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# Summary of Governor's Recommendations



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## GROW NEBRASKA

### TAX RELIEF

**Direct Property Tax Relief** – Nebraskans have made it clear that property tax relief is their number one priority and consequently it will continue to be a priority consideration in the construction of the biennial state budget. The Governor is recommending \$550 million in direct property tax relief during the 2019 – 2021 biennium. The Governor recommends that \$272 million be transferred from the state General Fund to the Property Tax Credit Fund in each of FY 2019-20 and FY 2020-21, for distribution along with Property Tax Credit Fund balances, to property taxpayers as a credit against their local property tax bills for 2019 and 2020. This is a \$102 million increase, \$51 million each year, a 23 percent annual increase in State financed direct property tax relief.

**Tax Relief for Military Retirees and National Guard Retirees** – The Governor supports income tax relief for veterans receiving military retirement benefit income and national guard retirees' income. The Governor's budget recommendations allow \$17.7 million for this tax relief in the 2019 – 2021 biennium.

### CONNECTING NEBRASKANS TO GREAT JOB OPPORTUNITIES

**Nebraska Talent Scholarships** – The Governor is recommending \$6.78 million in new funding during the 2019 – 2021 biennium for scholarships at our public universities, state colleges, and community colleges to focus recruiting and graduating more students to fill high demand and high wage jobs in Nebraska. His recommendation includes \$3 million each for the University of Nebraska and State Colleges and \$780,000 is provided to the Nebraska Department of Economic Development to be used at the six community colleges.

**Developing Youth Talent Initiative** – The Governor is recommending \$2.5 million in the upcoming biennium in addition to the current \$500,000 the Department of Economic Development awards to businesses to partner with their local Nebraska public schools for specific career learning opportunities in areas of identified need. This will allow up to \$250,000 to be awarded on an annual basis in each community college service area.

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

**Nebraska Energy Office Merger with the Department of Environmental Quality** – The Governor recommends merging the Nebraska Energy Office with the Department of Environmental Quality to create a more effective and efficient customer focused state agency. Both agencies have functions that can be enhanced by combining their efforts to work on environmental quality and energy policies.

**Boilers and Conveyance Merger with State Fire Marshal** – Moving the Conveyance Safety Act, the Nebraska Amusement Ride Act, and the Boiler Inspection Act responsibilities from the Department of Labor to the State Fire Marshal will better align scope of work allowing for a more effective and more efficient service model. These programs are cash funded through the Mechanical Safety Inspection Fund and the Boiler Inspection Cash Fund, both of which would be reassigned to the State Fire Marshal.

## **SUMMARY OF TAX RECEIPTS FORECAST AND GOVERNOR BUDGET RECOMMENDATIONS**

**Tax Receipt Forecasts and the Cash Reserve Fund** – The Nebraska Economic Forecasting Advisory Board revised its net General Fund tax receipt forecast for FY 2018-19 and established its initial forecasts for the 2019 – 2021 biennium at its October 2018 meeting. The Board will meet again in February and April 2019 to update the estimate of tax receipts prior to enactment of the state budget for the upcoming biennium. The revised tax receipt forecast is \$4.8 billion for FY 2018-19. The initial forecast is \$4.89 billion for FY 2019-20 and \$5 billion for FY 2020-21. The historical growth in General Fund revenue is 4.8 percent. The estimated net General Fund tax receipt growth adjusted for rate and base changes is 3.3 percent and 2.8 percent for FY 2019-20 and FY 2020-21, respectively. Nominal growth in net General Fund receipts is 2.9 percent and 2.2 percent for FY 2019-20 and FY 2020-21, respectively.

The FY 2017-18 actual General Fund tax receipts exceeded the FY 2017-18 certified forecast by \$62 million. This amount was transferred to the Cash Reserve Fund. The Nebraska Economic Forecasting Board projects that the FY 2018-19 tax receipts will exceed the current certified forecast by \$69.3 million. This amount is also shown as transferred to the Cash Reserve Fund.

The Governor's recommendations do not include transfers from the Cash Reserve Fund in the 2019 – 2021 biennium to finance the ongoing costs of state government operations and aid. A transfer of \$54.7 million from the Cash Reserve Fund to the Nebraska Capital Construction Fund for one-time new capital construction is recommended in the upcoming biennium.

**Appropriations for FY 2018-19 and the 2019 – 2021 Biennium** – The Governor's recommendations include a net \$601,294 reduction in FY 2018-19 General Fund appropriations and a \$13 million reduction in FY 2017-18 reappropriations. The Governor's recommendations for the 2019 – 2021 biennium represent a two-year average growth in General Fund spending of 3.1 percent. Some items of specific note are highlighted below with additional information in the following pages.

**School Aid and Higher Education** – The Governor's recommendations include fully-funding the state's primary school aid funding formula Tax Equity and Educational Opportunities Support Act (TEEOSA) with an increase of \$103.8 million, or 10.7 percent, for the biennium. This represents an increase of \$68.5 million, a seven percent increase in FY 2019-20 and \$35.3 million, a 3.4 percent increase in FY 2020-21. In addition, the Governor is recommending a \$4.6 million biennial increase for special education which represents an increase of one percent each year. The recommendations for the University of Nebraska and Nebraska State College System fully funds their requests for salary and health insurance and adds funding for Nebraska Talent Scholarships. This results in a biennial increase of \$36.5 million, a 6.3 percent increase, for the University of Nebraska and \$5.2 million, a ten percent increase, for the Nebraska State College System. The recommendation for the six community colleges provides an additional \$4 million, a two percent increase each year, in state funding.

Our public universities, state colleges, and community colleges play a vital role in preparing Nebraska's future leaders. To focus on recruiting and graduating more students to fill high demand and high wage jobs in Nebraska, the Governor is recommending funding for Nebraska Talent Scholarships. His recommendation includes \$1 million in FY 2019-20 and \$2 million in FY 2020-21 to both the University of Nebraska and the Nebraska State Colleges. The Governor also recommends \$780,000 for the biennium to the Department of Economic Development for scholarships that will be used at the six community colleges. The Department of Economic Development will work closely with the state's public higher education leaders to determine the areas of study that companies throughout the state, both large and small, have indicated are the highest needed four-year degrees or specific technical skills. Eligible students will receive up to \$4,000 scholarships annually, automatically renewable provided the student remains eligible, for up to four years at the University of Nebraska and Nebraska State Colleges and two years at community colleges.

Building on the successful Developing Youth Talent Initiative within the Department of Economic Development, the Governor recommends an additional \$1,250,000 each year, for a total of \$1.5 million each year. This will allow up to \$250,000 to be awarded to businesses in each community college

service area to partner with their local Nebraska public schools for specific career learning opportunities in areas of identified need.

**Health and Human Services** – The Governor’s recommendations include significant additional General Fund appropriations for health and human services. The most significant increase is financing the estimated cost of voter-approved Initiative 427 which expands Medicaid coverage to Nebraska residents ages 19 to 64 with incomes at or below 138 percent of the federal poverty level. This requires \$69.1 million General Funds and \$520.5 million federal funds, or a total of \$589.6 million for the Medicaid program with offsetting budget savings of \$9.8 million General Funds in the upcoming 2019 – 2021 biennium.

The recommendations for Health and Human Services include \$40.2 million General Funds and \$36.8 million federal funds, or a total of \$77 million, to address various provider rates in the upcoming biennium.

Nebraska will have a significant change to its Federal Medical Assistance Percentage (FMAP) in Federal Fiscal Year 2020 reducing the required level of State matching funds by approximately 2.1 percent, allowing for a reduction of \$92.1 million General Funds in the upcoming biennium.

**Correctional Services** – The Governor’s recommendations include \$5.6 million in the 2019 – 2021 biennium to finance the second phase of additional positions recommended by the National Institute of Corrections (NIC) staffing analysis for custody staffing with the facilities operated by the Department of Corrections.

The recommendation also proposes a new \$49 million capital construction project providing two new high security housing units with design capacity up to 384 new beds at the Lincoln Corrections Center. This one-time capital cost would be funded by a transfer from the cash reserve fund to the Nebraska Capital Construction Fund (NCCF).

**Other** – The Governor’s recommendations are explained in the following pages. Summary tables are included in this report regarding the Governor’s recommendations. A more detailed [Executive Budget, 2019 – 2021 Biennium Book](#), additional summary tables, and individual agency budget requests are available on the State Budget Division website at [budget.nebraska.gov](http://budget.nebraska.gov).

## **AGRICULTURE, ENVIRONMENT, AND NATURAL RESOURCES**

### **AGRICULTURE, DEPARTMENT OF (18)**

The agency saw a reduction of 9.3 percent in General Funds appropriation for operations in the last biennium due to the budget shortfall and the state needing to balance the state budget. The agency continues to use fiscal constraint and requested a minimal increase. The recommendation provides a 1.8 percent General Fund appropriation growth in FY 2019-20 and a 3.4 percent General Fund appropriation growth in FY 2020-21, compared to the FY 2018-19 base appropriation. The agency requested a reduction in Personal Service Limitation by \$267,301 in FY 2019-20 and FY 2020-21, this is also recommended.

**Agriculture Promotion Travel** – The agency identifies and develops opportunities to enhance the profitability of agriculture across the state. Trade missions have been a key component to expand markets and grow Nebraska agriculture. The recommendation includes the agency request to increase General Fund appropriation of \$545 in FY 2019-20 and \$1,094 in FY 2020-21, a cash fund appropriation increase of \$594 in FY 2019-20 and \$1,194 in FY 2020-21, and a federal fund appropriation increase of \$919 in FY 2020-21.

**Operating Increase** – The recommendation includes the agency requested General Fund appropriation increase of \$6,036 in FY 2019-20, cash fund appropriation increase of \$33,365 in FY 2019-20 and \$53,413 in FY 2020-21, revolving fund appropriation increase of \$3,112 in FY 2019-20 and \$7,593 in FY 2020-21, and a federal fund appropriation increase of \$6,165 in FY 2020-21 for operating expenses.

**Department of Administrative Services Assessments** – The recommendation includes an increase in General Fund appropriation of \$20,827 in FY 2019-20 and FY 2020-21, a cash fund appropriation increase of \$23,915 in FY 2019-20 and FY 2020-21, a federal fund appropriation increase of \$7,809 in FY 2019-20 and FY 2020-21, and a revolving fund appropriation increase of \$481 in FY 2019-20 and FY 2020-21 to finance administrative costs of the agency.

**Potential Move** – The recommendation includes an increase in General Fund appropriation of \$17,499 in FY 2019-20 and \$36,500 in FY 2020-21, an increase in cash fund appropriation of \$7,169 in FY 2019-20 and \$15,819 in FY 2020-21, an increase in federal fund appropriation of \$10,195 in FY 2019-20 and \$27,813 in FY 2020-21, and an increase in revolving fund appropriation of \$522 in FY 2019-20 and \$1,151 in FY 2020-21 related to the one-time moving costs and an increase in office rent.

### **BRAND COMMITTEE, NEBRASKA (39)**

**FY 2018-19 Retirement Payouts** – The recommendation includes an increase of \$75,000 in Personal Service Limitation (PSL) for FY 2018-19. It does not include a cash fund appropriation increase of \$75,000 since \$127,405 was reappropriated to FY 2018-19.

**Nebraska Brand Committee (NBC) Database System** – The Nebraska Brand Committee began implementation of an electronic brand inspection document system in FY 2017-18. 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 recommendation includes a cash fund appropriation increase of \$635,130 in FY 2019-20 and \$578,430 in FY 2020-21. It is also recommended to increase PSL by \$232,600 in FY 2019-20 and \$236,838 in FY 2020-21, for the agency to hire four full-time positions to support the NBC Database System that will be fully implemented by July 1, 2019.

**Reorganization of all Field Staff** – The recommendation includes a cash fund appropriation increase of \$371,840 in FY 2019-20 and \$378,448 in FY 2020-21. Also included in the recommendation is an increase in PSL by \$219,400 in FY 2019-20 and \$222,960 in FY 2020-21 to allow the agency to hire five full-time brand inspectors. This will allow the agency to hire less intermittent inspectors and have full-time inspectors in locations that require more inspections. The agency is projecting savings in the future by utilizing less intermittent staff and full-time inspectors using less compensation time.

### **CORN BOARD, NEBRASKA (88)**

The agency request of an increase in cash fund appropriation of \$767,787 in FY 2019-20 and \$754,277 in FY 2020-21 is not recommended. The cash fund spending authority is sufficient as the agency reappropriated \$965,380 from FY 2017-18 to FY 2018-19. It is recommended to increase Personal Service Limitation to \$15,908 in FY 2019-20 and \$16,991 in FY 2020-21 to allow the agency to hire a full-time agriculture promotion coordinator.

### **DAIRY INDUSTRY DEVELOPMENT BOARD, NEBRASKA (61)**

The recommendation includes a cash fund appropriation increase of \$40,000 in FY 2019-20 and \$80,000 in FY 2020-21. Due to a projection in revenue growth, the recommendation provides a 2.6 percent growth in FY 2019-20 and a 5.1 percent growth in FY 2020-21, compared to the FY 2018-19 base appropriation.

### **DRY BEAN COMMISSION (86)**

The recommendation includes the agency requested increase in Personal Service Limitation of \$17,207 in FY 2019-20 and \$18,159 in FY 2020-21 for .5 FTE to assist with the agency's promotional programs.

### **ENERGY OFFICE, NEBRASKA (71)**

The recommendation maintains the FY 2018-19 base level of cash fund appropriation and federal fund appropriation for FY 2019-20 and FY 2020-21 as requested by the agency. The agency will adjust aid to allow for the required increases in salary and health benefit costs.

### **ENVIRONMENTAL QUALITY, DEPARTMENT OF (84)**

**Align Cash Fund Appropriation with Actual Expenditures** – The recommendation includes the agency requested reduction of cash fund appropriation for the Wastewater Loan Fund Program from \$1.2 million to \$600,000 in FY 2019-20 and FY 2020-21. Federal funds are the primary source of funding and a reduction in cash fund appropriation will not impact the program. The average amount of cash fund expenditures annually over the last ten years is \$421,813 and in FY 2017-18 the cash fund expenditures was \$91,383. The purpose of the program is to provide financial assistance to owners of public wastewater systems and assistance is primarily through loans, small town grants, and loan forgiveness.

The recommendation includes the agency request to eliminate cash fund appropriation for the Drinking Water Loan Fund Program in FY 2019-20 and FY 2020-21. The Drinking Water State Revolving Fund receives federal capitalization grants and obtains the required 20 percent state match through Nebraska Investment Finance Authority (NIFA) revenue bonds to provide low interest loans and loan forgiveness to owners of public water supply systems for construction or storage, wells, distribution, and treatment. Historically, there have been no cash fund expenditures in this program and a cash fund appropriation is not needed.

**Volkswagen Settlement** – The recommendation includes an increase in federal fund appropriation of \$2.5 million in FY 2019-20 and in FY 2020-21. In September 2017, the Nebraska Department of Environmental Quality (NDEQ) was designated as the lead agency to administer funds allocated to the state from the *Volkswagen Diesel Emissions Environmental Mitigation Trust for State Beneficiaries, Puerto Rico, and the District of Columbia (VW State Trust)*. As directed by the VW State Trust Agreement these funds are to be used to undertake authorized actions to reduce nitrogen oxide emissions in Nebraska. Nebraska is eligible to receive approximately \$12,250,000 from the Trust and anticipates expending most of the funds within a five-year period. The funds will be used in accordance with the plan approved by the Settlement Trustee for transit bus alternative fuel replacements, school bus diesel and alternative fuel replacements, Diesel Emission Reduction Act, and developing zero emission vehicle charging infrastructure.

### **ETHANOL BOARD (60)**

The agency requested an increase in Personal Service Limitation (PSL) of \$15,000 in FY 2018-19 for the payout of vacation and sick leave due to a planned retirement. Due to the one-time increase, the agency requested to reduce PSL by \$15,000 in FY 2019-20 and FY 2020-21, this is included in the recommendation. Also included in the recommendation is an increase in cash fund appropriation of \$3,004 in FY 2019-20 and \$9,747 in FY 2020-21 for administrative assessments and a projected increase in revenue.

### **FAIR BOARD, STATE (52)**

The recommendation is consistent with the request. Lottery proceeds are appropriated at a \$4,250,000 level for both FY 2019-20 and FY 2020-21 mirroring the FY 2018-19 appropriation.

### **GAME AND PARKS COMMISSION (33)**

The recommendation provides a 2.9 percent General Fund appropriation growth in FY 2019-20 and a 4.5 percent General Fund appropriation growth in FY 2020-21, compared to the FY 2018-19 base appropriation. The recommendation includes many of the Commission's requests but with more reliance on the agency cash funds. The recommendation supports these unfunded agency issues that can be accomplished within existing appropriation.

**Aquatic Habitat Work in Fisheries** – The recommendation includes an increase in cash fund appropriation of \$180,000 in FY 2019-20 and FY 2020-21 and an increase of \$76,000 in Personal Service Limitation (PSL) in FY 2019-20 and FY 2020-21. Major aquatic habitat rehabilitation projects are being completed throughout the state to improve aquatic habitats which provides benefits to fish communities and sport fish anglers. The increase in cash fund appropriation will be used for operating expenses and to cover wage and benefits of additional seasonal employees and biologist positions.

**Communications Temporary Services** – The agencies request of an increase in cash fund appropriation of \$110,000 in FY 2019-20 and FY 2020-21 and an increase in PSL of \$101,860 in FY 2019-20 and FY 2020-21 is not recommended. The Governor recognizes the importance of these activities and their current appropriation is sufficient to complete these activities.

