includes a transfer of \$150,000 in FY 2017-18 and FY 2018-19 to the General Fund from the Department of Motor Vehicles Indigent Interlock Fund.

MOTOR VEHICLE INDUSTRY LICENSING BOARD (40)

The recommendation includes a cash fund appropriation reduction of \$22,370 in FY 2017-18 and FY 2018-19 to encourage the reduction of state spending during the current

economic downturn. The recommendation does not include the agency's request for an increase to cash fund appropriation of \$9,888 in FY 2017-18 and FY 2018-19.

Motor Vehicle Industry Licensing Fund Transfer - The recommendation includes a transfer of \$200,000 in FY 2017-18 to the General Fund from the Nebraska Motor Vehicle Industry Licensing Fund, which has an excessive fund balance.

ROADS, DEPARTMENT OF (27)

The total cash fund recommendation for the Nebraska Department of Roads over the 2017-2019 biennium, including operations, government aid, highway construction, and capital facilities construction is based on an estimated base motor fuel tax level of 27.3 cents per gallon, but will include an increase of 1.5 cents in each year of the biennium provided for by LB 610 (2015). The Department of Roads receives approximately 70 percent of the fuel tax revenues and the remaining 30 percent is shared equally by the cities and counties in the state. Federal funds are based on a consistent level of funding assuming Congress provides full funding for federal FY 2017 of approximately \$297.3 million.

The recommendation includes an estimated Surface Transportation Program size, including the Build Nebraska Act and Transportation Innovation Act, of \$551.5 million in FY 2017-18 and \$538.5 million in FY 2018-19 based on a state Highway Cash Fund appropriation of \$437.5 million in FY 2017-18 and \$446.5 million in FY 2018-19. In order for the Department of Roads to continue road construction and maintenance projects, the recommendation includes the agency request of: \$3,358,717 in FY 2017-18 and \$4,778,820 in FY 2018-19 for anticipated costs associated with heavy equipment repairs, building repairs, highway maintenance contracts, and other costs associated with construction and maintenance supplies; \$19,876,497 in FY 2017-18 and FY 2018-19 for the planning and delivery of Build Nebraska Act (2015) and Transportation Innovation Act (2016) projects; \$244,140 in FY 2017-18 and FY 2018-19 for increased funding to the Federal Funds Purchase Program; \$1,768,193 in FY 2017-18 and \$1,757,998 in FY 2018-19 for radio expenditures used to enhance communication for the departmental personnel to improve public safety; reduction of \$1,796,376 in FY 2017-18 and FY 2018-19 for a decrease in cash fund appropriation and Personal Service Limitation to better reflect NDOR's best estimate for salaries; reduction of \$44,500,000 in FY 2017-18 and FY 2018-19 to eliminate cash fund appropriations provided by LB 960A (2016) and provide a better estimate of cash flow for construction projects and contractual obligations.

The recommendation also includes additional funding for road construction: \$8,500,000 in FY 2017-18 and \$10,500,000 in FY 2018-19 from additional motor fuel tax revenue generated from the 1.5 cent increase provided for by LB 610 (2015) and an increase of \$1,521,188 in FY 2017-18 and \$2,810,079 in FY 2018-19 for less than anticipated enterprise issue costs that can be diverted to the Construction program.

OCIO IT Consolidation and Position Closings - As part of a broader effort by the Office of the Chief Information Officer (OCIO), working with state agencies to consolidate information technology positions and provide better, more efficient service, the Department of Roads is shifting one full-time equivalent to the OCIO, which will produce a cash fund savings of \$87,682 in FY 2017-18 and FY 2018-19 and also close a current vacant IT position which will allow for an additional \$85,970 reduction in FY 2017-18 and FY 2018-19. These savings will provide for additional funding to be offset to the Construction program.

Radio Savings - Due to the additional purchase of radios and users on the Statewide Radio System, the OCIO was able to adjust the per user device fee. The recommendation includes an additional cost savings from the agency request of \$331,556 in FY 2018-19, which will be offset to the Construction program.

