

**STATE OF NEBRASKA  
FY2003-04 / FY2004-05  
BIENNIAL BUDGET**

**As Enacted by the  
98th Legislature-First Session**

**August 2003**

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# Introduction

This report contains a summary of the initial appropriations and budget actions for the FY2003-04 and FY2004-05 biennium as enacted during the 2003 Legislative Session. These are not the final appropriations as both fiscal years numbers can be changed during the 2004 Legislative Session, and FY2004-05 can further be changed during the 2005 Legislative Session. The following is a brief description of what can be found in the various sections of this report.

**General Fund Financial Status** The state's General Fund financial status is displayed here, both the projected status at Sine Die of the 2003 Session as well as the current status incorporating changes that have occurred since that time. Also included is a detailed chronology of the Financial Status for both the FY02/FY03 Biennium and FY04/FY05 Biennium.

**General Fund Revenues** This section details General Fund revenue projections, an overview of the growth in revenue both projected and historical, and lists legislation enacted during the 2003 Legislative Session that impact revenues.

**General Fund Appropriations** This section provides detailed information on General Fund appropriations as enacted during the 2003 Legislative Session including state totals, agency totals, historical appropriations, various breakdowns by operations and state aid, and state aid listed by individual aid programs. This section also includes an extensive listing of the major changes in the budget as well as narrative descriptions of some of the major spending areas, both agency operations and state aid programs. A listing of General Fund "A" bills and vetoes and overrides is also included.

**Appropriations-All Fund Sources** While previous sections relate to the General Fund, this section provides a summary of appropriations from all fund sources (General, Cash, Federal, and Revolving) including state totals, by agency, and by bill enacted.

**Capital Construction** A complete listing of all new and reaffirmed construction projects, from all fund sources, is included in this section.

**FY2002-03 Deficit Appropriations** This section provides a detailed listing of all FY2002-03 deficiency appropriations. Also included is a chronology of FY2002-03 appropriations from when first enacted in the 2001 Session to the final appropriations after the 2003 Session.

**Definition of Terms** This section of the report provides descriptions of the various terms used in this report as well as a complete chronology and description of the states' budget process.

**Legislative Fiscal Office Staff** The last section includes a numerical listing of all state agencies and the Legislative Fiscal Office staff assigned to that agency. Also included are phone numbers and email addresses of the LFO staff.

# 2003 Session Highlights

Details as to specific funding items, revenues, and balances are contained in the following sections. However, there are several highlights to address at the start.

- **Trade-offs and Choices** Development of the FY04 and FY05 biennial budget, like actions taken the previous 18 months for the FY02/FY03 biennial budget, was a continuing series of tradeoffs and choices between budget cuts and revenue increases. The key questions continued to be (1) what was the short and long term impacts of additional and expanded budget cuts versus additional revenues through tax base expansion or tax rate increases and (2) what level or combination of budget cuts and/or revenue increases was acceptable?

To evaluate this tradeoff between cuts and revenues one must “look beyond the totals”. The statewide total in the enacted budget is actually larger than the prior budget, but large increases in Public Assistance, medical costs at the Dept of Correctional Services, and Homestead Exemption required significant cuts elsewhere. Even at the agency and program level, the final total appropriation amounts camouflage the real impact on programs. Increased costs such as salary and health insurance increases can cause a larger reduction in services than would be indicated by the “totals”. For example, over the past four years (including the enacted budget) the University of Nebraska General Fund budget increases by \$8 million but salary and health insurance costs alone increased by \$68 million. This leaves a \$60 million gap to be made up with reductions in programs, services, or other revenue sources.

Further complicating the issue is that high priority areas account for a huge amount of the total budget. In FY03-04, education accounts for 51% of the total budget: aid to K-12 schools (\$812.6 million or 31% of the total) and higher education including the University of Nebraska, State Colleges, Community Colleges and student aid ( \$520.7 million or 20% of the total). Assistance for the poor, elderly and disabled through Medicaid, Public Assistance and other programs accounts for \$634.8 million or another 24.2% of the total budget. Excluding these areas from further cuts would have required a 28% reduction in the remaining areas of the budget in order to cover the projected shortfall without revenue measures. Costs for the Court System, Corrections, State Patrol and 24/7 facilities (regional centers, veterans homes and Beatrice State Developmental Center) account for \$297.6 million or another 11.3% of the budget. If these areas were also protected from further cuts, additional reductions in the remaining areas of the budget would increase to 51% in order to balance the budget through spending reductions only.

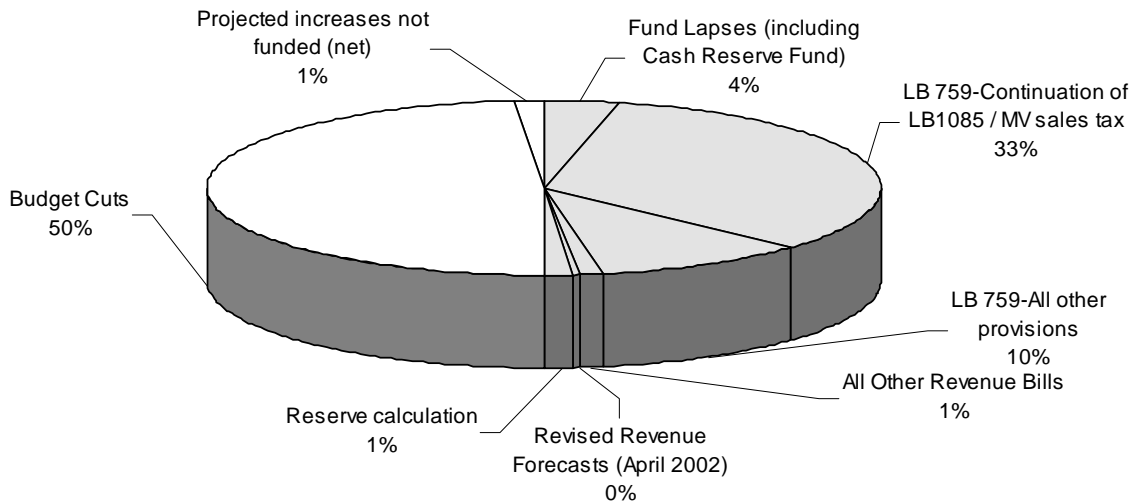
In the end, the Legislature determined that the reduction in the quantity and quality of state services necessary to balance the budget without additional revenues was not an acceptable level of cuts, especially in light of previous cuts made in the FY02 and FY03 budgets

**Budget Shortfall and Actions to Balance** Based on revenue forecasts without legislative action, and a projected “status quo” budget, the unobligated ending balance at the end of the FY04/FY05 Biennial Budget was projected to be \$759 million below the minimum reserve. Note that most of the budget increases contributing to the “status quo budget” are found in the listing of significant increases and reductions in the General Fund Appropriations section .

This \$759 million “shortfall” was the sum of a \$215 million shortfall from the minimum reserve carried forward from the FY02/FY03 biennium plus a cumulative \$544 million gap between revenues and appropriations projected for FY03-04 and FY04-05. The large shortfall carried forward from the FY02/FY03 biennium occurred in spite of continued efforts to re-balance the budget. Revenue growth in those two years were two of the three lowest revenue growth years in the past 22 years and compounded the problem by occurring consecutively. The cumulative growth of the two years was 11.5% below the historical average, causing FY03 revenues to be \$310 million less than if revenues had grown at that average rate. This created the large shortfall carried forward from the previous biennium in spite of all the budget actions previously taken.

Budget actions to eliminate this \$759 million “shortfall” were evenly split between the revenue and spending sides of the budget equation. The budget cuts include (1) reducing TEEOSA state aid below the certified level which had been built into the projected status by incorporating the provisions of LB 540 (\$81.8 million in FY04 and \$130.6 million in FY05), and (2) operations and other non-TEEOSA state aid cuts totaling \$78.2 million in FY04 and \$94 million in FY05. Revenue items include (1) cash fund lapses of \$22 million and Cash Reserve Fund transfer of \$6 million, (2) extension of the sales, income, and cigarette tax rate increases enacted in the 2002 Session (LB1085) and (3) expansion of sales tax base to construction and repair labor (excluding new construction and motor vehicles) and increasing the liquor tax.

<b>2003 Budget Actions to Balance</b> (millions)	FY2003-04	FY2004-05	2 Yr Total	% of Total Actions
<b>1 Revenue Actions</b>				
2 Fund Lapses (including Cash Reserve Fund)	15.3	13.3	28.6	3.7%
3 LB 759-Continuation of LB1085 / MV sales tax	80.7	182.5	263.2	34.3%
4 LB 759-All other provisions	29.7	51.8	81.5	10.6%
5 All Other Revenue Bills	10.4	(2.6)	7.9	1.0%
6 Revised Revenue Forecasts (April 2002)	0.0	3.0	3.0	0.4%
7 Reserve calculation	0.0	(11.6)	(11.6)	-1.5%
8 Total Revenue Actions	136.1	236.5	372.6	48.5%
<b>9 Spending Actions</b>				
10 Budget Cuts	160.1	224.6	384.7	50.1%
11 Projected increases not funded (net)	(1.0)	11.3	10.3	1.3%
12 Total Spending Actions	159.1	235.9	395.0	51.5%
13 Total General Fund Budget Actions to Balance	295.2	472.4	767.6	100.0%



➤ **Revenue Growth** The enacted budget and Financial Status at Sine Die were based on the April 2003 revenue forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB) for the current year (FY2002-03) and the two years of the biennial budget (FY2003-04 and FY2004-05) adjusted for revenue legislation enacted. Revenue growth was projected at 2.4% for FY02-03 (well below the 22 year average of 5.4%) and increasing to slightly above average over the next two years, 5.6% in FY03-04 and 6.0% in FY04-05. Rates of growth are adjusted for rate and base changes.

➤ **Budget Growth** is 1.3% in FY2003-04 and 3.6% in FY2004-05 for a two-year average of 2.5%. Much of the growth in the budget can be attributed to large increases in Public Assistance programs, Corrections medical costs, and Homestead Exemption reimbursements.

	Change over FY2002-03 Base Yr			Two Yr
	FY2003-04	FY2004-05	Two Yr Total	Avg Growth
Under the enacted budget over the two years of the biennium, General Fund spending would be \$164.3 million more than if the budget was frozen at the FY03 level. Of				
Aid to Individuals	57,822,511	143,244,793	201,067,304	10.5%
Agency Operations	(4,073,483)	15,831,519	11,758,036	0.8%
Capital Construction	2,470,774	1,002,059	3,472,833	2.7%
Aid to Local Governments	(22,226,433)	(29,744,094)	(51,970,527)	-1.6%
Subtotal-All Other	(23,829,142)	(12,910,516)	(36,739,658)	-0.3%
General Fund Total	33,993,369	130,334,277	164,327,646	2.5%

this amount, aid to individuals accounts for \$201 million. Agency operations and capital construction would spend an additional \$15.2 million, actually less than the \$24.9 million in increased medical costs at the Dept of Correctional Services. Aid to local governments would decline by \$51.9 million. Other than state aid to individuals, spending in all other areas combined over the two year would decline by \$36.7 million.



Reductions in aid to local governments are greater than in agency operations partially due to the portion of their budgets funded with General Funds. With cities and counties, less than 10% of their total resources are from General Fund state aid. K-12 schools are about 40% while Community Colleges and ESU's are in the 50% range. With agency operations, many are 100% financed with General Funds. With the University and State Colleges, about 70% of their "state aided" budgets are financed with General Funds.

- **Cash Reserve Fund** The unobligated balance at Sine Die was projected to be \$122.3 million at the end of the five year status. This has increased to \$170.2 million with the inclusion of \$58.2 million to be received by the state from a one-time flexible assistance grant from the federal government.
  
- **Following Biennium** Revenue estimates using the historical average method reflect growth to continue at slightly above average rates to offset the lower than average over the first three years of the five-year status. Spending growth is substantially above average due to the expiration of the two bills reducing TEEOSA school aid, LB 898 (2002) and LB 540 (2003 Session).

# **GENERAL FUND FINANCIAL STATUS**

# General Fund Financial Status

## Tax Rate Review Committee (7/18/2003)

	Actual FY2002-03	Biennial Budget FY2003-04	Biennial Budget FY2004-05	Est for Following Biennium FY2005-06    FY2006-07	
<b><u>BEGINNING BALANCE</u></b>					
Beginning Cash Balance	55,970,978	2,654,247	9,212,369	162,234,852	198,127,588
Cash Reserve transfer-above certified prior yr	0	0	0	0	0
Cash Reserve transfers-cash flow	0	(30,000,000)	0	0	0
Carryover obligations from FY03	0	(98,813,270)	0	0	0
Lapse FY03 carryover obligations	0	12,000,000	0	0	0
Allocation for potential deficits	0	see below	(5,000,000)	(5,000,000)	(5,000,000)
Unobligated Beginning Balance	55,970,978	(114,159,023)	4,212,369	157,234,852	193,127,588
<b><u>REVENUES</u></b>					
Net Receipts (Actual and Sine Die Adjusted)	2,456,399,835	2,731,975,000	2,930,793,000	3,067,162,000	3,255,618,000
General Fund transfers-out	(5,300,000)	(1,640,000)	(1,640,000)	(1,640,000)	(1,640,000)
General Fund transfers-in	In Receipts	In Receipts	In Receipts	0	0
Cash Reserve transfers-legislative	87,400,000	3,000,000	(19,500,000)	0	0
Cash Reserve transfers-cash flow	30,000,000	see above	0	0	0
Accounting adjustment	(2,820,417)	0	0	0	0
General Fund Net Revenues	2,565,679,418	2,733,335,000	2,909,653,000	3,065,522,000	3,253,978,000
<b><u>APPROPRIATIONS</u></b>					
Expenditures/Appropriations-2003 Session	2,618,996,149	2,655,289,608	2,751,630,516	2,751,630,516	2,751,630,516
Adjustments-2004 Session	na	5,000,000	0	0	0
Adjustments-2004 Session (fed FMAP)	na	(50,326,000)	0	0	0
"A" Bills-2004 Session	na	0	0	0	0
Projected budget actions-following biennium	na	na	na	272,998,748	500,506,161
General Fund Appropriations	2,618,996,149	2,609,963,608	2,751,630,516	3,024,629,264	3,252,136,677
<b><u>ENDING BALANCE</u></b>					
Dollar ending cash balance	2,654,247	9,212,369	162,234,852	198,127,588	194,968,910
Biennial Reserve (%)	--	--	2.97%	--	3.10%
Variance from Minimum Reserve	--	--	(1,327,543)	--	6,180,516
<b><u>General Fund Budget (Per 2003 Session)</u></b>					
Annual % Change	0.6%	1.3%	3.6%	9.9%	7.5%
Two Year Average % Change	3.3%	--	2.5%	--	8.7%
<b><u>General Fund Revenues:</u></b>					
Adjusted Growth	-0.5%	8.7%	6.1%	5.5%	5.9%
Five Year Average	2.7%	--	2.8%	--	5.1%
<b><u>CASH RESERVE FUND:</u></b>					
Estimate Ending Balance	59,142,545	147,564,721	174,425,863	171,996,559	170,212,143

# General Fund Financial Status

## Sine Die 2003 Session

	Actual FY2002-03	Biennial Budget FY2003-04	Biennial Budget FY2004-05	Est for Upcoming Biennium FY2005-06	Est for Upcoming Biennium FY2006-07
<b><u>BEGINNING BALANCE</u></b>					
Beginning Cash Balance	55,970,978	(62,547,609)	7,018,800	171,266,270	252,166,076
Cash Reserve transfer-above certified prior yr	0	(9,000,000)	0	0	0
Cash Reserve transfers-cash flow	(74,947,171)	0	0	0	0
Carryover obligations	1,118,607	0	0	0	0
Lapse FY03 carryover obligations	55,970,978	(62,547,609)	7,018,800	171,266,270	252,166,076
Allocation for potential deficits	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
	<u>(17,857,586)</u>	<u>(76,547,609)</u>	<u>2,018,800</u>	<u>166,266,270</u>	<u>247,166,076</u>
<b><u>REVENUES</u></b>					
Net Receipts (Est and Sine Die Adjusted)	2,516,228,000	2,726,518,800	2,931,808,070	3,109,269,800	3,305,124,800
General Fund transfers-out	(5,300,000)	(1,640,000)	(1,640,000)	(1,640,000)	(1,640,000)
General Fund transfers-in	1,100,000	10,977,117	10,238,418	3,200,000	1,700,000
Cash Reserve transfers-legislative	87,400,000	3,000,000	(19,500,000)	0	0
Cash Reserve transfers-cash flow	0	0	0	0	0
Accounting adjustment	0	0	0	0	0
	<u>2,599,428,000</u>	<u>2,738,855,917</u>	<u>2,920,906,488</u>	<u>3,110,829,800</u>	<u>3,305,184,800</u>
<b><u>APPROPRIATIONS</u></b>					
Expenditures/Appropriations-2003 Session	2,644,118,023	2,655,289,508	2,751,659,018	2,751,659,018	2,751,659,018
Adjustments-2004 Session	na	See above	0	0	0
Adjustments-2004 Session (fed FMAP)	na	0	0	0	0
"A" Bills-2004 Session	na	0	0	0	0
Projected budget actions-following biennium	na	na	na	272,270,976	500,809,868
	<u>2,644,118,023</u>	<u>2,655,289,508</u>	<u>2,751,659,018</u>	<u>3,024,929,994</u>	<u>3,252,468,886</u>
<b><u>ENDING BALANCE</u></b>					
Dollar ending cash balance	(62,547,609)	7,018,800	171,266,270	252,166,076	299,881,990
Biennial Reserve (%)	-1.16%		3.16%		4.77%
Variance from Minimum Reserve	NA		<span style="border: 1px solid black; padding: 2px;">8,502,732</span>		<span style="border: 1px solid black; padding: 2px;">108,019,440</span>
<b><u>General Fund Budget (Per 2003 Session)</u></b>					
Annual % Change	0.6%	1.3%	3.6%	9.9%	7.5%
Two Year Average % Change	3.3%	--	2.5%	--	8.7%
<b><u>General Fund Revenues:</u></b>					
Adjusted Growth	2.7%	5.2%	6.1%	6.2%	6.5%
Five Year Average	3.3%	--	2.8%	--	5.4%
<b><u>CASH RESERVE FUND:</u></b>					
Estimate Ending Balance	61,761,100	99,717,276	126,578,418	124,149,114	122,364,698

# Changes Since Sine Die of the 2003 Session

The General Fund Financial Status for FY04/FY05 has deteriorated slightly since Sine Die of the 2003 Session. The current estimates show a projected ending balance at the end of FY04-05 that is \$1.3 million below the minimum reserve as compared to a positive \$8.5 million at Sine Die. The projected status for the following biennium (FY06/FY07) shows a larger decline from \$108 million above the minimum reserve to only \$6 million. There were several major changes that have occurred and are listed in the following table and described below.

(millions of dollars)	FY04/FY05 Biennium	FY06/FY07 Biennium
<b><i>Variance from Minimum Reserve: Sine Die</i></b>	<b>8.5</b>	<b>108.0</b>
1. General Fund Net Receipts (Actual vs Est FY03)	(60.9)	(60.9)
CRF transfers-automatic (Actual vs Est FY03)	9.0	9.0
Assumed lapse, FY03 unexpended appropriation (HHS)	12.0	12.0
2. Fed tax law changes & LB596 offset (net impact)	(16.8)	(53.3)
3. Temp State Fiscal Relief: higher fed Medicaid FMAP	50.3	50.3
Temp State Fiscal Relief: flexible assistance	to CRF	to CRF
4. Revise FY06/FY07 "out year" forecasts, "hist average" from 5.4% to 5.1%	0.0	(60.0)
Revise FY04/FY05 forecasts in light of FY03 actual receipts	?????	?????
5. Accounting adjustment, reserve change	(3.5)	1.1
Total \$ Change Since Sine Die	(9.8)	(101.8)
<b><i>Variance from Minimum Reserve: Current</i></b>	<b>(1.3)</b>	<b>6.2</b>

(1) FY2002-03 Actual Data Actual receipts for FY2002-03 (\$2,456,399,835) were \$60.9 million less than the \$2,517,328,000 projection at Sine Die. Adjusted revenue growth for FY02-03 is calculated at -.4%, the second straight year of negative adjusted growth. About 96% of this "shortfall" was in the individual income tax category.

In terms of the financial status, these lower receipts were partially offset by two things. First, the Sine Die revenue forecast exceeded the certified forecast by \$9 million with this amount being shown as transferred to the Cash Reserve Fund. Because actual receipts were well below the certified level, this transfer became moot. Therefore, the \$60.9 million decline in revenues is split as a \$51.9 million loss to the General Fund and a \$9 million loss to the Cash Reserve Fund. The second offset is a projected \$12 million lapse of unexpended General Fund appropriations. This unexpended amount relates to a utilization of federal fund balances in Health and Human Services. This item is not related to the higher federal FMAP.

(2) Federal Tax Law Changes and LB 596 Offset At Sine Die, the financial status did not include the estimated impact of 2003 federal tax law changes contained in the “Jobs and Growth Tax Relief Act of 2003”, nor an estimate of state tax changes enacted in LB596 to attempt to offset those revenue impacts. The timing of the passage of the federal act did not

(millions of dollars)	FY03-04	FY04-05	FY05-06	FY06-07
Federal Tax Changes	(38.1)	(64.7)	(135.3)	(65.3)
LB 596 offset	32.6	53.4	110.0	54.1
Net Difference	(5.5)	(11.3)	(25.3)	(11.2)
Impact on FY04/FY05 Biennium (2 yr total)			(16.8)	
Impact on FY06/FY07 Biennium (4 yr total)			(53.3)	

allow adequate time to calculate the impacts. The net impact is a reduction in revenues of \$16.8 million in the FY04/FY05 biennium and \$53.3 million over the four year period as shown below:

(3) Temporary State Fiscal Relief The federal “Jobs and Growth Tax Relief Act of 2003” also contained provisions for temporary state fiscal relief. Again, the timing of the passage of the act and adjournment of the 2003 legislative session did not allow time to incorporate these provisions into the Sine Die financial status. There were two fiscal relief areas.

First was the “flexible assistance” provision which simply allocated funds to states to “provide essential government services or to cover the costs of complying with any federal intergovernmental mandates.” Nebraska already received \$29 million late in FY02-03 and will receive another \$29 million in FY03-04. This \$58 million does not affect the General Fund financial status as provisions in LB798 provided that these monies should be placed in the Cash Reserve Fund.

The second area is a 15 month temporary boost in the federal matching assistance payments for Medicaid commonly referred to as FMAP. Nebraska is expected to benefit by \$50.3 million for the last 2 quarters of FFY 2003 and the four quarters for FFY 2004. The impact is shown in this updated financial status as a potential mid-biennium adjustment. Technically the General Fund savings from this increase in the FMAP will have to occur during the 2004 Session with specific actions to reduce General Fund appropriations and increase federal funds.

(4) Revised Revenue Forecasts The preliminary numbers for the two “out years” on the five year financial status (FY05-06 and FY06-07) are derived using a historical average methodology. This basically means the numbers in the out years are set at a level so that the average growth rate over the five year status is equal to the historical average. At Sine Die, the historical average was 5.4%. Incorporating the FY02-03 actual data results in a lowering of the historical average to 5.1% and the two out year numbers have been adjusted to reflect the new 5.1% historical average. This reduces the FY05-06 number by \$20 million and the FY06-07 number by \$40 million. **AT THIS TIME THERE IS NO CHANGE IN THE FY03-04 AND FY04-05 REVENUE FORECASTS.** The Nebraska Economic Forecast Advisory Board (NEFAB) will not meet again until this October to evaluate their current revenue forecasts. In light of the \$60 million decline in FY02-03 revenues as compared to the forecast, the level of growth in FY03-04 required to achieve the current estimate has grown from 5.2% to 8.7%. This would illustrate the likelihood that the NEFAB will subsequently lower the forecasts in October.

# Chronology of the General Fund Financial Status

**FY2001-02 / FY2002-03 Biennial Budget** Over an 18 month period, the Nebraska Economic Forecast Advisory Board lowered the FY01-02 and FY02-03 revenue forecasts four different times resulting in a decline in revenue growth over the two-years from the 11% projected at the end of the 2001 Session (5.4% for FY02 and 5.6% for FY03) to 1.4% growth (-3.1% in FY02 and 4.5% in FY03). During this same 18 month period, the budget shortfall had been reduced with budget reductions in the 2001 Special Session, 2002 Session and 2002 Special Session totaling \$87 million in FY02 and \$211 million in FY03 (which reduced the two year budget growth from 14% to 6%) and \$22 million from the increase in sales tax on certain services (the only permanent part of LB1085 except for the depreciation component which simply offsets federal tax changes).

Even with all the budget actions taken, the structural imbalance (gap between FY03 revenues and spending) increased. More pointedly, the revenue forecasts declined faster than the Legislature could implement budget cuts. All of the previous budget actions were not enough to offset the cumulative two-year impact of the extremely large structural imbalance created in FY01-02 by the combination of a negative 3.1% revenue growth, funding of TEEOSA aid due to the \$1.10 to \$1.00 levy limit reduction and opening of the Tecumseh prison.

**FY2003-04 / FY2004-05 Biennial Budget** Going into the 2003 Session, the problem was projected to grow to a \$673 million shortfall in the FY04/FY05 biennium with an ever increasing structural imbalance due to moderate revenue growth (4.7% in FY04 and 4.6% in FY05 ), a large projected spending growth (6.9% in FY04 and 7.1% in FY05) and expiration of the one-time sales and income tax increases contained in LB1085. While the 6.7% and 7.1% projected spending growths were a major cause of the growing structural imbalance, this large spending growth can be directly attributed to a projected 13% per year growth in aid to individuals mostly Medicaid and Public Assistance programs. Even with the past series of budget cuts, additional transfers from the Cash Reserve Fund, \$35 million of extraordinary fund lapses, and one-time provisions of LB1085, the General Fund balance at the end of FY02-03 biennium (and thus beginning balance for the FY04/FY05 biennial budget) was projected to be \$177 million below the 3% minimum reserve after allowing for a \$5 million allocation for deficits.

The \$673 million problem forecast in October 2002 was updated to \$759 million with four changes. First, certified TEEOSA aid for FY2003-04 was substituted for earlier projections. This added \$47.2 million above the original estimate (\$27.9 million in FY04 and \$19.3 million in FY05). Second, actual salary contracts and revised health insurance projections were less than originally projected saving \$45.6 million over the two-year period (\$16.6 million in FY04 and \$29.0 million in FY05). These two items increased the problem to \$675 million. Third was a substantial increase in FY03 deficits. Large deficits in Corrections medical costs and Public Assistance program result in \$22 million of deficits compared to the original \$5 million deficit allocation. And the last item was a \$69 million reduction by the Forecast Board in

February 2003. This overall reduction was \$50 million in FY02-03 and \$28 million in FY03-04 partially offset by a \$9 million increase in the FY04-05 forecast.

This \$759 million "shortfall" (as calculated from a projected "status quo" budget), was eliminated through \$385 million of budget cuts and \$381 million of revenue increases. This was accomplished by : (1) Reducing TEEOSA state aid below the certified level which had been built into the projected status by incorporating the provisions of LB 540 (\$81.8 million in FY04 and \$130.6 million in FY05), (2) Operations and state aid cuts totaling \$78.2 million in FY04 and \$94 million in FY05. This excludes the TEEOSA change, (3) cash fund lapses of \$19 million, Cash Reserve Fund transfer of \$6 million, and (4) extension of the sales and income tax rate increases enacted in the 2002 Session (LB1085).

