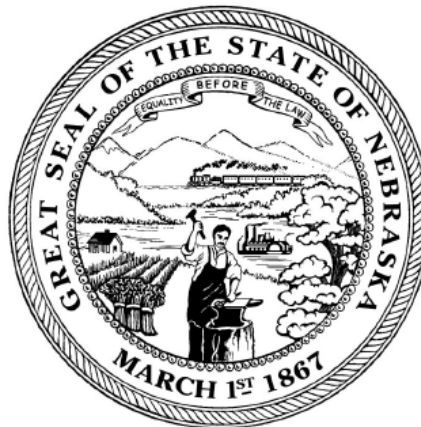


State of Nebraska

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Mid-Biennium Budget Adjustments 2021-2023 Biennium Executive Budget Presentation



Pete Ricketts
Governor

January 13, 2022

Gov. Ricketts' Keep Nebraska Strong Initiatives

- Provide Additional Tax Relief
- Invest in Nebraska's Natural Resources
- Strengthen Public Safety
- Address Mid-Biennium Budget Adjustment Requests
- Improve the State Cash Reserve Fund Balance
- Responsibly Use One-Time Federal ARPA Funds

Provide Additional Tax Relief

Individual & Business Tax Relief

- **\$294.7 million** over the next three years to attract and retain individuals and businesses.

Social Security Tax Exemption

- **\$145 million** over the next three years to accelerate the phase-in to fully exempt taxes on social security benefits.

Property Tax Incentive Credit

- Prevents a reduction of property tax relief by raising the annual incentive credit floor to \$548 million.

Homestead Exemption

- Additional \$19.6 million in property tax relief related to exempted homestead properties.

Invest in Nebraska's Natural Resources

Perkins County Canal - \$400 mil Cash Reserve, \$100 ARPA

- **\$500 million**—Protect Nebraska's South Platte River water rights.

STARWARS Committee Project - \$150 mil GF, \$50 ARPA

- **\$200 million**—Target statewide projects to provide economic opportunity around Nebraska's natural resources.

Rural Drinking Water Projects – ARPA Funded

- **\$60 million**—Restore and protect drinking water systems in rural areas such as Cedar and Knox Counties.

Fort Laramie – Gering Canal – ARPA Funded

- **\$23 million**—Tunnel & canal repair for the irrigation canal, which underwent temporary repairs after the 2019 collapse.

Peru Levee - \$5 mil General Funds

- **\$5 million**—Levee repair along the Missouri River damaged by the historic flooding of 2019.

Strengthen Public Safety

Nebraska State Penitentiary - *\$155 mil Cash Reserve*

- **\$155 million** to replace the deteriorating state penitentiary facility.

Corrections Pay Increases – *FY 22 ARPA, FY 23 State*

- **\$56.4 million** for salary increases to attract and retain quality Corrections teammates.

Law Enforcement Training Center – *ARPA Funded*

- **\$47.7 million** for expansion of the training facility to address the state's need for well-trained law enforcement officers.

State Crime Lab- *\$16.9 mil General Funds*

- **\$16.9 million** to expand capacity to address increasing evidence analysis needs of the state.

2022 Mid-Biennium Funding Adjustments

- **\$121.8 million** – Increased Funding for Medicaid and Child Welfare Aid Programs for FY 2021–2023 including:
 - *Medicaid Expansion/Other Costs – \$76.8 million*
 - *Child Welfare Case Counts/Provider Rate Incr. – \$30.1 million*

Leveraged General Funds, ARPA and Managed Care Excess Profits

- **\$44.2 million** – Public Health & High-Demand Teammate Salaries
- **\$7.9 million** – Homestead Exemption
- **\$4 million** – Nebraska Corrections Technology
- **Reduction of \$23 million** – CARES Act Presumed Payroll - Corrections

2023 General Fund Adjustments

- \$150 million – STARWARS Projects
- \$62.4 million – Teammate Salary Increases
 - Corrections – *\$33.8 million*
 - Health & Human Services – *\$19.2 million*
 - Veterans' Affairs – *\$4.6 million*
 - Other Teammates – *\$4.8 million*
- \$40.7 million – Capital Construction Fund Transfers
- \$11.7 million – Homestead Exemption
- \$5 million – Peru Levee
- Reduction of \$18.8 million – TEEOSA Aid
 - *Dept. of Education's November 2021 estimate*

Summary of Mid-Biennium Budget Recommendations

- Governor recommends using \$530 million of the \$1.5 billion available in the **Cash Reserve Fund** for one-time projects:
 - **\$400 million** – Perkins County Canal Project Cash Fund
 - **\$175 million** – Nebraska Capital Construction Fund (NCCF)
 - *\$155 million – Replacement of State Penitentiary*
 - *\$20 million – Funding for Mental Health Beds*
 - *Repeal current US SPACECOM \$50 million transfer*
 - **\$5 million** – US STRATCOM transfer for promotion
- State Cash Reserve Fund improves by \$133 million to \$941 million from the enacted 2021-2023 Biennial Budget estimate of \$808 million
- **Governor’s General Fund Mid-Biennium Budget Adjustments:**
 - FY 2021-22: Net decrease of \$8.1 million General Funds
 - *Increase 2021 Carryover by \$75.3 million General Funds*
 - FY 2022-23: Net increase of \$42.1 million General Funds