**Credit Card Advise Fees** – The recommendation includes an increase in cash fund appropriation of \$200,000 in FY 2019-20 and FY 2020-21. This request addresses the increasing cost associated with credit card industry merchant advise fees. The agency accepts credit cards and debit cards as a form of payment however the agency must pay the merchant advise fees charged by the various credit card companies.

**Cunningham Lake** – The recommendation does not include an increase in cash fund appropriation of \$117,488 in FY 2020-21 to assume management responsibilities of Cunningham Lake in Omaha. Cunningham Lake is currently managed by the City of Omaha under an agreement with the U.S. Army Corps of Engineers, the property owner. The city, with a private investment group, is planning to develop the area with full-service campground facilities, a hike/bike/equestrian trail, marina facilities, and a day-use facility. The city has requested for Nebraska Game and Parks Commission (NGPC) to consider taking it over. It is recommended that NGPC and the City of Omaha continue to communicate and develop a business plan.

**Electronic Citations** – The agency requested an increase in General Fund appropriation of \$54,640 in FY 2019-20 and FY 2020-21 is not recommended. The agency has sufficient cash fund appropriation to comply with the Nebraska Supreme Court requirement for law enforcement agencies to issue electronic citations.

**Environmental Trust Aid Increase for Grants** – The program has been placed administratively under the Nebraska Game and Parks Commission but acts autonomously. The recommendation includes an increase of \$500,000 for aid in FY 2019-20 and FY 2020-21 due to an estimated increase in revenue from lottery funds. The additional cash fund authority allows the Nebraska Environmental Trust to increase grant awards.

**Fish and Wildlife Education Division** – It is not recommended to increase cash fund appropriation of \$181,056 in FY 2019-20 and FY 2020-21 to reestablish the Fish and Wildlife Education Division as the program has sufficient cash fund appropriation. It is recommended to increase PSL by \$70,882 in FY 2019-20 and FY 2020-21 to allow the agency to hire a division administrator for the Education Division. Many of the positions already exist within the agency and the agency can reestablish this division through efficiencies.

**In Lieu of Tax Increase** – The recommendation includes an increase of \$200,000 cash fund appropriation in FY 2019-20 and FY 2020-21 for payments in lieu of taxes to the county treasurer for wildlife management areas.

**Land and Water Conservation Self-Inspection Program** – The recommendation includes an increase in General Funds of \$25,000 in FY 2019-20. This will provide for a self-inspection program for Land and Water Conservation Fund (LWCF) Program participants. This federally funded program has been in place since 1964 and provides grant funds for local government entities and the Nebraska State Park System for outdoor recreational facilities. One of the program's requirements is to complete inspections on every project that has been funded by LWCF. The one-time appropriation will be used to create a self-inspection program and train local communities on how to do a self-inspection and to meet the program's requirements.

**New Conservation Officers** – The recommendation includes an increase in cash fund appropriation of \$135,898 in FY 2019-20 and \$190,413 in FY 2020-21. The agency has sufficient cash balances to fund this request. The recommendation includes adding a conservation officer position in FY 2019-20 and FY 2020-21. The Commission also includes adding a field officer position in FY 2020-21. The agency has PSL savings due to recent retirements and turnovers therefore an increase in PSL is not requested.

**Niobrara Council** – The Niobrara Council has been placed under the Nebraska Game and Parks Commission for administrative purposes only. The recommendation does not include a requested General Fund appropriation increase of \$38,000 in FY 2019-20 and \$58,000 in FY 2020-21. The Niobrara Council has sufficient funding to meet statutory duties laid out before the council.

**Organizational Staffing Shifts** – The agency requested to shift positions from Fisheries to Parks, Fisheries to Engineering, and Wildlife to Wildlife Habitat to gain organization efficiencies and improve funding alignment. The recommendation includes an increase of \$10,865 in PSL in FY 2019-20 and FY 2020-21 in order for the agency to combine two .45 Tourism Aid positions to a requested one FTE Conservation Technician II position. The recommendation does not include the increase for cash fund appropriation of \$10,865 in FY 2019-20 and FY 2020-21 as the agency can complete the organizational staffing shift within the current base appropriation.

**Park Operational Needs** – The recommendation includes the agency requested increase in cash fund appropriation of \$517,400 in FY 2019-20 and \$553,370 in FY 2020-21. Projects that were accomplished in the previous biennium under capital improvement programs will necessitate increases in utility expenditures and maintenance costs.

**Reestablish Division Administrator in Administration Program** – The agency requested an increase in General Fund appropriation of \$22,609 in FY 2019-20 and \$23,105 in FY 2020-21, cash fund appropriation of \$90,437 in FY 2019-20 and \$92,419 in FY 2020-21 and PSL of \$79,500 in FY 2019-20 and \$81,670 in FY 2020-21. This is not recommended. The agency can find efficiencies within the organization to complete this request without increasing appropriation and PSL.

**Restore General Fund Support to Law Enforcement** – The recommendation does not include an increase to General Fund appropriation of \$237,010 in FY 2019-20 and FY 2020-21 and a decrease to cash fund appropriation of \$237,010 in FY 2019-20 and FY 2020-21. Twelve percent General Funds support for the law enforcement division is appropriate.

**Venture Park Staffing Needs** – The recommendation includes an increase in cash fund appropriation of \$128,900 in FY 2019-20 and FY 2020-21 and \$119,740 increase in PSL in FY 2019-20 and FY 2020-21. The PSL increase is for an additional 15 part-time positions to support the new attractions at the venture park locations.

**Video and Web Enhancements** – The recommendation does not include an increase to cash fund appropriation of \$45,000 in FY 2019-20 and FY 2020-21. It is recommended to continue to communicate and interact with the public through outreach and education and this can be completed with efficiencies within the current cash fund appropriation.

**Virtual Servers for Agency Permit System** – It is recommended to increase the cash fund appropriation by \$37,200 in FY 2019-20 and FY 2020-21. This will cover the annual costs associated with two new virtual servers associated with the agency's permit system. As the physical servers age-out the Office of the Chief Information Officer has advised NGPC to replace them with virtual servers.

**Law Enforcement Increase in Radios** – The recommendation includes an increase in cash fund appropriation for the Public Safety Communication System Program of \$15,014 in FY 2019-20 and FY 2020-21. The agency increased the number of radios from 77 to 118 in FY 2018-19. The additional devices are for the officers to take with them on foot, boat, or other modes of transportation to ensure public safety.

## **GRAIN SORGHUM BOARD (92)**

**FY 2018-19 Budget Adjustment Request – PSL Increase for Retirement Payout** – The recommendation includes a \$27,943 increase in Personal Service Limitation (PSL) in FY 2018-19 for the accumulated leave payment for the planned retirement of the Director. The recommendation also includes the agency request to increase PSL by \$15,479 in FY 2018-19 and increase the director position from .75 FTE to 1 FTE. This provides flexibility to the board in making hiring decisions regarding the new director and allows cross-training.

**Increase Staffing** – The agency requested an increase to cash fund appropriation of \$25,432 in FY 2019-20 and \$24,208 in FY 2020-21. This is not recommended as the appropriation level is sufficient. It is recommended to increase PSL by \$25,344 in FY 2019-20 and \$25,851 in FY 2020-21. The current executive director is a .75 FTE. The Board also requested to hire a staff person at .25 FTE to assist in the promotional programs.

## **NATURAL RESOURCES, DEPARTMENT OF (29)**

It is recommended to extend the \$3.3 million transfer from the General Fund to the Water Resources Cash Fund for an additional four years beginning in FY 2019-20. Since it is recommended to extend the transfer from the General Fund it is also recommended to extend the \$3.3 million grant from Nebraska Environmental Trust for an additional three years beginning in FY 2020-21 and to continue to use the same bonus point scoring established by LB 229 (2011). This funding is necessary for the state to meet its commitments from interstate compacts and agreements in fully and overappropriated river basins.

**Water Sustainability Fund Program** – LB 1098 (2014) created the Water Sustainability Fund with the intent of the Legislature that \$11 million be transferred from the General Fund to the Water Sustainability Fund each fiscal year beginning in FY 2015-16. The transfer was reduced last biennium. The transfer from the General Fund to the Water Sustainability Fund was \$9,170,000 in FY 2017-18 and \$6 million in FY 2018-19. It is recommended to restore the \$11 million annual transfer from the General Fund to the Water Sustainability Fund.

It is also recommended to increase cash fund appropriation for the Water Sustainability Fund Program by \$555,513 in FY 2019-20 and FY 2020-21. The appropriation increase is due to restoring the \$11 million transfer from the General Fund to the Water Sustainability Cash Fund.

**Eliminate the Cash Fund Appropriation for the Small Watersheds Program** – The agency request to eliminate the cash fund appropriation of \$475,000 in FY 2019-20 and FY 2020-21 for the Small Watersheds Program is recommended. In FY 2018-19 the fund balance of \$732,747 was transferred to the General Fund. The last recorded expenditures from the Small Watersheds Flood Control Fund were in FY 2011-12.

**Base Adjustment to the Water Well Decommissioning Program** – The recommendation includes the agency request to reduce the cash fund appropriation by \$30,000 in FY 2019-20 and FY 2020-21 so the appropriation level will be aligned with the projected revenue of \$70,000 per fiscal year.

**Claim Settlement with Colorado** – The recommendation includes an increase of \$4 million to the Soil and Conservation Program in FY 2019-20. The need for cash fund appropriation is to allow the use of funds received through the \$4 million settlement of a water dispute with Colorado in the Republican River Basin. LB 945 (2018) directed the State Treasurer to credit funds received by the state for settlement of claims regarding Colorado's past use of the water under the Republican River Compact to the Water Resources Cash Fund. The funds were received by the state of Nebraska from the state of Colorado in December 2018. These funds will be used to benefit surface water interests that were adversely affected by Colorado actions.

### **Discontinue Cash Fund and General Fund Appropriation for Nebraska Resources**

**Development Program** – The agency request to eliminate the General Fund appropriation of \$3,014,712 in FY 2019-20 and FY 2020-21 and the cash fund appropriation of \$47,500 in FY 2019-20 and FY 2020-21 is recommended. The Nebraska Resources Development Fund provided grants and/or loans on a cost share basis to political subdivisions for natural resources projects through the Natural Resources Commission. LB 906 (2014) prohibited approval of new projects and limited expenditures to previously approved projects. Once the approved projects are funded and cost share reimbursements are completed, the fund will cease to operate. Since the inception of the fund in 1974 through June 30, 2014, a total of 71 projects across the state were approved for cost share assistance from the fund totaling over \$122 million. Because of the long-term nature of construction projects and the related funding obligated to help ensure successful completion of all authorized projects, it is important that the remaining General Funds and cash funds be reappropriated.

### **OIL AND GAS COMMISSION (57)**

**Commissioners' Per Diem Increase** – LB 1008 (2018) amended the statutory language regarding the daily compensation for the three members on the commission. The daily compensation increased from \$50 per day to not more than \$400 per day. The aggregate amount in any one year shall not exceed \$4,000 per commissioner for a total annual amount of \$12,000. The agency budgeted \$6,000 in the base budget and requested a cash fund appropriation increase of \$6,000 in FY 2019-20 and FY 2020-21, this is recommended.

**Internet Provider Change** – The recommendation includes an increase in cash fund appropriation of \$6,500 in FY 2019-20 and in FY 2020-21 due to the cost of new internet services. A new internet provider was required due to severe communication problems. The Office of the Chief Information Officer bid the services for the new provider who uses fiber optic cabling.

**Underground Injection Control (UIC) Program** – The recommendation includes a \$10,000 reduction of federal funds appropriation in FY 2019-20 and FY 2020-21 and a \$10,000 increase in cash fund appropriation in FY 2019-20 and FY 2020-21. Grant funding is declining from Environmental Protection Agency for the Commission's UIC Program. The commission is obligated to pay the remaining expenses from the cash fund.

**Database System Upgrade** – The recommendation includes an increase in cash fund appropriation of \$150,000 in FY 2019-20 and FY 2020-21 to upgrade the agency's existing database system. The total project cost is estimated to be \$1,050,000 and the Ground Water Protection Council will bear the remaining cost and the maintenance cost. The Risk Based Data Management System (RBDMS) upgrade is replacing obsolete technology, including an upgrade to Office 2016.

**Employee Health Insurance** – The agency is anticipating hiring a petroleum engineer in FY 2018-19 and requested an increase in cash fund appropriation for sufficient funding for health insurance beginning July 1, 2019. The recommendation includes a cash fund appropriation increase of \$50,829 in FY 2019-20 and \$52,354 in FY 2020-21.

### **POWER REVIEW BOARD (74)**

The recommendation provides for a continuation level of funding with changes only for employee salary increases, health insurance increases and adjustments for administrative cost assessments.

### **WHEAT BOARD, NEBRASKA (56)**

The recommendation provides for a continuation level of funding, with changes only for employee salary and health insurance increases.

## **ECONOMIC DEVELOPMENT AND REGULATORY**

### **ABSTRACTERS, BOARD OF EXAMINERS (66)**

The recommendation includes a decrease in Personal Service Limitation of \$10,127 in FY 2019-20 and FY 2020-21 to better align with current staffing levels. Employee salary and health insurance increase were not requested by the agency and not included in the recommendation as the current appropriation is sufficient to manage the increases.

### **ACCOUNTABILITY AND DISCLOSURE COMMISSION (87)**

The recommendation includes administrative cost changes, which the agency identified as a net decrease in total fund appropriation of \$21 in FY 2019-20 and FY 2020-21.

### **BANKING, DEPARTMENT OF (19)**

**PSL and Appropriation Reduction** – The recommendation includes the agency requested \$31,630 reduction in Personal Service Limit (PSL) and cash funds in FY 2019-20 and FY 2020-21 to more accurately reflect the current staffing structure. The recommendation also includes the agency requested \$56,070 reduction in PSL and cash funds in FY 2019-20 and FY 2020-21 related to a process improvement coordinator position which will transfer to the Department of Administrative Services.

**Securities Settlement Cash Fund** – A fund balance exists in the Securities Settlement Cash Fund from accumulated settlements. The recommendation does not include the agency requested \$150,000 cash fund appropriation increase in FY 2019-20 and FY 2020-21 for related expenditure because existing appropriation is sufficient to expend the accumulated funds.

**Transfers to General Fund** – The recommendation includes a transfer of \$27 million each year to the General Fund from the Securities Act Cash Fund.

### **BARBER EXAMINERS, BOARD OF (45)**

The recommendation provides for a continuation level of funding, with changes only for employee salary and health insurance increases. The recommendation includes a decrease in Personal Service Limitation of \$1,775 in FY 2019-20 and FY 2020-21 to better align with current staffing levels.

### **ECONOMIC DEVELOPMENT, DEPARTMENT OF (72)**

**Increases to Cash Fund Appropriation** – The recommendation includes the agency requested \$1 million increase in cash fund appropriation in FY 2019-20 and FY 2020-21 to align with cash receipts in the Civic and Community Center Financing Fund and the agency requested \$1.5 million increase in cash fund appropriation in FY 2019-20 and FY 2020-21 to align with cash receipts in the Affordable Housing Trust Fund.

**Increases in Federal Programs** – The recommendation includes the agency requested \$3 million federal funds increase in FY 2019-20 and FY 2020-21 for a new National Housing Trust Fund grant and the agency requested \$144,199 increase in Personal Service Limitation (PSL) in FY 2019-20 and FY 2020-21 related to administration of a Nebraska Department of Labor Workforce Innovation & Opportunities Act (WIOA) One-Stop Operators grant.

**Developing Youth Talent Initiative Expansion** – The recommendation includes a \$1,250,000 General Fund appropriation increase for the Nebraska Developing Youth Talent Initiative (DYTI). DYTI aid up to \$250,000 may be distributed to two industry partners in each community college area for collaboration initiatives with public schools.

**Nebraska Talent Scholarships** – The recommendation includes General Fund appropriation of \$260,000 in FY 2019-20 and \$520,000 in FY 2020-21 to fund scholarships for community college students enrolled in programs of study for specific technical skills. The Department will work closely with community and educational leaders to determine the areas that have the highest need for skilled employees. An eligible student can receive up to \$4,000 a year, for two years, to attend a community college.

**Talent Development Coordinator Position** – The recommendation also includes \$75,129 General Funds and \$48,310 PSL in FY 2019-20, and \$74,742 General Funds and \$49,276 PSL in FY 2020-21 for a position to coordinate expanded responsibilities related to the Nebraska Talent Scholarships and DYTl.

### **ELECTRICAL DIVISION, STATE (30)**

The recommendation provides for a continuation level of funding, with changes only for employee salary and health insurance increases. The agency requested cash fund appropriation increase of \$6,876 in FY 2019-20 and FY 2020-21 for additional rent expense is not included in the recommendations. The agency has sufficient base appropriation to accommodate these expenses.

### **ENGINEERS AND ARCHITECTS, BOARD OF (58)**

The recommendation includes a net cash fund appropriation decrease of \$46,575 in FY 2019-20 and \$54,510 in FY 2020-21 for agency identified reductions relating to transition to electronic files and materials, as well as travel and continuing education event reductions. Also included is a \$18,379 cash appropriation increase and a Personal Service Limitation (PSL) increase of \$15,961 in FY 2019-20 for employee retirement leave payout. The recommendation does not include the agency requested cash fund appropriation increase of \$8,500 in FY 2019-20 and FY 2020-21 for public outreach. The agency has sufficient appropriation for this request. Included in the recommendation is a decrease in PSL of \$18,000 in FY 2019-20 and FY 2020-21 to better align with current staffing levels.