Table 1 Chronology of the Financial Status

Millions of Dollars	FY 2001-02	FY 2002-03	2 Yr Total	FY 2003-04	FY 2004-05	4 Yr Total
<b>1 Sine Die 2001 Session</b>			<b>1.5</b>			<b>(27.1)</b>
2 Less: FY01 Actual Receipts vs Sine Die Est.	(57.2)	0.0	(57.2)	0.0	0.0	(57.2)
3 Plus: Nullified estimated "automatic" CRF transfer	33.3	0.0	33.3	0.0	0.0	33.3
4 Less: Adjust for 2001 bills (2)	(3.6)	0.0	(3.6)	0.0	0.0	(3.6)
5 Plus: Est Lapsed Appropriations	8.0	0.0	8.0	0.0	0.0	8.0
6 Less: Fed Tax Changes (July 2001)	(3.7)	(13.4)	(17.1)	(23.6)	(31.8)	(72.5)
7 Less: Change in Minimum Reserve	na	(2.0)	(2.0)	0.0	4.6	2.6
<b>8 July 2001 Tax Rate Review Committee</b>			<b>(37.1)</b>			<b>(116.5)</b>
9 Less: Lower lapsed appropriation number	(5.0)	0.0	(5.0)	0.0	0.0	(5.0)
10 Less: Revised Revenue Forecast (Oct 2001)	(97.2)	(86.2)	(183.4)	(47.1)	(21.8)	(252.3)
11 Plus: Change in Minimum Reserve	na	5.3	5.3	0.0	2.2	7.5
<b>12 Oct 2001 After NEFAB Revised Forecasts</b>			<b>(220.2)</b>			<b>(366.3)</b>
13 Plus: 2001 Special Session Actions-Revenue Items	20.5	29.8	50.3	2.7	2.7	55.7
14 Plus: 2001 Special Session Actions-Spending Reductions	54.7	65.9	120.6	51.7	48.1	220.4
15 Less: Change in Minimum Reserve	na	(1.4)	(1.4)	0.0	(2.0)	(3.4)
<b>16 Sine Die 2001 Special Session</b>			<b>(50.7)</b>			<b>(93.6)</b>
17 Plus: Delete original allocation for deficits	5.0	0.0	5.0	0.0	0.0	5.0
18 Less: Committee Pre-Forecast changes-appropriations	6.1	(18.1)	(12.0)	(15.5)	(21.0)	(48.5)
19 Plus: Committee Pre-Forecast changes-fund lapses	0.0	1.0	1.0	0.0	0.0	1.0
20 Less: Revised Revenue Forecast (Feb 2002)	(57.8)	(75.0)	(132.8)	(38.8)	0.0	(171.6)
21 Less: Fed Tax changes (March 2002)	na	(35.6)	(35.6)	(32.4)	(25.3)	(93.3)
22 Plus: Change in Minimum Reserve	na	3.8	3.8	0.0	0.4	4.2
<b>23 Status After Feb 2002 Forecast Revisions/Fed Tax</b>			<b>(221.3)</b>			<b>(396.8)</b>
24 Plus: Committee Post Forecast changes-appropriations	13.0	29.9	42.9	23.1	26.2	92.2
25 Plus: Committee Post Forecast-TEEOSA cut (LB 898)	0.0	22.0	22.0	23.0	24.0	69.0
26 Plus: Committee Post Forecast-Cash Fund lapses	0.0	19.1	19.1	0.0	0.0	19.1
27 Plus: Committee Post Forecast-Cash Reserve transfer	na	22.5	22.5	0.0	(22.5)	0.0
28 Less: Reduce "out year" est. revenue to capped average	0.0	0.0	0.0	(64.0)	(136.0)	(200.0)
29 Plus: Floor Amendments	(0.2)	(0.2)	(0.2)	0.0	0.0	(0.2)
30 Less: Change in Minimum Reserve	na	0.0	0.0	0.0	6.3	6.3
31 Plus: LB 905 Offset fed tax change, estate tax	0.0	(FY04)	0.0	4.5	14.8	19.3
32 Plus: LB 1085 Offset fed tax change, depreciation	0.0	34.0	34.0	31.2	28.1	93.3
33 Plus: LB 1085 Sales tax base expansion	0.0	15.5	15.5	22.5	22.3	60.3
34 Plus: LB 1085 Sales/Income/Cigarette tax rate	0.0	67.2	67.2	68.6	(2.1)	133.7



Millions of Dollars	FY 2001-02	FY 2002-03	2 Yr Total	FY 2003-04	FY 2004-05	4 Yr Total
35 Plus: LB 947 Mobile Telecommunications	0.0	0.7	0.7	0.7	0.7	2.1
36 Plus: Governor vetoes (sustained)	7.7	22.6	30.3	21.1	21.1	72.5
37 Less: Governor vetoes (Banking lapse)	0.0	(13.0)	(13.0)	0.0	0.0	(13.0)
38 Less: "A" Bills and other revenue bills	0.0	(0.2)	(0.2)	(0.2)	(0.2)	(0.6)
39 Plus: Change in Minimum Reserve	na	(3.1)	(3.1)	0.0	(7.3)	(10.4)
<b>40 Sine Die 2002 Session</b>			<b>16.4</b>			<b>(53.2)</b>
41 Less: FY02 Actual Receipts, Revised Forecasts (July 2002)	(125.5)	(129.8)	(255.3)	(182.0)	(279.6)	(716.9)
42 Less: Accounting adjust, updated reappropriation est (net)	(0.6)	0.0	(0.6)	0.0	0.0	(0.6)
43 Less: Change projected budget (mostly TEEOSA)	0.0	0.0	0.0	(12.2)	(15.7)	(27.9)
44 Less: Change in Minimum Reserve	na	7.5	7.5	0.0	13.2	20.7
<b>45 July 2002 Tax Rate Review Committee</b>			<b>(232.0)</b>			<b>(777.9)</b>
46 Plus: 2002 Special Session-Revenue Items	0.0	25.9	25.9	27.4	27.4	80.7
47 Plus: 2002 Special Session-Spending Reductions	0.0	70.9	70.9	82.2	75.4	228.5
48 Plus: 2002 Special Session-Lapse Reappropriations	0.0	11.9	11.9	0.0	0.0	11.9
49 Less: Change in Minimum Reserve	na	(0.7)	(0.7)	0.0	(3.7)	(4.4)
<b>50 Sine Die 2002 Special Session</b>			<b>(124.0)</b>			<b>(461.2)</b>
51 Less: Revised Revenue Forecasts (Oct 2002)	0.0	(37.5)	(37.5)	(68.2)	(49.2)	(154.9)
52 Less: Medicaid/Public Assistance/CHIP to request level	0.0	0.0	0.0	(23.9)	(55.4)	(79.3)
53 Plus: Revised TEEOSA aid estimates (Oct Joint Meeting)	0.0	0.0	0.0	6.6	16.5	23.1
54 Plus: Revised Community College estimate	0.0	0.0	0.0	(3.5)	(3.5)	(7.0)
55 Plus: Change in Minimum Reserve	na	1.0	1.0	0.0	4.9	5.9
<b>56 Nov. 2002 Tax Rate Review Committee</b>			<b>(160.5)</b>			<b>(673.4)</b>
57 Less: TEEOSA Aid Feb 5 certification higher than estimated	0.0	0.0	0.0	(27.9)	(19.3)	(47.2)
58 Plus: Salaries+health insurance, less than estimated	0.0	0.0	0.0	16.6	29.0	45.6
59 Less: FY03 Deficits: Amt vs \$5 million allocation	0.0	(16.8)	(16.8)	0.0	0.0	(16.8)
60 Plus: FY03 Deficits: Cash fund lapses, transfers-out	0.0	0.3	0.3	0.0	0.0	0.3
61 Less: Revised Revenue Forecasts (Feb 2003)	0.0	(50.0)	(50.0)	(28.0)	9.0	(69.0)
62 Plus: Change in Minimum Reserve	0.0	1.4	1.4	0.0	0.2	1.6
<b>63 "Shortfall" Prior to Budget Actions</b>			<b>(225.6)</b>			<b>(758.9)</b>
64 Plus: TEEOSA Aid below certified level per LB 540	0.0	0.0	0.0	73.2	122.0	195.2
65 Plus: State Aid cuts (non-TEEOSA)	0.0	0.0	0.0	31.8	34.3	66.1
66 Plus: Operations cuts	0.0	0.0	0.0	42.4	48.6	91.0
67 Less: Operations increases greater than estimated	0.0	0.0	0.0	(12.5)	(5.0)	(17.5)
68 Plus: State aid increases lower than estimated	0.0	0.0	0.0	9.2	10.0	19.2
69 Plus: Cash Reserve Fund transfer	0.0	0.0	0.0	3.0	3.0	6.0
70 Plus: Cash fund lapses, transfers-out	0.0	0.0	0.0	9.2	9.8	19.0
71 Plus: Highway Trust MV sales tax, 1/2 cent (LB 408)	0.0	0.0	0.0	6.9	15.2	22.1
72 Plus: Repeal MIRF (LB 440)	0.0	0.0	0.0	0.0	0.0	0.0
73 Less: Change in Minimum Reserve	0.0	0.5	0.5	0.0	(0.7)	(0.2)
<b>74 Committee Budget (April 2003)</b>			<b>(225.1)</b>			<b>(358.0)</b>
75 Plus: Revenue Forecasts (revised April 2003)	0.0	9.0	9.0	0.0	3.0	12.0
76 Less: Transfer revised FY03 forecast above certified	0.0	0.0	0.0	(9.0)	0.0	(9.0)
78 Plus: Post hearing fund lapses not included	0.0	0.0	0.0	1.3	0.0	1.3
<b>79 Status After April Forecast Revisions</b>			<b>(216.1)</b>			<b>(353.7)</b>
80 Plus: Floor Amendments-Additional Cuts (Operations)	0.0	0.0	0.0	5.8	12.8	18.6
81 Plus: Floor Amendments-Additional Cuts (State Aid)	0.0	0.0	0.0	6.9	6.9	13.8
82 Plus: Floor Amendments-Reduce Adds (Operations)	0.0	0.0	0.0	2.5	2.5	5.0
83 Plus: Floor Amendments-Reduce Adds (State Aid)	0.0	0.0	0.0	(0.2)	3.8	3.6

Millions of Dollars	FY 2001-02	FY 2002-03	2 Yr Total	FY 2003-04	FY 2004-05	4 Yr Total
84 Less: Shift 1/2 cent MV to LB 759	0.0	0.0	0.0	(6.9)	(15.2)	(22.1)
85 Less: Revenue impact of MIRF/Ed Lottery amendments	0.0	0.0	0.0	1.8	0.5	2.3
86 Plus: Governor vetoes (sustained)	0.0	0.0	0.0	0.0	0.0	0.0
87 Plus: LB 759 (includes 1/2 cent on MV)	0.0	0.0	0.0	110.4	234.4	344.8
88 Plus: other revenue bills	0.0	0.0	0.0	10.4	(2.6)	7.8
89 Less: "A" Bills	0.0	0.0	0.0	(0.3)	0.1	(0.3)
90 Less: Change in Minimum Reserve	na	(0.5)	(0.5)	0.0	(10.9)	(11.4)
<b>91 Sine Die 2003 Session</b>			<b>(216.6)</b>			<b>8.5</b>
92 Less: FY02-03 actual receipts below forecast	0.0	(60.9)	(60.9)	0.0	0.0	(60.9)
93 Plus: Nullified estimated "automatic" CRF transfer	0.0	9.0	9.0	0.0	0.0	9.0
94 Plus: Estimated lapse of FY03 unexpended funds	0.0	12.0	12.0	0.0	0.0	12.0
95 Less: Fed tax law changes & LB596 offset (net impact)	0.0	0.0	0.0	(5.5)	(11.3)	(16.8)
96 Plus: Temp State Fiscal Relief: higher fed Medicaid FMAP	0.0	0.0	0.0	0.0	50.3	50.3
97 Plus: Temp State Fiscal Relief: flexible assistance (to CRF)	0.0	0.0	0.0	0.0	0.0	0.0
98 Plus: Cash Reserve Fund cash flow borrowing	0.0	30.0	30.0	(30.0)	0.0	0.0
99 Less: Revise "out year" revenue est, revised historical avg	0.0	0.0	0.0	0.0	0.0	0.0
100 Less: Accounting adjustment, other minor adjustments	0.0	(2.5)	(2.5)	0.0	0.0	(2.5)
101 Less: Change in Minimum Reserve	na	0.0	0.0	0.0	(0.8)	(0.8)
<b>102 July 2003 Tax Rate Review Committee</b>			<b>(229.0)</b>			<b>(1.3)</b>

## Estimated Financial Status Following Biennium

For planning purposes, an estimated financial status is constructed for the biennium following the two-year biennial budget currently being considered. This allows the Legislature to see the future implications of budget actions being considered.

**Revenues** Preliminary estimates for FY2005-06 and FY2006-07 were prepared by the Legislative Fiscal Office. These preliminary estimates are arrived at by calculating the level of revenues that would yield a five year average growth (FY03 to FY07) roughly equal to the 5.1% historical average revenue growth. In this instance, because the calculated growth in FY03 to FY05 averages about 4.7% based on the NEFAB forecasts, the LFO preliminary estimated revenues for FY05-06 and FY06-07 average about 5.7% per year growth to bring the five average to the same 5.1%. This "historical average" methodology basically establishes the revenue level for the second year of the following biennium (ie.. FY06-07, fifth year in the Financial Status). After this is established, the first year of the following biennium (FY05-06, fourth year in the Financial Status) is then established at roughly the midpoint between the FY06-07 number and the FY04-05 as included in the NEFAB forecast.

**Appropriations** For the “following biennium” (FY05-06 and FY06-07), the mainline budget numbers reflect the annualized impact of the current budget actions plus an estimate of future year increases in entitlement programs, salary and health insurance increases, and other funding requirements that are normally not optional. Obviously the actual funding needs in these areas will not be known until the biennial budget process starts again in two years. However for planning purposes, some level of funding for these items must be acknowledged and shown as likely funding commitments.

Table 2 Projected Budget Increases-Following Biennium

Numbers are annual increases	Factor	Est for Following Biennium	
		FY2005-06	FY2006-07
Special Education	5%	8,220,248	8,631,261
Aid to K-12 Schools (TEEOSA)	Calculated	157,103,216	98,692,194
Aid to ESU's (LB1100/1108-1998)	2.5%	282,227	289,283
Developmental Disability aid-transition	Estimated	1,200,000	1,200,000
Developmental Disability aid-pay equity	3%	702,555	723,631
Behavioral Health	3%	927,574	955,401
Public Assistance	8%	16,025,744	17,307,803
Children's Health Insurance (CHIP)	10%	700,546	770,600
Medicaid-	10%	47,676,038	52,443,642
Inmate per diem costs	6%	1,991,736	2,111,240
Annualize cut of Lincoln Correctional Center	Na	(2,779,818)	0
Community Colleges	3%	1,896,110	1,952,993
Salaries	3.25%	27,196,770	28,080,665
Health Insurance	10%	10,102,127	11,112,340
Operations increase	2%	2,819,960	2,876,359
County Property Relief program (restore per LB622)	Estimated	2,592,000	0
Aid to Municipalities (apply when MIRF cut expires)	Estimated	(3,000,000)	0
Construction	Reaff Only	(658,285)	360,000
Annual \$ Increase		272,998,748	227,507,412
Annual % Increase		9.9%	7.5%

**Special Education:** Increases for FY05-06 and FY06-07 reflect a 5% per year increase as provided for in current law (LB1243-2000).

**State Aid to Schools (TEEOSA)** The estimates for FY06 and FY07 are based on the same methodology utilized for the November 15 estimates required under current law for the current biennial budget but with Fiscal Office assumptions and should be considered Fiscal Office estimates.

The key assumptions in the estimates for the upcoming biennium are growth in school disbursements (5.50% in both FY06 and FY07 aid year) and growth in property valuations (5.5% in both FY06 and FY07). These assumptions, *coupled with an assumed expiration of any temporary formula reductions*, yield a growth in school aid of 24.2% in FY06 and 12.9% in FY07. The large growth in FY06 reflects the expiration of LB898 (passed in the 2002 Session and operative for three years, FY03, FY04, and FY05) and LB 540-2003 Session would likewise expire after FY04-05 with some “spill over savings” into FY05-06.

Aid to ESU's The amount of aid to ESU's is based on funding of a certain level of core services and technology infrastructure. Growth in aid is set at the same rate as the basic allowable growth rate under the school spending limitation (2.5% per year).

Behavioral Health aid. This area includes substance abuse and mental health aid. The increases in the following biennium reflect a 3% increase to reflect some annual increase in provider rates.

Developmental Disability-Rate Equity There are two components to the projected increase in developmental disability aid. First is a \$1.2 million increase in both FY05-06 and FY06-07 for clients transitioning from K-12 programs. The second component, \$1.7 million increase in FY05-06 and an additional \$1.8 million in FY06-07 reflects a 3% increase in aid to maintain the 100% "rate equity" achieved from FY96 through FY03. The 3% increase approximates the state employee salary increases as the rate equity is keyed to salaries at the Beatrice State Developmental Center (BSDC).

Public Assistance A growth rate of 8.0% per year is utilized for the various Public Assistance programs for the following biennium.

Children's Health Insurance (CHIP) For the following biennium, a 10% per year increase is used which is the same as Medicaid. The General Fund would pick up all increases in this program because the \$5 million allocation from the Health Care Cash Fund is a fixed amount.

Medicaid For the following biennium, a 10% per year increase is used reflecting the average growth (including FY02 and FY03) over the past 5 and 10 years.

Inmate Per Diem Costs While some costs at the Dept of Correctional Services such as staffing are "fixed" within a range of inmate population, some costs change directly with each inmate. This includes items such as food, clothing, and medical care. A 6% per year increase is included to reflect both inflationary costs and an increase in the number of inmates.

Aid to Community Colleges A 3% per year annual increase is included for the following biennium budget reflecting increased state aid to support operations budget increases and meet community college area aid eligibility per LB269-1997. This increase amounts to about a \$1.8 million per year increase.

Employee Salary Increases Although salary increases will be the result of bargaining, some level of increase is factored in more for illustration than planning purposes. A 3.25% per year increase is included which approximates the FY02/FY03 salary contract. Also included are funds to "annualize" mid-year salary increases.

Employee Health Insurance For planning purposes, a 10% per year increase in health insurance is included for the following biennium. This rate of growth is similar with the

increases in the current enacted budget as well as the average growth over the past 5 to 10 years.

Operations Inflation Included in the projected status is an across the board 2% increase in agency non-personnel operating costs. This would include data processing, rent, fuel/oil, supplies, etc....

Depreciation Surcharge No additional increases are included based on the suspension of this surcharge under the enacted budget

Capital Construction General Fund dollars included in the projected budget for the following biennium for capital construction reflect reaffirmations only based on the enacted FY04/FY05 biennial budget. These are dollar amounts needed to complete funding of previously approved projects. No allocation for new construction is included. Funding would still be available for the 309 Task Force through the earmark of cigarette tax funds and use of the depreciation surcharge.

County Property Tax Relief The projected budget incorporates the provisions of LB622 which calls for no funding for this program in FY04 and FY05 but restoration starting in FY06 at a reduced level.

Aid to Municipalities The budget calls for a \$3 million reduction in state aid to cities. Since the proposed repeal of the MIRF program does not occur until FY06, a two year \$3 million reduction was applied to this aid program. This restores that \$3 million when the MIRF reduction occurs.

# Cash Reserve Fund

The Cash Reserve Fund (CRF) is not included as part of the "General Fund Reserve" (which is the ending General Fund balance for a biennium) and was created as a separate and distinct fund to cover cash flow needs within a month or several month period. The Cash Reserve Fund also serves as a "rainy day fund" in that revenues in excess of a "certified forecast" are transferred from the General Fund to Cash Reserve fund at the end of a fiscal year.

Table 3 Cash Reserve Fund Status

	Estimated FY2002-03	Estimated FY2003-04	Estimated FY2004-05	Estimated FY2005-06	Estimated FY2006-07
<i>Beginning Balance</i>	110,066,099	59,142,545	147,564,721	174,425,863	171,996,559
Cash Reserve Fund Transfers-automatic	0	0	0	0	0
To/from Gen Fund per current law	(87,400,000)	(3,000,000)	19,500,000	0	0
To/from Gen Fund-cash flow (payback in line 3)	(30,000,000)	30,000,000	0	0	0
From Federal fiscal assistance, flexible grant	29,095,931	29,096,000	0	0	0
From cigarette tax (LB1085-2002) +stamp discount	22,980,515	32,711,983	8,119,322	0	0
From Highway Trust (MV sales tax, 1 yr, 1/2 cent)	14,400,000	0	0	0	0
To/From Muni Natural Gas Fund	370,000	0	0	0	0
To General Fund per Committee Budget	0	(3,000,000)	(3,000,000)	0	0
To NCCF for new Fitzgerald Vets Home (est flow)	0	(755,807)	(758,180)	(2,429,304)	(1,784,416)
<i>Projected Ending Balance (Current Est.=)</i>	59,142,545	147,564,721	174,425,863	171,996,559	170,212,143

## Cash Reserve Fund Transfers - Automatic

Shown on line 3 of the Financial Status, revenues in excess of "certified" forecasts are required by statute to be transferred from the General Fund to the Cash Reserve Fund. FY99-00 was the last year in which revenues exceeded the certified forecast. Those excess amounts were transferred to the Cash Reserve Fund at the start of FY00-01. Actual receipts for both FY00-01 and FY01-02 were well below the certified forecast therefore no automatic transfers to the Cash Reserve Fund.

## Cash Reserve Fund Transfers - Cash Flow

The initial primary purpose of the Cash Reserve Fund was to provide cash flow within a fiscal year when the General Fund balance was not adequate to make timely payments. When displaying the financial status of the fund on a fiscal year basis, these transfers only appear when any transfers-in are not repaid at the close of a fiscal year. There were \$30 million of cash flow "borrowings" that were made in June 2003 that were not yet repaid at the close of FY02-03. Therefore the status here shows the "borrowed" amount in FY02-03 with a subsequent repayment in FY03-04.

## Cash Reserve Fund Transfers-Legislative

Unlike the automatic transfers that occur after the close of the fiscal year and are statutorily required, other transfers can take place as specifically enacted by the Legislature.

2001 Session: The budget enacted in the 2001 Session included transfers from the Cash Reserve Fund to the General Fund totaling \$89.7 million over the two-year biennium, \$24.8 million in FY01-02 and \$64.9 million in FY02-03.

2002 Session: The FY02-03 transfer was increased by \$22.5 million (to a total of \$87.4 million) with this \$22.5 million transfer being reversed back to the Cash Reserve Fund in FY04-05. In addition, LB1085 contained a 30 cent increase in the cigarette tax for two years with the revenues credited to the Cash Reserve Fund totaling \$64 million over the next three years.

2002 Special Session: LB 1 provided for a \$14.4 million transfer from Highway Trust which is the equivalent to the sales tax on motor vehicles generated from the one-time 1/2 cent increase in LB1085. Also LB 46 changed a discount provision for cigarette tax stamps and increased the net amount of the 30 cent tax increase in LB1085.

2003 Session LB 798 provided for additional legislative transfers to the General Fund of \$3 million in both FY04 and FY05. Also in LB 798, a total of \$5,727,707 is to be transferred to the Nebraska Capital Construction Fund (NCCF) at the discretion of the Budget Administrator to finance the replacement of the Fitzgerald Veterans Home in Omaha. The cash flow shown in the above table is based on the estimated cash flow of the project.

### **Temporary State Fiscal Relief**

The federal "Jobs and Growth Tax Relief Act of 2003" contained provisions for temporary state fiscal relief. Although the timing of the passage of the act and adjournment of the 2003 legislative session did not allow time to incorporate these provisions into the Sine Die financial status, LB 798 did include a provision that " .... the Cash Reserve Fund shall receive federal funds received by the State of Nebraska for undesignated general government purposes, federal revenue sharing, or general fiscal relief of the state." Nebraska already received \$29 million late in FY02-03 and will receive another \$29 million in FY03-04.

# GENERAL FUND REVENUES



# General Fund Revenue Forecasts

Revenue estimates for FY2003-04 and FY2004-05 are the April 2003 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB) adjusted for legislation enacted during the 2003 Session and federal tax changes not previously incorporated into the projections. The preliminary estimates for the next two years (FY2005-06 and FY2006-07) are prepared by the Legislative Fiscal Office (LFO) using a "capped" historical average methodology. The process first calculates the level of revenues in the two out years that would yield a five year average growth (FY01 to FY05) roughly equal to the historical average revenue growth since FY81. If the calculated growth for those two years exceeds the average growth in "above average" years, the estimates are capped at the average growth in those "above average" years (7.2%).

**At Sine Die** Revenue growth implied by the NEFAB April forecasts average 4.7%; 2.7% in FY02-03, 5.2% in FY03-04 and 6.1% in FY04-05. The preliminary numbers for the two "out years" on the five year financial status (FY05-06 and FY06-07) derived using the historical average methodology were 6.2% in FY06 and 6.5% in FY07. At Sine Die, the historical average was 5.4%.

**Current Status** Actual receipts for FY2002-03 (\$2,456,399,835) were \$60.9 million less than the \$2,517,328,000 projection at 2003 Sine Die. Adjusted revenue growth for FY02-03 is calculated at -.4%, the second straight year of negative adjusted growth. About 96% of this "shortfall" was in the individual income tax category. *AT THIS TIME THERE IS NO CHANGE IN THE FY03-04 AND FY04-05 REVENUE FORECASTS.* The Nebraska Economic Forecast Advisory Board (NEFAB) will not meet again until October to evaluate their current revenue forecasts. In light of the \$60 million decline in FY02-03 revenues as compared to the forecast, the level of growth in FY03-04 required to achieve the current forecast has grown from 5.2% to 8.7%. This would illustrate the likelihood that the NEFAB will subsequently lower the forecasts in October. Incorporating the FY02-03 actual data also results in a lowering of the historical average to 5.1% and the two out year numbers have been adjusted to reflect the new 5.1% historical average. This reduces the growth rates for those "out years" to 5.5% in FY05-06 and 5.9% in FY06-07

Table 4 - General Fund Revenue Forecasts

	Actual FY2002-03	NEFAB+Bills FY2003-04	NEFAB+Bills FY2004-05	LFO Prelim FY2005-06	LFO Prelim FY2006-07
<b>Forecast</b>					
Sales and Use Tax	1,028,931,065	1,142,146,000	1,238,571,000	1,297,644,000	1,360,864,000
Individual Income Tax	1,129,421,651	1,307,056,000	1,388,946,000	1,475,444,000	1,606,023,000
Corporate Income Tax	111,597,406	120,008,000	122,617,000	113,984,000	111,732,000
Miscellaneous receipts	186,449,714	162,765,000	180,659,000	180,090,000	176,999,000
Total General Fund Revenues	2,456,399,836	2,731,975,000	2,930,793,000	3,067,162,000	3,255,618,000
<b>Adjusted Growth</b>					
Total General Fund Revenues	-0.5%	8.7%	6.1%	5.5%	5.9%
Five Yr Average	2.7%	--	2.8%	--	5.1%

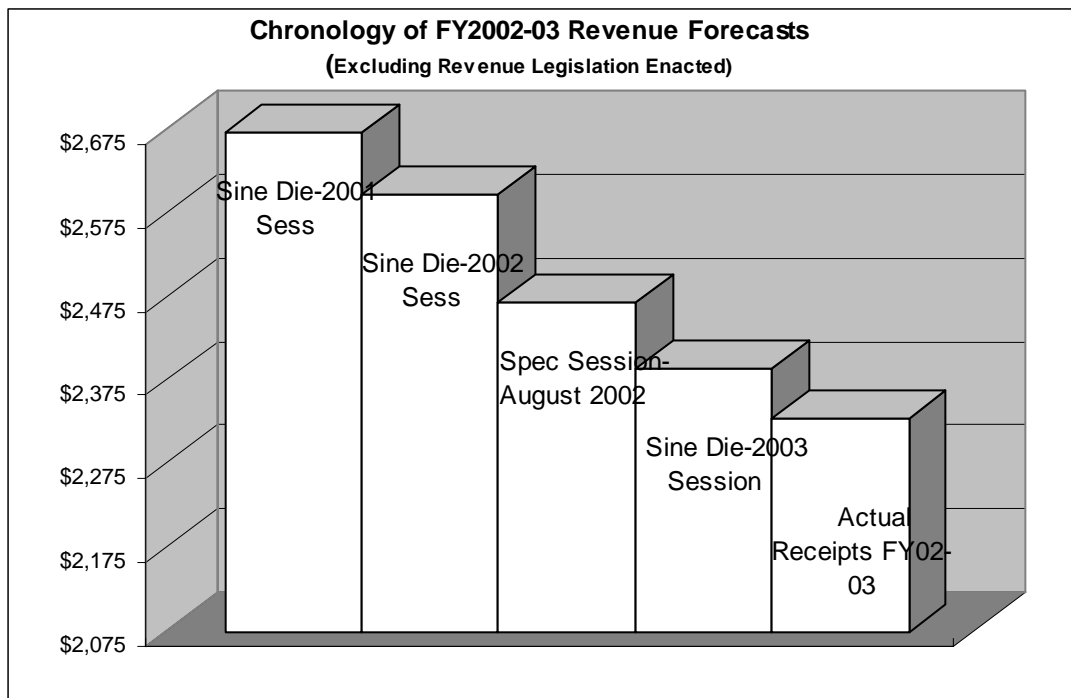
# Chronology of Revenue Forecasts

Table 5 contains a chronology of the revenue forecasts for FY2001-02 through FY2004-05. The first column shows the total revenue forecast. The last four columns breaks down the total dollar change in the forecast whether caused by federal tax changes, bills enacted by the Legislature, or simply a change in the revenue expectations.