General Fund Financial Status

	Actual FY 2020-21	Current Biennium		Following Biennium		
		FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	
1	<u>Beginning Balance</u>					
2	Beginning Cash Balance	710,599,887	1,848,977,997	941,792,924	349,005,097	460,934,511
3	Cash Reserve Fund transfer-Automatic	(10,655,528)	(533,570,621)	(475,390,081)		
4	Carryover Obligations from FY2020-21		(339,592,954)			
5	Provide FY2020-21 Reappropriations		(75,264,300)			
6	Allocation for potential deficits			(5,000,000)	(5,000,000)	(5,000,000)
7	Unobligated Beginning Balance	699,944,359	900,550,123	461,402,843	344,005,097	455,934,511
8	<u>Revenues</u>					
9	Net Receipts - (Nov 2021 NEFAB, Prev. Base Yr Receipts)	5,955,664,939	5,355,000,000	5,555,000,000	5,555,000,000	5,749,425,000
10	Following Biennium - 3.5% Growth Projection				194,425,000	201,229,875
11	General Fund transfers - out (current)	(310,600,000)	(455,330,000)	(335,830,000)	(327,010,000)	(322,010,000)
12	General Fund transfers - out (recommended)		(500,000)	(196,723,459)		
13	Cash Reserve Fund transfers	30,000,000	(50,000,000)	(50,000,000)		
14	Governor & Agency Legislation		(660,000)	(960,000)	(660,000)	(660,000)
15	Legislation - Individual Income Tax Rate Reduction			(24,708,000)	(86,100,000)	(152,595,000)
16	Legislation - Social Security Exemption			(40,833,000)	(44,655,000)	(59,591,000)
17	Legislation - Corporate Tax Parity				(5,177,000)	(26,160,000)
18	Legislation - Property Tax Incentive Floor					(173,000,000)
19	General Fund Net Revenues	5,675,064,939	4,848,510,000	4,905,945,541	5,285,823,000	5,216,638,875
20	<u>Appropriations</u>					
21	Expenditure/Appropriation	4,526,031,301	4,815,373,072	4,976,206,223	4,976,206,223	4,976,206,223
22	Following Biennium Growth Projection				150,550,299	305,617,106
23	2022 Mid-Biennium Budget Adjustments		(8,579,873)	42,137,064	42,137,064	42,137,064
24	2022 State Claims		474,000			
25	General Fund Appropriations	4,526,031,301	4,807,267,199	5,018,343,287	5,168,893,586	5,323,960,393
26	<u>Ending Balance</u>					
27	Dollar ending balance	1,848,977,997	941,792,924	349,005,097	460,934,511	348,612,993
28	Minimum Biennial Reserve Requirement			308,576,879		316,062,145
29	Variance from Minimum Reserve			40,428,218		32,550,848
30	Biennial Reserve (%)			3.4%		3.3%
31	Annual % Change - Appropriations		1.4%	4.4%	3.0%	3.0%
32	Two Year Average		--	2.9%	--	3.0%
33	Annual % Change - Actual, Adj. Net Forecast Receipts (Nominal)		-10.1%	3.7%	3.5%	3.5%
34	Two Year Average		--	-3.4%	--	3.5%
35	Structural Receipts v. Expend./Approps.	1,149,033,638	41,242,801	(112,397,746)	116,929,414	(107,321,518)

Cash Reserve Fund Status

		Actual	Current Biennium		Following Biennium	
		FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
1	Beginning Balance	426,307,702	412,263,230	995,833,851	941,223,932	941,223,932
2	Transfer Amounts Above Forecasts	10,655,528	533,570,621	475,390,081		
3	To/From General Fund	(30,000,000)	50,000,000	50,000,000		
4	To Nebr Capital Construction Fund (NCCF)	(54,700,000)		(175,000,000)		
5	To Perkins County Canal Project Fund			(400,000,000)		
6	To US SPACECOM Fund			(5,000,000)		
7	From Governor's Emergency Cash Fund	60,000,000				
8	Ending Balance	412,263,230	995,833,851	941,223,932	941,223,932	941,223,932

American Rescue Plan Act (ARPA)

Negative Economic Impacts

- **\$504.7 million** to address the needs of negatively impacted industries, demographics, and regions including:
 - **\$165 million** – Workforce Development
 - *\$90 million* – *Community Colleges*
 - *\$75 million* – *Workforce Housing*
 - **\$100 million** – Shovel Ready Projects
 - **\$60 million** – Site and Building Development
 - **\$60 million** – Low-Income Education Assistance Program

