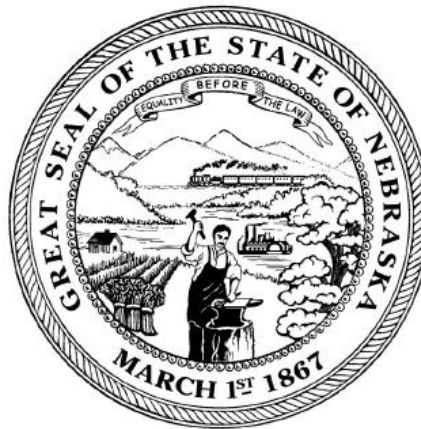


# State of Nebraska



## Executive Budget Presentation 2019 – 2021 Biennium



Pete Ricketts  
Governor

January 15, 2019

# 2019 - 2021 Biennium Budget Overview

- No tax increases
- Prepared 2019-2021 biennial budget within the tax receipt forecasts provided by the Nebraska Economic Forecasting Advisory Board
- Two-year average increase of 3.1% in General Fund appropriations for the 2019-2021 biennium over FY 2018-19 appropriations
- Structural balance (tax receipts versus spending)
- Restored General Fund minimum reserve to 3%. The Legislature had previously lowered this reserve to 2.5% for the current 2017-2019 biennium

# 2019 - 2021 Budget - Tax Relief

- Increased direct property tax relief
  - Property Tax Credit Relief Fund: \$550 Million--\$102 Million in additional State support, \$51 Million each fiscal year or an increase of 23% annually
  - Homestead Exemption: \$92 Million--\$7.9 Million in State Aid, a 9.4% increase for the biennium; 4.6% two-year average increase
- Veteran-Friendly Nebraska
  - Covering over 13,000 military veterans, we will exempt 50% of military retirement pay from Nebraska income tax
  - \$15 Million in annual support for our veterans when fully implemented
  - \$9.5 Million total funds for construction of additional housing capacity at the Eastern Nebraska Veterans' Home to meet long-term care needs of Nebraska veterans

# 2019 - 2021 Budget - Education Funding

- Fully Funding TEEOSA School Aid
  - Record \$1.1 Billion--a 10.65% increase (or \$103.8 Million), for the biennium in additional State support for K-12 schools; 5.19% two-year average increase
- Special Education: Funding increased \$4.6 Million, a 2% increase over the biennium
- Jobs and Opportunities
  - Provides \$6.8 Million in Nebraska Talent Scholarships for students in targeted programs at our higher education institutions
  - Additional \$2.5 Million for Developing Youth Talent Initiative over the current \$500,000 for the biennium

# 2019 - 2021 Budget - Higher Ed Funding

## Higher Education (General Fund Operations)

- University of Nebraska
  - \$609.2 Million FY 2020-21 Recommendation
  - \$15 Million, or 2.6% annual increase in FY 2019-20
  - \$34.5 Million, or 6.0% increase FY 2020-21 over FY 2018-19
  
- State Colleges
  - \$54.8 Million FY 2020-21 Recommendation
  - \$1.6 Million, or 3.1% annual increase in FY 2019-20
  - \$3.2 Million, or 6.2% increase FY 2020-21 over FY 2018-19

*Fully funded with General Funds the University & State Colleges' request for salary and health costs*

- Community College System
  - \$102.6 Million FY 2020-21 Recommendation
  - \$2 Million, or 2.0% annual increase in FY 2019-20
  - \$4 Million, or 4.0% increase FY 2020-21 over FY 2018-19

# 2019 - 2021 Budget - Other Priorities

- Investing in Corrections
  - \$49 Million investment adding two high security housing units with capacity up to 384 new beds at the Lincoln Correctional Center to address security and capacity issues
  - Staffing and Programming increase of \$6.6 Million total General Fund investment
  - Improving Information Technology support with a \$3.9 Million total General Fund investment
- Fitting Medicaid Expansion in the Budget
  - Voter-approved Initiative 427 expanded Medicaid coverage to Nebraska residents
  - Requires an increase of \$63.1 Million of General Funds including offsetting budget savings and \$526.2 Million of federal fund increase over the biennium

# 2019 - 2021 Budget – HHS Funding

## Department of Health and Human Services

- **Operations (General Funds)**
  - \$240.9 Million FY 2020-21 Recommendation
  - -\$573,731, or -0.2%, annual decrease in FY 2019-20
  - \$4.2 Million, or 1.8%, increase in FY 2020-21 over FY 2018-19
  
- **State Aid (General Funds)**
  - \$1.5 Billion FY 2020-21 Recommendation
  - \$17.9 Million, or 1.3%, annual increase in FY 2019-20
  - \$79.3 Million, or 5.7%, increase in FY 2020-21 over FY 2018-19
  
- **Operations & Aid (All Funds)**
  - \$4.2 Billion FY 2020-21 Recommendation
  - \$231.8 Million, or 6.4%, annual increase in FY 2019-20
  - \$570.1 Million, or 15.7%, increase in FY 2020-21 over FY 2018-19