Table 5 Chronology of Revenue Forecasts

(thousands of dollars)	Total \$	Change in Forecast			Total
		Base	Fed Chnge	Bills	
<b>FY2001-02</b>					
Board Est-October 2000	2,657,000	90,536	0	0	90,536
Board Est-February 2001	2,657,000	0	0	0	0
Board Est-April 2001	2,620,000	(37,000)	0	0	(37,000)
Sine Die-2001 Session	2,631,848	0	0	11,848	11,848
TRR Committee-July 2001	2,628,205	0	(3,643)	0	(3,643)
Board Est-October 2001	2,531,000	(97,205)	0	0	(97,205)
Spec Session-Nov 2001	2,548,844	0	0	17,844	17,844
Board Est-February 2002	2,491,000	(57,844)	0	0	(57,844)
Sine Die-2002 Session	2,491,000	0	0	0	0
Actual Receipts FY01-02	2,365,509	(125,491)	0	0	(125,491)
<b>FY2002-03</b>					
Board Est-October 2000	<b>2,807,000</b>	<b>102,464</b>	<b>0</b>	<b>0</b>	<b>102,464</b>
Board Est-February 2001	2,807,000	0	0	0	0
Board Est-April 2001	2,762,000	(45,000)	0	0	(45,000)
Sine Die-2001 Session	2,753,617	0	0	(8,383)	(8,383)
TRR Committee-July 2001	2,740,199	0	(13,418)	0	(13,418)
Board Est-October 2001	2,654,000	(86,199)	0	0	(86,199)
Spec Session-Nov 2001	2,680,985	0	0	26,985	26,985
Board Est-February 2002	2,606,000	(74,985)	0	0	(74,985)
Sine Die-2002 Session	2,694,850	0	(35,600)	124,450	88,850
Board Est-July 2002	2,565,000	(129,850)	0	0	(129,850)
Spec Session-August 2002	2,593,526	0	0	28,526	28,526
Board Est-Oct 2002	2,556,000	(37,526)	0	0	(37,526)
Board Est-Feb 2003	2,506,000	(50,000)	0	0	(50,000)
Board Est-April 2003	2,515,000	9,000	0	0	9,000
Sine Die-2003 Session	2,517,328	0	0	2,328	2,328
Actual Receipts FY02-03	2,456,400	(60,928)	0	0	(60,928)
<b>FY2003-04</b>					
LFO Prelim-October 2000	2,976,000	0	0	0	0
LFO Prelim-February 2001	2,976,000	0	0	0	0
LFO Prelim-April 2001	2,954,000	(22,000)	0	0	(22,000)
Sine Die-2001 Session	2,934,772	0	0	(19,228)	(19,228)
TRR Committee-July 2001	2,911,119	0	(23,653)	0	(23,653)
LFO Prelim-October 2001	2,864,000	(47,119)	0	0	(47,119)
Spec Session-Nov 2001	2,865,750	0	0	1,750	1,750
LFO Prelim-February 2002	2,827,000	(38,750)	0	0	(38,750)
Capped hist avg March 2002	2,763,000	(64,000)	0	0	(64,000)
Sine Die-2002 Session	2,858,078	0	(32,400)	127,478	95,078
Board Est-July 2002	2,676,000	(182,078)	0	0	(182,078)
Spec Session-August 2002	2,703,159	0	0	27,159	27,159
Board Est-Oct 2002	2,635,000	(68,159)	0	0	(68,159)
Board Est-Feb 2003	2,607,000	(28,000)	0	0	(28,000)

(thousands of dollars)	Total \$	Change in Forecast			
		Base	Fed Chnge	Bills	Total
Board Est-April 2003	2,607,000	0	0	0	0
Sine Die-2003 Session	2,737,497	0	0	130,497	130,497
TRR Committee-July 2003	2,731,975	0	(5,522)	0	(5,522)
<b>FY2004-05</b>					
LFO Prelim-October 2000	3,165,000	0	0	0	0
LFO Prelim-February 2001	3,165,000	0	0	0	0
LFO Prelim-April 2001	3,165,000	0	0	0	0
Sine Die-2001 Session	3,140,529	0	0	(24,471)	(24,471)
TRR Committee-July 2001	3,108,769	0	(31,760)	0	(31,760)
LFO Prelim-October 2001	3,087,000	(21,769)	0	0	(21,769)
Spec Session-Nov 2001	3,087,000	0	0	0	0
LFO Prelim-February 2002	3,087,000	0	0	0	0
Capped hist avg March 2002	2,951,000	(136,000)	0	0	(136,000)
Sine Die-2002 Session	2,989,578	0	(25,300)	63,878	38,578
<b>Board Est-July 2002</b>	<b>2,710,000</b>	<b>(279,578)</b>	<b>0</b>	<b>0</b>	<b>(279,578)</b>
Spec Session-August 2002	2,737,243	0	0	27,243	27,243
Board Est-Oct 2002	2,688,000	(49,243)	0	0	(49,243)
Board Est-Feb 2003	2,697,000	9,000	0	0	9,000
Board Est-April 2003	2,700,000	3,000	0	0	3,000
Sine Die-2003 Session	2,942,046	0	0	242,046	242,046
TRR Committee-July 2003	2,930,793	0	(11,253)	0	(11,253)



# Historical General Fund Revenues

From the numbers shown above, a simple percent change over the prior year can be calculated. While these simple percent changes are appropriate when looking at the actual changes over time, they do not represent what is commonly referred to as revenue growth. *For purposes here, revenue growth means the growth in revenues caused by economic activity and inflation as arrived at by adjusting for items such as tax base and rate changes, legislation enacted, and one-time extraordinary items.* The objective is to measure underlying patterns of revenue growth ignoring such changes.

Table 6 Actual and Projected General Fund Revenues

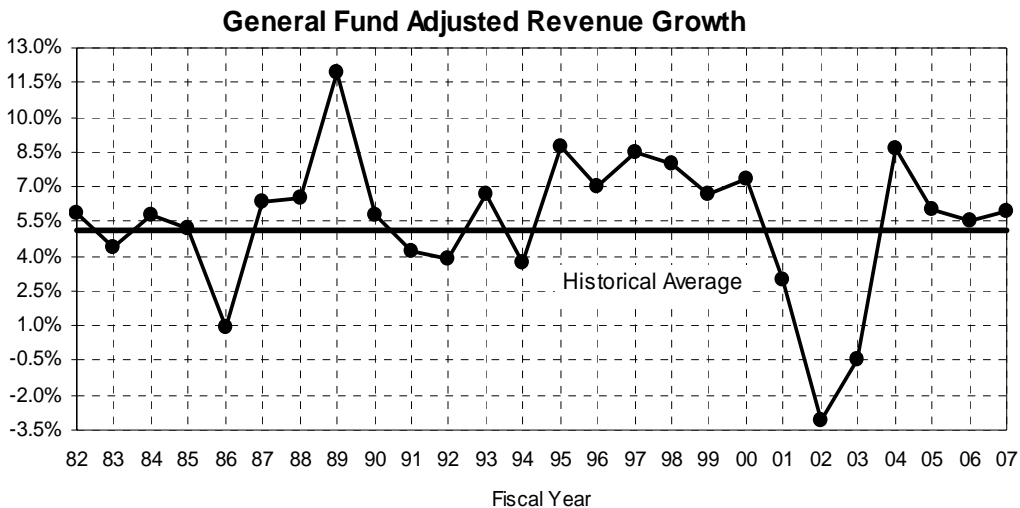
Fiscal Year	Sales and Use Tax	Individual Income Tax	Corporate Income Tax	Miscellaneous Taxes and Fees	Total Net Receipts	Adjusted Growth
FY 1989-90	444,231,183	501,134,237	71,948,124	135,396,459	1,152,710,003	5.8%
FY 1990-91	547,372,735	609,430,580	81,947,961	128,325,622	1,367,076,898	4.3%
FY 1991-92	592,441,836	658,634,300	103,617,106	135,716,137	1,490,409,379	3.9%
FY 1992-93	586,355,271	690,350,753	102,754,927	145,200,908	1,524,661,859	6.7%
FY 1993-94	648,846,708	722,360,866	113,142,771	169,401,912	1,653,752,257	3.7%
FY 1994-95	683,852,397	746,717,579	123,923,674	150,995,891	1,705,489,541	8.7%
FY 1995-96	711,008,684	846,550,249	126,801,468	152,380,385	1,836,740,786	7.0%
FY 1996-97	755,907,807	944,117,130	137,337,967	172,241,113	2,009,604,017	8.5%
FY 1997-98	803,805,374	981,643,795	142,150,133	177,852,119	2,105,451,422	8.0%
FY 1998-99	744,650,752	1,078,522,994	135,033,658	165,661,901	2,123,869,305	6.7%
FY 1999-00	900,427,469	1,180,363,301	140,021,942	183,111,959	2,403,924,670	7.3%
FY 2000-01	905,023,176	1,233,363,553	138,040,082	180,435,044	2,456,861,855	3.0%
FY 2001-02	918,889,782	1,159,810,647	107,628,074	179,180,246	2,365,508,749	-3.1%
FY 2002-03	1,028,931,065	1,129,421,651	111,597,405	186,449,714	2,456,399,835	-0.4%
FY 2003-04 NEFAB *	1,142,146,000	1,307,056,000	120,008,000	162,765,000	2,731,975,000	8.7%
FY 2004-05 NEFAB *	1,238,571,000	1,388,946,000	122,617,000	180,659,000	2,930,793,000	6.0%
FY 2005-06 Prelim *	1,297,644,000	1,475,444,000	113,984,000	180,090,000	3,067,162,000	5.5%
FY 2006-07 Prelim *	1,360,864,000	1,606,023,000	111,732,000	176,999,000	3,255,618,000	5.9%

The underlying revenue growth as calculated for the past 10 years and the existing forecasts are shown in Table 7. The average growth for the past five years of actual receipts (FY1998-99 to FY2002-03) is 2.7% per year, about half the 22-year historical average of 5.1%. In the upcoming biennium (FY04/FY05), the NEFAB forecasts yield a revenue growth averaging 6% per year slightly above the historical average. For the following biennium (FY04/FY05) the preliminary LFO estimates also reflect a revenue growth at the historical average, about 6.0% per year. As noted previously, these preliminary estimates are prepared by the Legislative Fiscal Office (LFO), using a revenue growth for those two years which, when averaged with the three prior years, yields a five year average growth (FY00 to FY05) roughly equal to the historical average revenue growth since 1981 (5.4%).

Table 7 Adjusted General Fund Revenue Growth

	Sales / Use Tax	Individual Income Tax	Corporate Income Tax	Misc. Receipts	Total
<b><u>ADJUSTED GROWTH</u></b>					
FY1982-83 Actual	1.8%	12.4%	-28.0%	4.1%	4.4%
FY1983-84 Actual	6.9%	2.2%	27.0%	3.6%	5.8%
FY1984-85 Actual	4.7%	5.5%	12.2%	5.6%	5.2%
FY1985-86 Actual	-1.1%	9.0%	-20.2%	-3.5%	0.9%
FY1986-87 Actual	2.2%	7.9%	17.9%	6.9%	6.3%
FY1987-88 Actual	6.7%	8.0%	12.6%	-2.8%	6.5%
FY1988-89 Actual	10.3%	14.6%	15.8%	5.3%	11.9%
FY1989-90 Actual	6.2%	9.4%	-4.7%	-3.1%	5.8%
FY1990-91 Actual	1.6%	7.2%	5.3%	1.6%	4.3%
FY1991-92 Actual *	3.8%	1.7%	12.9%	8.8%	3.9%
FY1992-93 Actual *	7.5%	6.9%	9.1%	-0.3%	6.7%
FY1993-94 Actual *	5.2%	2.4%	0.3%	7.1%	3.7%
FY1994-95 Actual *	9.7%	7.4%	19.2%	1.3%	8.7%
FY1995-96 Actual	5.6%	8.4%	8.9%	5.2%	7.0%
FY1996-97 Actual	4.9%	13.4%	7.0%	1.4%	8.5%
FY1997-98 Actual	7.3%	10.3%	3.9%	0.1%	8.0%
FY1998-99 Actual	4.5%	10.3%	-3.0%	4.8%	6.7%
FY1999-00 Actual	5.7%	9.6%	4.3%	2.5%	7.3%
FY2000-01 Actual	1.8%	5.0%	-1.2%	-1.6%	3.0%
FY2001-02 Actual	1.0%	-4.7%	-19.0%	0.7%	-3.1%
FY2002-03 Actual	0.8%	-1.1%	2.6%	-5.9%	-0.4%
FY2003-04 NEFAB	5.4%	12.2%	10.0%	-0.4%	8.7%
FY2004-05 NEFAB	6.7%	6.2%	5.9%	-0.2%	6.0%
FY2005-06 Prelim	5.2%	6.5%	-2.3%	5.8%	5.5%
FY2006-07 Prelim	4.8%	7.5%	-3.2%	8.0%	5.9%
<b><u>AVERAGE GROWTH:</u></b>					
Above Average Years (13)	6.1%	8.6%	8.6%	2.8%	6.9%
Below Average Years (8)	1.9%	4.0%	-5.9%	1.4%	2.1%
Historical Average (21 yrs)	4.6%	6.8%	2.5%	1.3%	5.1%

\*Due to the difficulty of estimating cash flow of several adjustments, a better reflection of the growth in FY94 and FY95 is to look at the average of approx. 6.5% over the two years.



# General Fund Transfers-Out

This area tabulates funds that are transferred from the General Fund to another fund within the state treasury. These items have the same affect as an appropriation but are not expended as such and thus are shown under the revenue category (see line 10 and 14 on the Financial Status).

Transfers-Out include a continuation of the \$1.5 million per year for ethanol credits as well as \$140,000 per year for the Trail Development Assistance fund, a \$10,000 reduction from prior years. The only "new" transfer is \$800,000 in FY02-03 for the DAS Insurance Fund. These funds are required by the Risk Manager for the State Insurance Fund to cover the self-insured portion of the state's insurance policy for two judgments against the State involving the State Patrol. One case involves a hot pursuit where the Nebraska Supreme Court ruled against the State while the other case involves an auto accident involving a State Patrol car. While the deficit is a revolving fund expenditure, the source of revenue in this instance is a transfer from the General Fund.

Table 8 General Fund Transfers-Out

Excludes CRF transfers	FY2002-03	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Ethanol Credits	0	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Trail Development Assistance Fund	(150,000)	(140,000)	(140,000)	(140,000)	(140,000)
LB1003 Water Policy Task Force	(250,000)	0	0	0	0
Low-Level Radioactive Waste Cash Fund	(4,100,000)	0	0	0	0
DAS State Insurance Fund	(800,000)	0	0	0	0
<i>Total-General Fund Transfers-Out</i>	<i>(5,300,000)</i>	<i>(1,640,000)</i>	<i>(1,640,000)</i>	<i>(1,640,000)</i>	<i>(1,640,000)</i>

# General Fund Transfers-In

There are only a few instances in statute where monies in a cash fund can be transferred to the General Fund at the discretion of the Legislature. Historically, these transfers are not shown until enacted by the Legislature. However, the FY03-04 and FY04-05 NEFAB forecasts already include \$15 million transfers from the Securities Act Cash Fund to the General Fund in both FY04 and FY05 based on legislative intent and as illustrated in the Financial Status utilized during the 2002 Special Session. For FY02-03, the \$1.1 million amount shown reflects only changes to existing fund transfers of which \$50.4 million is already included in the revenue forecast for FY03.

In terms of "new" transfers-in during the 2003 Session, there are lapses from five funds from which monies had been lapsed in prior years including \$2 million per year from the Insurance Cash fund.

There are several additional lapses from previously untapped sources and required legislative authorization. These include (1) \$2 million per year from the Game and Parks Recreation

Road fund, (2) \$700,000 total from the Unclaimed Property Fund (monies previously shown as available under a proposed central receipting bill), (3) an estimated \$2.5 million from the Military Dept sale of property after covering the state matching costs for the new operations center, and(4) \$2.48 million in FY04 and FY05 by redirecting cigarette tax monies from the Municipal Infrastructure Redevelopment Fund (MIRF) to the General Fund.

Table 9 General Fund Transfers-In

	FY2002-03	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Securities Act Cash Fund	16,500,000	15,000,000	15,000,000	0	0
Dept of Insurance Cash Fund	3,000,000	0	0	0	0
Dept of Motor Vehicles Cash Fund	1,000,000	0	0	0	0
Charitable Gaming Oper Fund	292,000	0	0	0	0
Tobacco Products Admin Cash Fund	2,500,000	0	0	0	0
HHS Bureau of Examining Board	4,000,000	0	0	0	0
DAS Recycling Fund	250,000	0	0	0	0
MV Industry Licensing Board	500,000	0	0	0	0
Education Innovation Fund	3,618,199	0	0	0	0
Workers Comp Cash Fund	4,000,000	0	0	0	0
Petroleum Release Remedial Action Cash Fund	10,100,000	0	0	0	0
State Patrol Cash Fund	500,000	0	0	0	0
Professional Practices Commission Fund	350,000	0	0	0	0
Waste Reduction/Recycling Incentive Fund	2,100,000	0	0	0	0
Child Abuse Prevention Fund	800,000	0	0	0	0
State Bldng Revolving/Vacant Bldng Fund	874,257	0	0	0	0
<i>Transfers-In already in the forecast</i>	50,384,456	15,000,000	15,000,000	0	0
Dept of Insurance Cash Fund	0	2,000,000	2,000,000	0	0
Dept of Motor Vehicles Cash Fund	1,000,000	575,962	575,962	0	0
Charitable Gaming Oper Fund	0	814,360	432,456	0	0
Tobacco Products Admin Cash Fund	0	1,800,000	0	0	0
Motor Vehicle Industry Licensing Board	100,000	100,000	50,000	0	0
Light Density Rail Line Assistance Fund	0	118,323	0	0	0
Military Dept, excess of building sales (LB403)	0	0	2,500,000	0	0
Game & Parks Recreation Road Fund (LB 408)	0	2,000,000	2,000,000	0	0
Unclaimed Property lapse (LB 424)	0	200,000	500,000	0	0
Information Technology Infrastructure Fund	0	1,088,472	0	0	0
Internet Enhancement Fund	0	100,000	0	0	0
MIRF (starting July 2005) (LB 440)	0	2,480,000	2,480,000	0	0
Nebr Scholarship Act, ed lottery funds (LB 574)	0	(2,000,000)	(2,000,000)	1,500,000	0
<i>General Fund Transfers-In 2003 Session</i>	1,100,000	9,277,117	8,538,418	1,500,000	0
<i>Total General Fund Transfers-In</i>	51,484,456	24,277,117	23,538,418	1,500,000	0

# Revenue Legislation - 2003 Session

The amount of revenue legislation enacted during the 2003 Session was significant. As noted earlier, about 48% of the projected \$759 million budget shortfall was covered with assorted revenue increases. Over the two year biennium, \$372 million of revenues were enacted excluding any Cash Reserve Fund transfers. About 71% of these additional revenues are attributed to continuation of previously enacted sales, income, and cigarette tax increases.

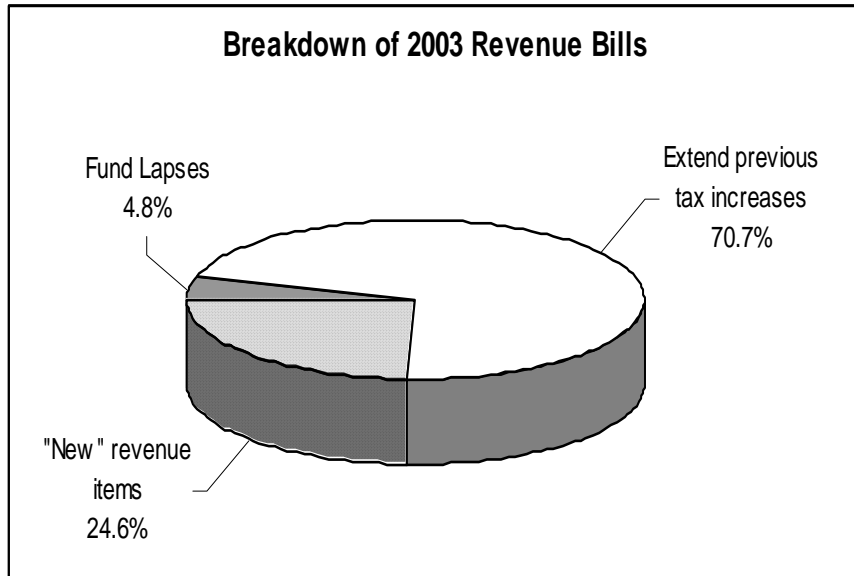


Table 10 Revenue Bills Enacted - 2003 Session

	FY2003-04	FY2004-05	FY2005-06	FY2006-07
LB 66 Reimbursement claims, School Technology Fund	(668,000)	unknown	0	0
LB 72 Income tax checkoff, Nebr State Fair	43,800	7,270	0	0
LB 168 Sales tax, equip/parts purchased by another state	(128,000)	(130,000)	(132,000)	(134,000)
LB 187 Change corridor protection laws, PSC motor carrier fees	88,000	164,800	164,800	164,800
LB 283 Beer/Liquor tax (impact is e clause)	1,348,000	In LB 759	In LB 759	In LB 759
LB 381 Changes, sales tax rented/leased vehicles	0	0	0	0
LB 408 Shift Fire Marshal premium tax, cash flow	1,700,000	1,700,000	1,700,000	1,700,000
LB 524 Corporate occupation tax, annual to a biennial basis	6,400,000	(6,400,000)	6,400,000	(6,400,000)
LB 572 Cigarette tax stamp changes	0	810,000	1,290,000	1,280,000
LB 608 Changes, Employment Expansion/Invest Incentive Act	0	1,456,000	1,276,000	1,219,000
LB 622 Changes, County Property Tax Relief Act, MEF lapse	1,978,000	1,529,000	1,002,000	414,000
LB 759 Sales tax base, liquor, estate, child care, MV 1/2 cent	110,357,000	234,371,000	251,269,000	260,581,000
LB 790 State Natural Gas Regulation Act	100,000	0	0	0
<b>Subtotal</b>	<b>121,218,800</b>	<b>233,508,070</b>	<b>262,969,800</b>	<b>258,824,800</b>
Cash Fund Lapses (see GF Transfers-In)	9,277,117	8,538,418	1,500,000	0
LB 596 and impact of federal tax changes (net)	(5,522,000)	(11,253,000)	(25,308,000)	(11,207,000)
<b>Total-Revenue Legislation - 2003 Session</b>	<b>124,973,917</b>	<b>230,793,488</b>	<b>239,161,800</b>	<b>247,617,800</b>



## LB 759

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This bill was the “omnibus” revenue bill for the 2003 Session accounting for 93% of all revenues enacted. LB 759: (1) increases alcoholic beverage tax rates for beer, distilled spirits, farm wine, and wine, (2) changes estate tax brackets and rates to offset federal changes; (3) extends indefinitely the temporary tax increases enacted by LB 1085 during the 2002 Session, including the temporary two-year cigarette tax increase, the temporary one-year sales and use tax rate increase, and the temporary one-year individual income tax rate increase; (4) reallocates sales tax on motor vehicles above 5% to the General Fund, (5) subjects a variety of services to sales and use taxes; (6) eliminates the sales tax exemption for newspaper advertising supplements; and (7) delays until January 1, 2007, the operative date for the business child care tax credit program enacted by Laws 2001, LB 433..

**Alcoholic Beverage Taxes** LB 759 increases alcoholic beverage tax rates for: beer, from 23 cents to 31 cents per gallon; distilled spirits, from \$3.00 to \$3.75 per gallon; farm wine, from 5 cents to 6 cents per gallon; and wine, other than farm wine, from 75 cents to 95 cents per gallon.

**Estate Taxes** Provisions of LB 286 were amended into LB 759 which change Nebraska’s estate tax brackets and rates. These provisions were also added by amendment to LB 283. LB 283. These changes were made to basically offset the impact of revenue losses in estate tax revenues at the state level attributed to federal changes.

**Cigarette and Tobacco Products Tax** The temporary two-year cigarette and tobacco products tax rate increases enacted by Laws 2002, LB 1085, are extended indefinitely rather than being allowed to expire October 1, 2004. The cigarette tax rate was increased from 34 cents to 64 cents, while the tobacco products tax rate was increased to 20 percent (up from 15 percent). While the two-year temporary increase under LB1085 had the additional revenues credited to the Cash Reserve Fund, LB759 has the additional revenues credited to the General Fund starting October 1, 2004.

**Income Tax** LB 759 extends indefinitely the temporary one-year individual income tax increase enacted by Laws 2002, LB 1085. LB 1085 increased individual income tax rates, on average, by 2.2 percent. Specifically, individual income tax rates will continue to be 2.56% for the lowest income tax bracket; 3.57% for the second lowest income tax bracket; 5.12% for the second highest income tax bracket; and 6.84% for the highest income tax bracket.

**Sales Tax Rate** The one-year sales tax increase enacted in LB 1085-2002 (5% to 5.5% from October 2002 to October 2003) is extended indefinitely under LB 759.

**Sales Tax on Motor Vehicles** LB 759 provides that any sales tax collected on motor vehicles that is attributable to any rate of tax greater than 5% be deposited in the state General Fund rather than the Highway Trust Fund. During the 2002 Special Session, the equivalent of .5% of the sales tax on motor vehicles was reallocated to the Cash Reserve

Fund, in essence capturing the extra funds generated from the temporary increase in the sales tax from 5% to 5.5% enacted in LB1085-2002. This provision of LB 759 statutorily extends that practice with the indefinite extension of the 5.5% sales tax rate.

**Sales Tax Base Expansion** LB759 expands the sales tax base to include (1) labor by a contractor, excluding labor in connection with: the first or original construction of a structure; the addition of an entire room or floor to any existing building; the completion of an unfinished portion of an existing structure; and the restoration, reconstruction, or replacement of a structure damaged or destroyed by natural disaster; (2) labor for repair or maintenance services on personal property except motor vehicles, (3) gross receipts for providing a service includes gross income received for services of recreational vehicle parks; animal specialty services (except veterinary services and specialty services performed on livestock), and detective services; and (4) repeal the sales tax exemption for newspaper advertising supplements.

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Extend LB 1085 (sales tax)	70,798,000	109,305,000	113,190,000	118,234,000
Extend LB1085 (income tax)	0	34,375,000	36,174,000	38,153,000
Extend LB1085 (cig tax, tobacco products)	(1,096,000)	23,040,000	31,725,000	31,494,000
Extend 1/2 cent on MV from Highway Fund to Gen Fund	10,983,000	15,806,000	16,302,000	16,798,000
Subtotal - Continuation of prior tax changes	80,685,000	182,526,000	197,391,000	204,679,000
Sales tax-construction services	19,454,000	35,724,000	37,106,000	38,544,000
Sales tax-repair labor (personal property excluding MV)	4,642,000	7,228,000	7,515,000	7,736,000
Sales tax-RV parks	85,000	150,000	154,000	160,000
Sales tax-animal specialty services	123,000	212,000	221,000	230,000
Sales tax-private investigations	87,000	131,000	138,000	143,000
Sales tax-newspaper ad supplements	102,000	145,000	150,000	153,000
Alcohol / liquor tax	3,593,000	5,390,000	5,390,000	5,390,000
Estate tax correction	0	880,000	918,000	956,000
Defer child care tax credit changes	1,586,000	1,985,000	2,286,000	2,590,000
Subtotal - New Revenues	29,672,000	51,845,000	53,878,000	55,902,000
Total Impact - LB759	110,357,000	234,371,000	251,269,000	260,581,000

## LB 596 AND IMPACTS OF FEDERAL TAX CHANGES

Federal tax law changes contained in the "Jobs and Growth Tax Relief Act of 2003" included several provisions which affected Nebraska tax revenues. Those provisions which most affected Nebraska tax revenue:

- accelerate the increase in the standard deduction for joint filers to twice that of single filers to make such increase applicable to 2003 and 2004,
- increases the \$49,000 and \$35,750 (for 2001 through 2004) alternative minimum tax exemption amounts to \$58,000 and \$40,250 (for 2003 and 2004), respectively.

- provides an additional first-year depreciation deduction equal to 50 percent of the adjusted basis of qualified property. Qualified property is defined in the same manner as for purposes of the 30-percent additional first-year depreciation deduction provided by the Job Creation and Workers Assistance Act of 2002, except that the applicable time period for acquisition (or self construction) of the property is modified. In general, in order to qualify for the 50-percent additional depreciation deduction, the property must be acquired after May 5, 2003, and before January 1, 2005.
- increases the \$25,000 expensing allowance to \$100,000 for 2003 through 2005, the \$200,000 phase-out limit to \$400,000 for 2003 through 2005, and includes off-the-shelf computer software placed in service in 2003 through 2005 as qualifying property. Provides for inflation adjustments.

Overall these provisions were projected to reduce state General Fund revenues by \$38.1 million in FY03-04, \$64.7 million in FY04-05, \$135.3 million in FY05-06, and \$65.3 million in FY06-07. LB 596 amends state tax law to largely offset these tax losses.

LB 596 amends state law to increase federal adjusted gross income (or for corporations, federal taxable income) by the amount of additional depreciation received due to both last year's federal legislation and the Jobs and Growth Tax Act of 2003. Pass through entities like partnerships, LLCs, etc. are to distribute the add back in the same way income is distributed. Multi-state corporations are to apportion the add-back to Nebraska in the same way income is apportioned. Deduction of the amount of extra depreciation added back would be allowed over five years beginning in 2006.

The bill also requires taxpayers to add back any capital expensing under section 179 of the I.R.C that is in excess of \$25,000 that is allowed under the federal Jobs and Growth Tax Act of 2003. Deduction of the amount of extra capital expensing added back would be allowed over five years beginning in 2006.

The bill also amended section 77-2716.01 to place the 2003 federal standard deduction in the statute and provide that it shall be adjusted annually beginning in 2004. The adjustment method is as provided by section 151 of the Internal Revenue Code of 1986, as amended. The standard deduction for 2003 is \$4,750 for single taxpayers, \$7,000 for head of household taxpayers, \$7,950 for married filing jointly, and \$3,975 for married filing separately.

Table 11 provides a breakout of the tax loss from the federal "Jobs and Growth Tax Relief Act of 2003" and offsetting revenues under the provisions of LB596

Table 11 Impact of Federal Tax Changes and LB 596

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
<b>Nebraska Impact of Federal Changes</b>				
Standard Deduction Change	(16,072,000)	(16,521,000)	(17,407,000)	(18,368,000)
Alternative Minimum Relief	(1,138,000)	(1,191,000)	(36,000)	0
Bonus Depreciation	(17,069,000)	(42,791,000)	(112,783,000)	(39,178,000)
Small Business Expensing	(3,840,000)	(4,183,000)	(5,099,000)	(7,756,000)
Subtotal-Impact of Fed Tax changes	(38,119,000)	(64,686,000)	(135,325,000)	(65,302,000)
<b>LB596 Impact</b>				
Standard Deduction Change	16,072,000	16,521,000	17,407,000	18,368,000
Alternative Minimum Relief	0	0	0	0
Bonus Depreciation	13,490,000	33,645,000	88,637,000	29,665,000
Small Business Expensing	3,035,000	3,267,000	3,973,000	6,062,000
Subtotal-LB596 Offset	32,597,000	53,433,000	110,017,000	54,095,000
Net Impact	(5,522,000)	(11,253,000)	(25,308,000)	(11,207,000)

## LB 622

LB 622 eliminates funding for the County Property Tax Relief Act (CPTRA) for FY03-04 and FY04-05 and provides for a minimum levy adjustment starting in FY05-06. The bill also makes changes in distributions from the Municipal Equalization Fund (MEF).

The Municipal Equalization Fund (MEF) is financed by an earmark of the state's fee for collecting city sales taxes. Under previous law, money in the MEF fund in excess of the amount needed to fund the MEF formula, was distributed back to cities on a per capita basis. Under LB 622, (a) \$1,006,000 of the excess money in the MEF for fiscal year 2002-2003 will be distributed along with and in the same manner as provided for in Neb. Rev. Stat. sec. 77-27,137.01 and the remainder will be credited to the state's General Fund and (b) the excess money in the MEF that exceeds \$300,000 for fiscal year 2003-2004 and fiscal years thereafter will be credited to the state's General Fund and the first \$300,000 will be distributed in the same manner as provided in Neb. Rev. Stat. sec. 77-27,137.01 to municipalities that have not adopted a local option sales tax by January 1 of the fiscal year for which the fund is distributed.