SALARY, HEALTH BENEFITS AND ENTERPRISE ISSUES

STATE OFFICIALS AND EMPLOYEES SALARIES

The Governor's budget recommendations were completed before agreements were reached and ratified with state employees represented by the National Association of Public Employees Local 61 of the American Federation of State, County and Municipal Employees (NAPE/AFSCME), the State Law Enforcement Bargaining Council (SLEBC) and the State Code Agency Teacher's Association (SCATA). The recommendation includes additional funding equivalent to one percent of salaries in FY 2017-18 and FY 2018-19 for employees of constitutional offices, and non-higher education agencies, boards and commissions whose employees are discretionary, at-will, classified, or represented by NAPE/AFSCME, SLEBC, or SCATA.

The Governor's recommendation does not include additional funding for salaries for judges in the state and county court system in FY 2017-18 and FY 2018-19. Current law does not provide a salary increase for constitutional officers during FY 2017-18 and FY 2018-19. No additional funding has been included in the Governor's recommendation. The recommendation includes \$4.5 million General Funds, \$2.3 million cash funds, \$1.6 million federal funds, and \$0.4 million revolving funds in FY 2017-18 and \$9.1 million General Funds, \$4.5 million cash funds, \$3.3 million federal funds, and \$0.8 million revolving funds in FY 2018-19, or \$8.8 million and \$17.7 million total funds each fiscal year, respectively, to finance the recommendations noted for non-higher education employees.

STATE EMPLOYEE HEALTH BENEFITS

The Governor's recommendation includes additional funding equivalent to 5.75 percent for estimated increases in state employee health benefit costs in FY 2017-18 and FY 2018-19. The recommendation includes additional funding: \$4.7 million General Funds, \$2.3 million cash funds, \$1.7 million federal funds, \$0.3 million revolving funds in FY 2017-18 and \$9.8 million General Funds, \$4.8 million cash funds, \$3.4 million federal funds, and \$0.6 million revolving funds in FY 2018-19, or \$9 million and \$18.6 million total funds each year, respectively, to finance these state employee benefits.

UNIVERSITY OF NEBRASKA AND STATE COLLEGE SYSTEM EMPLOYEES

The Governor's budget recommendation for the University of Nebraska and State College system considered increased funding necessary for employee/faculty salary and health benefit costs in the determination of the recommended level of appropriation for FY 2017-18 and FY 2018-19. The Governor's budget recommendations for these systems are shown elsewhere in this publication.

DEPARTMENT OF ADMINISTRATIVE SERVICES AND OFFICE OF THE CHIEF INFORMATION OFFICER RATES AND ASSESSMENTS ADJUSTMENTS

The recommendation includes funding adjustments for Department of Administrative Services (DAS) and Office of the Chief Information Officer (OCIO) Rates and Assessments as indicated below.

Accounting assessment: Adjustments requested by individual agencies are included in recommendation.

Human Resources Management System assessment: Adjustments are not included as there is no change to the amount assessed in FY 2017.

OCIO rates: Adjustments requested by individual agencies are included in recommendation.

Purchasing assessment: The recommendation does not include the increase in the assessment as proposed by DAS. The overall assessment will remain flat. Adjustments are included in the recommendation where the assessment changed for individual agencies.

Workers' Compensation assessment: The overall assessment to state agencies is decreasing as a result of favorable experience related to workers' compensation claims. DAS will also be lowering the administrative fee, resulting in a lower cost than was proposed by DAS. The recommendation includes the adjustment to all non-higher education agencies for workers' compensation assessment.

OCIO Productivity Software rate: The OCIO rate for productivity software has changed. Previously, agencies could choose to be part of the productivity software program and the rate was based upon the number of devices the agency had in use. Now, all agencies are required to be part of the program and the rate is based upon the number of FTE positions. The new rate provides a greater catalog of productivity products for use by the state and each FTE position can have up to five devices using the same productivity software license. This change will result in a net savings to the state. The recommendation includes funding for the impact of the new productivity software rate.