# Other Specific 2019 - 2021 Recommendations (Cont.)

## Department of Natural Resources

- Water Sustainability Fund
  - Restore transfer amount to \$11 Million, an increase of \$5 Million each year
    - Provide cost-shared financial assistance to programs, projects, or activities addressing water quantity/quality, flood mitigation, and other water-related issues
  
- Water Resources Cash Fund
  - Continues funding at \$3.3 Million annually
    - Necessary for the state to meet its commitments with interstate compacts and agreements in fully and overappropriated river basins

## Election Equipment Replacement

- Utilize \$6 Million cash funds for replacement of voter counting machines and allowance for a 10% county match



# 2019 - 2021 Appropriation Summary

- FY 2019-20 compared to the FY 2018-19 base
  - \$143 Million increase
    - \$68.5 Million increase – TEEOSA School Aid
    - \$18.4 Million increase – Medicaid Expansion
  - 3.2% increase
- FY 2020-21 compared to FY 2019-20
  - \$137.5 Million increase
    - \$35.3 Million increase – TEEOSA School Aid
    - \$26.3 Million increase – Medicaid Expansion
  - 3% annual increase
- FY 2019-21 Biennium increase
  - \$280.5 Million over the unadjusted FY 2018-19 base
    - \$103.8 Million increase – TEEOSA School Aid
    - \$63.1 Million increase – Medicaid Expansion
  - 2 Year Average: 3.1% Annual Growth

# 2019 - 2021 Budget Summary

- No tax increases
- Increased direct property tax relief
- Veteran's Tax Relief
- Nebraska Talent Scholarships
- Developing Youth Talent Initiative
- Fully financed investment in K-12 TEEOSA School Aid and increased special education by 2% for the biennium
- Investing in Corrections
- Fitting Medicaid Expansion within the budget
- Two-year average budget growth of 3.1% over FY 2018-19
- Structural balance

# Legislative Initiatives – Tax Relief

## Direct Property Tax Relief

- Provides for a floor of financing for the Property Tax Credit Relief Fund of \$275 Million in statute

## Reduce Spending, Lower Property Taxes

- Provide a Constitutional Amendment to limit revenue increases by political subdivisions
- Limiting property tax revenue increases by locals is critical for any long-term property tax relief

# Legislative Initiatives – Tax Relief

## Tax Relief for Military and National Guard Retirees

- Exempts 50% of retirement pay for over 13,000 military and Guard veterans from Nebraska income taxes
- Allows Nebraska to remain competitive regionally and nationally when 29 states have already exempted retirement benefits from veterans
- Current tax break for veterans is outdated and unjust. This legislation will allow for a more equitable tax code for our veterans and their families

# Legislative Initiatives – Customer Focus

## More efficient, more effective and more customer focused State government

- Energy Office Merger with Environmental Quality
  - Enhance the functions of both agencies by combining their efforts to work on environmental quality and energy policies
  - More efficient and more effective service model with one agency to handle these efforts
- Boiler and Conveyance Merger with State Fire Marshal
  - Better aligns scope of work allowing for a more effective and more efficient service model

# Legislative Initiatives Summary

- Direct Property Tax Relief
- Limit Property Tax Revenue Increases by Political Subdivisions
- Tax Relief for Our Veterans
- More efficient, more effective and more customer focused state government