With respect to the County Property Tax Relief Act (CPTRA), LB622 provides that (1) no funds will be distributed under the program for fiscal years 2003-04 and 2004-05, and (2) a minimum levy is required as a condition for receiving aid under the program in years after 2004-05. Under LB 622, any aid for which the county was eligible will be reduced by an amount equal to the valuation of the county divided by 100, times the amount the non-bond levy of the county for the prior year fell short of the minimum levy of 40 cents per \$100 of taxable valuation. This program provides about \$4 million of equalized aid to counties that have below average valuation per road mile maintained by the county.

# **GENERAL FUND APPROPRIATIONS**

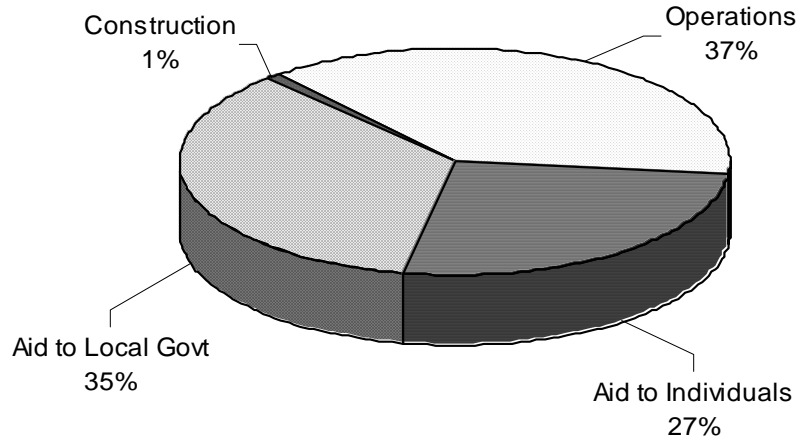
# General Fund Overview

Table 12 contains a summary of the Appropriations Enacted General Fund budget for the FY2003-04 and FY2004-05 biennium. Subsequent sections of this report contain a more detailed explanation of the various increases and reductions which are included in the totals shown below. The average spending growth for the two years of the biennium is 2.5%.

Table 12 General Fund Budget

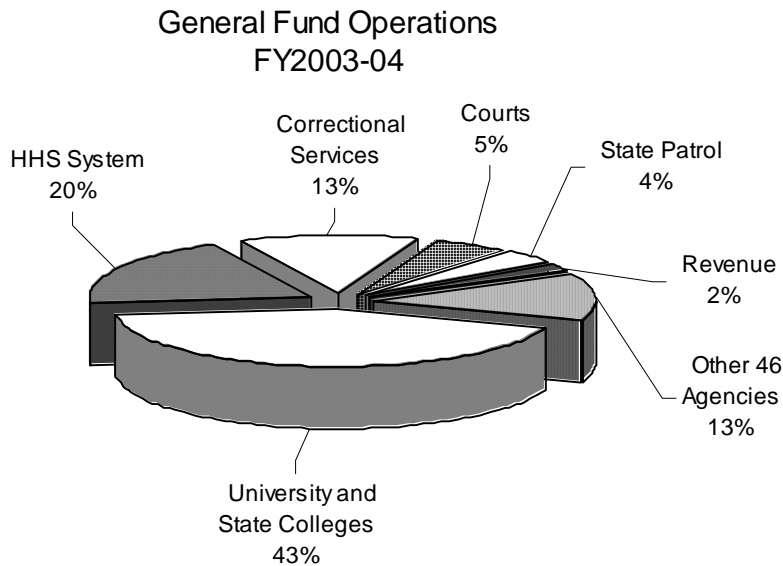
	w/o Deficits FY2002-03	Per 2003 Session		Change over Prior Yr (without deficits)				Two Yr Average
		FY2003-04	FY2004-05	FY2003-04		FY2004-05		
				\$	%	\$	%	
<b><u>AGENCY OPERATIONS</u></b>								
University/Colleges	448,707,592	427,535,958	437,816,604	(21,171,634)	-4.7%	10,280,646	2.4%	-1.2%
Health/Human Services System	189,807,430	195,115,592	200,302,176	5,308,162	2.8%	5,186,584	2.7%	2.7%
Correctional Services	117,101,371	130,914,594	130,287,791	13,813,223	11.8%	(626,803)	-0.5%	5.5%
Courts	54,389,576	54,950,666	55,748,194	561,090	1.0%	797,528	1.5%	1.2%
State Patrol	39,266,782	39,648,855	41,259,860	382,073	1.0%	1,611,005	4.1%	2.5%
Revenue	20,403,047	20,590,698	21,059,960	187,651	0.9%	469,262	2.3%	1.6%
Other 46 Agencies	134,052,946	130,898,898	133,085,678	(3,154,048)	-2.4%	2,186,780	1.7%	-0.4%
Total-GF Operations	1,003,728,744	999,655,261	1,019,560,263	(4,073,483)	-0.4%	19,905,002	2.0%	0.8%
<b><u>STATE AID TO INDIVIDUALS</u></b>								
Medicaid	400,248,752	416,751,984	476,760,382	16,503,232	4.1%	60,008,398	14.4%	9.1%
Public Assistance	137,176,998	178,283,984	200,321,799	41,106,986	30.0%	22,037,815	12.4%	20.8%
Developmental disabilities	54,519,634	56,264,621	58,032,370	1,744,987	3.2%	1,767,749	3.1%	3.2%
Behavioral Health aid	31,756,515	31,405,597	30,919,130	(350,918)	-1.1%	(486,467)	-1.5%	-1.3%
Higher Ed Student Aid programs	5,874,210	5,795,794	5,802,794	(78,416)	-1.3%	7,000	0.1%	-0.6%
Aging Programs	5,696,975	5,696,975	5,696,975	0	0.0%	0	0.0%	0.0%
Water Conservation Fund	2,715,610	2,715,610	2,715,610	0	0.0%	0	0.0%	0.0%
Public Health Aid	2,911,792	2,911,792	2,911,792	0	0.0%	0	0.0%	0.0%
All Other Aid to Individuals/Other	6,711,308	5,607,948	7,695,735	(1,103,360)	-16.4%	2,087,787	37.2%	7.1%
Total-GF Aid to Individuals/Other	647,611,794	705,434,305	790,856,587	57,822,511	8.9%	85,422,282	12.1%	10.5%
<b><u>STATE AID TO LOCAL GOVT</u></b>								
State Aid to Schools (TEEOSA)	647,477,820	625,915,582	607,697,160	(21,562,238)	-3.3%	(18,218,422)	-2.9%	-3.1%
Special Education	146,164,827	153,473,068	161,146,721	7,308,241	5.0%	7,673,653	5.0%	5.0%
Aid to Community Colleges	65,158,738	62,376,556	63,203,664	(2,782,182)	-4.3%	827,108	1.3%	-1.5%
Homestead Exemption	37,880,000	43,000,000	45,200,000	5,120,000	13.5%	2,200,000	5.1%	9.2%
Aid to Cities	13,148,625	11,313,762	11,313,762	(1,834,863)	-14.0%	0	0.0%	-7.2%
Aid to ESU's	12,347,996	10,618,003	10,618,003	(1,729,993)	-14.0%	0	0.0%	-7.3%
Aid to Counties	5,545,356	4,990,820	4,990,820	(554,536)	-10.0%	0	0.0%	-5.1%
County jail cost reimbursement	3,910,000	3,519,000	3,519,000	(391,000)	-10.0%	0	0.0%	NA
County Property Tax Relief	4,505,374	0	0	(4,505,374)	-100.0%	0	na	-100.0%
Other Aid to Local Govt	15,772,708	14,478,220	14,478,220	(1,294,488)	-8.2%	0	0.0%	-4.2%
Total-GF Aid to Local Govt	951,911,444	929,685,011	922,167,350	(22,226,433)	-2.3%	(7,517,661)	-0.8%	-1.6%
<b><u>CAPITAL CONSTRUCTION</u></b>								
	18,044,257	20,515,031	19,046,316	2,470,774	13.7%	(1,468,715)	-7.2%	2.7%
<b><u>TOTAL-GENERAL FUNDS</u></b>								
	2,621,296,239	2,655,289,608	2,751,630,516	33,993,369	1.3%	96,340,908	3.6%	2.5%

## FY2003-04 General Fund Budget



### AGENCY OPERATIONS

This accounts for the costs of actually operating state agencies including costs such as employee salaries and benefits, data processing, utilities, vehicle and equipment purchases, fuel and oil, etc... In the FY03-04 enacted budget, 37.6% of all General Fund appropriations are for agency operations.



Although there are 54 state agencies that receive General Fund appropriations, higher education (University of Nebraska and State Colleges) and the five largest agencies (Health and Human Services, Corrections, Courts, and State Patrol) account for over 87% of state operations.

Operations show a net increase of \$4.1 million (.4%) in FY03-04 and a \$19.9 million increase (2.0%) in FY04-05.

Major increases in FY03-04 were salary and health insurance (\$23.9 million) and Corrections medical costs (\$11.7 million relating to annualizing the FY03 deficit).

These increases were offset by \$48 million of budget cuts led by a \$26 million reduction in the University of Nebraska (roughly 6% in FY03-04). Overall, these cut amounts are roughly equal to 4.5% of agency operations (excluding constitutional officers salaries) varying from agency to agency. At the beginning of the initial review process, the Appropriations Committee started with the premise of a general 10% cut coinciding with the amount state agencies were asked to identify as part of the "90/10" or modifications part of the budget request process. Subsequent actions during the preliminary, post hearing reviews, and floor action either excluded specific areas from the cuts or restored the cuts after the public hearing.

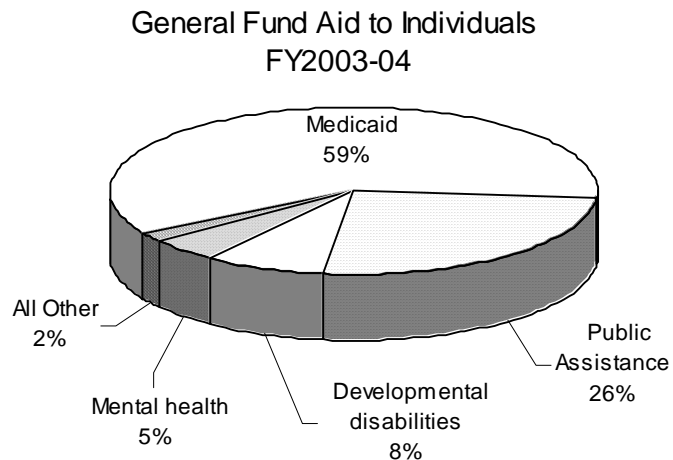
Note that these operations reductions would be in addition to the cumulative 8% across the board cuts in FY02-03 implemented in the 2001 Special Session and 2002 Regular Session.

## AID TO INDIVIDUALS

About 26.6% of all General Fund appropriations are classified as state aid to individuals. Aid to individuals includes programs such as Medicaid, Aid to Families with Dependent Children (ADC), student scholarships, etc. This area also includes aid to quasi-government units that are those local agencies that do not have the authority to levy property taxes such as area agencies on aging, mental health regions and developmental disability regions.

This area is by far the largest growth area in the budget with a net increase of \$57.8 million (8.9%) in FY03-04 and \$85.4 million (12.1%) in FY04-05. Over the two year biennial budget, this area accounts for all the budget growth. The other three areas combined show no increase. Public Assistance programs increased

by \$41 million in FY03-04, a 30% increase. About one-third relates to annualizing the large FY03 deficit. Medicaid shows a moderate 4.1% increase in FY03-04 but mostly due to incorporating a full year reduction of the program cuts made in the 2002 Special Session and a 3% cut in hospital rates. Without the annualizing affects of these special session cuts, Medicaid growth would have been closer to 10%. There were few cuts in this area but one was elimination of Ribicoff coverage in Medicaid (\$2.4 million in FY04, \$3.2 million in FY05).



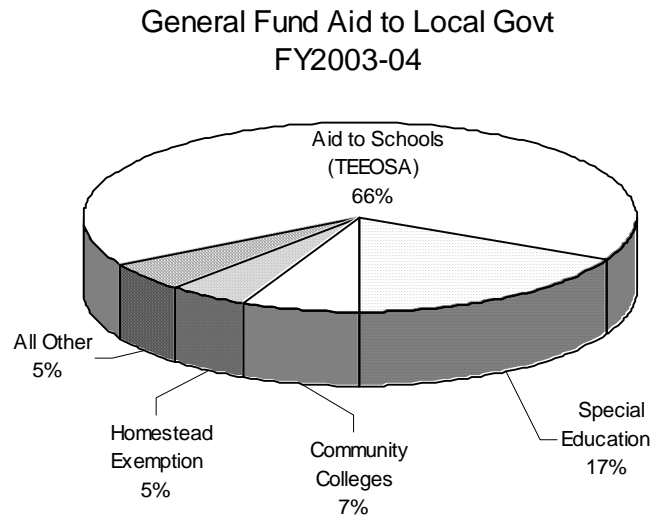


## AID TO LOCAL GOVERNMENTS

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This area accounts for aid payments to local governments and accounts for 35% of all General Fund appropriations. This category includes those local entities that have the authority to levy a property tax such as cities, counties, and schools and includes programs such as state aid to schools (TEEOSA), special education, community colleges, and homestead exemption reimbursements. Note that state payments for teachers retirement are not included under this category as those amounts are credited directly to the teacher retirement fund and are not checks written to school districts nor do those amounts show up as a school revenue or subsequent expenditure.

Overall aid decreases by \$22.2 million in FY04 (-2.3%) and an additional \$7.5 million (-.8%) in FY05. Large increases in TEEOSA aid per the original law were subsequently offset by subsequent changes in LB 540.



## CAPITAL CONSTRUCTION

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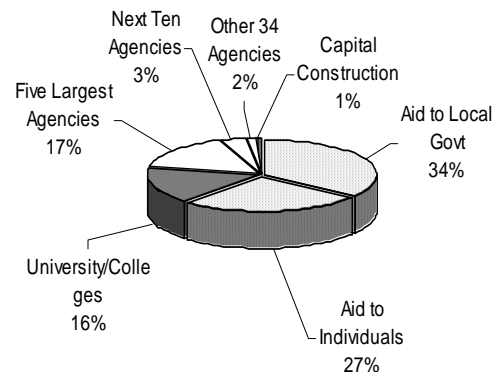
Which accounts for about 2% of General Fund appropriations, includes costs for new construction and major repairs and renovation of state-owned facilities. The term "major" is used with respect to repair and renovations as relatively small projects and routine repairs are done within agencies operating budgets. Note that road construction and maintenance is **not** included in this category. This is included under cash fund agency operations.

## BREAKDOWN BY RELATIVE SIZE

Although there are 51 agencies receiving General Funds (HHS System treated as one agency) and numerous aid programs, a significant portion of the budget is actually contained in just a few areas. About 93% of all General Fund appropriations are accounted for by state aid, higher education, and the five largest state agencies: Health and Human Services System (includes Regulation, Services and Finance and Support), Dept of Corrections, Supreme Court (also includes County and District Court judges), State Patrol, and Dept of Revenue.

Table 13 Gen Fund Appropriations by Relative Size

	FY2003-04 GF Budget	
	Dollars	% of Total
Aid to Local Govt	951,911,444	35.0%
Aid to Individuals/Other	647,611,794	26.6%
University/Colleges	448,707,592	16.1%
Five Largest Agencies	420,968,206	16.6%
Next Ten Agencies	92,133,548	3.4%
Other 34 Agencies	41,919,398	1.5%
<b>Total GF Operations/Aid</b>	<b>2,603,251,982</b>	<b>99.2%</b>
Capital Construction	18,044,257	0.8%
<b>Total General Funds</b>	<b>2,621,296,239</b>	<b>100.0%</b>



The next ten largest agencies are, Retirement, Legislative Council, Dept of Education, Game and Parks Commission, Dept of Administrative Services (DAS), Nebraska Educational Telecommunications Commission (NETC), Dept of Natural Resources, Dept of Agriculture, Dept of Property Assessment and Taxation, and Dept of Economic Development (DED).

## HISTORICAL GENERAL FUND APPROPRIATIONS

While the previous sections provide an overview of the FY2003-04 and FY2004-05 General Fund biennial budget, Table 14 provides an historical perspective showing appropriations for the twenty year period FY1984-85 through the enacted budget for FY2004-05.

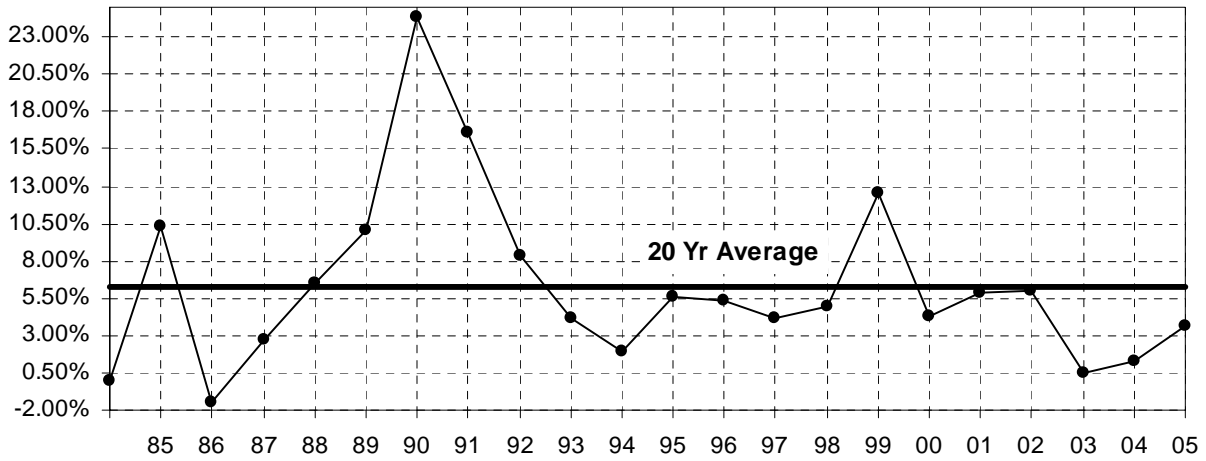
Over the past 10-year period, the average annual increase in General Fund appropriations is 4.8%. Aid to individuals has the highest average increase, almost 7.5% per year largely driven by Medicaid. Medicaid grew dramatically due to client growth, medical costs, and impacts of federal law changes. Aid to local government has grown at an average rate of only 3.8%. Large increases in aid to schools under LB806-1998 and LB543-2001 have largely been offset by subsequent reductions in LB898-2002 and LB 540-2003. The 3.9% average growth in agency operations is slightly higher than inflation. Significant increases in corrections costs during this period somewhat masks reductions in higher education and other agencies. With respect to employee salaries, the average annual pay increase during this 10 year period was very

close to the rate of inflation. Table 14 also includes the average annual budget growth for each of the five biennial budgets contained in this 10-year period. The 2.5% average growth in the enacted biennial budget is the lowest average growth of any of the past biennial budgets.

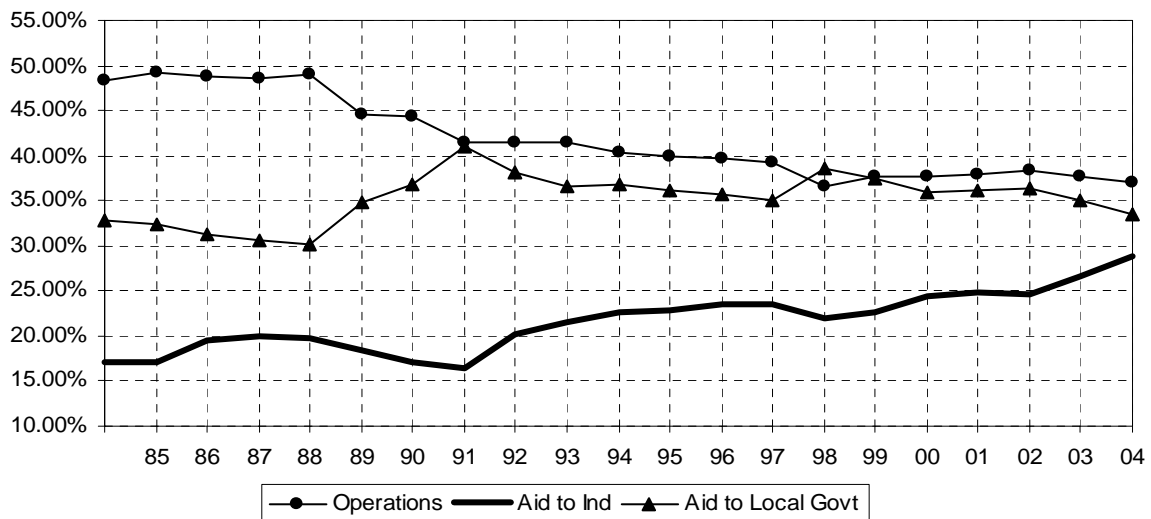
Table 14 Historical General Fund Appropriations

<i>(Excludes deficits)</i>	Agency Operations	Aid to Individuals	Aid to Local Govt	Construction	Total	% Chnge
FY1983-84 Approp	351,692,885	119,549,352	273,242,483	1,798,159	746,282,879	na
FY1984-85 Approp	398,778,457	140,981,883	270,350,331	13,243,449	823,354,120	10.3%
FY1985-86 Approp	398,957,489	138,905,211	262,647,194	10,838,460	811,348,354	-1.5%
FY1986-87 Approp	406,124,847	163,530,534	261,353,664	1,874,529	832,883,574	2.7%
FY1987-88 Approp	431,615,447	177,593,052	271,927,372	5,556,592	886,692,463	6.5%
FY1988-89 Approp	478,730,283	193,487,004	295,020,917	8,225,128	975,463,332	10.0%
FY1989-90 Approp	541,775,457	223,963,497	422,499,446	25,001,066	1,213,239,466	24.4%
FY1990-91 Approp	626,517,692	242,553,393	520,534,433	25,493,478	1,415,098,996	16.6%
FY1991-92 Approp	634,439,677	252,332,179	628,832,134	17,318,861	1,532,922,851	8.3%
FY1992-93 Approp	660,298,572	322,407,844	608,476,914	4,976,777	1,596,160,107	4.1%
FY1993-94 Approp	674,301,241	348,937,150	597,470,895	7,264,678	1,627,973,964	2.0%
FY1994-95 Approp	692,909,807	387,291,974	632,800,849	5,954,449	1,718,957,079	5.6%
FY1995-96 Approp	723,504,856	412,969,639	652,872,658	20,831,107	1,810,178,260	5.3%
FY1996-97 Approp	748,398,912	442,941,891	674,626,255	19,843,088	1,885,810,146	4.2%
FY1997-98 Approp	778,765,482	463,942,181	695,809,228	41,250,742	1,979,767,633	5.0%
FY1998-99 Approp	815,714,470	491,631,928	860,238,657	60,994,066	2,228,579,121	12.6%
FY1999-00 Approp	874,824,607	525,581,531	868,861,646	54,676,163	2,323,943,947	4.3%
FY2000-01 Approp	924,803,377	601,592,207	885,946,791	46,446,858	2,458,789,233	5.8%
FY2001-02 Approp	986,753,997	648,601,081	944,211,406	27,384,852	2,606,951,336	6.0%
FY2002-03 Approp	1,003,728,744	647,611,794	951,911,444	18,044,257	2,621,296,239	0.6%
FY2003-04 Enacted	999,655,261	705,434,305	929,685,011	20,515,031	2,655,289,608	1.3%
FY2004-05 Enacted	1,019,560,263	790,856,587	922,167,350	19,046,316	2,751,630,516	3.6%
<b>Average Annual Growth</b>						
FY95-96/FY96-97 Biennium	3.9%	6.9%	3.3%	82.6%	4.7%	
FY97-98/FY98-99 Biennium	4.4%	5.4%	12.9%	75.3%	8.7%	
FY99-00/FY00-01 Biennium	6.5%	10.6%	1.5%	-12.7%	5.0%	
FY01-02/FY02-03 Biennium	4.2%	3.8%	3.7%	-37.7%	3.3%	
FY03-04/FY04-05 Biennium	<b>0.8%</b>	<b>10.5%</b>	<b>-1.6%</b>	<b>2.7%</b>	<b>2.5%</b>	
Avg FY85 to FY95 (10 yr)	5.7%	10.6%	8.9%	-7.7%	7.6%	
Avg FY95 to FY05 (10 yr)	3.9%	7.4%	3.8%	12.3%	4.8%	
Avg FY85 to FY05 (20 yr)	4.8%	9.0%	6.3%	1.8%	6.2%	

**General Fund Budget Growth - Past 20 Years**



**Percent of General Fund Budget by Category**



# Significant General Fund Increases and Reductions

The FY03-04/FY04-05 budget represents the result of numerous areas where the budget was increased, offset to some extent by areas that were reduced. TEEOSA School Aid reflects the single largest increase to fund the certified aid as well as the single largest reduction to reduce the aid level from the certified to the level under LB 540 .

	Change over FY2002-03 Base Yr			Two Yr
	FY2003-04	FY2004-05	Two Yr Total	Avg Growth
Aid to Individuals	57,822,511	143,244,793	201,067,304	10.5%
Agency Operations	(4,073,483)	15,831,519	11,758,036	0.8%
Capital Construction	2,470,774	1,002,059	3,472,833	2.7%
Aid to Local Governments	(22,226,433)	(29,744,094)	(51,970,527)	-1.6%
Subtotal-All Other	(23,829,142)	(12,910,516)	(36,739,658)	-0.3%
General Fund Total	33,993,369	130,334,277	164,327,646	2.5%

Over the two years of the biennium, General Fund spending would be \$164.3 million more than if the budget was frozen at the FY03 level. Of

this amount, aid to individuals accounts for \$201 million. Agency operations and capital construction would spend an additional \$15.2 million more than the \$24.9 million in increased medical costs at the Dept of Correctional Services. Aid to local governments would decline by \$52 million. Other than state aid to individuals, spending in all other areas combined over the two year period would be \$37 million less.

The following two tables highlight the most significant budget actions taken. Table 15 shows the largest increases and then most significant reductions. In several cases such as TEEOSA school aid and Medicaid, there are items that are shown as both increases and subsequent reductions. Table 16 shows provides a breakdown of the most significant budget changes by major category: Aid to Individuals, Aid to Local Government, and Agency Operations. In this table the net change is shown, ie.. the net impact of both adds and cuts.