Water and Sewer Infrastructure

- **\$284.2 million** investment in water infrastructure including:
 - **\$100 million** – Perkins County Canal
 - **\$60 million** – Drinking Water Projects
 - **\$50 million** – Statewide Tourism and Recreational Access and Resource Sustainability (STARWARS)

American Rescue Plan Act

Public Health Response

- **\$199.4 million** to support improvement of healthcare capacity including:
 - **\$40 million** – Public Health Response
 - **\$40 million** – Mental Healthcare Facility Capacity
 - **\$15.5 million** - Youth Rehabilitation Center Facility Improvements
 - **\$10 million** - Rural Health Complex

Premium Pay for Essential Workers

- **\$36.7 million** to attract and retain front-line teammates at state 24-hour facilities including:
 - **\$20.4 million** – Corrections
 - **\$12.8 million** – Health & Human Services
 - **\$3.5 million** – Veterans' Affairs

Fund Administration

- **\$15 million** for administration of ARPA funding to ensure federal compliance.

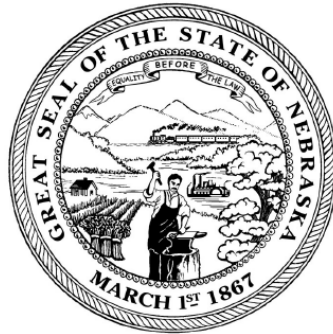
American Rescue Plan Act Summary

Category	Program Name	FY 2021-22	FY 2022-23	Total Funds
Public Health Emergency Response	Healthcare Facility Capacity Expansion	\$20,000,000	\$20,000,000	\$40,000,000
	Public Health Response/Nebraska Calling Promotion	\$20,000,000	\$20,000,000	\$40,000,000
	Replace Aging Rural Ambulances	\$0	\$35,000,000	\$35,000,000
	Child Welfare Case Counts & Provider Rates	\$0	\$25,000,000	\$25,000,000
	Capitol HVAC Replacement	\$0	\$23,900,000	\$23,900,000
	YRTC Facility Improvements	\$15,500,000	\$0	\$15,500,000
	HHS IT Utilization Increases	\$5,000,000	\$5,000,000	\$10,000,000
	Rural Health Complex	\$10,000,000	\$0	\$10,000,000
Total Public Health Emergency Response		\$70,500,000	\$128,900,000	\$199,400,000
Negative Economic Impacts	Shovel-Ready Capital Projects	\$50,000,000	\$50,000,000	\$100,000,000
	Community College: Workforce Development	\$40,000,000	\$50,000,000	\$90,000,000
	Workforce Housing	\$25,000,000	\$50,000,000	\$75,000,000
	Low-Income Education Assistance Program	\$30,000,000	\$30,000,000	\$60,000,000
	Site and Building Development	\$30,000,000	\$30,000,000	\$60,000,000
	Law Enforcement Training Center	\$47,700,000	\$0	\$47,700,000
	Behavioral Health and Nursing Assistance	\$25,000,000	\$0	\$25,000,000
	Meat Processing Plant Grant	\$0	\$15,000,000	\$15,000,000
	North 24th Street Project	\$12,000,000	\$0	\$12,000,000
	Commercial Real Estate Assistance	\$0	\$10,000,000	\$10,000,000
	Small & Medium Meat Processors	\$10,000,000	\$0	\$10,000,000
Total Negative Economic Impacts		\$269,700,000	\$235,000,000	\$504,700,000
Premium Pay	Salary Increases 24-Hour Facilities	\$36,700,000	\$0	\$36,700,000
Total Premium Pay		\$36,700,000	\$0	\$36,700,000
Water, Sewer, Broadband	Perkins County Canal Project	\$50,000,000	\$50,000,000	\$100,000,000
	Drinking Water Projects	\$30,000,000	\$30,000,000	\$60,000,000
	STARWARS	\$25,000,000	\$25,000,000	\$50,000,000
	State Fair Sewer Upgrades	\$0	\$25,000,000	\$25,000,000
	Ft. Laramie-Gering Canal	\$23,100,000	\$0	\$23,100,000
	Water Resources Data Collection	\$0	\$10,000,000	\$10,000,000
	Wastewater System Projects	\$0	\$8,100,000	\$8,100,000
	State Colleges Facility & Equipment Upgrades	\$0	\$8,000,000	\$8,000,000
Total Water, Sewer, Broadband		\$128,100,000	\$156,100,000	\$284,200,000
Funds Administration	ARPA Fund Administration	\$15,000,000	\$0	\$15,000,000
Total Funds Administration		\$15,000,000	\$0	\$15,000,000
TOTAL ARPA DISTRIBUTION		\$520,000,000	\$520,000,000	\$1,040,000,000

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Questions and Comments?