### **GEOLOGISTS, BOARD OF (59)**

The recommendation includes a cash fund appropriation increase of \$460 in FY 2019-20 and \$1,249 in FY 2020-21 for increases in the administrative services contract with the Board of Engineers & Architects. The recommendation also includes a cash fund appropriation increase of \$600 in FY 2019-20 and FY 2020-21 for personal vehicle mileage.

### **INSURANCE, DEPARTMENT OF (22)**

**Request for Relocation Expense Appropriation** – The recommendation does not include the agency requested cash fund increase in FY 2019-20 and FY 2020-21 because the base appropriation is sufficient to accommodate increased expenditures resulting from temporary displacement and relocation.

**Upgrade Excess Liability Fund Software** – The recommendation does not include the agency requested cash fund increase in FY 2019-20 because the base appropriation is sufficient to accommodate increased expenditure for upgrading Excess Liability Fund software.

**Transfers to General Fund** – The recommendation includes a transfer of \$12.5 million each year to the General Fund from the Department of Insurance Cash Fund.

### **LABOR, DEPARTMENT OF (23)**

**Modernization of UI Tax and Benefit System Completion** – Appropriation was added to finance the Unemployment Insurance (UI) Tax and Benefit System Project which is projected to be complete by the end of the 2017 – 2019 Biennium. The recommendation includes a \$7 million reduction of the federal funds base appropriation to reflect completion.

**Requested Appropriation for ECM Expenses** – The Electronic Content Management (ECM) billing mechanism will change during the 2019 – 2021 biennium to a transactional billing calculation method. The recommendation does not include the agency requested federal fund increases in FY 2019-20 and FY 2020-21 because the base appropriation is sufficient to accommodate the increase in expenditure related to ECM billing.

**Appropriation Reduction for Labor Studies** – The recommendation includes the agency requested reduction in cash funds of \$150,000 in FY 2019-20 and FY 2020-21 related to labor availability and skills gap studies.

**Elimination of Vacant Positions** – The recommendation includes the agency requested reductions of \$51,946 General Funds, \$52,833 federal funds, and \$81,006 in Personal Service Limitation in FY 2019-20 and FY 2020-21 related to the elimination of two vacant positions which are unfilled due to process improvements.

### **LAND SURVEYORS, BOARD OF EXAMINERS (62)**

The board request no increase to their existing appropriation and the recommendation does not include additional appropriations.

### **LANDSCAPE ARCHITECTS, NEBRASKA STATE BOARD OF (73)**

The recommendation includes a reduction in cash fund appropriation of \$1,870 in FY 2019-20 and \$1,455 in FY 2020-21 to align with actual contract costs and a postponement in offering online license renewals. The recommendation also includes an increase in cash fund appropriation of \$125 in FY 2019-20 and \$255 in FY 2020-21 for increased association dues to allow access to the registration exam required for licensure.

### **PUBLIC ACCOUNTANCY, BOARD OF (63)**

The recommendation provides for a continuation level of funding, with changes only for employee salary and health insurance increases.

### **PUBLIC SERVICE COMMISSION (14)**

The recommendation includes the agency requested reduction in General Funds of \$64,708 in FY 2019-20 and FY 2020-21 and a reduction in Personal Service Limitation of \$43,439 in FY 2019-20 and FY 2020-21 due to the elimination of a position in the grain department. A shift of \$35,000 from General Funds to cash funds in FY 2019-20 and FY 2020-21 requested by the agency is also included. The recommendation includes the agency's request to decrease the General Fund appropriation \$27,611 in FY 2019-20 and FY 2020-21 due to reallocation of agency costs. The salary annualization enterprise issue was not requested by the agency and not included in the recommendation as they have sufficient appropriation.

The General Fund request of \$74,301 in FY 2019-20 and \$90,014 in FY 2020-21 for a track inspector is not included in the recommendation.

The request for increase health insurance costs for commissioners is also not included in the recommendation, as the additional cost, if any, is unknown.

### **RACING COMMISSION, NEBRASKA STATE (36)**

The recommendation includes the agency requested reduction to cash fund aid appropriation to race tracks by \$20,000 in FY 2019-20 and FY 2020-21. The source of funds is a percentage of gross exotic daily receipts and the aid is used to supplement purses at the track. Because of the decline in the pari-mutuel handle, available funds have decreased to a level below the current cash fund appropriation base. The recommendation includes a reduction to the cash fund base of \$250,000 in FY 2019-20 and

in FY 2020-21 due to the decline in revenue. The agency also reduced its Personal Service Limitation request by \$146,381 in FY 2019-20 and FY 2020-21 and this is recommended.

**Laboratory Services** – The recommendation does not include the agency requested \$60,000 General Funds to support operations for horse race testing.

### **REAL ESTATE COMMISSION (41)**

The recommendation includes a cash fund appropriation increase of \$41,543 in FY 2019-20 and FY 2020-21 to cover increases in health insurance costs over the last four years.

### **REAL PROPERTY APPRAISER BOARD (53)**

The recommendation provides for a continuation level of funding, with changes only for employee salary and health insurance increases. The recommendation does not include the agency requested cash fund appropriation increases for board member travel costs, database maintenance and development, legal expenses, or administrative services rate changes for a net increase of \$13,673 in FY 2019-20 and FY 2020-21. The agency has sufficient appropriation to manage these expenses.

### **SECRETARY OF STATE (09)**

**Departmental Administration** – The recommendation includes the agency requested reduction to General Fund appropriation and Personal Service Limitation in this program by .5 FTE position, with the remaining .5 FTE being funded with existing cash fund appropriation and split between the Corporation Cash Fund and the Uniform Commercial Code Cash Fund. The General Fund reduction is \$31,487 in FY 2019-20 and \$32,342 in FY 2020-21. The recommendation also includes the agency requested removal of excess funding by reducing cash fund appropriation \$50,000 in FY 2019-20 and FY 2020-21. The recommendation includes the agency requested cash fund appropriation increase of \$55,290 in FY 2019-20 to extend online license renewal capability to more license types. A cash fund transfer from the Nebraska Collection Agency Fund to the Administration Cash Fund was requested to fund this increase. The agency requested reverting the Rules & Regulation Program from cash fund to General Fund, increasing General Fund appropriation \$58,294 in FY 2019-20 and \$61,130 in FY 2020-21, which is not recommended. Instead, a transfer from the Records Management Cash fund to the Administration Cash Fund in those amounts is recommended. Also not included in the recommendation is the General Fund request of \$90,872 in FY 2019-20 and \$92,538 in FY 2020-21 to add an attorney position.

**Election Administration** – The agency requested an increase in General Funds for the elections maintenance contracts of \$255,540 in FY 2019-20 and \$10,594 in FY 2020-21. This increase is financed with a cash transfer from the Records Management Cash Fund to the Election Administration Fund in lieu of a General Fund appropriation increase. Also included is an increase in cash fund appropriation of \$174,847 in FY 2019-20, and an increase in federal fund appropriation of \$878,000 in FY 2019-20 and \$638,000 in FY 2020-21 to allow spending of the Help America Vote Act (HAVA) federal election grant. The agency requested the cash funds needed for the federal match in their FY 2018-19 mid-biennium request, however the funds are not required to be appropriated until March 2020, so the recommendation includes this appropriation in FY 2019-20.

The agency requested a General Fund increase of \$12,169,660 in FY 2019-20 and General Fund decrease of \$189,704 in FY 2020-21, for replacement of election equipment. The agency reduced the cost estimate and is discussing a match with the counties to fund a portion of this issue. The recommendation includes a \$6 million cash fund increase to replace the counting machines and allow for a ten percent match from the counties. A transfer from the Accounting Division Cash Fund to the Election Administration Fund is proposed to finance the state cost of election equipment replacement.

**Enforcement of Standards/Corporations** – The recommendation includes the agency requested cash fund increase of \$76,600 in FY 2019-20 for enhancements to the new filing system. Also included in the recommendation is a cash fund appropriation increase of \$350,000 in FY 2019-20, to implement the provisions of LB 1121 (2018), which added a new type of limited liability company (LLC).

The implementation date was delayed until January 1, 2021 in the legislation, with no appropriations provided in the prior biennium.

**Enforcement of Standards/Collection Agencies** – The recommendation includes the agency requested increase in cash fund appropriation of \$10,000 in FY 2019-20 and FY 2020-21 to fund increases in maintenance costs for the recent and planned upgrades to the licensing database.

**Enforcement of Standards/Records Management** – The recommendation does not include the General Fund request of \$55,695 in FY 2019-20 and \$56,144 in FY 2020-21 to add an additional records analyst position.

**Uniform Commercial Code Central Filing** – The recommendation includes the agency requested cash fund increase of \$12,400 in FY 2019-20 for enhancements to the new filing system. The recommendation also includes a cash fund appropriation increase of \$47,434 in FY 2019-20 to allow for payment of a retainage fee for the new Business Services Filing System in the event the project is not completed in FY 2018-19.

### **TOURISM COMMISSION, NEBRASKA (91)**

**Request for Additional Marketing Appropriation** – The agency is launching a new marketing campaign in 2019 and while the projected impact on visitors and lodging tax is optimistic, the actual impact is not yet known. The recommendation does not include the agency's request for an additional cash fund appropriation of \$527,522 in FY 2019-20 and \$612,535 in FY 2020-21 related to utilization of a projected excess fund balance in the State Visitors Promotion Cash Fund for marketing of Nebraska.

**International Marketing Expansion** – The recommendation includes the agency requested \$50,000 increase in FY 2019-20 cash fund appropriation for international marketing expansion. The recommendation also includes a \$50,000 increase in cash fund appropriation for international marketing in FY 2020-21, but does not include the requested marketing manager position.

## **EDUCATION AND CULTURAL DEVELOPMENT**

### **ARTS COUNCIL, NEBRASKA (69)**

The recommendation includes a General Fund increase of \$9,720 for FY 2019-20 and an increase of \$9,720 for FY 2020-21 for Department of Administrative Services and Office of the Chief Information Officer rates and assessments. The recommendation does not include the agency request for paid consultants to review proposals received for projects.

The recommendation does not include transfers from the General Fund to the Nebraska Cultural Preservation Endowment Fund in FY 2019-20 or FY 2020-21.

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

The recommendation provides for a continuation level of funding, with increases for employee salary and health insurance. The recommendation does not include the agency requested General Fund appropriation increase of \$541,949 in FY 2019-20 and \$552,876 in FY 2020-21 to expand training for older blind Nebraskans.

### **COMMUNITY COLLEGE AID, NEBRASKA (83)**

Included in the recommendation is General Funds of \$1,971,517 in FY 2019-20 and \$3,982,465 in FY 2020-21 for increased state aid to the community colleges.

The recommendation includes \$780,000 in General Funds for the biennium in the Department of Economic Development to fund scholarships for community college students that target designed programs of study. More information can be found in the Department of Economic Development narrative.

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

The recommendation provides for a continuation level of funding, with increases for employee salary and health insurance. The recommendation includes the agency requested increase in cash fund appropriation of \$15,000 in FY 2018-19 and \$20,000 in FY 2019-20 and FY 2020-21, which will allow the agency to utilize their cash funds for sign language interpreter training. The recommendation does not include a request to increase General Funds \$100,000 in FY 2019-20 to provide the funding to the University of Nebraska Foundation HearU Program, one of the state hearing aid banks. An increase in General Fund appropriations of \$9,159 in FY 2019-20 and FY 2020-21 for ongoing maintenance fees for an on-line interpreter referral system that was redesigned with existing reappropriated funds is not recommended. The agency requested a reappropriation to the next biennium of its current FY 2018-19 unobligated appropriation. This is not recommended.

## **EDUCATION, DEPARTMENT OF (13)**

**Education Administration and Support** – The recommendation includes \$15,690 in FY 2019-20 for the agency to purchase strategy software for project management, establish a project management “war room”, and training for key agency personnel in Lean Six Sigma methodology of process improvement.

The recommendation does not support replacing funding that was reduced in LB 944 (2018). The functions are already being performed with current staff. The recommendation does not support an additional reading specialist. This position was not funded by the Legislature in LB 1082 (2017). Funding was provided for consulting services.

**Vocational Rehabilitation** – The recommendation does not replace the federal funds designated for a specific use by the federal government. When the federal Workforce Innovation and Opportunity Act (WIOA) of 2014 was enacted and replaced the Workforce Innovation Act (WIA), the federal government required the state to set aside 15 percent of Basic Support for pre-employment transition services for students with disabilities. This set aside has reduced the level of federal funds available for adult vocational rehabilitation.

**TEEOSA School Aid** – On November 15, 2018, the Department of Education provided an estimate of total need under Tax Equity and Educational Opportunities Support Act (TEEOSA) school aid for FY 2019-20 of approximately \$1,070,000,000. Of this amount, the Department of Education provided an estimate of General Funds needed for FY 2019-20 of approximately \$1,043,000,000. The recommendation includes an increase to General Fund appropriation for FY 2019-20 of \$68,492,025 to fund the estimate provided by the Department of Education.

The actual amount of Insurance Premium Taxes allocated for TEEOSA in FY 2018-19 exceeded the estimate by \$1,901,294. The recommendation also includes a decrease of \$1,901,294 in General Funds for FY 2018-19 to reflect this actual amount of Insurance Premium Taxes.

Analysis for FY 2020-21 TEEOSA school aid indicates a total need determined of \$1,105,825,222. Of this amount, the General Fund need would be \$1,078,325,222. The recommendation includes an increase from FY 2019-20 of \$35,325,222, or \$103,817,247 for the biennium, of additional General Fund support for public K-12 education.

**TEEOSA School Aid**

<b>Governor's Recommendation</b>	<b>FY 2018-19</b> Certified	<b>FY 2019-20</b> Governor's Recommendation	<b>FY 2020-21</b> Governor's Recommendation
State Support			
General Fund	972,606,681	1,043,000,000	1,078,325,222
Insurance Premium Tax	26,901,294	27,000,000	27,500,000
Transition Aid – Lottery Funds	906,222	-0-	-0-
<b>Total State Support</b>	<b>1,000,414,197</b>	<b>1,070,000,000</b>	<b>1,105,825,222</b>
State Support Annual Change	2,595,103	69,585,803	35,325,222
State Support Annual % Change	0.3%	7.0%	3.3%

**Special Education Aid** – For Special Education Aid, the recommendation includes a one percent General Fund increase for each year of the biennium, or \$2,265,266 in FY 2019-20 and \$4,553,185 in FY 2020-21.

**ESU Core Services and Technology Aid** – For ESU Core Services and Technology Aid, the recommendation includes a two percent General Fund increase for each year of the biennium, or \$256,292 in FY 2019-20 and \$261,418 in FY 2020-21.

**EDUCATIONAL LANDS AND FUNDS, BOARD OF (32)**

The recommendation includes \$10,000 in General Funds for FY 2019-20 and FY 2020-21 for computer hardware updates. The recommendation for FY 2019-20 includes requested cash funds of \$39,515 for a field representative retirement and \$32,125 for noxious weed expenses. The recommendation for FY 2020-21 includes requested cash funds of \$33,745 for noxious weed expenses and \$437,500 for increased costs related to real estate taxes. Personal Services Limitation is increased by \$39,515 for a field representative retirement in FY 2019-20.

**EDUCATIONAL TELECOMMUNICATIONS COMMISSION, NEBRASKA (47)**

The recommendation includes an increase to General Funds of \$44,592 for FY 2019-20 and \$65,592 for FY 2020-21. Included in this increase is \$37,000 in each year to expand to full day service at four transmitter sites; KTNE Alliance, KPNE North Platte, KMNE Bassett, and KRNE Merriman. An additional \$8,000 in FY 2019-20 and \$13,000 in FY 2020-21 of General Fund appropriation is included for radio equipment replacement. An additional \$16,000 in FY 2020-21 in General Fund appropriation is included for TV equipment replacement. A reduction of General Funds of \$408 for each year for Department of Administrative Services assessments is also included.

**HISTORICAL SOCIETY, STATE (54)**

The recommendation includes a General Fund increase of \$22,887 in each year. This will allow the agency to fund an increase to the building insurance for the headquarters and the main museum located in Lincoln. The recommendation does not include the agency requested increase in General Funds for two IT initiatives. An analysis of the agency expenditures shows that the agency has sufficient existing General Fund appropriations to fund both initiatives without the need for additional appropriations.

**INDIAN AFFAIRS, NEBRASKA COMMISSION ON (76)**

The recommendation includes the agency requested reduction in cash fund appropriation of \$500,000 in FY 2019-20 and FY 2020-21. The increase was the result of LB 807 (2018) that created the Chief Standing Bear National Statuary Hall Cash Fund. The additional appropriation is not necessary as funding and expenditures for the project are occurring outside of the agency. The recommendation does

not include the agency requested General Fund appropriation increase of \$9,062 in FY 2019-20 and \$11,056 in FY 2020-21 for a merit pay raise for the executive director at ten percent in the first year, and an additional two percent in the second year of the biennium.

### **LATINO AMERICAN COMMISSION (68)**

The recommendation provides for a continuation level of funding, with changes only for employee salary and health insurance increases. The recommendation does not include the agency requested increase General Fund appropriation of \$20,129 in FY 2019-20 and \$21,080 in FY 2020-21 to hire a full-time public information officer. Also the recommendation does not include a General Fund appropriation increase of \$3,300 in FY 2019-20 and FY 2020-21 for a study of social-economic issues of Latinos, or a General Fund appropriation increase of \$40,000 in FY 2019-20 and FY 2020-21 for the Hispanic Latino Summit, which was requested by the agency.

### **LIBRARY COMMISSION, NEBRASKA (34)**

The recommendation includes a General Fund increase of \$15,068 for FY 2019-20 and \$28,960 for FY 2020-21, a cash fund reduction of \$48,601 for FY 2019-20 and FY 2020-21, and a federal fund reduction of \$21,712 for FY 2019-20 and \$61,262 for FY 2020-21.