Table 15 Significant General Fund Increases/Reductions In Rank Order  
(numbers are \$ changes compared to the FY03 Base)

	Change over FY03 Budget		
	FY2003-04	FY2004-05	Two Yr total
1 <b><u>SIGNIFICANT INCREASES:</u></b>			
2 TEEOSA Aid to Schools-to certified aid level	60,235,651	90,865,844	151,101,495
3 Medicaid (increases)	28,071,010	85,157,630	113,228,640
4 Public Assistance (Non-State Ward Ed)	36,790,514	57,376,329	94,166,843
5 Salaries+Health Insurance (State Agencies)	10,853,845	25,863,390	36,717,235
6 Salaries+Health Insurance (University+Colleges)	8,855,675	23,618,338	32,474,013
7 Medical costs (Corrections)	11,661,691	13,269,012	24,930,703
8 Special Education	7,308,241	14,981,894	22,290,135
9 Homestead Exemption	5,120,000	7,320,000	12,440,000
10 Public Assistance (State Ward Education)	4,316,472	5,768,472	10,084,944
11 Annualize FY03 Salaries (State Agencies)	4,237,147	4,237,147	8,474,294
12 Developmental Disability aid-rate equity+transition	1,744,987	3,512,736	5,257,723

	Change over FY03 Budget		
	FY2003-04	FY2004-05	Two Yr total
13 Community Colleges (Salary+Health)	1,468,127	3,422,745	4,890,872
14 Shift cash/GF revenue and approp (Fire Marshal)	1,786,772	2,621,509	4,408,281
15 Construction	2,470,774	1,002,059	3,472,833
16 Children's Health Insurance (CHIP)	25,456	2,005,455	2,030,911
17 Missouri River / LLRW litigation (AG)	550,000	550,000	1,100,000
18 Replace one-time use of cash (DPAT)	900,000	900,000	1,800,000
19 Retirement, Teachers/Judges/Patrol	580,190	580,190	1,160,380
20 All Other adds	6,996,630	11,939,387	18,936,017
21 Subtotal-Increases Listed	193,973,182	354,992,137	548,965,319
22 <b><u>SIGNIFICANT REDUCTIONS:</u></b>			
23 TEEOSA Aid to Schools-reduce below certified	(81,797,889)	(130,646,504)	(212,444,393)
24 Base cut (University)	(25,337,677)	(32,638,656)	(57,976,333)
25 County Prop Tax Relief	(4,505,374)	(4,505,374)	(9,010,748)
26 Close Lincoln Correctional Center (Corrections)	0	(7,339,451)	(7,339,451)
27 Medicaid (prescription drug cost containment)	(4,000,000)	(4,000,000)	(8,000,000)
28 Medicaid (eliminate Ribicoff coverage)	(2,430,000)	(3,175,000)	(5,605,000)
29 Base cut / specific modifications (Colleges)	(2,605,075)	(2,995,623)	(5,600,698)
30 Low-level radioactive waste lawsuit costs (DEQ)	(2,159,057)	(2,809,057)	(4,968,114)
31 Community Colleges (Base Cut)	(4,250,309)	(5,377,819)	(9,628,128)
32 Medicaid (onetime use of cash)	(3,678,778)	0	(3,678,778)
33 Aid to Cities	(1,834,863)	(1,834,863)	(3,669,726)
34 Aid to ESU's	(1,729,993)	(1,729,993)	(3,459,986)
35 Reduce maintenance, Medicaid Info System (HHS)	(1,630,499)	(1,630,499)	(3,260,998)
36 Medicaid (presumptive eligibility, orthodontics)	(1,459,000)	(1,471,000)	(2,930,000)
37 LB1100 depreciation surcharges (Corrections)	(1,593,125)	(796,562)	(2,389,687)
38 Base cut / specific modifications (Education)	(1,117,118)	(1,122,699)	(2,239,817)
39 Base cut / specific modifications (Game & Parks)	(1,071,032)	(1,073,742)	(2,144,774)
40 Base cut in lieu of specific modifications (Patrol)	(981,669)	(981,669)	(1,963,338)
41 Reduce supervisors/managers (Revenue)	(689,270)	(689,270)	(1,378,540)
42 Base cut in lieu of modifications (Leg Council)	(611,584)	(692,839)	(1,304,423)
43 Base cut / specific modifications (Agriculture)	(613,648)	(599,843)	(1,213,491)
44 DED Job Training grants	(600,305)	(600,305)	(1,200,610)
45 Behavioral health aid	(350,918)	(837,385)	(1,188,303)
46 Aid to Counties	(554,536)	(554,536)	(1,109,072)
47 High Ability Learners	(515,713)	(515,713)	(1,031,426)
48 Base cut / specific modifications (DED)	(393,929)	(393,929)	(787,858)
49 Base cut / specific modifications (NETC)	(388,219)	(388,219)	(776,438)
50 Reduce operations, law library+Cnty Courts (Courts)	(31,512)	(581,512)	(613,024)
51 Aid to NRD's	(172,585)	(172,585)	(345,170)
52 All other cuts	(12,876,136)	(14,503,213)	(27,379,349)
51 Subtotal-Reductions Listed	(159,979,813)	(224,657,860)	(384,637,673)
52 <b><u>TOTAL GENERAL FUND CHANGE</u></b>	33,993,369	130,334,277	164,327,646

**Table 16 Significant General Fund Increases/Reductions by Budget Category**  
(numbers are \$ changes compared to the FY03 Base)

		Change over FY03 Budget		
		FY2003-04	FY2004-05	Two Yr total
1	TEEOSA Aid to Schools-(net change)	(21,562,238)	(39,780,660)	(61,342,898)
2	Special Education	7,308,241	14,981,894	22,290,135
3	Community Colleges	(2,782,182)	(1,955,074)	(4,737,256)
4	Aid to ESU's	(1,729,993)	(1,729,993)	(3,459,986)
5	Homestead Exemption	5,120,000	7,320,000	12,440,000
6	High Ability Learners	(515,713)	(515,713)	(1,031,426)
7	Early Childhood program	(233,020)	(233,020)	(466,040)
8	County Prop Tax Relief	(4,505,374)	(4,505,374)	(9,010,748)
9	Aid to NRD's	(172,585)	(172,585)	(345,170)
10	Aid to Cities	(1,834,863)	(1,834,863)	(3,669,726)
11	Aid to Counties	(554,536)	(554,536)	(1,109,072)
12	County jail cost reimbursement	(391,000)	(391,000)	(782,000)
13	Other Not Listed (net)	(373,170)	(373,170)	(746,340)
14	<b>AID TO LOCAL GOVERNMENTS</b>	<b>(22,226,433)</b>	<b>(29,744,094)</b>	<b>(51,970,527)</b>
15	Medicaid (net change)	16,503,232	76,511,630	93,014,862
16	Public Assistance (includes-State Ward Ed)	41,106,986	63,144,801	104,251,787
17	Developmental Disability aid-rate equity+transition	1,744,987	3,512,736	5,257,723
18	Behavioral health aid	(350,918)	(837,385)	(1,188,303)
19	Children's Health Insurance (CHIP)	25,456	2,005,455	2,030,911
21	DED Job Training grants	(600,305)	(600,305)	(1,200,610)
22	Other Not Listed (net)	(606,927)	(492,139)	(1,099,066)
23	<b>AID TO INDIVIDUALS / OTHER</b>	<b>57,822,511</b>	<b>143,244,793</b>	<b>201,067,304</b>
24	Annualize FY03 Salaries (State Agencies)	4,237,147	4,237,147	8,474,294
25	FY04 / FY05Salaries (State Agencies)	5,790,386	13,370,352	19,160,738
26	FY04 / FY05Salaries (Colleges+NU)	6,916,915	16,277,805	23,194,720
27	FY04 / FY05Health Insurance (State Agencies)	5,063,459	12,493,038	17,556,497
28	FY04 / FY05Health Insurance (Colleges+NU)	1,938,760	7,340,533	9,279,293
30	Missouri River / LLRW litigation (AG)	550,000	550,000	1,100,000
31	Medical costs (Corrections)	11,661,691	13,269,012	24,930,703
32	Retirement, Teachers/Judges/Patrol	580,190	580,190	1,160,380
33	Replace one-time use of cash (DPAT)	900,000	900,000	1,800,000
34	Shift cash/GF revenue and approp (Fire Marshal)	1,786,772	2,621,509	4,408,281
35	Base cut in lieu of modifications (Leg Council)	(611,584)	(692,839)	(1,304,423)
36	Reduce County Court Employees (Courts)	0	(250,000)	(250,000)
37	Reduce operations, state law library (Courts)	(31,512)	(331,512)	(363,024)
38	Base cut / specific modifications (Education)	(1,117,118)	(1,122,699)	(2,239,817)
39	Reduce supervisors/managers (Revenue)	(689,270)	(689,270)	(1,378,540)
40	Base cut / specific modifications (Agriculture)	(613,648)	(599,843)	(1,213,491)
41	Reduce maintenance, Medicaid Info System (HHS)	(1,630,499)	(1,630,499)	(3,260,998)
42	Base cut / specific modifications (Game & Parks)	(1,071,032)	(1,073,742)	(2,144,774)
43	LB1100 depreciation surcharges (Corrections)	(1,593,125)	(796,562)	(2,389,687)
44	Close Lincoln Correctional Center (Corrections)	0	(7,339,451)	(7,339,451)
45	Base cut / specific modifications (NETC)	(388,219)	(388,219)	(776,438)
46	Base cut (University)	(25,337,677)	(32,638,656)	(57,976,333)
47	Base cut / specific modifications (Colleges)	(2,605,075)	(2,995,623)	(5,600,698)
48	Base cut in lieu of specific modifications (Patrol)	(981,669)	(981,669)	(1,963,338)
49	Base cut / specific modifications (DED)	(393,929)	(393,929)	(787,858)
50	Low-level radioactive waste lawsuit costs (DEQ)	(2,159,057)	(2,809,057)	(4,968,114)
51	Other Not Listed (net)	(4,275,389)	(1,074,497)	(5,349,886)
52	<b>AGENCY OPERATIONS</b>	<b>(4,073,483)</b>	<b>15,831,519</b>	<b>11,758,036</b>
53	<b>CAPITAL CONSTRUCTION</b>	<b>2,470,774</b>	<b>1,002,059</b>	<b>3,472,833</b>
54	<b>TOTAL GENERAL FUND CHANGE (without deficits)</b>	<b>33,993,369</b>	<b>130,334,277</b>	<b>164,327,646</b>

# Highlights

## General Fund Aid to Individuals

### BEHAVIORAL HEALTH AID

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The enacted budget contains minimal change over the current year level. While no increased funding is provided, neither is there a significant cut as in other areas. The only adjustment

(General Funds only)	Biennial Budget		Biennial Budget	
	FY2001-02	FY2002-03	FY2003-04	FY2004-05
Base Year appropriation	24,454,550	24,454,550	31,756,515	31,756,515
Additional mental health services	2,000,000	4,000,000	0	0
Drug funds, indigent	123,300	173,300	0	0
Federal match rate, Medicaid	72,647	103,665	(350,918)	(837,385)
Replace federal funds	1,500,000	3,025,000	0	0
Mental Health provider rates	0	0	0	0
<b>Total</b>	<b>28,150,497</b>	<b>31,756,515</b>	<b>31,405,597</b>	<b>30,919,130</b>

is a reduction in General Funds (and increase in federal funds) relates to an increase in the federal Medicaid match rate. The federal Medicaid match rate has been revised upward from 59.25% to 59.89% for

FY 04 and FY 05. This means there is a reduced need for general funds in this program and like increase in federal Medicaid funds. The budget includes no increases in provider rates or additional mental health services. The Committee budget does include a continuation of funds provided through tobacco settlement funds.

### COMMUNITY BASED DEVELOPMENTAL DISABILITIES AID

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The budget includes \$668,717 in FY03-04 and \$1,350,809 in FY04-05 for rate equity target based on salary increases of 1.5% in FY03-04 and 1.5% in FY04-05. Also included is \$1,107,586 in FY03-04 and \$2,237,324 in FY04-05 for clients transitioning from K-12 school programs to community based programs.

(General Funds only)	Biennial Budget		Biennial Budget	
	FY2001-02	FY2002-03	FY2003-04	FY2004-05
Base Year Appropriation	46,574,186	46,574,186	54,519,634	54,519,634
Rate Equity	2,570,555	4,675,897	668,717	1,350,809
Transition	1,186,424	2,372,848	1,107,586	2,237,324
Fed Match Rate	680,858	896,703	(31,316)	(75,397)
<b>Total - New Appropriation</b>	<b>51,012,023</b>	<b>54,519,634</b>	<b>56,264,621</b>	<b>58,032,370</b>
\$ Change	4,437,837	3,507,611	1,744,987	1,767,749
% Change	9.53%	6.88%	3.20%	3.14%



## CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)

This program provides medical coverage for children up to age 18 who do not have credible health insurance and whose family income is below 185% of poverty. Approximately 24,000 children receive benefits under this program. Funding for this program began in 1998 and has been funded through a one-time \$25 million transfer from the Health Care Cash Fund. Those funds will be exhausted in FY2003-04. The budget reallocates the \$5 million health care grant program funded from the tobacco settlement and IGT money and uses that funding to continue CHIP. General funds pick up the difference in the amount of \$25,456 in FY04 and \$2,005,455 in FY05.

## MEDICAID

For the FY03-04/FY04-05 biennium the enacted budget reflects an average growth in General Fund appropriations for Medicaid of about 9% per year. There are three major components to this change: annualizing the 2002 Special Session program changes, increases attributed to price and client/utilization increases, and new specific program cuts.

**Annualize Prior Actions** The current year base budget is reduced by \$17.4 million in each year to annualize the impact of program cuts enacted during the 2002 Special Session. These cuts were implemented starting November 1, 2002 and being phased in over several months so the FY03 base budget reflected only a partial year savings. Annualizing these cuts means incorporating these cost savings for a full 12 months. This savings is partially offset by a \$8.1 million increase in General Funds to replace the one-time use of excess nursing home conversion funds in the FY03 base budget.

**Rates and Clients** Increases relating to eligibility and utilization result in additional General Fund dollars of \$38.6 million in FY03-04 and \$95.7 million in FY04-05. Price is anticipated to increase on average by 3.7 to 6.6%.

Provider Rates	Request FY03-04	Request FY04-05	Budgeted FY03-04	Budgeted FY04-05
Hospital	3.7%	3.8%	-3.1%	1.5%
Physicians	6.6%	7.0%	2.0%	2.0%
Managed Care	12.2%	12.2%	12.2%	12.2%
Drugs	18.0%	18.0%	18.0%	18.0%
Nursing Facility	6.0%	6.0%	2.0%	2.0%
Other Practitioner	6.6%	7.0%	3.0%	2.0%
Eligibility/Utilization	Request FY03-04	Request FY04-05	Proposed FY03-04	Proposed FY04-05
Aged	1.0%	1.0%	1.0%	1.0%
Disabled	2.5%	2.5%	2.5%	2.5%
Children	9.5%	9.5%	9.5%	9.5%
Adults	6.3%	7.0%	6.3%	7.0%

However, cost increases range from a low of 3% to a high of 18%. Overall utilization is anticipated to grow 4%. The charts shows the requested rate increases and the level funded by the Legislature. Eligibility and utilization assumptions are also shown by category.

**Program Changes** Eligibility and service reductions requiring statutory changes conform to the Health and Human Services

Committee amendment to LB 411. These items include Ribicoff eligibility, presumptive eligibility for children, and limits on orthodontic treatment. The budget includes elimination of Ribicoff coverage saving \$2.4 million in FY03-04 and \$3.2 million in FY04-05. The Ribicoff

Program covers persons ages 19 and 20 who are either single or married without children. The income standard is the Medically Needy level or \$392 for a one-person household. Approximately 3,100 young adults would lose coverage. Statutory changes are included in LB 411. Also incorporated into the budget are changes in LB 411 relating to orthodontic treatment limits (savings of \$859,000 FY04 and \$871,000 FY05) and presumptive eligibility for children (savings of \$600,000 each year). The budget also includes reducing the fee paid to publicly-funded nursing homes for participating in the intergovernmental transfer process saving \$352,500 per year.

**Cost Containment Strategies (not requiring statutory change)** The budget also includes anticipated savings from several cost containment strategies including: (1) prescription drugs through more prior authorization and tightening generic drug use (\$4 million savings each year), (2) imposing limits on high-need individuals receiving in-home use for example capping an individual's cost at 125% of nursing home reimbursement (\$500,000 savings each year), (3) increased efforts to collect third-party reimbursement through computer match to employer-provided health insurance,

**Fund Shift** Also included is a one-time General fund savings of \$3,678,778 by utilizing additional Health Care Cash funds in LB 404.

Table 17 Medicaid (General Funds)

	FY2002-03	Biennial Budget	
		FY2003-04	FY2004-05
Base Year appropriation	400,248,752	400,248,752	400,248,752
Adjust for federal match rate	0	in rates	in rates
Eligibility / Utilization	0	16,283,965	36,348,115
Cost / Provider Rate Increases	0	22,314,366	59,389,836
Annualize: Replace one-time use, Nursing Home Conversion funds (2001SS+2002)	0	8,150,000	8,150,000
Annualize: Reduce drug payments to pharmacies (AWP11%)	0	(145,000)	(145,000)
Annualize: Reduce hospital payment rates (DME/IME/DSH)	0	(3,000,000)	(3,000,000)
Annualize: managed care premium assessment	0	(633,333)	(633,333)
Annualize: Reduce 12 month continuous coverage to 6 months	0	(2,570,000)	(2,570,000)
Annualize: Replace 20% earnings disregard with fed minimum \$90	0	(1,313,109)	(1,313,109)
Annualize: Treat household members as single family unit	0	(5,866,667)	(5,866,667)
Annualize: Expanded prior authorization on prescribed drugs	0	(750,000)	(750,000)
Annualize: LB 8 amendment, 50% poverty caretaker relative	0	(3,089,712)	(3,089,712)
Prescription drug containment	0	(4,000,000)	(4,000,000)
Impose limits, high needs individuals	0	(200,000)	(200,000)
Increase efforts, third party liability collections	0	(500,000)	(500,000)
Reduce intergovt transfer process participation fee	0	(352,500)	(352,500)
Eliminate optional Medicaid services	0	(257,000)	(310,000)
Eliminate Ribicoff coverage	0	(2,430,000)	(3,175,000)
Use health care grant funding to replace GF (one-time)		(3,678,778)	0
Assume amendment to LB 411, orthodontic treatment limits		(859,000)	(871,000)
Assume amendment to LB 411, presumptive eligibility for children		(600,000)	(600,000)
Medicaid Total General Funds	400,248,752	416,751,984	476,760,382
Annual \$ Change		16,503,232	60,008,398
Annual % Change		4.1%	14.4%

## PUBLIC ASSISTANCE

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This budget area includes many different social service programs such as ADC, educational assistance for state wards, child welfare services, foster care, subsidized childcare, and adoption assistance. Overall the enacted budget reflects an increase of \$41.3 million (29.3%) in FY03-04 and an additional \$22.2 million (12.5%) in FY04-05. About \$16 million of the large General Fund increase in FY03-04 reflects annualizing a FY03 deficit in the various programs.

This deficit, and subsequent annualizing the deficit into FY04 and FY05, has three components. The budget request for FY02-03 was \$9.6 million higher than the general fund appropriation set at the beginning of the biennium (before specific cuts were made during the two special sessions and the 2002 regular session.) The agency had submitted the request, but the governor did not recommend the full amount of funding. The area that appeared to be under funded was child welfare. The agency cited the new Family Portrait plan as a method to curb child welfare costs, but did not rule out that a deficit might be needed. The legislature funded the appropriation at the level the governor recommended. In order to stay within this level of funding, child welfare expenditures would have needed to decrease by 6% or an alternative source of funding would have had to be found. Expenditure trends at the time did not indicate this was likely. From FY00 to FY01, the increase was 6.3% and from FY01 to FY02 it was 5.0%. In FY02, the state served 7,017 state wards, compared to 6,278 children in the last half of FY 00. The department is currently projecting a 5.8% increase in this area.

As child welfare caseloads grow, State Ward Education funding also outpaced the projected amount. The agency projected the cost in FY02 to be \$9.8 million; actual payments were \$11.0 million. The projected amount in FY03 was \$11.3 million; the current projection is \$13.2. Between 2000 and 2001, the program grew by 15%. The department was unable to pay all bills in FY02 and carried them into the current year. In the current year, the increase is 20% adding to the shortfall in this program.

In reality, the shortfall in this budget program which contains 19 separate general fund programs would have been \$26 million had the department not taken additional steps. In the current year (FY03), \$10 million in federal Temporary Assistance to Families (TANF) carryover funding is being utilized. This brings the carryover amount to zero. Since the enactment of TANF, the state has receive a flat amount of funding each year, \$58 million. The amount was set based on spending under the former federal public assistance program that provided aid at the same match rate as the Medicaid Program. The year used to determine the flat block grant amount was 1994 when caseloads were high. As the economy grew and more stringent job requirements were put into effect in the ADC Program caseloads declined. States were allowed to carryover unspent balances allowing significant balances to accrue. As the economy slowed and the job market tightened, ADC caseloads have increased. As a temporary measure to get through this budget year, the carryover balance is being utilized. The department has also aggressively sought to capture all federal funds available to the state through these aid programs.

Table 18 Public Assistance by Program (General Funds Only)

(General Funds only)	Biennial Budget			\$ Change vs FY02-03	
	FY2002-03	FY2003-04	FY2004-05	FY03-04	FY04-05
Food Stamps	630,375	175,375	100,375	(455,000)	(530,000)
Adoption incentives	690,000	690,000	690,000	0	0
Food Stamp Training/Employ	206,842	185,395	185,395	(21,447)	(21,447)
Medically handicapped children	1,228,848	1,228,848	1,228,848	0	0
Title IV-E Foster Care	7,326,444	7,875,130	7,923,604	548,686	597,160
Title IV-E Adoption	2,974,955	4,546,862	5,197,063	1,571,907	2,222,108
Subsidized adoption	3,057,763	4,235,231	4,362,288	1,177,468	1,304,525
Domestic Violence	1,347,300	1,347,300	1,347,300	0	0
Education Assistance, state wards	10,203,528	14,520,000	15,972,000	4,316,472	5,768,472
Disabled persons/family support	910,000	910,000	910,000	0	0
State Disabled-Medical	6,200,000	6,474,750	6,775,647	274,750	575,647
State Disabled-Maintenance	530,450	556,908	587,538	26,458	57,088
Title XX Social Services	4,406,104	4,406,104	4,406,104	0	0
State supplement-SSI	6,150,000	6,303,750	6,461,344	153,750	311,344
AABD (Aged/blind/disabled) Special Rates	1,750,000	1,793,750	1,838,594	43,750	88,594
AFDC	15,223,422	24,730,633	31,004,507	9,507,211	15,781,085
Title IV-D Child Care	13,419,085	13,419,085	13,419,085	0	0
Emergency Assistance	564,575	990,109	1,108,922	425,534	544,347
Employment First Program (job support)	2,298,040	3,868,694	5,207,068	1,570,654	2,909,028
Child Welfare Services	58,059,267	80,035,825	91,656,117	21,976,558	33,596,850
<b>Total Public Assistance (General Funds)</b>	<b>137,176,998</b>	<b>178,283,984</b>	<b>200,321,799</b>	<b>41,106,986</b>	<b>63,144,801</b>

**Food Stamp Training and Employment** provides job search, training, and supportive services to unemployed (but employable) individuals who are eligible for Food Stamps. Persons who receive both Food Stamps and ADC participate in the Job Support Program. The program pays a capped amount for work expenses including child care while adults are participating in the program. The agency request and committee budget reduced this program by \$21,447 to the minimum funding level.

**Medically Handicapped Children** program provides case management and medical diagnostic and referral services to eligible children. Covered medical conditions include orthopedic, cerebral palsy, heart disease, mid-line neurological defects, oral plastic handicaps, neoplasm and many other chronic or congenital conditions. Special services are offered to adults who are genetically handicapped, children with disabilities receiving SSI, and to school-age children with disabilities. There is no change in state funding for these programs in FY04/FY05.

**Title IV-E Foster Care** covers maintenance payments for children in foster care who would otherwise be SSI/ADC eligible if they remained in their parent's household. IV-E Foster care program has a projected utilization increase of 1% and a 1% increase for price. This amount also includes annualization of the deficit. Federal funds are decreasing because of the one-time retroactive claims. (\$107,352 FY04, \$272,216 FY05, and \$597,233 each year to annualize deficit). These increases were partially offset by changes made in **LB54** which provides for an exemption from the training requirements for foster parents who are providing foster care to relatives only. This provision will allow HHS to claim federal IV-E eligibility providing a 60% federal match for child welfare services provided to eligible youth.

General funds would be reduced by \$155,899 in FY 04 and \$272,289 in FY05 with a like increase in available federal funds

**Title IV-E Adoption Assistance and State Subsidized Adoption** The Title IV-E program provides payments to adoptive families and for needed services after the adoption of a state ward is final. Subsidies are available for IV-E eligible children (ADC or SSI eligible at the time adoption proceedings are initiated) with special circumstances for whom adoption would not be possible without financial aid. The subsidies to adoptive families cover maintenance payments and non-recurring expenses while Medicaid covers medical needs. IV-E eligible children qualify for federal match at the Medicaid match rate. The State Subsidized Adoption program is similar to the IV-E program but provides subsidies for children who are not ADC or SSI eligible. The IV-E Adoption Program is projected to grow by 8.9% per year due to utilization and by 5.4% per year for costs, and annualization of the FY03 deficit (\$542,137 FY04, \$1,192,339 FY05, and \$1,029,770 each year to annualize deficit). The State Subsidized Adoption Program includes an increase of 1% per year for utilization; 2% per year for costs, and annualization of the deficit. (\$123,357 FY04, \$250,414 FY05, and \$1,054,112 each year to annualize deficit)

**Domestic Violence Program** provides funding to 22 community-based programs. These local programs served over 20,000 individuals each year with services such as crisis lines, transportation, medical services, legal counseling, financial aid, shelter, protection order forms and application assistance. Several programs also provided counseling services for the abuser. This funding constitutes approximately 15% of total funding of the total expended by the community-based providers. The budget reflects no change in funding from the current FY03 level.

**Educational Assistance for State Wards.** Public schools and ESU's are reimbursed at Dept of Education approved rates for regular and special education when the ward is in out-of-home care and not in his/her resident school district, and is not living in foster family care. Educational Assistance to State Wards is increasing by 10% based on cost estimates provided by the Department of Education. (\$1,320,000 FY04, \$2,772,000 FY05, and \$2,996,472 each year to annualizing the FY03 deficit).

**Disabled Persons and Family Support** coordinates and purchases services to assist employed disabled adults or to help families keep a family member with disabilities in their home. All other resources are explored before this program will pay for any items. A committee of local advocacy agencies and HHS review applications and make recommendations. Maximum cost for a service cannot exceed \$300 per month averaged over the number of months in eligibility. Some examples of assistance include home modifications to remove barriers, attendant care, counseling and training, and home health care. Currently 425 people are served. There is no change in state funding for in FY04/FY05.

**State Disabled Medical** provides medical services for persons with a physical or mental disability expected to last 6 to 12 months (Medicare covers those whose disability is expected to last at least 12 months). Payment policies for this program are consistent with Medicaid

regulations. The State Disabled Medical Program is increasing at 2.5% per year due to utilization and 5% per year due to costs. (\$472,750 FY04, \$981,547 FY05).

**State Disabled Maintenance** is similar to State Disabled Medical but provides cash assistance. Although no federal funds are spent here, this program uses the same payment standards as the Nebraska SSI program. Currently 46 people receive these payments. The budget includes a 2.5% per year increase in caseloads and utilization and 3% increase in maintenance payments. (\$26,458 FY04, \$57,088 FY05).

**Title XX Social Services** This program currently provides 2,874 people chore services, 2,580 people receive home-delivered meals, 2,979 use non-medical transportation, 847 get congregate meals and 714 are in adult day care. These services are designed to prevent institutional placement. This program is a mix of general and federal funds. There is no change in state funding for FY04/FY05.

**State Supplement-SSI.** The purpose of this program is to supplement the federal benefits of SSI to bring the income of aged, blind and individuals with disabilities up to the need standard of Nebraska. Persons who are not eligible for federal SSI payments may also qualify for a state supplement payment under certain circumstances. The program currently serves 5,787 individuals with average monthly payment ranging up to \$118. The budget includes a 2.5% per year increase in the population served. (\$153,750 FY04, \$311,344 FY05).

**AABD (Aged/blind/disabled) Special Rates** This program provides an additional payment to individuals in certain community-based residential programs to more adequately cover the cost of their care. The enacted budget includes a 2.5% per year increase in rates. (\$43,750 FY04, \$88,594 FY05)

**Aid to Dependant Children (ADC)** provides monthly subsistence payments to low-income families with children under age 18 who are deprived of parental support because of death, physical or mental incapacity, continued absence from the home, or partial or complete unemployment of the primary wage earner. An average grant is \$350/month and 12,218 families are served. The Aid to Dependent Children Program is anticipated to grow 12% each year due to utilization. Because the TANF block grant is a fixed amount, the General Fund also picks up the 12% annual growth in the federal portion as well. Both FY04 and FY05 also include a \$5 million General fund increase to replace a one-time drawdown of carryover TANF block grant funds. In the current year (FY03) \$5 million of carryover funding from the TANF Block Grant is being used. This brings the carryover balance to zero. The increase in this area is \$9,507,211 FY04 and \$15,781,085 FY05. Both years figures include \$5,000,000 to replace the one-time drawdown of carryover TANF block grant funds.)

**Child Care** services are provided to low-income families participating in education, training and employment, and families receiving child protective services. For families on or transitioning off ADC and families in the child welfare system, the program provides full payment of child care costs. For low-income families above the ADC level (up to 185% of federal poverty guidelines) the program covers child care costs on a sliding fee scale. The average monthly caseload is 13,600.

The agency request assumed an increase to the 60th percentile of the market rate survey as required currently in statute. The cost increases requested were 4% in FY04 and 1% in FY05. LB 414 changes the mandatory increase in rates to discretionary. The committee budget assumes savings from this bill by not increasing rates. Although the request contained a utilization increase of 2.5% in FY 04 and 1% in FY 05 the enacted budget (as well as the Governor's recommendation) assumed no growth. As ADC increases, child care usage can be expected to remain constant or decline. Parents who previously had been working and are either seeking employment or education-related activities utilize child care less.

**Emergency Assistance** provides assistance to needy families with minor children. Assistance is provided for only one crisis in a 12-month period. Payments are based on need and may be made for emergency food, medical care, shelter and utilities. An emergency assistance payment must not exceed the ADC payment standard for the family size. The budget provides for a 12% per year utilization increase paralleling the increase in the ADC Program. (\$425,534 FY04, \$544,347 FY05)

**Employment First Program** As a condition of receiving assistance, non-exempt ADC adults are required to participate in at least one defined job support component. Examples of exempt ADC adults would be single parents with children under 12 weeks of age and parents with disabilities. There are a variety of components, designed to assist individuals find employment, including education activities, job skills training, and work experience. Persons may also receive selected supportive services such as transportation, work expenses and childcare (funded under separate program). The budget includes a 3% per year increase in costs and a 12% per year increase in utilization consistent with the projected increase in the ADC Program. (\$1,454,754 FY04, \$2,793,128 FY05, and \$115,900 in both years to annualize the FY03 deficit).

**Child Welfare Services** are provided to families of children who are wards of the state through court actions, and also families receiving child protective services. These services include family therapy, case management, supervision/supportive services for children in placement, maintenance payments, and action to terminate parental rights if in the best interest of the child. In FY02, 4,017 children were served. The budget includes a 6% per year increase in the cost of services, and an increase in clients/utilization of 10% in FY04 and 8% in FY05. Funds are also included to annualize a large FY03 deficit. (\$11,448,566 FY04, \$23,068,860 FY05, and \$10,527,993 each year to annualize the FY03 deficit).

## **AID TO AGING SERVICES**

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The budget as enacted reflects no change from the current FY03 level for aging services.

## HIGHER EDUCATION STUDENT AID

Major changes were made in higher education student aid administered by the Coordinating Commission for Postsecondary Education.

**LB574** repeals all provisions relating to three previous student financial aid programs administered by the Coordinating Commission [State Scholarship Award Program (SSAP), Scholarship Assistance Program (SAP), and Postsecondary Education Award Program (PEAP)] and adopts the Nebraska Scholarship Act. Under the act, student financial aid is awarded to eligible students attending eligible public or private postsecondary educational institutions as defined in the bill. LB574 requires the Coordinating Commission to annually compute a target level of funds to be distributed to students at each eligible institution. In general terms, the legislation provides that these target levels are to be based on enrollments of financially eligible students at participating institutions as well as capped cost of attendance factors. This target represents the maximum amount that may be awarded to eligible students attending respective eligible postsecondary educational institutions. LB574 includes transitional provisions that will affect distribution of appropriated amounts under the newly created Nebraska Scholarship Program. The following table illustrates distribution of total aid by higher education sector under the last year of the previous programs and as estimated for subsequent years under the provisions of LB574 including the transitional provisions.