## General Fund Financial Status

	Current Year FY2018-19	Upcoming Biennium FY2019-20    FY2020-21		Following Biennium FY2021-22    FY2022-23		
<b>1 Beginning Balance</b>						
2	Beginning Cash Balance	\$453,601,627	\$312,443,933	\$285,956,165	\$293,805,801	\$372,653,774
3	Cash Reserve Fund transfer-Automatic	(61,995,773)	(69,266,000)			
4	FY 2017-18 Carryover Obligations/Reappropriations	(252,544,467)				
4a	<b>Reduce FY 2017-18 reappropriations</b>	<b>13,000,000</b>				
5	Allocation for potential deficits		(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
6	Unobligated Beginning Balance	152,061,387	238,177,933	280,956,165	288,805,801	367,653,774
<b>7 Revenues</b>						
8	Net Receipts (Oct 2018 NEFAB; Following-LFO Hist. Avg)	4,800,000,000	4,890,000,000	5,000,000,000	5,286,000,000	5,544,000,000
9	General Fund transfers - out (current)	(230,300,000)	(227,000,000)	(227,000,000)	(227,000,000)	(227,000,000)
9a	<b>Continue Transfer to Water Resources Cash Fund</b>		<b>(3,300,000)</b>	<b>(3,300,000)</b>	<b>(3,300,000)</b>	<b>(3,300,000)</b>
9b	<b>Restore Transfer Amount to Water Sustain. Fund</b>		<b>(5,000,000)</b>	<b>(5,000,000)</b>	<b>(5,000,000)</b>	<b>(5,000,000)</b>
10	General Fund transfers - in (usual and customary)	in forecast	48,500,000	48,500,000		
11	General Fund transfers - in (adjustment)	(1,500,000)				
12	Cash Reserve Fund transfers (current)	48,000,000				
13	Legislation - Military Retirement Tax Benefit		(5,077,000)	(12,471,000)	(13,171,000)	(13,908,000)
14	Legislation - National Guard Retirement Tax Benefit	(28,000)	(74,000)	(89,000)	(103,000)	(113,000)
15	Property Tax Credit Fund transfer increase		(51,000,000)	(51,000,000)	(51,000,000)	(51,000,000)
16	General Fund Net Revenues	4,616,172,000	4,647,049,000	4,749,640,000	4,986,426,000	5,243,679,000
<b>17 Appropriations</b>						
18	Appropriations (2018) Session	4,456,283,615	4,456,283,615	4,456,283,615	4,456,283,615	4,456,283,615
19	2019 Claims Bill	107,133				
20	<b>FY 2019-21 Governor's Recommendation</b>	<b>(601,294)</b>	<b>143,536,649</b>	<b>281,605,742</b>		
21	Legislation - Medicaid Drug Rebates		(549,497)	(1,098,993)	(1,098,993)	(1,098,993)
22	Following Biennium - 3.5% Growth in Appropriations				447,393,405	618,983,636
23	General Fund Appropriations	4,455,789,454	4,599,270,767	4,736,790,364	4,902,578,027	5,074,168,258
<b>24 Ending Balance</b>						
25	Dollar ending balance	312,443,933	285,956,165	293,805,801	372,653,774	537,164,516
26	Minimum Biennial Reserve Requirement	226,377,516		280,772,823		306,521,674
27	Variance from Minimum Reserve	<b>86,066,416</b>		<b>13,032,978</b>		<b>230,642,842</b>
28	Biennial Reserve (%)	4.4%		3.1%		5.4%
29	Annual % Change - Appropriations (w/o Deficits)	1.3%	3.2%	3.0%	3.5%	3.5%
30	Two Year Average (w/o Deficits)	0.5%	--	3.1%	--	3.5%
31	Annual % Change - Net Receipts Forecast (Nominal)	6.0%	2.9%	2.2%	4.7%	4.9%
32	Two Year Average	6.1%	--	2.6%	--	4.8%
33	Structural Receipts v. Expend./Approps.	112,382,546	47,778,233	12,849,636	83,847,973	169,510,742

### Cash Reserve Fund Status

	Current Year FY2018-19	Next Biennium FY2019-20    FY2020-21		Following Biennium FY2021-22    FY2022-23	
1 Beginning Balance	339,990,065	333,549,124	402,815,124	348,115,124	348,115,124
2 Transfer Amounts Above Forecasts	61,995,773	69,266,000			
3 To/From General Fund (current)	(48,000,000)				
4 To Nebr Capital Construction Fund (NCCF)	(20,436,714)				
5 <b>To NCCF for Capital</b>			<b>(54,700,000)</b>		
6 Ending Balance	333,549,124	402,815,124	348,115,124	348,115,124	348,115,124



**Budget Adjustments: Major Categories**  
General Fund Only

Type	FY 2019-20		FY 2020-21		FY 2020-21 over FY 2018-19
	FY 2019-20 over FY 2018-19	Annual % Chg	FY 2020-21 over FY 2019-20	Annual % Chg	
<b>Agency Operations</b>	<b>29,791,208</b>	<b>1.95%</b>	<b>40,361,238</b>	<b>2.59%</b>	<b>70,152,446</b>
<b>State Aid</b>	<b>96,804,133</b>	<b>3.33%</b>	<b>108,395,381</b>	<b>3.73%</b>	<b>205,199,514</b>
Aid to Local Governments	75,961,737	5.12%	44,373,299	2.85%	120,335,036
Aid to Individuals/Other	20,842,396	1.47%	64,022,082	4.44%	84,864,478
<b>Capital Construction</b>	<b>16,391,811</b>	<b>75.40%</b>	<b>(11,237,022)</b>	<b>-29.47%</b>	<b>5,154,789</b>
<b>Total Appropriation Changes</b>	<b>142,987,152</b>	<b>3.21%</b>	<b>137,519,597</b>	<b>2.99%</b>	<b>280,506,749</b>

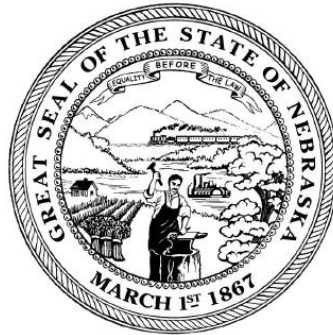
**Notes:**

FY 2018-19 base appropriation prior to 2019 session

# State of Nebraska



## Executive Budget Presentation 2019 – 2021 Biennium



## Questions and Answers?