The recommendation provides \$1,448 General Funds for rates and assessments from the Department of Administrative Services and Office of the Chief Information Officer. The recommendation includes \$50,547 General Funds in FY 2019-20 and \$89,196 General Funds for FY 2020-21 for additional library material acquisitions and includes \$13,620 General Funds in FY 2019-20 and \$27,512 General Funds in FY 2019-21 for additional eRead books and Nebraska Access.

The recommendation includes a reduction in cash fund appropriation of \$48,601 in each year. A fund analysis of the Nebraska Library Commission Cash Fund indicates the current level of appropriations exceeds the available fund balance. The recommendation provides the agency with sufficient appropriations to utilize the entire fund balance by the end of FY 2020-21.

The recommendation for the Library Operations program included a federal fund increase of \$27,747 for FY 2019-20 and a decrease of \$7,080 for FY 2020-21. The recommendation for the Library Development program includes a federal fund decrease of \$72,946 in FY 2019-20 and a decrease of \$96,365 in FY 2020-21. The level of available federal funds is expected to decrease in the next biennium and the amount of federal fund appropriations recommended is sufficient to utilize these available funds.

### **POSTSECONDARY EDUCATION, COORDINATING COMMISSION FOR (48)**

The recommendation includes the agency requested increase in General Funds for Department of Administrative Services and Office of the Chief Information Office rates and assessments of \$20,400 in FY 2019-20 and \$21,035 for FY 2020-21.

The recommendation includes \$18,912 in FY 2019-20 and \$38,202 in FY 2020-21 in General Funds for additional funding to the Access College Early program.

The recommendation supports the agency requested transfer of cash fund authority from agency operations to state aid in the Community College Gap Program of \$34,718 each year. This includes a reduction to PSL of \$34,718 in each year.

The recommendation supports the agency requested increase to cash fund appropriations for Nebraska Opportunity Grants of \$1 million in FY 2019-20 and \$2 million for FY 2020-21. This increase will allow the agency to utilize an available fund balance to provide additional funding for grants.

The recommendation supports the agency request to establish a cash fund appropriation of \$6,000 in FY 2019-20 and \$8,000 for FY 2020-21 for the Guaranty Recover Program that was enacted by LB 512 (2017).

The recommendation supports the agency request for a base reduction of federal fund by \$401,533 in both years in the Math and Science Grant program as the federal funding for this program has ended.

### **STATE COLLEGE SYSTEM, NEBRASKA (50)**

The agency divided their request into two distinct parts: core needs and workforce development.

For core needs, the recommendation includes full funding, with General Fund, of the request for salary and health insurance of \$1,573,179 in FY 2019-20 and \$3,179,570 in FY 2020-21. After submission of their budget request, the Board of Trustees received updated costs from their health insurance provider. This resulted in a reduction in health insurance projections from the eight percent estimated at budget submission to 4.99 percent. The recommendation includes the health insurance at 4.99 percent. This results in an increase of three percent in FY 2019-20 and an increase of 6.2 percent in FY 2020-21.

The recommendation supports the agency workforce development request to award scholarships in designated programs of study with an increase of \$1 million in FY 2019-20 and \$2 million in FY 2020-21 for Nebraska Talent Scholarships. The total General Fund increase for the State College System is \$2,573,179, or five percent, in FY 2019-20 and \$5,179,570, or ten percent in FY 2020-21.

### **UNIVERSITY OF NEBRASKA (51)**

The recommendation includes full funding, with General Fund, of the University request for salary and health insurance of \$15,063,200 in FY 2019-20 and \$34,448,700 in FY 2020-21. This results in an increase of 2.6 percent in FY 2019-20 and an increase of six percent in FY 2020-21.

The recommendation includes an increase to state aid of \$1 million in FY 2019-20 and \$2 million in FY 2020-21 for Nebraska Talent Scholarships. These scholarships will be targeted toward students who are in designed programs of study. The total General Fund increase for the University is \$16,063,200 or 2.8 percent, in FY 2019-20 and \$36,448,700 or 6.3 percent in FY 2020-21.

## **GENERAL GOVERNMENT**

### **GOVERNOR, OFFICE OF (07)**

**Association Dues** – The recommendation includes a reduction of \$61,000 General Funds for FY 2019-20 and FY 2020-21 attributable to not paying dues to the National Governor's Association (NGA) for the 2019–2021 biennium.

**Eliminate Position** – The recommendation includes a reduction of \$70,527 General Funds for FY 2019-20 and \$72,610 for FY 2020-21 associated with the elimination of one vacant position in the Governor's Office.

**Base Reduction** – The recommendation includes a General Fund base reduction of \$13,611 for FY 2019-20 and FY 2020-21 in the Governor's Policy Research Office requested to offset enterprise issues generally added for all state agencies; annualization of a January 1, 2019 employee pay adjustment, employee pay adjustments for the biennium, and increases estimated for employee health plans for the biennium.

### **LEGISLATIVE COUNCIL (03)**

**Census Redistricting** – Redistricting of legislative districts will occur during the 2019 – 2021 biennium, following the decennial census and as mandated by the Nebraska Constitution. The Legislative Council has requested \$66,550 General Funds for FY 2019-20 and \$76,550 General Funds for FY 2020-21 for the purchase of computer hardware, software, printers and other office equipment, along with necessary employee training on the use of census data and the redistricting software to enable

a professional, efficient redistricting process. The recommendation includes the funds for this purpose as requested by the Legislative Council.

**Long/Short Session** – The agency request includes a reduction of \$384,485 General Funds for FY 2019-20 to account for reduced expense associated with the FY 2019-20 60-day session vs. the 90-day session that will occur in FY 2020-21. The recommendation includes the reduced General Funds for FY 2019-20 as requested.

**Speech to Text/Closed Captioning** – The Legislative Council creates and maintains transcripts of testimony provided in public hearings. The transcripts are prepared from audio files provided by Nebraska Educational Television or from cassette tape recording. The agency requested \$17,250 General Funds for each of FY 2019-20 and FY 2020-21 to incorporate closed captioning into the video-streaming of Legislative Committee hearings, providing a valuable service for the hearing-impaired. The text files created with the use of closed captioning would also result in a more streamlined and efficient process to produce transcripts of public testimony at legislative hearings. The recommendation includes the funding for the closed captioning capability as requested.

**LIEUTENANT GOVERNOR, OFFICE OF (08)**

The recommendation provides for a continuation level of funding, with changes only for annualization of a January 1, 2019 employee salary adjustment, estimated employee salary adjustments for the biennium, and estimated agency share of estimated employee health plan costs for the biennium.

**HEALTH AND HUMAN SERVICES**

**FOSTER CARE REVIEW OFFICE (70)**

**Nebraska Children’s Commission Sunset** – State statute (Neb. Rev. Stat. 43-4202 (4)) currently provides that the Nebraska Children’s Commission terminates on June 30, 2019. The Foster Care Review Office reflected the sunset of the commission by requesting that the \$176,400 General Fund appropriation base for the Children’s Commission be eliminated for FY 2019-20 and FY 2020-21. The recommendation includes the requested reduction in General Funds currently appropriated for the operation of the Children’s Commission.

**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 2019-20 and FY 2020-21, along with dollar and percentage changes from the FY 2018-19 base year are shown in the following table:

<b>DHHS General Funds</b>	<b>FY 2018-19 Appropriation</b>	<b>FY 2019-20 Governor’s Recommendation</b>	<b>\$ chg from FY 2018-19</b>	<b>% chg</b>	<b>FY 2020-21 Governor’s Recommendation</b>	<b>\$ chg from FY 2018-19</b>	<b>% chg</b>
Operations	236,687,805	236,114,074	-573,731	-0.2%	240,933,009	4,245,204	1.8%
State Aid	1,392,485,181	1,410,363,796	17,878,615	1.3%	1,471,809,993	79,324,812	5.7%
<b>Total</b>	<b>1,629,172,986</b>	<b>1,646,477,870</b>	<b>17,304,884</b>	<b>1.1%</b>	<b>1,712,743,002</b>	<b>83,570,016</b>	<b>5.1%</b>

**Twenty-Four Hour Care Facilities** – The recommendation includes \$88,003 General Funds, \$268 cash funds, and \$12,143 federal funds for FY 2019-20, and \$176,002 General Funds, \$740 cash funds, and \$24,083 federal funds for FY 2020-21 for inflationary increases requested by the department for food, medical supplies, and physician services. The inflationary increases impact all of the 24-hour care facilities operated by the department; the regional centers at Norfolk and Lincoln, the youth development centers at Geneva and Kearney, and the Beatrice State Developmental Center in Beatrice.

**Economic Assistance Eligibility System** – The FY 2018-19 appropriation base contains the final year of funding appropriated for the development and implementation of an economic assistance eligibility system. The recommendation reduces for FY 2019-20 and FY 2020-21 \$5.9 million General Funds and \$10.1 million federal funds each year, which eliminates project funding from the base budget.

**Administrative Services Department Assessments** – The recommendation includes \$588,568 General Funds, \$26,755 cash funds, and \$300,079 federal funds for FY 2019-20, along with \$609,734 General Funds, \$26,826 cash funds, and \$310,070 federal funds for FY 2020-21 to finance the net changes in Department of Administrative Services assessments relating to workers' compensation, accounting, purchasing, and human resource management.

**Money Follows the Person** – The budget request submitted by the department includes \$45,627 General Funds for FY 2019-20 and \$128,768 General Funds for FY 2020-21, along with federal fund reductions of the same amounts for the two respective fiscal years, to finance four staff currently financed entirely with the federal Money Follows the Person grant which expires within the 2019 – 2021 biennium. The four staff positions would support long term care redesign activities, sustain Money Follows the Person activities, aid with Center for Medicaid Services (CMS) and federal Department of Justice requirements for individuals to be in the most integrated and least restrictive setting appropriate to their needs, and assist with programming to transition more individuals to supported community living. The recommendation includes the funding as requested by the department to retain staff positions currently financed with the Money Follows the Person federal grant that ends in the 2019 – 2021 biennium.

**Preadmission Screening and Resident Review (PASRR)** – The federally mandated preadmission screening and resident review is intended to ensure that individuals are not inappropriately placed in nursing homes for long term care. The budget for this program is currently located within the regional center operations program. The department requested that the PASRR budget, \$373,978 General Funds and \$1,121,933 federal funds for FY 2019-20, and \$381,458 General Funds and \$1,144,372 federal funds for FY 2020-21 be moved from the facility-based budget to the department operations administrative program. The recommendation includes moving appropriations from the facility based budget to the department administrative program as requested.

**Training Contract Reductions** – The department requested a \$36,037 General Fund reduction for FY 2019-20 and FY 2020-21 relating to behavioral health workforce and consumer related recovery contracts. The reduction aligns annual spending on the contracts with available appropriations. The recommendation includes the General Fund reduction for behavioral health training contracts as requested by the department.

**Children's Helpline** – The Nebraska Family Helpline was established to provide families support and resources to address behavioral health issues they may be experiencing. The department currently spends about \$1.2 million annually to operate the helpline. Data collected by the department indicates that about 45 percent of calls to the helpline originate from individuals eligible for Medicaid. The recommendation includes the department requested shift of \$287,000 General Funds to federal funds for each of FY 2019-20 and FY 2020-21 to reflect the federal funds available to assist in financing the helpline.

**Public Assistance Cost Allocation Plan** – Changes to the Public Assistance Cost Allocation Plan have been identified by the department to appropriately charge additional employee time to federal grants instead of the General Fund. These changes are relatively easy to implement but do require approval by the federal government. The recommendation includes a \$90,000 General Fund reduction and \$90,000 federal fund increase in each of FY 2019-20 and FY 2020-21 as requested by the department to reflect the change in fund mix.

**Behavioral Health Housing Assistance** – The department requested increased cash fund spending authority from the Behavioral Health Services Fund of \$300,000 for FY 2019-20 and FY 2020-21 to assist very low income adults with serious mental illness with housing needs, along with \$800,000 for FY 2019-20 to rehabilitate or acquire housing units across the state for the same population. The source of the revenue for these requests is the documentary stamp tax on real estate transfers. The recommendation includes the increased cash spending authority as requested by the department.

**Developmental Disability Service Coordination** – The recommendation includes \$332,153 General Funds and \$386,642 federal funds for FY 2019-20, and \$664,306 General Funds and \$773,284 federal funds for FY 2020-21 to add up to 19 FTE developmental disability service coordination positions by the end of the 2019 – 2021 biennium. The increased staffing will keep caseloads at an acceptable level, provide a focused resource for customers with high behavioral and medical needs, and provide oversight of the crisis behavioral support teams.

**Financial Case Management System for Developmental Disabilities** – The department requested reinvestment of savings from the Money Follows the Person Grant (MFP) be used to finance the case management system for participants in the Medicaid Home and Community Based Services for the Disabled Waiver. The reinvestment savings currently accrue to the Developmental Disabilities Aid Program. To reflect the financial case management system as an operating expense using the MFP reinvestment savings, the department requested that \$198,720 General Funds be reduced for Developmental Disabilities Aid, along with \$198,720 federal funds from the Medical Assistance program for FY 2019-20 and FY 2020-21. Appropriation increases of \$188,466 General Funds and \$208,974 federal funds for FY 2019-20 and FY 2020-21 were requested for Department Operations to finance the case management system. As a result of this change a net General Fund appropriation reduction of \$10,254 occurs each year. The recommendation includes the requested financing of the case management system as requested by the department.

**Developmental Disabilities Quality Improvement** – The recommendation includes \$394,752 General Funds and \$1,184,257 federal funds for FY 2019-20, and \$526,336 General Funds and \$1,579,009 federal funds for FY 2020-21 to contract with a quality improvement organization to ensure that recent federal guidance for quality oversight model practices including performance metrics for evaluating health and welfare are implemented.

**Beatrice State Developmental Center (BSDC) Base Adjustment** – The department requested that \$1,190,642 General Funds and \$1,320,200 federal funds be reduced from the BSDC operating budget for each of FY 2019-20 and FY 2020-21 to align annual appropriations with expenditures. The reduction will not impact the operation of the facility. The recommendation includes the base reduction to BSDC as requested by the department.

**Ryan White AIDS Program Base Adjustment** – The department requested that available prescription drug rebate funds be used to assist in financing the Ryan White AIDS program. The use of drug rebates offset the need for General Funds by \$37,500 for FY 2019-20 and FY 2020-21 without reducing total funding allocated to the program. The recommendation includes the funding shift for the Ryan White AIDS program as requested by the department.

**Medical Student Loan Repayment Program** – The department requested \$150,000 federal funds and \$150,000 cash funds for FY 2019-20 and FY 2020-21 for the student loan repayment program. The increased federal grant funds and local matching funds will result in four to eight additional health professionals to be placed in underserved areas of the state. The recommendation includes the increased funding for the medical student loan repayment program as requested by the department.

**Public Assistance Base Adjustment** – The department identified \$2,259,715 General Funds for FY 2019-20 and \$2,278,237 General Funds for FY 2020-21 not needed to adequately fund the Public Assistance Aid Program. The reduction in General Funds aligns appropriations with level of expenditures. The recommendation includes the General Fund reductions to Public Assistance as requested by the department.

**UNMC Medical Cannabidiol Pilot Study** – LB 390 (2015) financed a University of Nebraska Medical Center medical cannabidiol study with \$1 million from the Health Care Cash Fund, \$250,000 a year from FY 2015-16 through FY 2018-19. The recommendation includes the \$250,000 cash fund reduction to the department's base budget for FY 2019-20 and FY 2020-21 associated with the end of the financial commitment from the Health Care Cash Fund for the cannabidiol study.

**Children's Health Insurance Program (CHIP) Federal Match Rate** – The federal Affordable Care Act (ACA) provided a 23 percent temporary bump in FMAP that phases out beginning October 1, 2019. The enhanced FMAP is reduced by 11.5 percent beginning October 1, 2019. On October 1, 2020, the temporary bump is eliminated altogether. The recommendation includes \$8,103,686 General Funds for FY 2019-20, and \$19,181,115 General Funds for FY 2020-21, along with the corresponding reductions in federal funds for each fiscal year to reflect the impact of the phase-out of the ACA enhanced FMAP for CHIP.

**Aging and Disability Resource Centers (ADRC's)** – Legislation passed during the 2018 Session of the Legislature, LB 793, provides funding from the Health Care Cash Fund to finance the ADRC's through June 30, 2020 with the intent to finance the centers with General Funds beginning in FY 2020-21. The recommendation includes \$935,094 cash funds, \$321,182 for operations and \$613,912 for aid, from the Health Care Cash Fund to finance the ADRC's through June 30, 2021.

**Juvenile Services Reappropriation Reduction** – The recommendation includes a \$3 million General Fund reduction to the June 30, 2018 unexpended appropriation balance that was reappropriated for FY 2018-19. The funds are unobligated and are not needed for the operation of the youth development centers at Kearney and Geneva.

**Child Welfare Provider Rates** – The recommendation includes \$2,763,296 General Funds and \$411,569 federal funds for FY 2019-20, and \$5,581,857 General Funds and \$823,220 federal funds for FY 2020-21 to address provider rates for child welfare services.

**Child Care Provider Rates** – The recommendation includes \$2,110,000 federal funds for FY 2019-20 and \$2,110,000 federal funds for FY 2020-21 to serve as a placeholder to finance child care rates resulting from the child care market survey being conducted by the department as required by law. The federal funds are available from increased Child Care and Development Block Grant awards covering FY 2019-20 and FY 2020-21.