Est Distribution (% of Total)	FY02-03 Prior Law	FY03-04 LB 574	FY04-05 LB 574	FY05-06 LB 574	FY06-07 LB 574
University of Nebraska	17%	28%	31%	34%	36%
Nebraska State Colleges	6%	7%	8%	8%	9%
Community Colleges	15%	12%	13%	14%	15%
Subtotal Public Sectors	38%	47%	52%	56%	60%
Independent Colleges/Universities	53%	39%	35%	31%	26%
Private Career Schools	9%	14%	14%	13%	14%
TOTAL	100%	100%	100%	100%	100%

LB574 would also adopt the Community Scholarship Foundation Program Act. Under the act, community scholarship foundations organized for the purpose of providing postsecondary education scholarships for residents living in the community in which the organization is formed would be eligible to receive state matching awards. Such foundations would be subject to certain requirements, as outlined in the bill, in order to be eligible to receive a state matching award in the amount of \$2,000. LB574A appropriated \$50,000 General Funds for the program for FY03-04 only

LB574 also provides additional funding for student scholarships by re-allocating lottery revenue from the Education Innovation Fund. Under previous law, 49.5% of net lottery revenues were allocated to the Education Innovation Fund (estimated at \$8.0 million per

Distribution (millions)	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07
Education Innovation Fund	\$8.0	\$1.5	\$1.5	\$0	\$0	\$4.0	\$4.0
State General Fund	0	6.5	6.5	6.0	6.0	1.5	0
Nebraska Scholarship Fund	0	0	0	2.0	2.0	2.5	4.0
TOTAL	\$8.0	\$8.0	\$8.0	\$8.0	8.0	\$8.0	\$8.0



year). Bills enacted in the 2001 and 2002 special sessions provided that for FY02 through FY05 such amounts were mostly credited to the General Fund. On a permanent basis, LB574 reduces the proportion of net lottery receipts credited to the Education Innovation Fund by half (from 49.5% to 24.75%) and re-distributes the approximately \$4 million to the Nebraska Scholarship Fund. However, for FY04 and FY05 the allocated amounts are \$2 million growing to \$2.5 million in FY06 with the residual credited to the General Fund. Starting in FY07 the full \$4 million would be allocated to the Nebraska Scholarship Fund.

Table 19 Coordinating Commission Student Aid Programs

General and Cash Funds	Biennial Budget				
	FY2000-01	FY2001-02	FY2002-03	FY2003-04	FY2004-05
SSIG grants	803,965	803,965	803,965	0	0
Scholarship Award Program (SSAP)	816,023	1,241,023	1,066,448	0	0
Scholarship Assistance Program (SAP)	1,619,988	2,044,988	1,870,413	0	0
Postsecondary Ed Award Prog (PEAP)	2,434,050	2,859,050	2,133,384	0	0
Nebraska Scholarship Program	0	0	0	5,745,794	5,802,794
Community Scholarship Foundation	0	0	0	50,000	0
Subtotal-General Funds	5,674,026	6,949,026	5,874,210	5,795,794	5,802,794
Available from lottery funds	Na	Na	Na	2,000,000	2,000,000
Combined General and Cash Funds	5,674,026	6,949,026	5,874,210	7,795,794	7,802,794
Annual \$ Change	212,040	1,275,000	(1,074,816)	1,921,584	7,000
Annual % Change	3.9%	22.5%	-15.5%	32.7%	0.1%

# Highlights

## General Fund Aid to Local Governments

### STATE AID TO K-12 SCHOOLS

Table 20 shows the total amount of General Fund state aid to K-12 schools from the various aid programs. The budget reflects a 1.9% reduction in FY03-04 and an additional 1.3% reduction in FY04-05. Description of the various programs follows the table

Table 20 Total General Fund State Aid to K-12 Schools

	Biennial Budget				
	FY2000-01	FY2001-02	FY2002-03	FY2003-04	FY2004-05
State Aid to Education (TEEOSA)	552,343,705	631,828,496	647,477,820	625,915,582	607,697,160
Special Education	139,204,597	146,164,827	146,164,827	153,473,068	161,146,721
High ability learner programs	3,151,875	3,331,221	2,864,377	2,348,664	2,348,664
Early Childhood program	560,000	1,497,600	2,330,200	2,097,180	2,097,180
School Lunch	492,500	472,800	467,875	421,087	421,087
Textbook loan program	349,225	407,256	390,287	351,259	351,259
School Breakfast reimbursement	232,390	304,694	301,520	271,378	271,378
Adult Education	201,884	241,809	231,733	231,733	231,733
Option Enrollment	172,200	189,312	0	0	0
Economic education program	0	27,500	20,300	0	0
School reorganization (LB1050)	20,000	19,200	18,400	0	0
<b>Total General Fund K-12 School Aid</b>	<b>696,728,376</b>	<b>784,484,715</b>	<b>800,267,339</b>	<b>785,109,951</b>	<b>774,565,182</b>
Change over Prior Yr - Dollar	(22,559,270)	87,756,339	15,782,624	(15,157,388)	(10,544,769)
Change over Prior Yr - Percent	-3.1%	12.6%	2.0%	-1.9%	-1.3%

### Tax Equity and Educational Opportunities Support Act (TEEOSA)

The budget includes funding for state aid to schools (TEEOSA) based on the provisions of LB 540. The net result is a 3.3% reduction in FY04 and 2.9% reduction in FY05.

**Original Certified Aid** The original aid certification in February 2003 was \$722.5 million of which \$707.7 million would be financed with General Funds and the other \$14.8 million from the schools allocation of the Insurance Premium tax. This would have required a \$60.2 million (9.3%) increase in FY03-04 General Fund appropriations. FY05 estimates reflected an additional \$30.6 million (4.3%) increase or a total of \$90.8 million more than FY03 level. The large growth in the FY03-04 certified amount is the result of (1) an above average 6.5% spending growth in FY01-02 which is the starting point for calculating the FY04 aid, and (2) a below average valuation growth of 4.45% in 2002 which is the valuation data used for calculating the FY04 aid.

<b>Cost Growth Factor</b>	Allowable	1/2 Board		Total
	Growth	Authorized	Enrollment	
<b><u>FY03-04 Aid Year (Certified)</u></b>				
FY01-02 Actual Data				
Inflate to FY02-03	2.50%	0.50%	0.32%	3.32%
Inflate to FY03-04	2.50%	0.50%	0.00%	3.00%
Factor for FY03-04 Aid	5.00%	1.00%	0.32%	6.32%
<b><u>FY03-04 Aid Year (LB 540)</u></b>				
FY01-02 Actual Data				
Inflate to FY02-03	2.50%	0.50%	0.32%	3.32%
Inflate to FY03-04	0.00%	0.50%	0.00%	0.50%
Factor for FY03-04 Aid	2.50%	1.00%	0.32%	3.82%
<b><u>FY04-05 Aid Year (LB 540)</u></b>				
FY02-03 Actual Data				
Inflate to FY03-04	0.00%	0.50%	0.00%	0.50%
Inflate to FY04-05	0.00%	0.50%	0.00%	0.50%
Factor for FY04-05 Aid	0.00%	1.00%	0.00%	1.00%
<b><u>FY05-06 Aid Year (LB 540)</u></b>				
FY03-04 Actual Data				
Inflate to FY04-05	0.00%	0.50%	0.00%	0.50%
Inflate to FY05-06	2.50%	0.50%	0.00%	3.00%
Factor for FY05-06 Aid	2.50%	1.00%	0.00%	3.50%
<b><u>FY06-07 Aid Year (LB 540)</u></b>				
FY04-05 Actual Data				
Inflate to FY05-06	2.50%	0.50%	0.00%	3.00%
Inflate to FY06-07	2.50%	0.50%	0.00%	3.00%
Factor for FY06-07 Aid	5.00%	1.00%	0.00%	6.00%

**LB 540** The budget incorporates the provisions of LB540 which reduces the certified aid amounts for FY03-04 by a total of \$81.8 million in FY04 and \$131.3 million in FY05. This reduction from the certified aid comes from two provisions.

First, the allowable growth rate for FY04 and FY05 is reduced from 2.5% to 0%. This reduction in the allowable growth rate also reduces the cost growth factor which is used to inflate the FY01-02 actual data to the FY03-04 aid year level. The 2 year prior actual data (FY01-02) is inflated by the cost growth factor which is the allowable growth rate for the two subsequent years (FY03 and FY04) plus .5% each year (half of the 1% extra allowed with a school board vote) plus enrollment growth. For FY03-04 aid year the cost growth factor is reduced from

6.32% to 3.82% as shown in table. This change in the cost growth factor results in a savings of \$42 million in FY03-04, \$89 million in FY04-05 and \$48 million in FY05-06. The "extra" savings in FY04-05 results from both years in the cost growth factor being at 0% rather than just one year as in FY04 and then again in FY06.

The second component of the savings is the increase in the levy limit and thus the local effort rate by 5 cents from \$1.00 (.90 LER) to \$1.05 (.95 LER) for FY03-04 and FY04-05 only. Savings from the change in the levy limit and LER amount to about \$40 million in FY03-04 and \$42 million in FY04-05.

Table 21 shows the past six year certified aid amounts and compares the current year with TEEOSA aid as certified, the Governors recommendation and calculated per LB 540.

Table 21 Comparison of TEEOSA Aid

TEEOSA AID	General	Insurance	Total	Change vs FY03 Base Yr	
	Funds	Premium Tax	TEEOSA Aid	Dollar	%
FY1997-98 Certified	454,273,986	11,670,497	465,944,483	na	na
FY1998-99 Certified	579,978,752	11,261,483	591,240,235	na	na
FY1999-00 Certified	581,552,195	12,490,055	594,042,250	na	na
FY2000-01 Certified	549,272,990	12,053,426	561,326,416	na	na
FY2001-02 Certified	630,212,142	14,868,591	645,080,733	na	na
FY2002-03 Certified (Base Yr)	647,477,820	14,450,387	661,928,207	na	na
<b>FY2003-04</b>					
February 2003 Certified	707,713,471	14,811,647	722,525,118	60,596,911	9.2%
Governor (10% below current yr)	582,730,038	14,811,647	597,541,685	(64,386,522)	-9.7%
Final Re-Certified per LB540	625,337,469	15,364,409	640,701,878	(21,226,329)	-3.2%
<b>FY2004-05</b>					
Est based on Feb 2003 Certified	738,343,664	15,181,938	753,525,602	91,597,395	13.8%
Governor (10% below current yr)	582,730,038	15,181,938	597,911,976	(64,016,231)	-9.7%
Final Re-Certified per LB540	606,478,397	15,748,520	622,226,917	(39,701,290)	-6.0%

Table 22 Calculation of TEEOSA School Aid

	Certified	Per LB540	Est Per LB540	Est Per LB540	Est Per LB540
	FY2002-03	FY2003-04	FY2004-05	FY2005-06	FY2006-07
AFR Data Year	Actual 00-01	Actual 01-02	Est 02-03	Est 03-04	Est 04-05
Property Valuation Year	2001 actual	2002 actual	2003 est	2004 est	2005 est
<b>Key Assumptions</b>					
School Disbursements	5.87%	6.48%	5.02%	5.50%	5.50%
Property Valuations (assessed)	6.38%	4.45%	6.50%	5.50%	5.50%
Cost Growth Factor	6.26%	<b>3.82%</b>	<b>1.00%</b>	<b>3.50%</b>	6.00%
Local Effort Rate	\$0.90	<b>\$0.95</b>	<b>\$0.95</b>	\$0.90	\$0.90
<b>Total Formula Need</b>					
	1,869,014,027	1,943,542,961	1,989,285,915	2,173,007,802	2,342,948,851
Effective Yield from Local Effort Rate	868,937,281	961,127,779	1,015,211,702	1,021,669,837	1,077,861,678
Net Option Funding	35,391,144	40,492,765	42,525,502	44,864,404	47,331,947
Allocated Income Tax	66,898,673	61,797,052	59,764,315	57,425,413	54,957,870
Other Actual Receipts	337,208,819	344,121,638	353,077,175	367,125,235	381,778,694
Minimum Levy Adjustment	2,384,197	1,466,422	1,466,422	1,466,422	1,466,422
LB 898: Net Option funding adjustment	(10,849,467)	(12,415,083)	(13,038,319)	0	0
LB 898: Allocated income tax adjustment	(12,735,037)	(12,073,549)	(12,073,549)	0	0
<b>Total Formula Resources</b>					
	1,287,235,610	1,384,517,024	1,446,933,248	1,492,551,311	1,563,396,611
Calculated Equalization Aid	581,778,417	559,025,936	542,352,667	680,456,490	779,552,240
Net Option Funding	35,391,144	40,492,765	42,525,502	44,864,404	47,331,947
Allocated Income Tax	66,898,673	61,797,052	59,764,315	57,425,413	54,957,870
Lopoff	(3,144,690)	(1,704,216)	(1,704,216)	<b>(3,404,216)</b>	(3,404,216)
Stabilization Factor	1,551,463	4,232,690	4,232,690	<b>1,432,690</b>	1,432,690
Non Equalized Levy Penalty	(110,187)	(105,472)	(105,472)	(105,472)	(105,472)
Small School Stabilization	243,215	273,299	273,299	273,299	273,299
Reorganization Incentive payments	2,852,543	1,182,025	0	0	0
Prior yr deficiencies/negative balances	52,133	(3,570)	0	0	0
LB 898: Net Option funding adjustment	(10,849,467)	(12,415,083)	(13,038,319)	0	0
LB 898: Allocated income tax adjustment	(12,735,037)	(12,073,549)	(12,073,549)	0	0
<b>TEEOSA State Aid</b>					
	661,928,207	640,701,878	622,226,917	780,942,608	880,038,358
State General Funds	647,477,820	625,337,469	606,478,397	764,800,376	863,492,570
Insurance Premium Tax	14,450,387	15,364,409	15,748,519	16,142,232	16,545,788
Total TEEOSA Aid	661,928,207	640,701,878	622,226,917	780,942,608	880,038,358
Dollar Change from prior year	16,847,474	(21,226,329)	(18,474,961)	158,715,692	99,095,750
Percent Change from prior year	2.6%	-3.2%	-2.9%	25.5%	12.7%

**Special Education** While TEEOSA aid was reduced below the original certified level and actually below the prior year, the budget does include full funding of Special Education at the 5% per year increase as provided for in current law (LB1243-2000). Dollar increases amount to \$7,673,653 in FY03-04 and \$14,981,894 in FY04-05.

**Other K-12 Aid Programs** The enacted budget includes a 10% cut in other K-12 aid programs including Early Childhood program (\$233,020), School Lunch (\$46,788), Textbook loan program (\$39,028), and School Breakfast reimbursement (\$30,142). The high ability learner programs is reduced by 15% (\$515,713). The budget also deletes funding for the Economic education program (\$20,300) and school reorganization assistance (\$18,400).

## AID TO ESU'S

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Aid to ESU's reflects a significant reduction of \$1,729,993 (14%)

(General Funds only)	Approp FY2001-02	Approp FY2002-03	Proposed FY2003-04	Proposed FY2004-05
Base Year Appropriation	12,775,000	12,775,000	12,347,996	12,347,996
Cost increases-core services	242,500	491,063	0	0
Cost increases-technology	76,875	155,672	0	0
5% Across the Board cut (2001 Spec Sess)	0	(671,087)	0	0
3% Across the Board cut (2002 Sess)	0	(402,652)	0	0
Base cut (2003 Sess)	0	0	(1,729,993)	(1,729,993)
Total - New Appropriation	13,094,375	12,347,996	10,618,003	10,618,003
\$ Change over Prior Yr	319,375	(746,379)	(1,729,993)	0
% Change over Prior Yr	2.5%	-5.7%	-14.0%	0.0%

## AID TO MUNICIPALITIES (CITIES)

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There are three basic aid to cities programs which were reduced during the 2003 Session.

The general Aid to Cities program, financed with state General Funds, was reduced by a 10% base reduction (\$1,314,863) and an additional cut of \$520,000 for FY04 and FY05. The Municipal Infrastructure Redevelopment Fund (MIRF), appropriated as cash funds and financed with a cigarette tax earmark, was also reduced by \$2.53 million (from \$3,050,000 to \$520,000) for FY04 and FY05 only. This reduction in the MIRF appropriation was allowed for under LB440 which redirected \$2.48 million of the MIRF funds to be lapsed to the General Fund. Because the target was to achieve a combined \$3 million on-going cut in addition to the 10% cut in general state aid, whether it be the general aid program or MIRF, when MIRF funding is restored in FY06 the cut in the general aid program increases in the projected budget in order to maintain the \$3 million cut level.

An additional cut is also made in the Municipal Equalization Fund (MEF) as provided for in LB 622. The MEF program is technically "off budget" (appropriated as a distributive fund) and reallocates the city sales tax collection fee back to cities using an equalization formula.

After the formula is "fully funded", any excess funds were distributed under the MIRF formula (per capita basis). LB 622 changed this so that any excess funds (commonly known as the Municipal Equalization Fund rollover), shall be credited to the General Fund less \$1,006,000 in FY02-03 and \$300,000 each year thereafter.

<b>Aid to Cities</b>	FY2001-02	FY2002-03	FY2003-04	FY2004-05
Prior Year Base	17,531,500	16,830,240	13,148,625	11,313,762
2001 Session	0	0	0	0
Spec Session 4% / 5% ATB Cut	(701,260)	(175,315)	0	0
2002 Session 0% / 3% ATB Cut	0	(525,945)	0	0
2002 Session Veto to 75% of FY01 level	0	(2,980,355)	0	0
2003 Session 10% Cut	0	0	(1,314,863)	0
2003 Session Cut equal \$3 M combined with MIRF	0	0	(520,000)	0
Revised Total	16,830,240	13,148,625	11,313,762	11,313,762

<b>Muni Infrastructure Redevlop Fund (MIRF)</b>	FY2001-02	FY2002-03	FY2003-04	FY2004-05
Prior Year Base	3,050,000	3,050,000	3,050,000	520,000
2001 Session	0	0	0	0
Spec Session 4% / 5% ATB Cut	0	0	0	0
2002 Session 0% / 3% ATB Cut	0	0	0	0
2002 Session Veto to 75% of FY01 level	0	0	0	0
2003 Session 10% Cut	0	0	0	0
2003 Session Cut MIRF, 2 yrs only	0	0	(2,530,000)	0
Revised Total	3,050,000	3,050,000	520,000	520,000

<b>Muni Equalization Fund (MEF)</b>	FY2001-02	FY2002-03	FY2003-04	FY2004-05
MEF Formula	11,397,149	12,600,000	12,546,000	13,408,000
MEF "rollover"	2,734,808	2,300,000	2,278,000	1,829,000
2001 Spec Session ATB Cut	0	0	0	0
2002 Session Cut	0	0	0	0
2002 Session Veto	0	0	0	0
2003 Session 10% Cut	0	0	0	0
2003 Session lapse "rollover" funds to Gen Fund	0	(1,300,000)	(1,978,000)	(1,529,000)
Revised Total	14,131,957	13,600,000	12,846,000	13,708,000

## **AID TO COUNTIES**

The general aid to counties program in the State Treasurer's budget was reduced by 10%.

Aid to counties under the County Property Tax Relief program budgeted under the Dept of Revenue was eliminated for FY04 and FY05 and then reinstated at a reduced level in FY06 under the provisions of LB 622.

For the county jail reimbursement program under the Dept of Correctional Services, the budget includes a 10% (\$391,000) cut in the appropriation amount. Starting in FY99-00 and FY00-01, the budget included \$6.8 million in the Dept of Correctional Services budget to reimburse counties for costs associated with the holding of certain prisoners. This aid program was enacted in LB695 (1998). This was reduced back to \$3,910,000 for FY02-03 by

(1) a \$2.55 million reduction in the 2001 Session to better match appropriations with actual experience and (2) across the board cuts applied in the 2001 Special Session (5%) and 2002 Session (3%). The 10% cut reduces the amount to \$3,519,000 per year.

<b>Aid to Counties</b>	FY2001-02	FY2002-03	FY2003-04	FY2004-05
Prior Year Base	7,393,808	7,098,056	5,545,356	4,990,820
2001 Session	0	0	0	0
Spec Session 4% / 5% ATB Cut	(295,752)	(73,938)	0	0
2002 Session 0% / 3% ATB Cut	0	(221,814)	0	0
2002 Session Veto to 75% of FY01 level	0	(1,256,948)	0	0
2003 Session 10% Cut	0	0	(554,536)	0
Revised Total	7,098,056	5,545,356	4,990,820	4,990,820

<b>County Property Tax Relief</b>	FY2001-02	FY2002-03	FY2003-04	FY2004-05
Prior Year Base	6,007,165	6,007,165	4,505,374	0
2001 Session	0	0	0	0
Spec Session 0% / 9% ATB Cut	0	(540,645)	0	0
2002 Session 0% / 3% ATB Cut	0	(180,215)	0	0
2002 Session Veto to 75% of FY01 level	0	(780,931)	0	0
2003 Session Eliminate funding 2 yrs per LB622	0	0	(4,505,374)	0
Revised Total	6,007,165	4,505,374	0	0

<b>County Jail Reimbursement</b>	FY2001-02	FY2002-03	FY2003-04	FY2004-05
Prior Year Base	6,800,000	4,080,000	3,910,000	3,519,000
2001 Session (base cut to "actual" levels)	(2,550,000)	0	0	0
Spec Session 4% / 5% ATB Cut	(170,000)	(42,500)	0	0
2002 Session 0% / 3% ATB Cut	0	(127,500)	0	0
2002 Session Veto to 75% of FY01 level	0	Overriden	0	0
2003 Session 10% ATB Cut	0	0	(391,000)	0
Revised Total	4,080,000	3,910,000	3,519,000	3,519,000

## AID TO NRD'S

The general aid to NRD's program would be reduced by 10% similar to the general aid programs for cities and counties.

<b>Aid to NRD's</b>	FY2001-02	FY2002-03	FY2003-04	FY2004-05
Prior Year Base	2,301,138	2,209,092	1,725,853	1,553,268
2001 Session	0	0	0	0
Spec Session 4% / 5% ATB Cut	(92,046)	(23,011)	0	0
2002 Session 0% / 3% ATB Cut	0	(69,034)	0	0
2002 Session Veto to 75% of FY01 level	0	(391,194)	0	0
2003 Session 10% Cut	0	0	(172,585)	0
Revised Total	2,209,092	1,725,853	1,553,268	1,553,268

## **HOMESTEAD EXEMPTION**

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This program reimburses local governments for the property tax loss related to property receiving a homestead exemption. The overall funding needed for these reimbursements is affected by the number of people eligible (based on age and income), the level of valuation and the property tax levy rate. In the late 1990's the amount of reimbursement declined with lower property tax levy rates due to increased state aid and higher valuations, and lower eligibilities of which a large part can likely be attributed to higher incomes from dividend, interest, and capital gains. The lowering reimbursement amounts allowed for passage of LB179 in the 1999 Session which increased the income levels for eligibility costing about \$5 million. However, the factors which attributed to the decline in the late 90's started to reverse and were reflected in the 2002 Session with a \$1.9 million deficit required for FY01-02. In this biennial budget, funding for homestead exemption reimbursement increased by \$5.1 million in FY03-04 and \$7.3 million in FY04-05 as compared to the original FY02-03 amount. These increases include \$3.4 million to continue funding a \$3.4 million deficit that was funded for FY02-03 plus 4%-5% per year anticipated growth.

## **AID TO COMMUNITY COLLEGES**

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The enacted budget eliminates funding for community college grant aid and reduces base level funding for the community college formula aid by 6.5% in FY03-04 and an additional 1.8% for a total 8.3% reduction in FY04-05. The budget also includes an adjustment to partially support biennium salary and health insurance increases across the community college system. Compared to the FY02-03 funding levels, the net result is community college aid that is 4.3% less in FY03-04 and 3% less in FY04-05.



# Highlights:

## General Fund Agency Operations

### COURT SYSTEM

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**Court Operations** The budget includes several adjustments for both FY03-04 and FY04-05. A base reduction of \$518,692 General Funds (and increase of the same in cash funds) is included to annualize LB 13 from the Second Special Session. This created the Court Automation fee in lieu of additional court budget cuts. Only a partial year savings was incorporated in FY03. Also included is a reduction in General funds for the State Law Library (-\$31,512 in FY04 and -\$331,512 in FY05), and General funds for acquisitions is reduced for FY04 and eliminated in FY05. However, legislative intent in LB 760 (see below) provides that any General Fund money supplanted by funds in the new Dispute Resolution Cash Fund can be used by the State Court Administrator for the support and maintenance of the State Library. The last item is a \$250,000 reduction in FY04-05 as a general reduction to court operations. This also relates to a provision in LB 760 which authorizes the Chief Justice of the Supreme Court to close court on certain days. The Supreme Court estimated this would allow the Chief Justice to reduce court hours by 50% in 14 county courts with filings of 800 or less with savings of \$200,000 in FY 2004 and \$250,000 in FY 05.

**Probation** The budget includes salary and health insurance increases and a \$125,000 reduction in both FY03-04 and FY04-05 to encourage consolidation and restructuring of probation districts. More significant changes occur under LB46 as described below.

**LB 760** provides for a variety of court fees. (1) creates a training and education fee of \$1 for each case filed in county, juvenile and district courts, and each appeal and original action filed in the Court of Appeals and Supreme Court. Based on approximately 400,000 cases annually with 10% being uncollectible, projected revenues are \$360,000 annually to support training and education programs for judges and employees of the Supreme Court and Probation; (2) increases the court fees for the Nebraska Retirement Fund for judges from \$1 to \$5 dollars. The Retirement Board estimates the increase will raise \$1,759,428 which will be used to offset a short fall in the judges retirement fund; (3) creates a dispute resolution fee of 75-cents for each court case to be credited to the Dispute Resolution Cash Fund which is also created. Legislative intent is included that any General Fund money supplanted by the Dispute Resolution Cash Fund can be used by the State Court Administrator for the support and maintenance of the State Library. Revenues are estimated at \$270,000 annually.

**LB 46** enacts the Community Corrections Act and the Correctional System Overcrowding Emergency Act, creates the Community Corrections Council, gives duties to the executive director of the Nebraska Commission on Law Enforcement and Criminal Justice pertaining to uniform crime data analysis, and makes Nebraska a signatory to the Interstate Compact for Adult Offender Supervision.

The majority of proposals in LB 46 were developed from recommendations of the Community Corrections Working Group convened to address Nebraska's rising prison costs. The bill proposes to do this by creating less expensive, community-based incarceration alternatives and reducing the state's reliance on the more expensive option of imprisoning certain non-violent felony offenders. The elements of these changes include creating new sentencing guidelines, expanding community corrections alternatives to prison, and changing the state's systems of probation and parole. To further these objectives, LB 46 creates the Community Corrections Council which is administratively within the Nebraska Commission on Law Enforcement and Criminal Justice (Crime Commission). The council is assigned numerous duties including developing standards for community correctional facilities and programs; developing a plan to establish a statewide community corrections continuum; and developing and recommending sentencing guidelines for the state Supreme Court's review. The council's first task is to develop sentencing guidelines for felony drug offenses and present the guidelines to the Supreme Court by July 1, 2004. After that, sentencing guidelines for other felony offenses are to be developed on a schedule deemed appropriate by the court. The guidelines must include that courts consider community correctional programs and facilities in sentencing designated offenders, with a goal of reducing dependence on incarceration for nonviolent offenders.

The bill authorizes judges to sentence offenders to a community correctional program or facility as a condition of probation. Additionally, the Board of Parole can parole an offender to a community correctional program or facility pursuant to the guidelines developed by the council. LB 46 encourages the use of parole and probation, removing statutory barriers that had kept some offenders from qualifying for parole and allowing sanctions short of revocation for non-criminal probation violations to keep offenders out of prison. The bill mandates a parole review no later than 60 days prior to the date a committed offender becomes eligible for parole and affirms the Legislature's intent that offenders eligible for parole have the opportunity to complete the "final stages" of their sentences on parole. LB 46 gives probation officers new authority to levy administrative sanctions on persons who commit minor, non-criminal violations of probation. Previous law required probation officers to file a report for any probation violation with the county attorney, who could then file a motion to revoke probation.

The bill prohibits courts from ordering certain classes of misdemeanor pre-sentence investigations. Pre-sentence investigation will no longer be required of Class IIIA misdemeanors, Class IV misdemeanors, Class V misdemeanors, traffic infractions and corresponding city or village ordinances. The Office of Probation Administration advises the change will save 3 probation officer trainees and 1.5 clerical positions. This amounts to general fund savings of \$125,390 in both FY 04 and FY 05.

The bill places new fees on probationers and parolees to fund the programs and services associated with community corrections. Persons placed on probation will pay a onetime administrative fee of \$30 and monthly probation programming fees of \$25 (\$35 for intensive supervision). A judge can waive the fees based on a finding of undue financial hardship. The fees are to augment operational and personnel costs associated with the development, implementation and evaluation of enhanced probation based programs and to purchase

services to provide programs aimed at enhancing adult probation supervision in the community and treatment needs of probationers. Projected revenues amount to \$2,652,822 in FY03-04 and \$4,532,134 in FY05 the first full year of implementation.

Another provision of LB 46 imposes a \$1 court fee to be used for developing a uniform crime data analysis system. Revenues are projected at \$360,000 annually. The executive director of the Crime Commission is charged with overseeing the development of the system, which is to include, at least, "the number of offenses, arrests, charges, probation admissions, probation violations, probation discharges, admissions to and discharges from the Department of Correctional Services, parole reviews, parole hearings, releases on parole, parole violations, and parole discharges" categorized by statutory crime.

LB 46 also addresses prison overcrowding by allowing the Governor to declare an overcrowding emergency when the correctional system population is above 140 percent of design capacity. The declaration triggers the Board of Parole to begin considering or reconsidering those offenders eligible for parole and to parole those deemed most appropriate, until the prison population is reduced to 125 percent of design capacity.