**Developmental Disabilities Provider Rates** – The recommendation includes \$5,805,863 General Funds and \$6,867,926 federal funds for FY 2019-20, and \$5,738,691 General Funds and \$6,935,097 federal funds for FY 2020-21 to address rate adjustments for developmental disability home and community-based waiver services indicated by a recent rate/reimbursement cost study.

**Behavioral Health Cost Model** – The recommendation includes \$2,893,301 General Funds for FY 2019-20 and \$2,893,301 General Funds for FY 2020-21 to address rates as identified in a behavioral health services rate study conducted by the department.

**Title X Family Planning** – The recommendation includes language regarding use of family planning funds.

**Medicaid** – The General Fund FY 2019-20 and FY 2020-21 recommendations for Medicaid are summarized in the table below. A brief explanation of each item follows the table.

<b>Medicaid – General Fund Aid Only</b>	<b>FY 2019-20 Governor's Recommendation</b>	<b>FY 2020-21 Governor's Recommendation</b>
FY 2018-19 Appropriation	849,628,184	849,628,184
Medicaid Utilization	16,319,271	31,206,745
Federal Medicaid Match Change (FMAP)	(30,840,497)	(42,376,698)
Federal "Clawback" Assessment	1,458,514	2,690,851
Health Insurance Provider Fee	0	15,478,738
Provider Rate Funding	4,798,568	9,693,107
Medicaid Expansion	19,826,774	49,269,837
Offsets to Medicaid Expansion	(535,302)	(1,070,604)
Preferred Drug List (Legislation)	(574,497)	(1,148,993)
<b>Total</b>	<b>860,081,015</b>	<b>913,371,167</b>
\$ change from FY 2018-19 Appropriation	10,452,831	63,742,983
% change from FY2018-19 Appropriation	1.23%	7.50%

**Medicaid Utilization** – The department requested \$37,517,954 (\$16,565,074 General Fund and \$20,952,880 federal funds) for FY 2019-20 and \$72,760,495 (\$31,841,006 General Funds and \$40,919,489 federal funds) for FY 2020-21 to finance growth in number of people eligible for the current Medicaid program and utilization of services covered by Medicaid. Historical trends by individual eligibility population were analyzed to arrive at the projected increases. The recommendation includes the requested \$37,517,954 for FY 2019-20 and \$72,760,495 for FY 2020-21. The fund mix is different from the request based on the final FMAP for federal fiscal year 2020 published in the Federal Register on November 28, 2018, more than two months after the department biennial budget request was submitted. The Medicaid utilization recommendation includes \$16,319,271 General Funds and 21,198,683 federal funds for FY 2019-20, and \$31,206,745 General Funds and \$41,553,750 federal funds for FY 2020-21 to account for eligibility and utilization increases for the 2019 – 2021 biennium.

**Federal Medical Assistance Percentage (FMAP)** – Nebraska will see a significant change to its Federal Medical Assistance Percentage (FMAP) in Federal Fiscal Year (FFY) 2020, which starts October 1, 2019. Currently, the FMAP is 52.6 percent. The federal fiscal year 2020 FMAP increases to 54.7 percent. The recommendation includes a reduction of \$30,840,497 General Funds for FY 2019-20 and a reduction of \$42,376,698 General Funds for FY 2020-21 to account for the improved FMAP. The recommendation includes the corresponding federal fund increases in both fiscal years of the biennium.

**Medicaid Federal Clawback Payment Increase** – The amount the state is required to reimburse the federal government for Medicaid/Medicare Dual eligible prescription drug costs is projected to increase from \$67,030,964 to \$68,489,478 for state FY 2019-20, an increase of \$1,458,514 General Funds. For FY 2020-21 the clawback payment is estimated to increase another \$1,232,337, to a total of \$69,721,815 General Funds. The recommendation includes the \$1,458,514 General Funds for FY 2019-20 and \$2,690,851 General Funds for FY 2020-21 to finance the projected increases in clawback payments mandated by the federal government.

**Health Insurance Provider Fee** – The department requested \$34,184,494 to finance the federal Health Insurance Provider Fee (HIPF), a mandate from the Affordable Care Act (ACA) requiring a tax be paid to the IRS from companies that provide government sponsored health care. This impacts the Managed Care Organizations in Nebraska's Heritage Health program. There is currently a moratorium on the HIPF for the first year of the biennium, but under current federal law, it will be a liability impacting the Managed Care Organizations in FY 2020-21. The recommendation includes \$15,478,738 General Funds

and \$18,705,756 federal funds for FY 2020-21 for HIPF. The recommendation recognizes the improved FMAP published in the Federal Register on November 28, 2018.

**Medicaid Provider Rate Funding** – The recommendation includes \$4,798,568 General Funds and \$5,798,976 federal funds for FY 2019-20, and \$9,693,107 General Funds and \$11,713,931 federal funds for FY 2020-21 to address rate adjustments for providers of long term care services.

**Medicaid Expansion** – Nebraska voters approved Initiative 427 in November 2018, which provides for the expansion of Medicaid coverage to Nebraska residents aged 19 to 64 with incomes at or below 138 percent of the federal poverty level. The recommendation includes \$19,826,774 General Funds and \$149,351,013 federal funds for FY 2019-20, and \$49,269,837 General Funds and \$371,139,560 federal funds for FY 2020-21 to finance service costs as estimated by the department.

**Medicaid Expansion Cost Offsets** – With Medicaid expansion there are current state programs that may benefit from additional federal funds available with the expansion of Medicaid. The department identified General Fund reductions of \$2,976,668 for FY 2019-20 and \$6,823,336 for FY 2020-21 associated with three such programs: the State Disability Program, Women with Cancer, and Behavioral Health Aid. The General Fund savings identified in the table above, \$535,302 for FY 2019-20 and \$1,070,604 for FY 2020-21 reflect only General Fund offsets for the Women with Cancer program, the only program of the three currently financed through the Medicaid program. The recommendation includes the General Fund Medicaid Expansion offsets as estimated by the department.

**Preferred Drug List (Legislation)** – The department has submitted legislation to be considered by the Legislature during the 2018 Session that would provide for the additional antipsychotic, antidepressant, and anticonvulsant drugs to the Medicaid Preferred Drug List (PDL), which would generate savings to Medicaid in the form of additional supplemental rebates from the manufacturers of the drugs added to the PDL. The recommendation includes a reduction of \$549,497 General Funds and \$597,371 federal funds for FY 2019-20, and \$1,098,993 General Funds and \$1,194,743 federal funds for FY 2020-21 to recognize the savings from passing the proposed legislation.

**Federal Medical Assistance Percentage (FMAP)** – The FMAP, the level of federal participation in budget programs entirely or partially financed through Medicaid, improves by 2.14 percent, from 52.58 percent in federal fiscal year 2019 to 54.72 percent in federal fiscal year 2020, allowing for General Fund reductions, along with increased federal participation in several budget programs. The General Fund reduction allowed with this improvement in the federal match rate for programs impacted by the improved FFY20 FMAP during the state 2019 – 2021 biennium is shown in the following table:

<b>General Fund Impact of FFY20 FMAP Improvement - by Program</b>	<b>FY2019-20 Governor's Recommendation</b>	<b>FY2020-21 Governor's Recommendation</b>
Developmental Disabilities Service Coordination	(319,006)	(427,605)
Children's Health Insurance	(1,051,695)	(1,424,883)
Medicaid	(30,840,497)	(42,376,698)
Child Welfare Aid	(1,109,646)	(1,375,248)
Beatrice State Developmental Center	(629,259)	(835,128)
Developmental Disabilities Aid	(5,005,683)	(6,709,778)
Total	(38,955,786)	(53,149,340)

**Medicaid Expansion** – The following table summarizes the recommendation for the 2019 – 2021 biennium for Medicaid expansion as approved by Nebraska voters in November 2018. The recommendation includes both state and federal cost estimates for the additional department staff needed to administer the program, operating costs, contractual costs, information technology costs, and the increased costs for Medicaid services assuming an aggressive January 1, 2020 implementation date. The table also includes the estimated General Funds that may be saved, or offset, in current state programs by moving state-only costs to Medicaid or by getting an increased federal match for existing Medicaid populations determined to be included in the expansion population.

<b>Medicaid Expansion Summary</b>		<b>FY 2019-20</b>	<b>FY 2020-21</b>
	<b>Fund</b>	<b>Governor's Recommendation</b>	<b>Governor's Recommendation</b>
<b>Operations</b> (Staff and operating expense)	General	1,575,408	2,256,371
	Federal	3,012,304	2,736,371
	Total	4,587,712	4,992,742
<b>Aid</b> (Medicaid services)	General	19,826,774	49,269,837
	Federal	149,351,013	371,139,560
	subtotal	169,177,787	420,409,397
Aid Offsets:			
Behavioral Health Aid	General	(1,885,000)	(4,640,000)
State Disability Program	General	(556,366)	(1,112,732)
Women With Cancer	General	(535,302)	(1,070,604)
	subtotal	(2,976,668)	(6,823,336)
Aid - with offsets	General	16,850,106	42,446,501
	Federal	149,351,013	371,139,560
	Total	166,201,119	413,586,061
<b>TOTAL</b>	General	18,425,514	44,702,872
	Federal	152,363,317	373,875,931
	Grand Total	170,788,831	418,578,803

### **INDUSTRIAL RELATIONS, COMMISSION OF (77)**

**Office Reorganization** – The commission submitted a biennial budget request that reflects a reorganization of the office, including a reduction in support staff from three FTE employees to two FTE employees, resulting in reduced General Funds needed for the administrative program of \$33,814 for FY 2019-20 and \$32,587 for FY 2020-21. The recommendation includes the reductions as requested by the agency.

### **VETERANS' AFFAIRS, DEPARTMENT OF (28)**

**Veterans' Homes** – The recommendation includes \$60,064 General Funds, \$35,091 cash funds, and \$50,496 federal funds for FY 2019-20, and \$123,371 General Funds, \$72,076 cash funds, and \$103,719 federal funds for FY 2020-21 for inflationary increases associated with the operation of the four veteran's homes located in Nebraska.

**Management Flexibility** – The recommendation includes consolidating appropriations for all budget programs for the department into a single program to facilitate management flexibility, efficiency, and effectiveness of agency operations. The department is granted the authority to allocate appropriations among current department budget programs. Department expenditures will also be monitored according to the current program classification structure.

**Internet Access** – The recommendation includes \$102,000 cash funds for FY 2018-19 as requested by the department to extend fiber internet access to the Nebraska Veterans' Cemetery located in Alliance.

# LAW ENFORCEMENT AND PUBLIC SAFETY

## ATTORNEY GENERAL, NEBRASKA (11)

The Attorney General budget request for the 2019 – 2021 biennium included only those items identified as “Enterprise Issues” – Employee Annual Salary Increases, and Health Care Premium Costs. The recommendations support this request.

## CORRECTIONAL SERVICES, DEPARTMENT OF (46)

**One-Time Cash Appropriation Increase** – The Nebraska Department of Correctional Services (NDCS) is requesting, and the recommendations provide for the agency to increase cash fund appropriations by \$4.2 million in FY 2019-20, with an offsetting decrease in General Funds, to utilize part of an excess cash balance currently existing in the Correctional Facilities Cash Fund.

**Facility Staffing** – The Nebraska Department of Correctional Services (NDCS) updated its unit management model for proactive interaction with inmates and determined the need for four additional corrections unit case managers, at a cost of \$231,995 General Funds (with additional Personal Service Limitation (PSL) of \$171,516) in FY 2019-20 and \$236,625 General Funds (with \$174,946 PSL) in FY 2020-21. The recommendations include these staffing and funding increases.

**Health Services System** – NDCS is requesting a one-time General Fund appropriation of \$1,346,927 in FY 2019-20, with ongoing annual General Fund appropriations of \$97,425 beginning in FY 2020-21 for the purchase and maintenance of an Electronic Health Records System (EHRS). The system will increase medical staff productivity and communication, as well reducing medical service errors and increasing quality of care for inmates. The recommendations include the requested funding for this system.

**Other Information Technology Issues** – NDCS has two IT issue requests related to business requirements, which include KRONOS upgrades for time management, recording, and payroll purposes (one time cost of \$125,000 General Funds in FY 2019-20), and updated web hosting services (additional \$188,172 General Funds in both FY 2019-20 and FY 2020-21). The recommendations include the additional funding for both of these items.

**Inmate Programming Costs** – NDCS estimates the need for additional needed programming such as Cognitive Behavior Interventions, Moral Reconciliation Therapy, and Living in Balance programs. The agency request includes an additional \$250,000 General Funds in both FY 2019-20 and FY 2020-21 to support the anticipated increase in programming needs. The recommendations provide this additional funding for programs.

**Power Plant** – In the spring of 2014, NDCS began negotiating with, and came to an agreement with District Energy Corporation (DEC) on the prospect of a new DEC-owned central utility plant to serve the Nebraska State Penitentiary (NSP). Under the agreement, the new DEC power plant will be operational in FY 2019-20 and will replace the obsolete coal operations currently used to power the NSP. The agency request includes an additional \$450,000 General Funds in both FY 2019-20 and FY 2020-21 to fund the new energy facility lease with DEC. The recommendations provide the requested funding for use of this new power plant.

**Staffing Analysis** – NDCS conducted a staffing analysis after receiving training from the National Institute of Corrections (NIC). The final report was submitted in July 2016 and identified the need for an additional 138 FTE of custody staffing, divided among the ten facilities operated by NDCS. The 2017 – 2019 Biennium Budget fully funded 19 FTE (corporals and sergeants). The 2018 Mid Biennium Budget added 29 FTE, which were phased in during the 3rd and 4th quarters of FY 2018 and funded based on that schedule. The agency requests General Fund appropriation to fully fund these positions at their annualized salaries. As indicated above, 48 FTE of the Staffing Analysis estimate have been funded. NDCS has identified Phase 2 of the Staffing Analysis, for which 24 FTE are needed in FY 2019-20 and an additional 24 FTE are needed for FY 2020-21, for a total of another 48 FTE over the 2019 – 2021 biennium. Phase 3 will address the remaining 42 custody positions from the Staffing

Analysis and will be requested in the 2021 – 2023 Biennium Budget for NDCS. The recommendations provide additional General Fund appropriations of \$1,867,979 (with additional PSL of \$1,359,832) in FY 2019-20 and \$3,729,546 General Fund appropriation (with additional PSL of \$2,773,132) in FY 2020-21.

### **EQUAL OPPORTUNITY COMMISSION (67)**

**Reduce Federal Fund Appropriations** – The Nebraska Equal Opportunity Commission (NEOC) identified some specific outreach and education costs in FY 2018-19 which will not be continued in the 2019 – 2021 biennium. Consequently, the agency request reduces federal fund appropriations by \$83,000 in FY 2019-20 and \$93,000 in FY 2020-21. The recommendations provide for these federal fund appropriation reductions.

**Executive Director Salary** – The NEOC request includes additional funding of \$2,575 General Funds in FY 2019-20 and \$4,470 General Funds in FY 2020-21 to provide the Executive Director with annualization of a four percent raise in December 2018, plus two percent raise in FY 2019-20 and FY 2020-21. The recommendations do not include the specific request amounts, but do provide for salary increases in line with other state of Nebraska employees.

### **FIRE MARSHAL, STATE (21)**

**Part-Time Instructor Pay Adjustment** – The State Fire Marshal provides training for volunteer firefighters throughout the state, as well as municipal fire departments for firefighter certification, heavy rescue, safety, and other areas. The agency utilizes a number of certified part-time instructors to help provide these training courses. The last pay increase for these instructors was provided in 2005. After reviewing concerns with the agency, as well as comparable rates for part-time instructors paid in nearby states like Iowa, Kansas, and Colorado, the recommendations include additional funding of \$7,536 in each of FY 2019-20 and FY 2020-21 (\$5,275 General Funds, \$2,261 federal funds, with additional Personal Service Limitation of \$7,536), to support an increase in the pay rate for these instructors from \$16 to \$17 per hour.

**Bunker Gear for Fire Training** – Many of the training courses provided to firefighters in the state require personal protective equipment and clothing, referred to as bunker gear, to properly demonstrate procedures and techniques. Over time, this equipment wears out or is damaged. The Fire Marshal's budget request includes additional General Fund appropriations of \$10,000 in both FY 2019-20 and FY 2020-21 to purchase four new sets of bunker gear each fiscal year. The recommendation includes this additional funding.

### **LAW ENFORCEMENT AND CRIMINAL JUSTICE, COMMISSION ON (78)**

**Law Enforcement Training Center Funding** – The Law Enforcement Training Center (LETC) within the Nebraska Commission on Law Enforcement and Criminal Justice (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 \$158,287 in cash fund appropriations with \$158,287 General Fund appropriations in FY 2019-20 and replacing \$226,132 in cash fund appropriations with \$226,132 General Fund appropriations in FY 2020-21 to offset the declining cash revenues. The recommendations include these changes in appropriation funding for the LETC.

**Funding for Additional FTE in Grants Administration** – The Crime Commission added two new FTE (Federal Aid Administrator and Staff Assistant) in FY 2018-19 with an increase in federal Victim-Witness Assistance grants, to help manage the volume of new grant activity. The agency request for the 2019 – 2021 biennium includes additional Personal Service Limitation (PSL) of \$254,456 in both FY 2019-20 and FY 2020-21 to properly budget for and annualize the salaries of the new FTE. The recommendations include both the requested PSL amounts, as well as corresponding federal fund appropriation of \$254,456 in both FY 2019-20 and FY 2020-21 to reflect costs for the federally-funded positions.

**Staff Reduction in Community Corrections Division** – The Crime Commission reduced the staffing in the Community Corrections Division by two FTE in FY 2018-19. The agency request reduces the General Fund appropriation for these two positions by \$147,403 in both FY 2019-20 and FY 2020-21. The recommendations include the requested reductions in General Fund appropriations, as well as corresponding reductions in PSL of \$118,800 for both FY 2019-20 and FY 2020-21.

**VINE Funding** – The Crime Commission has funded the Victim Information Notification Everyday (VINE) System in Nebraska with federal funds from Victims of Crime Act (VOCA) grants. Recent directions by the federal grant authorities have determined the Crime Commission can no longer fund VINE through the VOCA grant program. Consequently, the agency request includes additional General Funds of \$327,736 in both FY 2019-20 and FY 2020-21 to continue to fund the VINE System in Nebraska. The recommendations include these additional General Fund appropriations, but also offsets these increases with corresponding decreases in the General Fund aid appropriations in the County Juvenile Services Aid program, which has consistently been unable to expend all of its annual General Fund aid appropriations.

**Funding for Research Analyst Position** – The Crime Commission has requested an additional FTE for a research analyst position needed to provide data collection, analysis, and reporting for the Justice Reinvestment project. The recommendation provides additional General Fund appropriation of \$59,860 (with additional PSL of \$42,000) in both FY 2019-20 and FY 2020-21.

### **LIQUOR CONTROL COMMISSION (35)**

**Licensing System Software** – The Nebraska Liquor Control Commission (NLCC) budget request includes additional General Funds of \$871,000 in FY 2019-20 and \$156,000 in FY 2020-21 to purchase an off-the-shelf flexible browser-based alcoholic beverage licensing system software. The NLCC acknowledged that the costs are estimates as the agency has not yet conducted a needs analysis in order to create a Request for Proposals (RFP) to begin the process. Implementation is estimated to take approximately 18 – 24 months once a vendor is selected. In an effort to moderate General Fund spending in the 2019 – 2021 biennium, and because the exact cost and timing of such a system is unknown at this time, the recommendations do not include funding for this request.

**OCIO Usage Rates** – The Office of the Chief Information Officer (OCIO) is changing billing structures for certain services effective July 1, 2019. These Enterprise Content Management (ECM) system charges will now be established on a transaction basis. The Nebraska Liquor Control Commission utilizes the state's OnBase ECM system to record and track Special Designated Licenses. The agency budget request includes additional General Funds of \$18,000 in FY 2019-20 and \$22,000 in FY 2020-21 for anticipated increases in OCIO charges for ECM usage. The recommendations do not include these General Fund spending authority increases.

**Online Reconciliation System** – Nebraska entities licensed to produce beer, wine and spirits are required by Nebraska statute to report production of alcohol and pay to the Nebraska Liquor Control Commission (NLCC) the excise taxes owed. The NLCC investigated and began implementation of an online reporting system for these licensees, and plans to roll it out for users in the industry in 2019. NLCC is requesting funding for phase two of this project, which is a reconciliation between the wholesale tier reports and the Nebraska manufacturer reports (\$23,623 General Funds in FY 2019-20 and \$11,783 General Funds in FY 2020-21). The recommendations do not include these General Fund spending authority increases.

**Additional Auditors** – The Nebraska Liquor Control Commission (NLCC) budget request includes increases in General Funds and Personal Service Limitation (PSL) for two additional compliance auditors to handle the growing number of and size of license holders (\$169,048 General Funds, with \$79,070 PSL in FY 2019-20 and \$168,984 General Funds, with \$80,652 PSL in FY 2020-21). The recommendations do not include these increases in General Fund spending authority.

## **MILITARY DEPARTMENT (31)**

**Army National Guard Positions** – Due to increasing federal requirements and funding, the Nebraska Military Department is requesting to add two new employees in support of the Master Planning section of the Construction and Facilities Maintenance Office (CFMO). The agency request would add federal fund appropriation of \$87,500 (with additional Personal Service Limitation (PSL) of \$87,500) in FY 2019-20 and \$89,250 (with additional PSL of \$89,250) in FY 2020-21. The recommendations include authorizing these two new positions and the requested commensurate funding.

**Facilities Operations Maintenance Funding** – The Nebraska Military Department receives federal funding from the Air National Guard (ANG) for Facilities Operations Maintenance Activities (FOMA) relative to the 155<sup>th</sup> Civil Engineer Squadron. The amount of federal funding available for such maintenance activities is dependent on a certain level of state share match funding. The agency budget request was \$100,000 General Funds in both FY 2019-20 and FY 2020-21 as a match for available federal funding. The recommendation provides for \$50,000 increased General Fund appropriations in both FY 2019-20 and FY 2020-21 for state match share funding for ANG maintenance.

**Army National Guard Maintenance Funding** – The Nebraska Military Department budget request adds \$12,500 General Funds in both FY 2019-20 and FY 2020-21 to increase the agency's overall Army National Guard (ARNG) Facilities Sustainment, Restoration and Modernization (FSRM) budget. The recommendations include these requested additional General Fund appropriations.

## **PAROLE/PARDONS, NEBRASKA BOARD OF (15)**

**Increased Program Service Costs** – LB 598 (2015), moved the Office of Parole Administration from within the Department of Correctional Services to within the Board of Parole on July 1, 2016. As a result, the base General Fund appropriations for the Board of Parole operating program increased from \$327,153 in FY 2015-16 to \$6,958,071 in FY 2018-19. In addition to the FY 2018-19 base appropriation, the unspent General Fund appropriation carried over from FY 2017-18 into FY 2018-19 was \$2,682,283. The Board of Parole initially requested an increase in General Funds for parolee program service costs of \$569,554 in both FY 2019-20 and FY 2020-21. This figure assumed funding for a potential overall increase in parolees of approximately 500 in each year. After further review and evaluation by the agency, the recommendations provide for an additional General Fund appropriation of \$170,866 in FY 2019-20 and \$284,777 in FY 2020-21, which reflect a more measured approach to the estimated increase in parolees of 150 in FY 2019-20 and 250 in FY 2020-21.

**Additional Parole Board Staffing** – Under the initial agency assumptions identified above by the Parole Board of 500 new parolees each year, the agency requested additional General Funds of \$766,068 (with additional Personal Service Limitation (PSL) of \$444,154) in FY 2019-20 and \$941,057 (with additional PSL of \$583,622) in FY 2020-21 to increase staff to accommodate the estimated increase in workload. Given the agency's re-evaluation of the level of potential additional parolees each fiscal year, as well as the general level of spending in FY 2017-18 and Y-T-D for FY 2018-19, the recommendations do not provide additional General Funds, but do provide the requested increases in PSL in each fiscal year to give the agency maximum flexibility to respond to increasing demands.

## **PUBLIC ADVOCACY, COMMISSION ON (94)**

**Office Rent** – The Nebraska Commission on Public Advocacy requested additional cash fund appropriation of \$2,924 in both FY 2019-20 and FY 2020-21 to cover contractual rent rate increases. The recommendations include the requested increases in cash spending authority.

## **STATE PATROL, NEBRASKA (64)**

**Capitol Security Camera Replacement** – The Nebraska State Patrol (NSP) Capitol Security Division has identified the need to replace a number of security cameras in the Capitol complex, as well as other state-owned buildings in the immediate area and has requested an additional \$26,000 revolving

fund appropriations in both FY 2019-20 and FY 2020-21 to address the issue. The recommendations provide the requested revolving fund appropriations.

**CLEIN Costs** – 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) 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. The NSP has identified increasing costs relative to OCIO and licensing fees, which require additional funding. The NSP request includes additional cash fund appropriations in both FY 2019-20 and FY 2020-21 of \$225,500 to address these cost increases. The recommendations provide additional cash fund appropriations, as requested.

**Facility Rent Increases** – The Nebraska State Patrol (NSP) rents space in a number of buildings owned by the state and managed by the Department of Administrative Services (DAS) Building Division. The agency also rents space in facilities owned by other public and private entities. For the 2019 – 2021 biennium, the NSP has a combination of certain facility rent savings and certain cost increases. In addition, the NSP Investigative Services Division, which was previously provided office space in a federal building in Omaha with some of their federal partners, was recently notified that space is no longer available, so the Investigative Services Division needs to relocate to another facility. The agency request includes a net increase in funding of \$54,860 in FY 2019-20 (\$50,634 General Funds and \$4,226 cash funds) and \$59,725 in FY 2020-21 (\$51,407 General Funds and \$8,318 cash funds) to fund these various rent needs. The recommendations include the same net increases in funding, with a different mix in fund type. For FY 2019-20 the recommendation provides for an overall increase of \$54,860 (-\$49,366 General Funds and \$104,226 cash funds) and for FY 2020-21 an overall increase of \$59,725 (-\$48,593 General Funds and \$108,318 cash funds).

**Crime Lab Lease Cost Funding** – Currently, approximately \$484,000 is paid annually out of the Public Safety Cash Fund to cover a portion of the Crime Lab facility lease costs. The NSP has proposed that 23 percent of this cost be replaced with General Fund appropriations in FY 2019-20 and FY 2020-21. The second phase of this plan would entail an additional 52 percent of costs be replaced with General Funds in FY 2021-22 and FY 2022-23 (the subsequent biennium). Over a four-year period, this would significantly reduce the reliance on the Public Safety Cash Fund, which is experiencing declining revenues from the state share of federal seizures in Nebraska. The agency request reduces cash fund appropriations and increases General Fund appropriations by like amounts, \$108,670 in both FY 2019-20 and FY 2020-21. The recommendations approve of this fund shift for portions of the lease costs of the NSP Crime Lab.

**Vehicle Purchases** – Due to the number of miles driven and the frequency with which agency personnel are required to drive, the NSP fleet of service vehicles requires regular replacements. The agency has increased the mileage limits for vehicles before consideration for replacement. The NSP request includes additional General Fund appropriations of \$259,500 in both FY 2019-20 and FY 2020-21 in order to maintain the necessary vehicle replacement rotation. The recommendations provide the requested General Fund appropriation increases for vehicle purchases.

## **SUPREME COURT (05)**

**General Fund Reappropriation Reduction for FY 2018-19** – Since separating Juvenile Justice funding from the Adult Community Corrections services program beginning in FY 2016-17, the Courts have underspent the Juvenile Justice Program appropriations in FY 2016-17 and FY 2017-18. The FY 2017-18 General Fund appropriations were underspent by \$14,908,233 (19 percent). This amount was carried over (reappropriated) from FY 2017-18 into FY 2018-19. Of this amount, \$10,092,953 remained after encumbrances and prior year obligations. Based on spending through mid-December 2018, it appears the Juvenile Justice program will significantly underspend General Fund appropriations for FY 2018-19. The recommendation reduces the FY 2017-18 reappropriation by \$10 million.

**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 (PSL) 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 PSL 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. This request was not approved by the Legislature.

In a separate budget issue, the Supreme Court also requested additional appropriations and PSL in FY 2015-16 and FY 2016-17 to implement the remaining 25 percent of the NCSC survey-recommended salary adjustments. This request was also not approved by the Legislature.

For the 2017 – 2019 biennium, the Supreme Court budget request included 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 Legislature did not approve this increase.

The Supreme Court budget request also included 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 Legislature did not approve this increase.

For the upcoming 2019 – 2021 biennium, the Supreme Court budget request again contains additional funding for the remaining 25 percent for the salary survey recommendations, totaling \$1,821,514 (\$1,765,943 General Funds) in FY 2019-20 and \$1,857,944 (\$1,801,262 General Funds) in FY 2020-21.

Consistent with previous recommendations and legislative decisions over the last two biennia, the recommendations for FY 2019-20 and FY 2020-21 do not include funding the additional 25 percent NCSC survey amounts, however, appropriation and salary limitation amounts have been recommended to accommodate an annual employee salary increase each fiscal year, consistent with the salary recommendations for other state employees. The recommendations also include a two percent per year increase for judges’ salaries.

**Annualize LB 605 Funding, 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 (LFO) on LB 605, differed with respect to the timing of when additional staffing and service expenses would likely occur, but the funding for FY 2017-18 and FY 2018-19 reflected a reconciliation of the amounts moving forward. The Court’s current budget issue reflects the projected fiscal impact by the LFO for the upcoming 2019 – 2021 biennium, with overall increases of \$1,227,809 (including \$1,168,373 General Funds and \$349,100 PSL) in FY 2019-20 and \$1,235,487 (including \$1,176,051 General Funds and \$356,082 PSL) in FY 2020-21. The recommendation reinforces the commitment made in LB 605 by all three branches of government to address the issues of prison overcrowding, recidivism, and public safety by advocating the Supreme Court request.

**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 2018-19 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 recommendations retain the \$300,000 General Fund appropriation for FY 2019-20 and FY 2020-21, as demand for these services remains strong.

**Problem Solving Court Funding Increase** – The Supreme Court budget request for the 2019 – 2021 biennium includes an increase of \$1,180,234 General Funds (with \$509,380 additional PSL) in FY 2019-20 and \$1,152,039 General Funds (with \$519,191 additional PSL) in FY 2020-21, to provide additional staffing and support for Specialized Courts (Problem-Solving Courts, such as Drug Courts, Veterans' Courts, and Re-entry Courts).

The Specialized Court program has a base General Fund appropriation of \$2.6 million in FY 2018-19. The agency request reflects an increase of 45 percent over that base appropriation. The Supreme Court has the legislative authority to transfer General Fund appropriation and PSL among the Court operation umbrella programs, the Probation administration umbrella programs, the Adult Probation and Community Corrections programs, the Specialized Courts program and the Juvenile Justice program. Total combined General Fund base appropriation in FY 2018-19 for all of these programs was \$160,755,547. In FY 2017-18, the Court underspent the General Fund appropriations to these programs, in total, by \$21.7 million (13 percent). Given the flexibility provided the Supreme Court relative to program appropriations, and considering the total unspent appropriations potentially available, the recommendation does not include an increase for the Specialized Courts program for the upcoming biennium.

**Continuing Education for Judges and Judicial Branch Employees** – Judges and certain Court employees have continuing education requirements. Funding for continuing education currently comes primarily from a one-dollar education fee assessed on all court cases, which is placed in the Supreme Court Education Cash Fund. These cash revenues average approximately \$330,000 per year, but the Court has spent an average of approximately \$522,700 per year over the past three fiscal years. The Supreme Court budget request includes General Fund appropriations of \$350,000 each fiscal year to augment and supplement the cash funding for such education. The recommendation does not include these General Fund increases, as the Court has a specific cash fund established to manage spending on education.

**Judicial Workload Study System** – The Judicial Branch annually produces a weighted caseload report based on cases filed within a fiscal year. The original system utilized to compile, analyze, and report this information was developed in 1996 and last updated in 2006. The Supreme Court budget request includes an additional one-time General Fund appropriation of \$250,000 in FY 2019-20 to cover the estimated cost of an update/upgrade to this reporting system. The recommendation does not include this General Fund increase as the Court should be able to manage such a one-time cost within its existing base budget.

**Impact of Prior Enacted Legislation** – LB 259 (2017) changes provisions relating to conditions of and ability to post bail, debt collection procedures, pretrial release, competency in criminal defendants, and financial ability to pay fines or costs or a traffic citation; to provide for hearings, community service, and discharge, as prescribed; and to change provisions relating to procedures for suspending an operator's license. Many of the provisions of the bill become operative on July 1, 2019 (FY 2019-20). The Supreme Court budget request includes additional General Funds of \$359,493 (with additional PSL of \$190,075) in FY 2019-20 and \$367,831 (with additional PSL of \$193,876) in FY 2020-21 to provide for increased County Court staff and expenses estimated for the impact of the bill. The recommendation does not include these additional General Fund or PSL increases, as the Courts can manage the additional costs within current base appropriations.

**Parenting Act Aid** – The Supreme Court request includes a reduction in cash fund spending authority of \$50,000 per year relative to aid to court-approved mediation centers from \$550,000 to \$500,000. It does not reduce the level of aid currently being received. The amount of aid distributed in recent years has been \$500,000. This issue reduces the spending authority to the amount that has been given and can be sustained over time. The recommendation provides for this cash fund appropriation reduction.

## **WORKERS' COMPENSATION COURT (37)**

**Staff Reduction** – The Workers Compensation Court (WC Court) has an office clerk position which has been vacant since 2017. The agency does not anticipate filling this vacancy, so the budget request includes a reduction of one FTE for the position and corresponding decrease of \$25,000 cash fund appropriation (with \$25,000 Personal Service Limitation) in both FY 2019-20 and FY 2020-21. The recommendations include these reductions.

**Cash Fund Transfer** – LB 331 (2017) called for a \$1.5 million transfer from the Compensation Court Cash Fund to the General Fund in June 2018. LB 945 (2018) revised the timing of this transfer to June 2019. The Workers' Compensation Court identified in its 2019 Deficit request, that due to the nature of the cash flow in the Compensation Court Cash Fund, such a transfer would cause the balance in the fund to go negative by January 2021 (or by March 2021 using more conservative estimates). The recommendations eliminate this transfer altogether.

## **PUBLIC FINANCE**

### **ADMINISTRATIVE SERVICES, DEPARTMENT OF (65)**

**Tort Claims Appropriation Increase** – An excess balance has accumulated in the Tort Claims Cash Fund. This has resulted from insufficient cash fund appropriation to pay approved claim payments resulting in utilization of remaining General Fund appropriation. The recommendation includes an increase of \$240,000 in cash fund appropriation for FY 2019-20 in order to spend down the accumulated balance.

**Indemnification Claims Appropriation Increase** – The recommendation includes an increase in General Fund appropriation of \$508,750 in FY 2019-20 and \$258,750 in FY 2020-21 due to projected litigation costs in the 2019 – 2021 Biennium.