Finally, the provisions of LB 522 were added to the bill via amendment, making Nebraska a compact state for purposes of overseeing adult offenders placed on community supervision who move to and from other states. The compact establishes uniform procedures to manage the offenders, notify victims, collect data, monitor and enforce compliance with the rules governing the interstate movement of offenders, and coordinate training and education. It further provides for the creation of the State Council for Interstate Adult Offender Supervision, which is responsible for appointing a commissioner from Nebraska to serve on the Interstate Commission for Adult Offender Supervision.

<u>General Fund (appropriations)</u>	<u>FY2003-04</u>	<u>FY2004-05</u>
Crime Commission: Community Corrections Council	191,060	186,769
Crime Commission: Uniform Data Base	Unknown	Unknown
Crime Commission: Sentencing Guidelines	93,559	91,277
Supreme Court: System change for probation fees	15,000	0
Supreme Court: Implementation and training sentencing guidelines	0	20,000
Probation: Reduction for pre-sentence investigations	-125,390	-125,390
Probation: Training for administrative sanctions	19,000	0
Corrections: Parole eligibility changes	Unknown	Unknown
Corrections: Interstate Compact for Adult Offender Supervision	18,000	18,000
Total Impact-General Fund appropriations	211,229	190,656
<u>Cash Funds (appropriations)</u>	<u>FY2003-04</u>	<u>FY2004-05</u>
Crime Commission: Community Corrections Data Analysis Fund	360,000	360,000
Probation: Probation Program Cash Fund	2,652,822	4,532,134
Corrections: Parole Program Cash Fund	123,625	123,625
Total Impact-Cash Fund appropriations	3,136,447	5,015,759

## DEPT OF HEALTH AND HUMAN SERVICES

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Besides funding of salary and health insurance costs, the budget for the operation of the HHS System has minimal changes.

**Tobacco Prevention and Control** The original allocation of the tobacco settlement monies earmarked \$7 million per year for 3 years for tobacco use prevention programs. This allocation expired in FY02-03. The budget includes \$2.2 million of carryover cash funds in FY03-04, and \$405,000 General Funds (LB 285A) in both FY03-04 and FY04-05 to continue the program albeit at a scaled back level.

**Juvenile Services** The budget reflects no significant increases or reductions in juvenile services programs. The budget only includes funding for salary and health insurance costs.

**Data Processing** Two items related to data processing and information technology are included. The budget includes \$1.1 million in both FY04 and FY05 for replacement of computer equipment. This is part of a request to replace computers and printers in the HHS system over a four-year period. The three agencies combined have 5,480 PC's. Most do not have the capacity to run Windows 2000 or compatible software. Many still have the Windows 95 operating system which is no longer supported by Microsoft. Needed updates to the system are becoming more difficult to do because of the antiquated nature of the computer system. Once the state converts to the Nebraska Information System (NIS), the HHS system will need upgraded computers to run the financial data.

The second item reduces maintenance of the Medicaid Medical Information System (MMIS) to emergency only work saving \$1.6 million General Funds per year. Work is currently being done to bring the system into HIPPA compliance. While HIPPA modifications are being done, maintenance can be postponed. Funding would need to be restored in the future to keep the system operating and payments accurate. Although there is always a risk of a major malfunction in any computer system which could result in a deficit, the department feels this reduction could be reasonably managed based on the current state of the MMIS system.

**Institution Inflationary Increases** The committee budget includes increases for medical inflationary costs and workers compensation increases. Amounts included total \$296,289 in FY03-04 and \$714,508 in FY04-05.

## DEPT OF CORRECTIONAL SERVICES

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**Inmate Medical Costs** The Department of Correctional services faces increasing medical and other per diem costs coupled with a rising inmate population. Health care has become the third largest cost center for the Department. Only the budgets for the Nebraska State Penitentiary and Tecumseh State Correctional Facility are larger. The Committee budget includes an \$8.4 million deficit in FY03, and increased funding of \$11.6 million in FY04 and \$13.3 million in FY05 to (1) annualize the deficit and (2) provide roughly \$2 million per year increase in costs.

The problem has been accumulating over the past several years. Medical costs have exceeded budget amounts by \$200,000 in FY00, \$3.2 million in FY01, and \$4.3 million in FY02. These earlier deficits were absorbed by drawing down on re-appropriated carryover funds. The gap has grown to \$8.4 million in FY03 and in the absence of available carryover funds, a request for an additional \$8.4 million of new funds.

The medical deficit is a complex mix of increasing population, aging inmates, higher standards of medical care, more serious illnesses in the inmate population, the increasing numbers of hospital referrals, greater pharmacy costs, greater need for special services such as radiology, anesthesiology, and cardiology and high inflationary rates for medical care. Hospital costs increased 147% between FY 99 and FY02. These are the costs of hospital care when an inmate is admitted to a hospital outside of a correctional facility. Even though the Department has been able to negotiate hospital discounts of 15-20%, increases in number of inmates admitted to the hospital continue to drive this cost upward. In-patient and out patient hospital services account for more than half the overall spending increase. Coupled with increases in hospital costs, laboratory fees increased 107% between FY99 and FY02. Part of this increase is attributed to a 61% increase in the number of lab tests ordered. The cost of special services such as radiology, anesthesiology, and cardiology also increased 252% during the same period.

The reasons for the increases in hospital referrals are also multiple. First the inmate population continues to increase and as the population increases so do the number of referrals. Secondly, changes in medical protocols are finding more and more inmates in need of serious care. For example in 2000 there were 18 HIV patients with 2 of those undergoing HIV/AIDS treatment. In 2002 the HIV patients grew to 34, however the number undergoing HIV/AIDS treatment increased to 23 due to changes in protocols. A third, but undocumented, increase in referrals may be due to the intense scrutiny of two major studies of the department's medical services by the Ombudsman and a Governors Task Force. Medical personnel may be making more hospital referrals as a way of "playing it safe".

The state becomes the sole provider of medical care because for the most part, insurance plans exempt persons incarcerated and inmates are not eligible for Medicaid. For purposes of perspective, the annual cost of Blue Cross health insurance coverage for a single person is \$3,540 but takes into consideration medical and prescription co-pays. The annual cost for inmate health care based upon a population of 4,000 and factoring in the current budget plus deficit is \$5,582 annually.

**Staffing of new/renovated facilities at York** During the 2001 Legislative session funding was appropriated for capital improvements at the Nebraska Correctional Center for Women. The project included the addition of multiple custody housing, mental health and segregation beds, support areas, food service, laundry facilities, and life safety improvements. The project is expected to be substantially completed in the spring of 2004. The fiscal impact of staffing the expanded operations will occur in the upcoming biennium. The department is anticipating adding 7 FTE in FY 04 and full compliment of 27 in FY 05. The budget includes \$275,088 in FY04 and \$1,228,771 in FY05 for the additional staffing.

**Lincoln Correctional Center closing** On Select File during the debate on the mainline budget bill (LB407) the Legislature adopted an amendment to close the Lincoln Correctional Center effective October 1, 2004 saving \$7,339,451 in FY05 and a full year savings thereafter (\$10,119,269). The Lincoln Correctional Center is a medium-maximum security correctional facility that currently houses approximately 468 prisoners. Reduction of this number of inmates is expected to be achieved through parole and utilizing alternatives to incarceration, such as improved community corrections programs and parole as authorized under LB 46 (see page 61)

## **STATE COLLEGES**

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The budget reflects a General Fund base reduction for the Nebraska State Colleges of 7.2% in FY03-04 and 8.3% in FY04-05 compared to the FY02-03 appropriation level.

Adjustments to support biennium salary and health insurance increases as well as an increase in DAS - Accounting assessments were funded. Additionally, the budget includes funding adjustments in consideration of LB410 [2003] that call for suspension of facilities depreciation charges for FY2003-04 and assessment of these charges at a rate lower (1% vs. 2%) than the existing statutory rate for FY2004-05.

With these adjustments, the level of General Funds provided for FY2003-04 for the Nebraska State Colleges is 5.1% less than FY2002-03 funding while the level recommended for FY2004-05 remains 1.9% less than FY2002-03 funding.

## **UNIVERSITY OF NEBRASKA**

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The enacted budget reduces the General Fund base appropriations for the University of Nebraska by 6.4% in FY03-04 and 8.4% in FY04-05 compared to the FY02-03 appropriation level.

Funding was then provided to support biennium salary and health insurance increases as well as an increase in DAS Accounting Division assessments. Additionally, the budget includes funding adjustments in consideration of LB410 (2003) that calls for suspension of facilities depreciation charges for FY2003-04 and assessment of these charges at a rate lower (1% vs. 2%) than the original statutory rate for FY2004-05.

The net impact of these transactions results in a level of General Funds for FY2003-04 for the University that is 4.7% less than FY2002-03 funding while the level provided for FY2004-05 is 2.5% less than FY2002-03 funding.

## STATE PATROL

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Funding increases for the State Patrol basically include only funding salary and health insurance costs and a general 2.5% cut amounting to \$981,669

The budget does include \$111,325 in FY04 and \$176,529 in FY05 to provide General Fund support to continue funding for Internet Crimes Against Children. In January of 2000 the State Patrol established an Internet Crimes against Children unit funded by the Office of Juvenile Justice and Delinquency Prevention. The unit is designed to investigate crimes committed against minors by perpetrators using the Internet. The unit also provides forensic analysis of computer equipment used by a suspect. Two officers and one civilian computer forensic analyst are currently assigned to the project. General funds are provided to begin funding one officer and the civilian in FY 04 and in FY 05 adding the second officer.

## COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

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The most significant item is **LB 46** which among other things, creates the Community Corrections Council which is administratively within the Nebraska Commission on Law Enforcement and Criminal Justice (Crime Commission). The council is assigned numerous duties including developing standards for community correctional facilities and programs; developing a plan to establish a statewide community corrections continuum; and developing and recommending sentencing guidelines for the state Supreme Court's review. The council's first task is to develop sentencing guidelines for felony drug offenses and present the guidelines to the Supreme Court by July 1, 2004. After that, sentencing guidelines for other felony offenses are to be developed on a schedule deemed appropriate by the court. The guidelines must include that courts consider community correctional programs and facilities in sentencing designated offenders, with a goal of reducing dependence on incarceration for nonviolent offenders.

Another provision of LB 46 imposes a \$1 court fee to be used for developing a uniform crime data analysis system. Revenues are projected at \$360,000 annually. The executive director of the Crime Commission is charged with overseeing the development of the system, which is to include, at least, "the number of offenses, arrests, charges, probation admissions, probation violations, probation discharges, admissions to and discharges from the Department of Correctional Services, parole reviews, parole hearings, releases on parole, parole violations, and parole discharges" categorized by statutory crime.

## COMMISSION ON PUBLIC ADVOCACY

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**LB 760** included a new indigent defense fee of \$2.75 per court case is also created with projected annual receipts of \$990,000. The bill provides enough funding from these new court costs to replace all General Funds utilized for operating costs of the Commission. Currently the operating budget is comprised of \$569,184 in general funds and \$211,067 in federal grant and matching funds for two attorneys and a staff position. The federal funding

is anticipated to expire and it is questionable whether the funds will be renewed. Sufficient funds will be available from the new court fees to replace the general and federal funds currently utilized for operating expenses. LB 760 also creates a new violent crime and drug defense division within the Commission.

## **WATER AND ENVIRONMENTAL LITIGATION AND AGREEMENTS**

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**Kansas v. Nebraska settlement expenses** -- The settlement of the Kansas v. Nebraska interstate water rights litigation brings about the need to gather data in the Republican River basin to assure compliance with the provisions of the settlement. The Department of Natural Resources has requested funding for: 1) ongoing settlement implementation costs and 2) a number of one-time costs, including the development of a basin-wide data modeling system and cost-sharing funds to assist in the purchase of water well meters. The budget includes a General Fund appropriation of \$2,004,341 in FY2003-04 and the reallocation of up to \$1,611,393 of unspent Kansas v. Nebraska litigation funds for water well meter purchases. The FY2004-05 budget includes ongoing costs of \$1,020,070 General Funds. Finally, there is a lapse of \$1,100,000 of unspent litigation funds to the General Fund on June 30, 2003. These funds will be used by the Attorney General's office for litigation expenses described below.

**Missouri River litigation and Low-Level Radioactive Waste administrative procedures litigation** - The Attorney General requested that \$550,000 General Funds per year be appropriated for expenses related to: 1) litigation involving the Missouri River and 2) the administrative procedures dispute resulting from the State's withdrawal from the Central Interstate Low-Level Radioactive Waste Compact. The budget is funded at the agency request level. The \$550,000 General Fund appropriation in each year of the biennium is offset by the \$1,100,000 General Fund lapse from Kansas v. Nebraska litigation funds on June 30, 2003.

**Low-Level Radioactive Waste civil rights litigation** -- The Department of Environmental Quality requested a reduced level of funding for expenses related to the civil rights lawsuit filed by the Central Interstate Low-Level Radioactive Waste Compact on behalf of the waste generators. The budgeted level of \$952,987 General Funds in FY2003-04 and \$309,501 General Funds in FY2004-05 is based upon the agency request level and is a significant decrease from the current General Fund appropriation of \$3,107,090. The case is currently in the appeal process.

**Platte River Cooperative Agreement** - The budget includes a transfer of \$925,000 from the Nebraska Environmental Trust Fund to the Department of Natural Resources to pay for expenses involving the Platte River Cooperative Agreement. These funds will be used to pay for Nebraska's share of the costs in the joint process between the federal government and the states of Nebraska, Wyoming and Colorado. A total of \$525,000 cash funds are included in FY2003-04 and \$400,000 cash funds is included in FY2004-05.



## STATE EMPLOYEE SALARY INCREASES

Collective bargaining agreements have been negotiated with the various bargaining units and are described in the following narrative. All percent increases shown are to be implemented July 1 for agencies covered by the State Personnel System. The salary increases are roughly half the increases in the FY02/FY03 contracts. Table 23 shows the General Fund cost of full funding the salary contracts.

Table 23 Salary Increase Costs  
(General Fund Only)

	FY2003-04	FY2004-05
Annualize FY03 salary increases	4,237,147	4,237,147
Non-classified employees	1,872,466	4,404,750
NAPE Master Contract	3,097,987	7,290,597
SLEBEC (Law Enforcement)	819,933	1,675,005
State Colleges	567,178	1,334,757
University of Nebraska	6,349,737	14,943,048
Total General Fund costs	16,944,448	33,885,304

### Annualize FY2002-03 Salary

**Increases** The budget for (FY02-03) included funds to cover a full fiscal year of the July 1 salary increase and a half year cost of the January 1, 2002 increase (the state fiscal year runs from July to June). Because the FY02-03 budget funds only a half year for the January increase, the "second half" funding needed to be added to FY03-04 and FY04-05 to provide a full year funding for the January 1 increase.

**Nebraska Association of Public Employees (NAPE-AFSCME)** Collective bargaining agreements have been reached with NAPE-AFSCME on a labor contract for FY2003-04 and FY2004-05. The contract calls for a July 1 increase of 1.5% on July 1, 2003 and 2% on July 1, 2004. The step plan which under the previous contract had provided for an additional 2.5% increase on January 1, was suspended.

**Non-Bargaining Employees** This category covers employees who are not eligible for bargaining. This includes certain supervisory and management positions, and employees under constitutional agencies such as the Legislative Council, Governor, Secretary of State, Attorney General, etc... For budgeting purposes, funding for salary increases for these employees is included at the same rate as the NAPE/AFSCME Master Contract as noted above.

**State Law Enforcement Bargaining Council (SLEBEC)** also reached settlement for the two years of the biennial budget. On average, the salary increases are roughly 4.4% in FY04 and 4.2% in FY05. This contract covers approximately 500 employees in the State Patrol, Fire Marshal, and Game and Parks Commission. The percentage increases by fiscal year for each SLEBC position is as follows: Fire Marshal Deputy (6.0% and 5.1%), Game & Parks Conservation Officer (4.2% and 4.1%), State Patrol Carrier Enforcement Officer (5.2% and 3.6%), State Patrol Sergeant (4.0% and 3.9%), State Patrol Trooper (4.6% and 4.5%), State Patrol Investigation Officer (3.3% and 3.5%), State Patrol Investigation Sergeant (3.6% and 3.7%), Liquor Control Inspector (2.3% and 2.5%)

**State Colleges** Agreements with the state college faculty, non-academic professional and support staff bargaining units call for a 2% increase on July 1 of each year of the biennium.

The budget funds the equivalent of 1.5% in FY04 and 2% in FY05 totaling \$567,177 in FY03-04 and \$1,334,757 in FY04-05.

**University of Nebraska** As requested, the budget provides the same amount for salaries as the NAPE-AFSCME Master Contract which is 1.5% on July 1, 2003 and 2% on July 1, 2004. General funds included total \$ 6,349,737 in FY03-04 and \$14,943,048 in FY04-05.

**Historical salary increases** over the past 10 years are shown in Table 24. This is based on the NAPE master contract. Also shown is how these pay increases would be reflected as an annual percent change on a fiscal year basis for an average state employee (base FY85 salary of \$18,000). Note this table does not reflect salary increases for higher education or other bargaining units such as SLEBEC. Also not reflected is the impact of specific reclassifications or pay grade changes that may have occurred over the years. Over the 10-year period FY95 to FY05, employee salary increases averaged 3.3% per year with the Consumer Price Index rising at an annual rate of about 2.5%.

Table 24 Historical Salary Increase-  
NAPE Master Contract

Fiscal Year	General Salary Policy	FY basis % Change
FY1994-95	\$500 on July and \$100 on anniversary*	--
FY1995-96	4% on July 1	4.20%
FY1996-97	3.5% on July 1	3.50%
FY1997-98	2.75% on July 1	2.75%
FY1998-99	2.75% on July 1	2.75%
FY1999-00	2% on July 1, up to 2.5% on Jan 1	2.77%
FY2000-01	2% on July 1, 2.5% on Jan 1	4.04%
FY2001-02	1.5% on July 1, 2.5% on Jan 1	4.04%
FY2002-03	1.5% on July 1, 2.5% on Jan 1	4.04%
FY2003-04	1.5% on July 1	2.75%
FY2004-05	2.0% on July 1	2.00%
	Ten Year Average (FY95 to FY05)	3.30%

## STATE EMPLOYEE HEALTH INSURANCE

**State Employees** Projections for the upcoming FY04 / FY05 biennium show a significant increase over the current contract which runs to January 1, 2003. Please note that these costs are projected. With the health insurance contracts running on a calendar year basis, bidding for the next contract (calendar year 2004 and 2005) will not start until this summer. Therefore, the increases for budgeting purposes for the upcoming biennium are based on estimates not on the actual bids or contracts. Also the percent changes in the contract (calendar year) will be different than percent changes on a fiscal year basis. For example, FY2003-04 contains six months under the existing calendar year 2003 contract and six months under a new calendar year 2004 contract.

Table 25 Health Insurance Cost Increases

General Funds Only	FY2003-04	FY2004-05
State Employees	5,063,459	12,493,038
State Colleges	381,255	799,012
University of Nebraska	1,557,505	6,541,521
Total General Fund costs	7,002,219	19,833,571

For the calendar year 2004 contract, insurance costs estimated to increase by 18%, with a 10.9% increase projected for calendar year 2005. When converting to a fiscal year basis, the estimated increase is 10.7% in FY2003-04 and an additional 15.7% in FY2004-05. The cost share remains at the current level 79% employer 21% employee contribution ratio. General Fund cost increases, on a fiscal year basis, are budgeted at \$5.1 million in FY03-04 and \$12.5 million in FY04-05.

**University** At the University of Nebraska, health insurance costs are expected to increase by 1.5% in FY03-04 and 21% in FY04-05. Additional funding provided totals \$1,557,505 in FY03-04 and \$6,541,521 in FY04-05.

**State Colleges** The state colleges are covered under the NSEA health insurance plan with costs expected to increase by 9.4% in FY03-04. The same 9.4% increase is also assumed for FY04-05. Additional funding totals \$381,255 in FY03-04 and \$799,012 in FY04-05.

Table 26 shows the historical trends in health insurance rates using the Blue Cross/Blue Shield plan most commonly utilized by employees. About 63% of employees have BC/BS coverage and there is a relatively even distribution within the BC/BS coverage for single, two-party, and family coverage. *As noted earlier, the percent changes in this table are on a fiscal year basis and differ from percent changes when considering the contracts that run on a calendar year basis. Also other coverages have different costs and rate changes.* The ten-year average annual increase is 9.3%. The average increase in the employee share over this 10 year period is significantly higher only because from FY95 to FY98 the employee share was virtually cut in half by drawing down excess insurance trust fund amounts. Restoration of the employee share back to 21% is the major cause of the high 10 year growth.

Table 26 Historical Health Insurance Rates - BC/BS High Option (Family)

BC/BS High Option (Family)	Dollar Cost Per Employee - FY Basis					Percent of Total		
	Employee	Employer	Trust	Total	% Change	Employee	Employer	Trust
FY1993-94	1,305.00	4,911.00	In agency	6,216.00	0.0%	21.0%	79.0%	In agency
FY1994-95	579.00	4,911.00	946.00	6,436.00	3.5%	9.0%	76.3%	14.7%
FY1995-96	579.00	4,911.00	648.00	6,138.00	-4.6%	9.4%	80.0%	10.6%
FY1996-97	579.00	4,911.00	1,286.00	6,776.00	10.4%	8.5%	72.5%	19.0%
FY1997-98	1,075.20	4,944.00	407.00	6,426.20	-5.2%	16.7%	76.9%	6.3%
FY1998-99	1,138.00	5,200.00	410.00	6,748.00	5.0%	21.0%	79.0%	0.0%
FY1999-00	2,061.00	7,752.00	0.00	9,813.00	45.4%	21.0%	79.0%	0.0%
FY2000-01	2,207.58	8,304.60	0.00	10,512.18	7.1%	21.0%	79.0%	0.0%
FY2001-02	2,360.94	8,881.62	0.00	11,242.56	6.9%	21.0%	79.0%	0.0%
FY2002-03	2,503.20	9,416.76	0.00	11,919.96	6.0%	21.0%	79.0%	0.0%
FY2003-04 Current Est	2,876.42	10,820.69	0.00	13,697.11	14.9%	21.0%	79.0%	0.0%
FY2004-05 Current Est	3,283.63	12,352.56	0.00	15,636.20	14.2%	21.0%	79.0%	0.0%
<u>Average Annual Change</u>								
FY95 to FY05 (10 Yr)	19.0%	9.7%	na	9.3%				

## DEPRECIATION SURCHARGE

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Legislation enacted in 1998 (LB1100) provided, with certain exclusions, that in the year following completion of a state agency capital construction project, the Department of Administrative Services (DAS) is to annually thereafter assess depreciation charges to the relevant state agency on the basis of 2% of the total project cost. Under the provisions of LB410 (2003 Session), the budget reflects suspending these depreciation charges for FY2003-04 and assessing them at a rate of 1% for FY2004-05 rather than the original statutory 2% rate. In view of suspension of the charges for FY2003-04, the funding for affected state agencies include reductions corresponding to current year depreciation assessments that will not be required to be paid in FY2003-04. Additionally, funding for these agencies include adjustments to accommodate payment of the depreciation charges at a 1% rate for FY2004-05 rather than the original statutory 2% rate. Net General Fund reductions over the biennium amount to \$4,080,769.

# General Fund Appropriations By Agency

		Type	w/o deficits FY2002-03	Budget Per 2003 Session		FY04 vs Prior Yr		FY05 vs Prior Yr	
				FY2003-04	FY2004-05	\$ Chnge	% Chnge	\$ Chnge	% Chnge
#03	Legislative Council	Oper	14,410,432	13,736,743	14,340,434	(673,689)	-4.7%	603,691	4.4%
#03	Legislative Council	Total	14,410,432	13,736,743	14,340,434	(673,689)	-4.7%	603,691	4.4%
#05	Supreme Court	Aid	248,400	0	248,400	(248,400)	-100.0%	248,000	na
#05	Supreme Court	Oper	54,389,576	54,950,666	55,748,194	561,090	1.0%	797,528	1.5%
#05	Supreme Court	Total	54,637,976	54,950,666	55,996,594	312,690	0.6%	1,045,928	1.9%
#07	Governor	Oper	1,426,521	1,365,432	1,424,786	(61,089)	-4.3%	59,354	4.3%
#07	Governor	Total	1,426,521	1,365,432	1,424,786	(61,089)	-4.3%	59,354	4.3%
#08	Lt. Governor	Oper	110,317	116,429	118,813	6,112	5.5%	2,384	2.0%
#08	Lt. Governor	Total	110,317	116,429	118,813	6,112	5.5%	2,384	2.0%
#09	Secretary of State	Oper	730,017	707,468	724,013	(22,549)	-3.1%	16,545	2.3%
#09	Secretary of State	Total	730,017	707,468	724,013	(22,549)	-3.1%	16,545	2.3%
#10	State Auditor	Oper	2,052,929	1,912,061	1,977,857	(140,868)	-6.9%	65,796	3.4%
#10	State Auditor	Total	2,052,929	1,912,061	1,977,857	(140,868)	-6.9%	65,796	3.4%
#11	Attorney General	Oper	3,847,650	5,081,842	5,216,695	1,234,192	32.1%	134,853	2.7%
#11	Attorney General	Total	3,847,650	5,081,842	5,216,695	1,234,192	32.1%	134,853	2.7%
#12	State Treasurer	Aid	20,419,834	17,857,850	17,857,850	(2,561,984)	-12.5%	0	0.0%
#12	State Treasurer	Oper	2,199,164	1,556,421	1,577,486	(642,743)	-29.2%	21,065	1.4%
#12	State Treasurer	Total	22,618,998	19,414,271	19,435,336	(3,204,727)	-14.2%	21,065	0.1%
#13	Education	Aid	814,805,335	797,715,678	787,161,405	(17,089,657)	-2.1%	(10,554,273)	-1.3%
#13	Education	Oper	14,637,493	13,843,871	14,099,740	(793,622)	-5.4%	255,869	1.8%
#13	Education	Total	829,442,828	811,559,549	801,261,145	(17,883,279)	-2.2%	(10,298,404)	-1.3%
#14	Public Service Comm	Oper	2,209,621	2,200,021	2,222,995	(9,600)	-0.4%	22,974	1.0%
#14	Public Service Comm	Total	2,209,621	2,200,021	2,222,995	(9,600)	-0.4%	22,974	1.0%
#15	Parole Board	Oper	667,041	686,964	707,739	19,923	3.0%	20,775	3.0%
#15	Parole Board	Total	667,041	686,964	707,739	19,923	3.0%	20,775	3.0%
#16	Revenue	Aid	42,385,374	43,000,000	45,200,000	614,626	1.5%	2,200,000	5.1%
#16	Revenue	Oper	20,403,047	20,590,698	21,059,960	187,651	0.9%	469,262	2.3%
#16	Revenue	Total	62,788,421	63,590,698	65,059,960	802,277	0.6%	2,669,262	4.2%
#18	Agriculture	Aid	0	0	0	0	na	0	na
#18	Agriculture	Oper	5,764,581	5,353,386	5,512,922	(411,195)	-7.1%	159,536	3.0%
#18	Agriculture	Total	5,764,581	5,353,386	5,512,922	(411,195)	-7.1%	159,536	3.0%
#20	HHS-Regulation	Oper	5,837,411	5,616,092	5,725,085	(221,319)	-3.8%	108,993	1.9%
#20	HHS-Regulation	Total	5,837,411	5,616,092	5,725,085	(221,319)	-3.8%	108,993	1.9%
#21	Fire Marshal	Oper	640,720	2,435,418	3,380,478	1,794,698	280.1%	945,060	38.8%
#21	Fire Marshal	Total	640,720	2,435,418	3,380,478	1,794,698	280.1%	945,060	38.8%
#23	Labor	Oper	559,784	522,453	535,195	(37,331)	-6.7%	12,742	2.4%
#23	Labor	Total	559,784	522,453	535,195	(37,331)	-6.7%	12,742	2.4%
#25	HHS-Services	Aid	0	0	0	0	na	0	na
#25	HHS-Services	Oper	150,409,283	156,086,756	160,844,870	5,677,392	3.8%	4,758,195	3.0%
#25	HHS-Services	Total	150,409,283	156,086,756	160,844,870	5,677,392	3.8%	4,758,195	3.0%