**Cash Fund Eliminations** – The recommendation includes elimination of two cash funds which are not currently in use. Donations received in the World Day on the Mall Cash Fund have been depleted and the Data Systems Cash Fund has never been utilized.

**Enterprise Resource Planning (ERP) System Migration** – The agency has determined to discontinue implementation of Oracle Fuzion and instead pursue a more cost effective JD Edwards upgrade.

The planned upgrade will result in lower license fee expense than projected with Fuzion implementation, and the recommendation includes a revolving funds increase of \$20,345 in FY 2019-20 and \$41,301 in FY 2020-21 which is lower than the requested increase of \$1,737,671 in FY 2019-20 and FY 2020-21. The recommendation does not include the agency requested Personal Service Limitation (PSL) increase of \$55,870 in FY 2019-20 and \$56,988 in FY 2020-21, nor the agency requested revolving funds increase of \$1,355,583 in FY 2019-20 and \$256,940 in FY 2020-21 for Fuzion budget module implementation. The recommendation also does not include the agency requested position transfer from the Materiel Division to the Accounting Division for Fuzion business process support.

The recommendation includes consolidation of JD Edwards IT support staff in the Office of the Chief Information Officer (OCIO) rather than in the Accounting Division as requested. This consolidation would transfer one position from the Accounting Division to OCIO rather than three positions from OCIO to the Accounting Division. Additionally, a current OCIO position would be used as a team supervisor. The cost of all five positions would be billed to the Accounting Division via OCIO rates. The recommendation includes a \$80,452 increase in OCIO revolving funds in FY 2019-20 and FY 2020-21, a \$60,112 transfer of PSL from Accounting Division to OCIO, and an increase in Accounting Division revolving funds of \$132,308 in FY 2019-20 and \$143,830 in FY 2020-21 which includes a shift from salaries to operational expenditure.

The Accounting Division Cash Fund was created for expenditure related to an ERP system migration to a cloud based solution. The remaining funds will no longer be required. The recommendation includes elimination of the Accounting Division Cash Fund and the \$6.9 million cash fund appropriation with the remaining fund balance to be transferred to the Election Administration Fund.

**Human Resource Management System (HRMS) Migration** – The agency has determined to discontinue implementation of the Human Capital Management (HCM) module of Fuzion and instead pursue a more cost effective upgrade of the current HRMS platform.

The recommendation still includes the requested migration of the HRMS process from the Personnel Division to the Accounting Division. The projected Accounting Assessment includes HRMS expenses and the separate HRMS assessment would be eliminated. The recommendation includes the requested \$1,095,092 revolving fund appropriation transfer and the \$164,324 PSL transfer for HRMS license fees and six positions to transfer from the Personnel Division to the Accounting Division. The recommendation also includes a transfer of the remaining HRMS assessment fund balance within the Personnel Division Revolving Fund to the Accounting Division Revolving Fund.

**Kronos Time Entry System Migration** – The recommendation does not include the requested migration of the Time Entry System from OCIO to the Accounting Division. The requested position would no longer be needed in either division and the recommendation includes a \$100,151 revolving funds decrease and a \$65,679 PSL decrease in FY 2019-20 and FY 2020-21. The recommendation does not include a change from the FY 2018-19 Kronos rate.

**Continuity of Operations Planning (COOP) Migration** – The recommendation includes the requested transfer, within the Department of Administrative Services (DAS), of a COOP position from Departmental Administration to State Insurance.

**Shared Services Consolidation** – The recommendation includes the requested transfer of eight shared services positions to DAS from the Department of Health and Human Services (DHHS), Department of Veterans' Affairs, and Department of Agriculture.

**Building and Maintenance Consolidation** – The recommendation includes the requested transfer of nine leasing and space planning positions from DHHS, but does not include the requested transfer of 73 maintenance positions. The building rate projections included a decreasing rate for many DHHS facilities offset by increases related to the migrating maintenance staff expenses. The rates for these facilities would be recalculated resulting in a corresponding rate reduction from the published rate projections.

**Enterprise Issue Impact** – The impact from the 2019 – 2021 Salary Increase and 2019 – 2021 Employee Health Insurance Increase have been adjusted for positions transferring to DAS and OCIO. Most DAS programs did not request appropriation related to annualization of the 2019 salary increase as the current appropriation is sufficient to manage the increases.

### **CAPITOL COMMISSION, OFFICE OF THE**

**Janitorial Service Expense Increase** – The recommendation includes the agency requested \$10,000 General Funds increase for contracted janitorial services for maintaining the Capitol building.

**Capitol HVAC Project Manager** – The recommendation includes the planned shift from NCCF funds to General Funds for the Capitol HVAC project. The Capitol HVAC project manager salary and benefits are expended from the Capitol Restoration program and the recommendation includes the same shift to General Funds for this expense.

**Completion of District Energy Corp (DEC) Construction Financing** – The last payment for financing of the heating and cooling plant construction by DEC will be paid in FY 2018-2019. The recommendation includes the agency requested \$250,000 General Fund reduction in FY 2019-20 and FY 2020-21 to reflect this decrease in expenses.

**CHIEF INFORMATION OFFICER, OFFICE OF THE (OCIO)**

**IT Consolidation** – The recommendation supports the Office of the Chief Information Officer (OCIO) in its efforts to consolidate statewide IT resources from various agencies into OCIO. Network consolidation (Phase Two) was completed in FY 2016-17. The recommendation includes the transfer of 21 Phase Two positions. Site Support consolidation (Phase Three) was completed in FY 2017-18. The recommendation includes the transfer of 92 Phase Three positions. Not all of the consolidated positions will be retained by OCIO.

The recommendation includes increased revolving fund appropriation for OCIO. For the agencies involved, the recommendation includes decreased appropriation and PSL related to decreases in staffing and an increase in appropriation for resulting OCIO rates charged to the agencies. Most agencies will experience a net savings and consolidation will result in more effective and efficient use of IT resources, improved customer service, and increased security.

The chart below depicts appropriation and PSL adjustments related to IT Consolidation staff transfers:

<b>Agency</b>	<b>Salary</b>	<b>Positions</b>	<b>Appropriation</b>
OCIO	5,920,623	111	8,152,692
Revenue	(229,730)	(4)	(108,203)
Agriculture	(112,072)	(2)	(105,640)
Banking	(55,594)	(1)	(50,134)
Fire Marshall	(48,728)	(1)	(81,871)
Insurance	(78,395)	(1)	(83,798)
Labor	(240,866)	(4)	(59,008)
Motor Vehicles	(115,711)	(2)	(16,048)
Health & Human Services	(2,784,456)	(48)	(1,049,272)
Transportation	(1,335,976)	(23)	(1,808,799)
Veterans Affairs	(257,939)	(5)	0
Natural Resources	(164,511)	(3)	(130,698)
Corrections	(312,885)	(6)	975,330
State Patrol	(361,160)	(6)	(87,161)
Economic Development	(118,917)	(2)	(108,469)
Crime Commission	(113,967)	(2)	(126,707)
Environmental Quality	(139,604)	(3)	(47,830)
Net savings in Salary	(549,888)	(2)	
Net increase in Appropriations			\$5,264,384

**Expansion of Leased Computers** – The recommendation includes the agency requested revolving funds increase of \$1,320,000 in FY 2019-20 and \$2,640,000 in FY 2020-21 related to expansion of leased computers which will result in a shorter life cycle for computers and improved security and service efficiency.

**Information Management Services Appropriation Reduction** – OCIO has projected a cost for planned projects lower than current base appropriation. The recommendation includes the agency requested \$9.8 million revolving funds decrease in FY 2019-20 and FY 2020-21, including a decrease in relation to savings from conversion to contracted mainframe service management.

**Elimination of Vacant Positions** – OCIO has reevaluated positions held in reserve to respond to IT services demands. Due to organizational improvements, the agency will need nine less positions. The recommendation includes the agency requested \$507,440 revolving fund and PSL reductions in FY 2019-20 and FY 2020-21.

**Rural Broadband Task Force Appropriation** – LB 994 (2018) created a Rural Broadband Task Force and Rural Broadband Task Force Cash Fund within the Nebraska Information Technology Commission (NITC). A transfer of \$50,000 to the new cash fund occurred in FY 2018-19, however, there is no base cash fund appropriation and no appropriation was provided. The cash fund is used for the cost of conducting meetings and expense reimbursement for task force members. The recommendation includes \$25,000 cash fund appropriation in FY 2018-19 and the remaining \$25,000 cash fund appropriation in FY 2019-20.

### **AUDITOR OF PUBLIC ACCOUNTS (10)**

**Adjustment for One-Time Peer Review Cost** – An external peer review of the Auditor's Office to evaluate compliance with quality control and assurance standards established by the federal Government Accountability Office is scheduled to occur in FY 2019-20. The recommendation includes the \$15,000 General Funds as requested by the agency for the peer review.

The recommendation includes \$1,103 General Funds and \$1,059 cash funds in each of FY 2019-20 and FY 2020-21 to finance increased Department of Administrative Services (DAS) rates and assessments for the 2019 – 2021 biennium.

The recommendation does not include funds requested to hire five FTE auditor positions or funding to allow for audit staff pay increases in excess of increases included for auditors employed in other state agencies.

### **INVESTMENT COUNCIL, NEBRASKA (75)**

**Organizational and Compensation Restructure** – The recommendation includes the agency requested \$230,872 cash fund reductions in FY 2019-20 and FY 2020-21 and offsetting cash fund increases of \$57,575 in FY 2019-20 and \$115,150 in FY 2020-21 related to the elimination of a position, process improvements, and compensation restructure.

**Requested Appropriation for Rate Increases** – Current appropriation is sufficient to accommodate projected increases in administrative services rates. The agency requested cash fund increases in FY 2019-20 and FY 2020-21 related to these expenses are not recommended.

### **RETIREMENT SYSTEMS, NEBRASKA PUBLIC EMPLOYEES (85)**

**Requested Appropriation for Rate Increases** – The recommendation includes a cash fund appropriation increase of \$183,524 in FY 2019-20 and FY 2020-21 for projected increases in administrative services rates.

**Compliance Audit Study** – Neb. Rev. Stat. 84-1503(2)(h) requires a compliance audit study be completed by December 2019. The current appropriation is sufficient to accommodate this required expenditure. The agency requested cash fund appropriation increase in FY 2019-20 is not included in the recommendation.

**Defined Benefit Plans Estimated Unfunded Liability** – The Retirement System's consulting actuary has estimated that 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 at a lower level than last year. The recommendation includes reductions in General Fund appropriation of \$353,737 for FY 2019-20 and \$137,435 for FY 2020-21. The recommendation includes \$3,983,698 General Funds in FY 2019-20 and \$4,200,000 General Funds in FY 2020-21.

**Judges Retirement Plan** – The consulting actuary indicates a need of additional contributions to the plan but at a lower level than last year. The recommendation includes reductions in General Fund appropriation of \$225,014 for FY 2019-20 and \$158,613 for FY 2020-21. The recommendation includes \$442,599 General Funds in FY 2019-20 and \$509,000 General Funds in FY 2020-21.

**School Employee Plan** – The consulting actuary indicates no need for additional contributions to the plan. The recommendation includes a General Fund appropriation of \$49,212,208 for FY 2019-20 and \$50,000,000 in FY 2020-21. Included in these amounts is \$47,963,911 in FY 2019-20 and \$49,000,000 in FY 2020-21 for the state's two percent match of salary under the School Employees Retirement Plan and the Class V School Employees Retirement Plan. Also included is \$1,248,297 in FY 2019-20 and \$1,000,000 in FY 2020-21 for the Class V Retirement Plan Service Annuity.

## **REVENUE, DEPARTMENT OF (16)**

**Annualize Appropriation for Various Legislative Bills** – The recommendation includes a net increase of \$40,941 General Funds in FY 2019-20 and a reduction of \$57,745 General Funds in FY 2020-21 to annualize the appropriation for the following bills:

- LB 738 (2018) – Adjustment to income for social security benefits
- LB 1090 (2018) – Nebraska income tax changes

**Lottery Contracted Vendor and Advertising Services** – The Lottery Division of the Department of Revenue is a state-operated business enterprise, generating proceeds for K-12 education, higher education, scholarships, environmental grants, the Nebraska State Fair, and for the Compulsive Gamblers Assistance Fund. The Lottery's online lottery and scratch ticket vendor contract and advertising is based on a percentage of lottery sales. The recommendation includes the agency requested increase of \$2,014,550 cash funds in FY 2019-20 and an increase of \$2,341,546 cash funds in FY 2020-21.

**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 \$9 million in FY 2019-20 and FY 2020-21 from the Tobacco Products Administration Cash Fund to the General Fund to operationalize the lapse of excess funds during the 2019 – 2021 biennium.

**Increase Homestead Exemption Reimbursement to Political Subdivisions** – The Homestead Exemption program provides direct property tax relief 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 2018-19 is \$85.4 million, which is a \$1.3 million increase more than the FY 2018-19 base appropriation. In FY 2019-20 the revision is \$88.7 million General Funds, which is \$4.6 million, or 5.5 percent more than the FY 2018-19 unrevised base, and \$92 million General Funds in FY 2020-21, which is \$7.9 million, or 9.4 percent, more than the FY 2018-19 base appropriation. The recommendation includes appropriations consistent with the Department's revised estimates to provide this type of property tax relief to eligible Nebraskans.

**Increase Personal Property Tax Exemption Reimbursement to Political Subdivisions** – The Personal Property Tax Exemption program provides owners of tangible personal property with an exemption from property tax on the first \$10,000 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 which is used in determining the personal property tax exemption for those companies. The State reimburses local government for the loss of tax revenue. The Department of Revenue has indicated that the personal property tax loss experienced by local governments to be reimbursed by the State during FY 2019-20 is estimated to be \$14.4 million General Funds, which is \$200,000 more than was previously estimated for

the FY 2018-19 base appropriation, and \$14.8 million General Funds for FY 2020-21, which is \$600,000 more than the FY 2018-19 base appropriation.

**Increase Property Tax Credit Act Funding** – The recommendation includes \$550 million in direct property tax relief for the 2019 – 2021 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 are levied by local governments. The recommendation includes the appropriation of \$275 million in FY 2019-20 and FY 2020-21, an increase of \$51 million each year. A transfer from the General Fund in the amount of \$272 million in FY 2019-20 and FY 2020-21 is the primary mechanism for financing the Property Tax Credit Fund.

### **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 provides for a total fund increase of 2.2 percent in FY 2019-20 and 1.7 percent in FY 2020-21 compared to the current FY 2018-19 base appropriation.

### **TREASURER, STATE (12)**

**Department of Administrative Services (DAS) Rates and Assessments** – The recommendation includes the agency requested total fund appropriation increase of \$22,919 in FY 2019-20 and \$23,933 in FY 2020-21 to finance the adjustments to the DAS rates and assessments.

**ABLE Program Manager Request for Proposal (RFP)** – The recommendation includes the agency requested increase of cash fund appropriation of \$23,250 in FY 2019-20 and a decrease of \$16,750 in FY 2020-21 to fund the issuances of an RFP for ABLE Program Manager services requiring an outside law firm and consultant.

**Reduce Banking Fees** – The recommendation includes the agency requested decrease of cash fund appropriation of \$94,039 in FY 2019-20 and FY 2020-21 related to the reduction of banking fees from utilizing incoming electronic payments for the State Disbursement Unit.

**Replace Unclaimed Property Software** – The recommendation includes the agency requested increase of cash fund appropriation of \$105,500 in FY 2019-20 and FY 2020-21 for the replacement of the unclaimed property software to increase efficiency and functionality of the software.

**Eliminate Fees for Outside Auditor** – The recommendation includes the agency requested decrease of cash fund appropriation of \$25,000 in FY 2019-20 and FY 2020-21 to eliminate the appropriation necessary to audit the College Savings Plan. This now will be accomplished with the program manager who will pay for the annual audits.

## **TRANSPORTATION**

### **MOTOR VEHICLE LICENSING BOARD (40)**

**OnBase Software** – The recommendation includes the agency requested cash fund appropriation increase of \$80,000 in FY 2019-20 to replace the current software in regulating car dealers to increase efficiency and effectiveness of the Board.

## **MOTOR VEHICLES, DEPARTMENT OF (24)**

**Vehicle and Title Registration Replacement** – The recommendation includes the agency requested cash fund appropriation reduction of \$114,178 in FY 2019-20 and \$8,864,021 in FY 2020-21 signaling the decline of payments necessary for the replacement of the Vehicle Title and Registration (VTR) System.

**Metro West Service Center** – The recommendation includes the agency requested cash fund appropriation increase of \$306,444 in FY 2019-20 and \$378,690 in FY 2020-21 to fund the new Metro West Service Center to improve and expand services to the residents of the Douglas/Sarpy areas and surrounding communities. The most recent DMV service center opening has yielded a reduction in wait times of over 70 percent.

**DMV Staffing Reduction** – The recommendation includes the agency requested cash fund appropriation reduction of \$173,945 in FY 2019-20 and FY 2020-21 attributable to the Department's analysis of workforce and subsequent reduction of two unfilled positions.

**OCIO IT Consolidation & DAS Rate Changes** – The recommendation includes the agency requested cash fund appropriation decrease of \$16,048 in FY 2019-20 and an increase of \$2,312 attributable to the consolidation of positions to the OCIO and the associated change in site support rates. The recommendation also includes an increase of \$90,051 in FY 2019-20 and \$90,856 in FY 2020-21 for the DAS rate changes for the 2019 – 2021 biennium.

**License Plate Production Costs** – The recommendation includes the agency requested cash fund appropriation increase of \$251,359 in FY 2019-20 and decrease of \$459,737 in FY 2020-21 for the continued issuance of the 2017 series plates and stickers.

## **TRANSPORTATION, DEPARTMENT OF (27)**

### ***Division of Aeronautics***

**State Owned Aircraft and Airfields** – The recommendation includes the agency requested cash fund appropriation increase of \$1,629,982 in FY 2019-20 and \$333,497 for several one-time construction projects to operate and maintain the three state owned airfields. The recommendation also includes a reduction of \$83,296 in both FY 2019-20 and FY 2020-21 with the Division maintaining one aircraft instead of two.

**Navigational Aids** – The recommendation includes an increase of \$33,100 in FY 2019-20 and \$34,750 in FY 2020-21 for navigation aids that need to be replaced/resupplied when necessary to maintain this essential safety component of the state aviation system.

**Federal Funds for Public Airports** – The recommendation includes the agency requested cash fund appropriation increase of \$8,927,800 in FY 2019-20 and a decrease of \$5,022,200 in FY 2020-21 to reflect the increase in Airport Improvement Program (AIP) grants issued by the Federal Aviation Administration (FAA) in FY 2019-20 and a decrease in AIP grants in FY 2020-21.

**Civil Air Patrol** – The recommendation includes state aid for the Civil Air Patrol at \$40,200 in FY 2019-20 and FY 2020-21.

### ***Division of Roads***

The total cash fund recommendation for the Roads Division of the Nebraska Department of Transportation over the 2019 – 2021 biennium including operations, government aid, highway construction, and capital facilities construction is based on an estimated base motor fuel tax level of 29.6 cents per gallon. The Department received approximately 70 percent of the fuel tax revenues and the remaining 30 percent is distributed equally by the cities and counties in the state. Federal funds are

based on a consistent level of funding assuming Congress provides full federal funding for 2019 of approximately \$320 million.

The recommendation includes an estimated Surface Transportation Program size, including the Build Nebraska Act and Transportation Innovation Act, of \$1.3 billion over the 2019 – 2021 biennium based on a state Highway Cash Fund appropriation of \$453 million in FY 2019-20 and \$459 million in FY 2020-21.

**DAS Rates and Assessments/OCIO Consolidation** – The recommendation includes the agency requested cash fund appropriation increase of \$555,866 in both FY 2019-20 and FY 2020-21 to finance the adjustments to the DAS rates and assessments. The recommendation also includes a cash fund appropriation reduction of \$1,808,799 in FY 2019-20 and FY 2020-21 for the transfer of 23 positions attributable to the OCIO's effort of IT consolidation.

**Maintenance of Assets** – The recommendation includes the agency requested cash fund appropriation increase of \$2,753,269 in FY 2019-20 and \$2,957,914 in FY 2020-21. The additional appropriation is necessary to maintain the Department's equipment, buildings, and necessary highway maintenance work for public safety. Costs for materials used for highway maintenance (such as road oils, gravel, winter operations materials, etc.) are also expected to increase.

**Federal Funds Purchase Program** – The recommendation includes the agency requested cash fund appropriation increase of \$600,000 in FY 2019-20 and FY 2020-21. This reflects the fluctuation each year in the federal share given to cities and counties.

**Highway Construction Projects** – The recommendation includes the agency requested cash fund appropriation increase of \$75.6 million in FY 2019-20 and \$54.9 million in FY 2020-21. State and federal revenue forecasts are projected to support an increase in construction to preserve existing roads and bridges and expand Nebraska's expressway systems, national high priority corridors and Interstate.

## **SALARY AND HEALTH BENEFITS**

### **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), the Fraternal Order of Police (FOP) No. 88, and the State Code Agency Teacher's Association (SCATA).

The recommendations include additional funding equivalent to two percent of salaries for FY 2019-20 and an additional two percent for FY 2020-21 for employees of constitutional offices, non-higher education agencies, boards and commissions whose employees are discretionary, at-will, classified, or represented by NAPE/AFSCME, FOP, or SLEBC. The recommendation also includes additional funding equivalent to two percent of judges' salaries for judges in the state and county court system for FY 2019-20 and an additional two percent for FY 2020-21. Current law does not provide a salary increase for constitutional officers during FY 2019-20 and FY 2020-21. No additional funding has been included in the recommendation for constitutional officers. The recommendation includes \$12.5 million General Funds, \$6 million cash funds, \$4.6 million federal funds, and \$1 million revolving funds for FY 2019-20 and \$22 million General Funds, \$10.6 million cash funds, \$8 million federal funds, and \$2 million revolving funds for FY 2020-21, or \$24.1 million and \$42.6 million total funds each fiscal year, respectively, to finance the recommendations noted for non-higher education employees. The Governor's overall budget recommendations provide adequate margin and flexibility to resolve the funding requirements of state labor contracts when they are finalized for the 2019 – 2021 budget biennium.

### ***STATE EMPLOYEE HEALTH BENEFITS***

The recommendations include additional funding equivalent to three percent for FY 2019-20 and an additional three percent for FY 2020-21 for non-higher education state agencies, boards, and commissions for the employer share of estimated increases in state employee health benefit costs. The recommendation includes additional funding: \$2.5 million General Funds, \$1.3 million cash funds, \$1 million federal funds, \$220,000 revolving funds for FY 2019-20 and \$5 million General Funds, \$2.6 million cash funds, \$2 million federal funds, and \$447,000 revolving funds for FY 2020-21, or \$4.9 million and \$10 million total funds each year, respectively, to finance these state employee benefits.

### ***UNIVERSITY OF NEBRASKA AND STATE COLLEGE SYSTEM EMPLOYEES***

The Governor's budget recommendations for the University of Nebraska and State College system funds the salary and health benefit increases requested by these systems. The Governor's budget recommendations for these systems are shown elsewhere in this publication.



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# Capital Construction

# Capital Construction

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## PROJECTS TO BE REAFFIRMED

Reaffirmation projects are on-going undertakings that have received appropriations in prior periods. Reaffirmations are made to address legislative intent language, to pay down debt service, or continue long-term projects intended to be completed in future years. Total funding recommendations include \$107,686,914 in FY 2019-20 and \$61,567,719 in FY 2020-21. Included in these total amounts are \$38,130,811 General Funds, \$32,573,930 cash funds, \$2.1 million revolving funds, and \$34,882,173 Nebraska Capital Construction Funds (NCCF) for FY 2019-20; and \$26,893,789 General Funds, \$32,573,930 cash funds, \$2.1 million revolving funds, and \$ - 0 - NCCF for FY 2020-21. In addition, \$307,615,311 is scheduled to be reaffirmed from all fund types in future biennia.

### **ADMINISTRATIVE SERVICES, DEPARTMENT OF (65)**

**Capitol HVAC Project** – The recommendation includes General Fund appropriation of \$16,391,811 in FY 2019-20 and General Fund appropriation of \$8,089,861 in FY 2020-21. The General Fund appropriation has been reduced by \$104,677 in each year for the project manager. The recommendation includes a decrease in the cash fund appropriation of the Office of the Capitol Commission and a corresponding General Fund increase to reflect the impact on project manager expenditure due to the project's funding shift from cash funds to General Funds beginning FY 2019-20. The total cost of the project, including the project manager, remains at \$106,008,106.

### **CORRECTIONAL SERVICES, DEPARTMENT OF (46)**

**Reception and Treatment Center** – This project will provide the additional space and operations capacity necessary for the Reception and Treatment Center (RTC) project that will provide a minimal number of critical health care beds, as well as expand and/or renovate core support functions portions of the Diagnostic & Evaluation Center and the Lincoln Correctional Center to better meet the operational requirements of the Department's population needs, and also the expansion of health care housing.

The total project cost is \$75,284,313, of which \$40,402,140 has already been appropriated through FY 2018-19. The recommendation includes providing the remaining \$34,882,173 NCCF appropriation in FY 2019-20 to complete the project.

### **STATE COLLEGE SYSTEM, NEBRASKA (50)**

The recommendation maintains funding for several current capital projects previously approved. This includes \$1,125,000 General Funds and \$1,200,000 revolving funds in FY 2019-20 and \$1,125,000 General Funds and \$1,440,000 revolving funds in FY 2020-21 for facilities programs. The recommendation also includes \$2,216,000 General Funds in both FY 2019-20 and FY 2020-21 for the Rangeland Center.

### **UNIVERSITY OF NEBRASKA (51)**

The recommendation maintains funding for several current capital projects previously approved. This includes \$1,477,000 General Funds in FY 2019-20 and FY 2020-21 for the College of Nursing Building in Lincoln. The recommendation includes \$5,101,000 General Funds in FY 2019-20 and \$2,165,928 in FY 2020-21 for the Veterinary Diagnostic Center. The recommendation includes \$820,000 General Funds in FY 2019-20 and FY 2020-21 for the Curtis Education Center. The recommendation includes \$11 million General Funds in FY 2019-20 and FY 2020-21 for the University of Nebraska facilities programs.

## **NEW CAPITAL CONSTRUCTION PROJECTS**

New capital requests are undertakings that will be initiated in the 2019 – 2021 biennium. Total funding recommendations include \$81,511,000 in FY 2019-20 and \$65,931,378 in FY 2020-21. Included in these amounts are \$ - 0 - General Funds, \$24,275,554 cash funds, \$46,924,946 federal funds, and \$10,310,500 NCCF in FY 2019-20; and \$ - 0 – General Funds, \$21,981,378 cash funds, \$7,524,000 federal funds, and \$36,426,000 NCCF in FY 2020-21. In addition, a total of \$15,927,000 is scheduled to be reaffirmed from federal funds and NCCF in future biennia.

### **CORRECTIONAL SERVICES, DEPARTMENT OF (46)**

**Security System Upgrades** – This series of projects includes upgrading security system components at various Department of Correctional Services facilities statewide, including, but not limited to: replacement of Perimeter Detection Systems at Nebraska State Penitentiary, Omaha Correctional Center, and Tecumseh State Correctional Institution; door control upgrades at the Nebraska Center for Women and Omaha Correctional Center; and numerous camera and recording upgrades at all facilities. The recommendations include \$1.25 million NCCF in both FY 2019-20 and FY 2020-21 to fund these projects.

**Infrastructure and Maintenance Projects** – This program continues various high priority infrastructure and maintenance projects related to facility roofing, electrical, boiler/chiller/HVAC, fire life safety, and other needs, which projects the Task Force for Building Renewal is unable to fully address. The recommendations include \$2 million NCCF in both FY 2019-20 and FY 2020-21.

**High Security Housing Expansion** – The Nebraska Department of Correctional Services (NDCS) originally submitted a capital construction budget request for the 2019 – 2021 biennium which included \$15,211,500 General Funds to design, construct and develop additional food service and program space at the Nebraska State Penitentiary. Upon further review and study, the agency requested a change in capital construction project priorities for the 2019 – 2021 biennium. The recommendations include replacing the State Penitentiary project with the plan, design, construction and development of two new high security housing units with design capacity up to 384 new beds, as well as counseling and educational space and adjoining outdoor recreation areas at the Reception and Treatment Center (Lincoln Corrections Center). The recommendations include funding \$2,080,000 NCCF in FY 2019-20, \$31,989,000 NCCF in FY 2020-21, and an additional \$14,891,000 NCCF in future years to build these new facilities.

### **GAME AND PARKS COMMISSION (33)**

The recommendation includes cash fund appropriation in the amount of \$12.6 million in FY 2019-20 and \$10.2 million in FY 2020-21. The projects encompass state park facility improvements, state park deferred maintenance, improvements to state parks, state historical parks, state recreation areas, and wildlife management areas, administrative facilities, fish production facilities, emergency repairs, and aquatic habitat facilities.

**Specific state park projects include:**

- Fort Robinson State Park – ADA upgrades, fire alarm upgrades, electrical upgrades, and roof repair
- Chadron State Park – water system upgrades
- Platte River State Park – replace windows, doors, siding, and roof at Scott Lodge
- Niobrara State Park – replace windows, doors, and siding at Group Lodge
- Indian Cave – ADA upgrades, the historic barn is in need of siding replacement and roof repair

**Specific state recreation area projects include:**

- Lake McConaughy/Lake Ogallala SRA – new parking lots, creation of day-use areas, boat ramp improvements, and campground developments and improvements
- Branched Oak SRA – new windows and siding at the maintenance office
- Fremont SRA – ADA restroom upgrade
- Windmill SRA – water system upgrades
- Two Rivers SRA – window replacement at the park office building
- Wildcat Hills SRA – roof replacement at Nature Center
- Ponca SRA – roof replacement at East Shelter

**Specific major state historical park area projects are:**

- Buffalo Bill Ranch SHP – structural upgrades at Cody North Cabin
- Bowring Ranch SHP – replace the doors and windows at the Visitor’s Center
- Rock Creek Station SHP – replace the doors and windows at Burlington North Visitor’s Center

**LABOR, DEPARTMENT OF (23)**

**DOL Administration Building HVAC** – The recommendation includes cash fund appropriation of \$1,675,554 and federal fund appropriation of \$624,446 in FY 2019-20, and \$1,781,378 cash fund appropriation and \$3,150,000 federal fund appropriation in FY 2020-21. Department of Labor (DOL) will renovate the DOL Administration Building with architectural life safety upgrades, ADA accessibility, mechanical, electrical, interior re-organization, and data system replacement.

**MILITARY DEPARTMENT (31)**

**Federal Construction Projects** – The Nebraska Military Department uses a specific program to manage federal appropriations related to military master capital projects agreements with the National Guard Bureau. The agency has identified a number of such projects for the 2019 – 2021 biennium, including, capital projects involving the Department’s Kearney, Lincoln, and Camp Ashland facilities, totaling \$8,994,000 Federal Funds in FY 2019-20 and \$1,835,000 Federal Funds in FY 2020-21, as well as an additional \$36,000 Federal Funds for future years. The recommendations provide the requested federal funding appropriations for these projects.

**Various Paving Projects** – The Military Department requested General Fund match appropriations along with Federal Fund appropriations to cover the cost of parking lot paving projects at the readiness centers in Broken Bow, Sidney, and Scottsbluff. Total request was \$485,000 General Funds and \$485,000 Federal Funds in FY 2020-21. The recommendations include the \$485,000 Federal Fund appropriations only. The Military Department may utilize existing funding for maintenance and Taskforce for Building Renewable projects in prioritizing and maximizing federal funding for projects.

**Bellevue Readiness Center Construction** – This project had \$143,000 Cash Fund appropriations provided in FY 2017-18 for a state match for the federal fund expenditures related to the design and planning of a new National Guard Readiness Center at Offutt Air Force Base in Bellevue, Nebraska. The Military Department requested additional Federal Fund appropriations of \$29 million in FY 2019-20 and \$1,554,000 in FY 2020-21 to undertake and complete the construction phase of the project. The agency also requested \$1.5 million General Funds in FY 2020-21 to provide for construction of an additional 5,400 square feet of state-utilized space for future use. The recommendations provide

the requested Federal Fund appropriations, but not the General Fund request, as the project can be completed to the federal guidelines and plans without the additional 5,400 square feet of state-utilized space.

**1776 Readiness Center Remodel** – This project calls for the design, planning and construction related to remodeling the facility and consolidating/replacing the HVAC systems at the 1776 Readiness Center in Lincoln, Nebraska. The total project cost is \$2.2 million, split evenly between Federal and State funding. The recommendation provides for the \$100,000 NCCF, with \$100,000 Federal Funds in FY 2019-20 and \$500,000 NCCF, with \$500,000 Federal Funds in FY 2020-21, as well as an additional \$500,000 NCCF, with \$500,000 Federal Funds in future years to complete the project.

**Penterman Readiness Center Medical Readiness Center Addition** – This project calls for the design, planning and construction related to the design, planning, and remodeling of existing facilities, as well as the construction of a new medical detachment addition at the readiness center in Penterman, Nebraska. Total project cost is \$2,750,000, split between Federal share of \$2,062,500 and State share of \$687,500. The recommendation provides for \$687,500 NCCF, with \$2,062,500 Federal Funds in FY 2019-20 to complete the project.

### **EDUCATIONAL TELECOMMUNICATIONS COMMISSION, NEBRASKA (47)**

The agency's capital request for KLNE Lexington TV transmitter replacement of \$480,000 in FY 2019-20, for tower lighting projects at KRNE Merriman and KUON Ithaca of \$135,000 in FY 2019-20 and \$140,000 in FY 2020-21, for KXNE Norfolk TV transmitter replacement of \$427,000 in FY 2020-21, and for Radio Equipment Replacement at KTNE Alliance and KRNE Merriman of \$270,000 in FY 2019-20 and \$120,000 in FY 2020-21 are recommended to be funded by the Nebraska Capital Construction Fund.

### **STATE COLLEGE SYSTEM (50)**

After the bond obligations for the Rangeland Center at Chadron State College and the U.S. Conn Library at Wayne State College has been satisfied, the Governor supports continuing this funding in FY 2021-22 for renovation of the Math and Science Building at Chadron State College.

### **TRANSPORTATION, DEPARTMENT OF (27)**

**Facilities** – The recommendation includes cash fund appropriation of \$10 million in FY 2019-20 and FY 2020-21 for new maintenance facilities in South Sioux City, Valentine and Burwell, Nebraska. The recommendation also includes facility improvements in Atkinson and other statewide project improvements.

### **VETERANS' AFFAIRS, DEPARTMENT OF (28)**

**Eastern Nebraska Veterans' Home** – The recommendation includes \$3,308,000 NCCF and \$6,144,000 federal funds for FY 2019-20 for the construction of additional housing capacity at the Eastern Nebraska Veterans' Home located in Bellevue.