	Type	w/o deficits FY2002-03	Budget Per 2003 Session		FY04 vs Prior Yr		FY05 vs Prior Yr	
			FY2003-04	FY2004-05	\$ Chnge	% Chnge	\$ Chnge	% Chnge
#26 HHS-Finance	Aid	634,816,734	694,012,477	779,196,371	59,195,743	9.3%	85,183,894	12.3%
#26 HHS-Finance	Oper	33,560,736	33,412,825	33,732,221	(147,911)	-0.4%	319,396	1.0%
#26 HHS-Finance	Total	668,377,470	727,425,302	812,928,592	59,047,832	8.8%	85,503,290	11.8%
#27 Roads	Aid	582,320	524,088	524,088	(58,232)	-10.0%	0	0.0%
#27 Roads	Oper	18,400	16,560	16,560	(1,840)	-10.0%	0	0.0%
#27 Roads	Total	600,720	540,648	540,648	(60,072)	-10.0%	0	0.0%
#28 Veterans Affairs	Oper	632,377	709,242	732,585	76,865	12.2%	23,343	3.3%
#28 Veterans Affairs	Total	632,377	709,242	732,585	76,865	12.2%	23,343	3.3%
#29 Natural Resources	Aid	6,346,010	6,346,010	6,346,010	0	0.0%	0	0.0%
#29 Natural Resources	Oper	7,613,048	7,777,148	6,940,529	164,100	2.2%	(836,619)	-10.8%
#29 Natural Resources	Total	13,959,058	14,123,158	13,286,539	164,100	1.2%	(836,619)	-5.9%
#31 Military Dept	Aid	828,000	828,000	828,000	0	0.0%	0	0.0%
#31 Military Dept	Oper	3,152,719	3,223,484	3,283,523	70,765	2.2%	60,039	1.9%
#31 Military Dept	Total	3,980,719	4,051,484	4,111,523	70,765	1.8%	60,039	1.5%
#32 Ed Lands & Funds	Oper	392,292	394,298	407,776	2,006	0.5%	13,478	3.4%
#32 Ed Lands & Funds	Total	392,292	394,298	407,776	2,006	0.5%	13,478	3.4%
#33 Game & Parks	Aid	46,000	41,400	41,400	(4,600)	-10.0%	0	0.0%
#33 Game & Parks	Oper	9,689,372	8,868,003	9,082,805	(821,369)	-8.5%	214,802	2.4%
#33 Game & Parks	Total	9,735,372	8,909,403	9,124,205	(825,969)	-8.5%	214,802	2.4%
#34 Library Commission	Aid	1,392,152	1,252,937	1,252,937	(139,215)	-10.0%	0	0.0%
#34 Library Commission	Oper	2,213,621	2,154,776	2,222,995	(58,845)	-2.7%	68,219	3.2%
#34 Library Commission	Total	3,605,773	3,407,713	3,475,932	(198,060)	-5.5%	68,219	2.0%
#35 Liquor Control	Oper	749,132	760,951	782,222	11,819	1.6%	21,271	2.8%
#35 Liquor Control	Total	749,132	760,951	782,222	11,819	1.6%	21,271	2.8%
#38 Status of Women	Oper	195,908	15,000	0	(180,908)	-92.3%	(15,000)	-100.0%
#38 Status of Women	Total	195,908	15,000	0	(180,908)	-92.3%	(15,000)	-100.0%
#46 Correctional Services	Aid	3,910,000	3,519,000	3,519,000	(391,000)	-10.0%	0	0.0%
#46 Correctional Services	Oper	117,101,371	130,914,594	130,287,791	13,813,223	11.8%	(626,803)	-0.5%
#46 Correctional Services	Total	121,011,371	134,433,594	133,806,791	13,422,223	11.1%	(626,803)	-0.5%
#47 NETC	Oper	8,412,140	8,482,093	8,790,909	69,953	0.8%	308,816	3.6%
#47 NETC	Total	8,412,140	8,482,093	8,790,909	69,953	0.8%	308,816	3.6%
#48 Coordinating Comm	Aid	5,874,210	5,795,794	5,802,794	(78,416)	-1.3%	7,000	0.1%
#48 Coordinating Comm	Oper	950,579	1,100,107	1,117,082	149,528	15.7%	16,975	1.5%
#48 Coordinating Comm	Total	6,824,789	6,895,901	6,919,876	71,112	1.0%	23,975	0.3%
#50 State Colleges	Oper	36,257,396	34,416,556	35,583,490	(1,840,840)	-5.1%	1,166,934	3.4
#50 State Colleges	Total	36,257,396	34,416,556	35,583,490	(1,840,840)	-5.1%	1,166,934	3.4
#51 University of Nebraska	Oper	412,450,196	393,119,402	402,233,114	(19,330,794)	-4.7%	9,113,712	2.3%
#51 University of Nebraska	Total	412,450,196	393,119,402	402,233,114	(19,330,794)	-4.7%	9,113,712	2.3%
#52 State Fair Board	Oper	0	0	0	0	na	0	na
#52 State Fair Board	Total	0	0	0	0	na	0	na
#54 Historical Society	Oper	4,059,501	3,808,651	3,910,946	(250,850)	-6.2%	102,295	2.7%
#54 Historical Society	Total	4,059,501	3,808,651	3,910,946	(250,850)	-6.2%	102,295	2.7%
#64 State Patrol	Oper	39,266,782	39,648,855	41,259,860	382,073	1.0%	1,611,005	4.1%
#64 State Patrol	Total	39,266,782	39,648,855	41,259,860	382,073	1.0%	1,611,005	4.1%
#65 Admin Services (DAS)	Aid	0	0	0	0	na	0	na
#65 Admin Services (DAS)	Oper	9,088,478	8,446,876	8,586,057	(641,602)	-7.1%	139,181	1.7%
#65 Admin Services (DAS)	Total	9,088,478	8,446,876	8,586,057	(641,602)	-7.1%	139,181	1.7%

	Type	w/o deficits FY2002-03	Budget Per 2003 Session		FY04 vs Prior Yr		FY05 vs Prior Yr	
			FY2003-04	FY2004-05	\$ Chnge	% Chnge	\$ Chnge	% Chnge
#67 Equal Opportunity	Oper	993,342	1,195,866	1,231,034	202,524	20.4%	35,168	2.9%
#67 Equal Opportunity	Total	993,342	1,195,866	1,231,034	202,524	20.4%	35,168	2.9%
#68 Mexican-American	Oper	206,413	191,685	194,896	(14,728)	-7.1%	3,211	1.7%
#68 Mexican-American	Total	206,413	191,685	194,896	(14,728)	-7.1%	3,211	1.7%
#69 Arts Council	Aid	695,259	625,775	625,775	(69,484)	-10.0%	0	0.0%
#69 Arts Council	Oper	534,563	492,864	508,830	(41,699)	-7.8%	15,966	3.2%
#69 Arts Council	Total	1,229,822	1,118,639	1,134,605	(111,183)	-9.0%	15,966	1.4%
#70 Foster Care Review	Oper	1,134,558	1,062,977	1,097,082	(71,581)	-6.3%	34,105	3.2%
#70 Foster Care Review	Total	1,134,558	1,062,977	1,097,082	(71,581)	-6.3%	34,105	3.2%
#72 Economic Development	Aid	965,305	365,000	365,000	(600,305)	-62.2%	0	0.0%
#72 Economic Development	Oper	3,879,056	3,574,443	3,653,355	(304,613)	-7.9%	78,912	2.2%
#72 Economic Development	Total	4,844,361	3,939,443	4,018,355	(904,918)	-18.7%	78,912	2.0%
#76 Indian Commission	Oper	185,802	173,817	177,734	(11,985)	-6.5%	3,917	2.3%
#76 Indian Commission	Total	185,802	173,817	177,734	(11,985)	-6.5%	3,917	2.3%
#77 Industrial Relations	Oper	234,715	213,185	227,297	(21,530)	-9.2%	14,112	6.6%
#77 Industrial Relations	Total	234,715	213,185	227,297	(21,530)	-9.2%	14,112	6.6%
#78 Crime Commission	Aid	882,562	701,982	701,982	(180,580)	-20.5%	0	0.0%
#78 Crime Commission	Oper	2,334,486	2,375,544	2,373,828	41,058	1.8%	(1,716)	-0.1%
#78 Crime Commission	Total	3,217,048	3,077,526	3,075,810	(139,522)	-4.3%	(1,716)	-0.1%
#81 Blind/Visually Impaired	Aid	167,005	156,769	149,261	(10,236)	-6.1%	(7,508)	-4.8%
#81 Blind/Visually Impaired	Oper	370,277	374,770	381,807	4,493	1.2%	7,037	1.9%
#81 Blind/Visually Impaired	Total	537,282	531,539	531,068	(5,743)	-1.1%	(471)	-0.1%
#82 Deaf & Hard of Hearing	Oper	700,186	678,308	696,510	(21,878)	-3.1%	18,202	2.7%
#82 Deaf & Hard of Hearing	Total	700,186	678,308	696,510	(21,878)	-3.1%	18,202	2.7%
#83 Community Colleges	Aid	65,158,738	62,376,556	63,203,664	(2,782,182)	-4.3%	827,108	1.3%
#83 Community Colleges	Total	65,158,738	62,376,556	63,203,664	(2,782,182)	-4.3%	827,108	1.3%
#84 Environmental Quality	Aid	0	0	0	0	na	0	na
#84 Environmental Quality	Oper	6,591,653	4,385,369	3,788,872	(2,206,284)	-33.5%	(596,497)	-13.6%
#84 Environmental Quality	Total	6,591,653	4,385,369	3,788,872	(2,206,284)	-33.5%	(596,497)	-13.6%
#85 Retirement Board	Oper	15,389,214	15,927,474	15,927,474	538,260	3.5%	0	0.0%
#85 Retirement Board	Total	15,389,214	15,927,474	15,927,474	538,260	3.5%	0	0.0%
#87 Account/Disclosure	Oper	422,526	393,341	404,769	(29,185)	-6.9%	11,428	2.9%
#87 Account/Disclosure	Total	422,526	393,341	404,769	(29,185)	-6.9%	11,428	2.9%
#90 Railway Council	Oper	3,029	2,726	2,726	(303)	-10.0%	0	0.0%
#90 Railway Council	Total	3,029	2,726	2,726	(303)	-10.0%	0	0.0%
#93 Tax Equal/Review	Oper	714,945	667,668	683,389	(47,277)	-6.6%	15,721	2.4%
#93 Tax Equal/Review	Total	714,945	667,668	683,389	(47,277)	-6.6%	15,721	2.4%
#94 Public Advocacy	Aid	0	0	0	0	na	0	na
#94 Public Advocacy	Oper	684,610	0	0	(684,610)	-100.0%	0	na
#94 Public Advocacy	Total	684,610	0	0	(684,610)	-100.0%	0	na
#96 Property Assess/Tax	Oper	3,249,734	3,913,063	4,023,435	663,329	20.4%	110,372	2.8%
#96 Property Assess/Tax	Total	3,249,734	3,913,063	4,023,435	663,329	20.4%	110,372	2.8%
Construction-Total	Const	18,044,257	20,515,031	19,046,316	2,470,774	13.7%	(1,468,715)	-7.2%
<b>TOTAL GENERAL FUNDS</b>		<b>2,621,296,239</b>	<b>2,655,289,608</b>	<b>2,751,630,516</b>	<b>33,993,369</b>	<b>0.4%</b>	<b>96,340,908</b>	<b>3.61%</b>

# General Fund State Aid by Aid Program

Agency	Aid Program	w/o deficits	Budget per 2003 Session		Change over FY03	
		FY2002-03	FY2003-04	FY2004-05	FY03-04	FY4-05
#05 Courts	Dispute resolution	248,400	0	248,400	(248,000)	0
#12 Treasurer	Aid to NRD's	1,725,853	1,553,268	1,553,268	(172,585)	(172,585)
#12 Treasurer	Aid to Cities	13,148,625	11,313,762	11,313,762	(1,834,863)	(1,834,863)
#12 Treasurer	Aid to Counties	5,545,356	4,990,820	4,990,820	(554,536)	(554,536)
#13 Education	State Aid to Education (TEEOSA)	647,477,820	625,915,582	607,697,160	(21,562,238)	(39,780,660)
#13 Education	Special Education	146,164,827	153,473,068	161,146,721	7,308,241	14,981,894
#13 Education	Aid to ESU's	12,347,996	10,618,003	10,618,003	(1,729,993)	(1,729,993)
#13 Education	High ability learner programs	2,864,377	2,348,664	2,348,664	(515,713)	(515,713)
#13 Education	Early Childhood program	2,330,200	2,097,180	2,097,180	(233,020)	(233,020)
#13 Education	School Lunch	467,875	421,087	421,087	(46,788)	(46,788)
#13 Education	Textbook loan program	390,287	351,259	351,259	(39,028)	(39,028)
#13 Education	School Breakfast reimbursement	301,520	271,378	271,378	(30,142)	(30,142)
#13 Education	Adult Education	231,733	231,733	231,733	0	0
#13 Education	Option Enrollment	0	0	0	0	0
#13 Education	Economic education program	20,300	0	0	(20,300)	(20,300)
#13 Education	School reorganization (LB1050)	18,400	0	0	(18,400)	(18,400)
#13 Education	Teacher certification reimbursement	0	0	0	0	0
#13 Education	Teacher World Program	0	0	0	0	0
#13 Education	Vocational Rehabilitation	2,190,000	1,987,724	1,978,220	(202,276)	(211,780)
#16 Revenue	County Property Tax Relief	4,505,374	0	0	(4,505,374)	(4,505,374)
#16 Revenue	Homestead Exemption	37,880,000	43,000,000	45,200,000	5,120,000	7,320,000
#17 Aeronautics	Civil Air Patrol	0	0	0	0	0
#18 Agriculture	Ag Opportunities/Value-Added grants	0	0	0	0	0
#26 HHS-Finance	Behavioral Health Aid	31,756,515	31,405,597	30,919,130	(350,918)	(837,385)
#26 HHS-Finance	Medical student assistance/RHOP	362,068	662,068	662,068	300,000	300,000
#26 HHS-Finance	Nursing student assistance	257,600	123,600	0	(134,000)	(257,600)
#26 HHS-Finance	Juvenile predisposition detention	386,400	386,400	386,400	0	0
#26 HHS-Finance	County Juvenile Services aid	1,500,000	1,500,000	1,500,000	0	0
#26 HHS-Finance	Children's Health Insurance	0	25,456	2,005,455	25,456	2,005,455
#26 HHS-Finance	Public Assistance	137,176,998	178,283,984	200,321,799	41,106,986	63,144,801
#26 HHS-Finance	Medicaid	400,248,752	416,751,984	476,760,382	16,503,232	76,511,630
#26 HHS-Finance	Developmental disabilities	54,519,634	56,264,621	58,032,370	1,744,987	3,512,736
#26 HHS-Finance	Public Health programs (12)	2,911,792	2,911,792	2,911,792	0	0
#26 HHS-Finance	Care Management	1,771,558	1,771,558	1,771,558	0	0
#26 HHS-Finance	Area agencies on aging	3,925,417	3,925,417	3,925,417	0	0
#27 Roads	Local transit authorities	471,000	423,900	423,900	(47,100)	(47,100)
#27 Roads	Intercity bus subsidy	111,320	100,188	100,188	(11,132)	(11,132)
#29 Nat Resources	Small Watershed Fund	24,000	24,000	24,000	0	0
#29 Nat Resources	Nebr Water Conservation Fund	2,715,610	2,715,610	2,715,610	0	0
#29 Nat Resources	Resources Development Fund	3,606,400	3,606,400	3,606,400	0	0

w/o deficits      Budget per 2003 Session      Change over FY03



Agency	Aid Program	FY2002-03	FY2003-04	FY2004-05	FY03-04	FY4-05
#31 Military Dept	Governors Emergency Fund	0	0	0	0	0
#31 Military Dept	Guard tuition assistance	828,000	828,000	828,000	0	0
#33 Game & Parks	Niobrara Council	46,000	41,400	41,400	(4,600)	(4,600)
#34 Library Comm	Local libraries	1,392,152	1,252,937	1,252,937	(139,215)	(139,215)
#46 Corrections	County jail cost reimbursement	3,910,000	3,519,000	3,519,000	(391,000)	(391,000)
#48 Coord. Comm	SSIG grants	803,965	0	0	(803,965)	(803,965)
#48 Coord. Comm	Scholarship Award Prog (SSAP)	1,066,448	0	0	(1,066,448)	(1,066,448)
#48 Coord. Comm	Scholarship Assistance Prog (SAP)	1,870,413	0	0	(1,870,413)	(1,870,413)
#48 Coord. Comm	Postsecond Ed Award Prog (PEAP)	2,133,384	0	0	(2,133,384)	(2,133,384)
#48 Coord. Comm	Nebraska Scholarship Program	0	5,745,794	5,802,794	5,745,794	5,802,794
#48 Coord. Comm	Community Scholarship Foundation	0	50,000	0	50,000	0
#65 DAS	Local govt technology grants	0	0	0	0	0
#69 Arts Council	Aid to arts programs	602,306	542,075	542,075	(60,231)	(60,231)
#69 Arts Council	Council on Humanities	92,953	83,700	83,700	(9,253)	(9,253)
#72 Econ Develop	Microenterprise Development Act	250,000	250,000	250,000	0	0
#72 Econ Develop	Managing Mainstreet	115,000	115,000	115,000	0	0
#72 Econ Develop	Community redevelop analysis fund	0	0	0	0	0
#72 Econ Develop	Job training grants	600,305	0	0	(600,305)	(600,305)
#78 Crime Comm	Juvenile services grants	593,750	593,750	593,750	0	0
#78 Crime Comm	Juvenile services planning grants	112,500	0	0	(112,500)	(112,500)
#78 Crime Comm	Law Enforce-Indian affairs	90,160	22,080	22,080	(68,080)	(68,080)
#78 Crime Comm	Crimestoppers program	13,593	13,593	13,593	0	0
#78 Crime Comm	Victim Witness assistance	52,559	52,559	52,559	0	0
#78 Crime Comm	Crime Victims reparations	20,000	20,000	20,000	0	0
#81 Blind & Vis Imp	Blind rehabilitation	167,005	156,769	149,261	(10,236)	(17,744)
#83 Comm Colleges	Aid to Community Colleges	65,158,738	62,376,556	63,203,664	(2,782,182)	(1,955,074)
#84 Environ Cntrl	Superfund cleanup	0	0	0	0	0
#94 Public Advoc.	Indigent defense reimbursement	0	0	0	0	0
Individuals/Other		647,611,794	705,434,305	790,856,587	57,822,511	143,244,793
Local Government		951,911,444	929,685,011	922,167,350	(22,226,433)	(29,744,094)
Total General Fund State Aid		1,599,523,238	1,635,119,316	1,713,023,937	35,596,078	113,500,699

# General Fund Appropriations by Bill

	FY2002-03	FY2003-04	FY2004-05
LB 46 Community Corrections Act	0	211,229	190,656
LB 54 Exemption from training requirements, foster parents	0	(155,899)	(272,289)
LB 72 Income tax checkoff, Nebr State Fair	0	51,070	0
LB 143 Solid waste permits, response action cost allocation	0	(100,854)	(100,854)
LB 234 Administrative disqualification hearing, ADC/child care	0	(9,765)	(60,000)
LB 285A Tobacco Free Nebr, grasshopper control	250,000	405,000	405,000
LB 381 Changes, sales tax, rented and leased motor vehicles	0	61,000	0
LB 608 Changes, Employment/Investment Growth Act	0	236,806	303,684
LB 626 Selecting/bidding service contracts	0	6,526	6,526
LB 759 Sales tax base, income tax, alcohol and cigarette tax	0	102,803	102,636
LB 760 Court fees, judges retirement	0	(837,721)	(629,468)
LB 790 State Natural Gas Regulation Act	0	100,000	0
<b>Subtotal-"A" Bills</b>	<b>250,000</b>	<b>70,195</b>	<b>(54,109)</b>
LB 407 Mainline Budget Bill	--	2,609,761,434	2,707,503,904
LB 406 Capital Construction	--	20,515,031	19,046,316
LB 404 Constitutional Officers Salaries	--	18,435,756	18,627,213
LB 405 Legislator Salaries	--	632,982	632,982
LB 574 Nebraska Scholarship Act	--	5,874,210	5,874,210
LB 402 Deficits	22,216,984	0	0
LB 806 State Claims	354,800	0	0
<b>Subtotal-Mainline Bills (after vetoes)</b>	<b>22,571,784</b>	<b>2,655,219,413</b>	<b>2,751,684,625</b>
<b>Total-Appropriations Bills</b>	<b>22,821,784</b>	<b>2,655,289,608</b>	<b>2,751,630,516</b>

## Governor Vetoes and Overrides

On May 26, the Governor vetoed the entire mainline budget bill (LB 407) which contained \$5.3 billion General Fund appropriations over the two-year biennial budget. This comprised 98% of the total General fund budget. In his message, the Governor cited a difference in the philosophical premise from which to frame state spending and specifically the \$7.3 million cut in the Department of Corrections and the proposed closing of the Lincoln Correctional Center.

The next day, on May 27, the Appropriations Committee recommended that the Legislature override the Governor's veto of the bill. The subsequent motion to override the veto passed on a vote of 37 ayes, 11 nays, and 1 present and not voting.

# **APPROPRIATIONS ALL FUND SOURCES**

# Overview

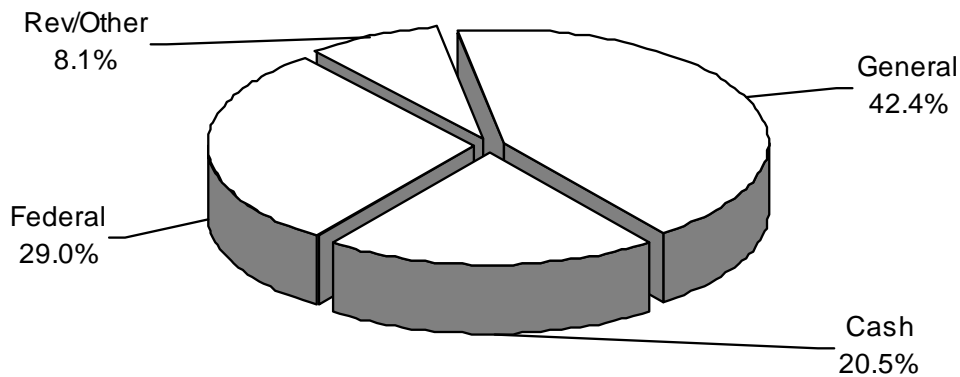
## Appropriations - All Fund Sources

This section of the report reflects the budget for all funds sources, not just General Funds. Table 27 contains the overall total appropriations by fund source broken down by operations, state aid and capital construction. Following the table is a description of each type of fund source and highlights of major increases inside of each fund category.

Table 27 FY04/FY05 Biennial Budget - All Fund Sources

	General	Cash	Federal	Rev/Other	Total
<b><u>FY2002-03 (without deficits)</u></b>					
Agency Operations	1,003,728,754	952,664,638	431,471,622	505,772,283	2,893,637,297
State Aid	1,599,523,228	266,890,797	1,315,361,980	5,862,913	3,187,638,918
Capital Construction	18,044,257	33,296,828	3,325,000	5,208,822	59,874,907
<b>FY2003-03 Total</b>	<b>2,621,296,239</b>	<b>1,252,852,263</b>	<b>1,750,158,602</b>	<b>516,844,018</b>	<b>6,141,151,122</b>
<b><u>FY2003-04</u></b>					
Agency Operations	999,655,261	1,016,844,791	434,801,095	496,229,904	2,947,531,051
State Aid	1,635,119,316	241,511,754	1,348,765,588	5,862,913	3,231,259,571
Capital Construction	20,515,031	27,371,822	30,479,057	7,214,201	85,580,111
<b>FY2003-04 Total</b>	<b>2,655,289,608</b>	<b>1,285,728,367</b>	<b>1,814,045,740</b>	<b>509,307,018</b>	<b>6,264,370,733</b>
<b><u>Change over prior year</u></b>					
Dollar	33,993,369	32,876,104	63,887,138	(7,537,000)	123,219,611
Percent	1.3%	2.6%	3.7%	-1.5%	2.0%
<b><u>FY2004-05</u></b>					
Agency Operations	1,019,560,263	1,016,185,045	440,773,102	500,213,368	2,976,731,778
State Aid	1,713,023,937	234,073,138	1,426,949,725	5,862,913	3,379,909,713
Capital Construction	19,046,316	29,557,804	13,999,613	1,486,494	64,090,227
<b>FY2004-05 Total</b>	<b>2,751,630,516</b>	<b>1,279,815,987</b>	<b>1,881,722,440</b>	<b>507,562,775</b>	<b>6,420,731,718</b>
<b><u>Change over prior year</u></b>					
Dollar	96,340,908	(5,912,380)	67,676,700	(1,744,243)	156,360,985
Percent	3.6%	-0.5%	3.7%	-0.3%	2.5%

## FY2003-04 Total Appropriations by Fund



## CASH FUNDS

These funds are used to account for the revenues and expenditures of dedicated fees and charges. Unlike the single General Fund, there are more than 200 individual cash funds contained in 74 different agencies. Only 8 agencies do not have some cash funds although many are very small amounts. In many instances, an agency has multiple cash funds. For example, the Dept of Agriculture has over 20 different cash funds. Monies held in these funds generally can only be used for the specific purpose for which the fund was created. Cash funds are used to account for revenues such as University and State College tuition and fees, hunting/fishing permits, highway revenues (gas tax and sales tax on motor vehicles), and agricultural commodity check-off fees. In addition, most inspection, regulatory, and license fees and charges, are dedicated to and accounted for through the use of cash funds.

CASH FUNDS	FY2002-03	FY2003-04	FY2004-05	% of Total
Roads	545,134,213	590,276,000	589,234,000	45.9%
University of Nebraska	157,772,654	157,772,654	157,772,654	12.3%
HHS System	137,044,771	124,430,296	118,377,236	9.7%
Public Service Comm	75,760,120	86,894,387	89,965,436	6.8%
Game and Parks	50,347,394	50,690,626	52,044,964	3.9%
All Other	286,793,111	275,664,404	272,421,697	21.4%
Total - Cash Funds	1,252,852,263	1,285,728,367	1,279,815,987	100.0%

The Dept of Roads alone accounts for 46% of cash fund revenues and expenditures. The University of Nebraska accounts for 12.3% and HHS (including the Health Care Cash Fund) accounts for 9.7%. No other agency accounting for more than 7.0% of the total.

The budget reflects a very small growth in cash fund appropriations, slightly more than 1% per year. The largest single increase (\$45 million in FY04) is cash flow of Dept of Roads projects. The overall impact on Roads is best described in the following section. Moderate increases in

other areas are largely offset by a reductions in HHS with one-time use of cash in FY03, and the Dept of Education where the reduction reflects reallocation of the Education Lottery funds.

### Dept of Roads

The Highway Cash Fund appropriation, which determines the level of the variable gas tax rate, is set at the level requested by the Department, which is \$338,000,000 in both FY04 and FY05. It is estimated that this level of state funding, combined with anticipated federal revenue, will allow a highway construction program of \$352 million in FY04 and \$346 million in FY05. The FY04 highway construction program reflects an additional \$6 million that the Department had instead requested be spent on the construction of a Joint Operations Center (JOC). The Department’s request to build the JOC was denied and this money was moved into highway construction.

After completion of the legislative session the Department of Roads certified that the fuel tax should be set at 24.6 cents for the period starting July 1, 2003 to generate funding equal to the FY04 appropriation. This is a continuation of the 24.6 cent tax that was in effect from January 1 to June 30, 2003.

**LB 759** was passed that requires motor vehicle sales tax derived from that portion of the sales tax rate in excess of 5% to be deposited into the General Fund starting October 1, 2003. Since the sales tax rate is continued at 5.5%, an estimated \$11 million will be deposited into the General Fund during FY04 from the additional .5%. In FY05, a full years impact will be realized generating \$15.8 million to the General Fund. LB 759 will not have a direct impact on the Department of Roads or the cities and counties since they will continue to receive the same amount of funding from the Highway Trust Fund that they anticipated based on a sales tax rate of 5%.

### Health Care Cash Fund

The following table reflects the revised distribution of the Health Care Cash Fund as approved in LB 412.

	Agency Program	FY2003-04	FY2004-05
<b>BEHAVIORAL HEALTH PROVIDER INCREASES</b>			
Regions	26-038	2,599,660	2,599,660
Child Welfare	26-347	2,734,444	2,734,444
Medicaid	26-348	2,165,896	2,165,896
Medicaid managed care / inpatient and RTC	26-348	2,600,000	2,600,000
Subtotal		10,100,000	10,100,000
<b>SERVICE CAPACITY</b>			
Mental Health / Substance Abuse Regions	26-038	6,500,000	6,500,000
Juvenile Services	25-250	1,000,000	1,000,000
Subtotal		7,500,000	7,500,000

	Agency Program	FY2003-04	FY2004-05
<b>EMERGENCY PROTECTIVE CUSTODY</b>	26-038	1,500,000	1,500,000
<b>RESPITE CARE</b>			
Respite regions and personnel	25-035	250,000	250,000
Respite aid	26-347	810,000	810,000
Subtotal		<u>1,060,000</u>	<u>1,060,000</u>
<b>HEALTH GRANTS</b>	26-343	0	0
<b>DEVELOPMENTALLY DISABLED WAITING LIST</b>	26-424	5,000,000	5,000,000
<b>PUBLIC HEALTH</b>			
Public Health Staff	25-033	100,000	100,000
County Public Health county aid	26-502	5,600,000	5,600,000
Subtotal		<u>5,700,000</u>	<u>5,700,000</u>
<b>MINORITY HEALTH</b>			
Qualified health clinics	26-502	1,000,000	1,000,000
Minority health aid	26-502	1,580,000	1,580,000
Minority health satelites	25-033	220,000	220,000
Additional Min. health clinic funding	26-502	400,000	400,000
Subtotal		<u>3,200,000</u>	<u>3,200,000</u>
<b>CHIP -- REPLACE CASH FROM ORIGINAL \$25M</b>	26-344	1,321,222	5,000,000
<b>MEDICAID (General Fund offset)</b>	26-348	3,678,778	0
<b>BIOMEDICAL RESEARCH</b>	26-623	10,000,000	10,000,000
<b>HUMAN SERVICE STUDY</b>	03-122	500,000	0
<b>ATTORNEY GENERAL</b>	11-507	150,000	150,000
<b>EMS TECHS (FY 04 APP. IN LB 1033A)</b>	20-177	13,688	13,688
<b>REVENUE AUDITOR SPECIALIST (in LB989A)</b>	16-102	34,244	34,244
<b>GRAND TOTAL</b>		49,757,932	49,257,932

## FEDERAL FUNDS

Federal funds account for monies received from the federal government either as grants, contracts, or matching funds. Unlike other fund sources, federal fund appropriations are an estimate and agencies are not limited to the amount shown in the appropriation bills though receipts must meet expenditures. Similar to cash funds, there are numerous individual federal funds contained in the accounting system and they are generally limited to specific uses as authorized by the federal program from which the funds came from. Of the 74 state agencies, 34 receive some level of federal funds.

FEDERAL FUNDS	FY2002-03	FY2003-04	FY2004-05	% of Total
HHS System	1,141,320,882	1,181,485,664	1,263,703,864	65.1%
Education	242,000,721	230,054,377	231,868,508	12.7%
University of Nebraska	205,001,594	205,001,594	205,001,594	11.3%
Labor	35,502,974	36,166,473	36,806,318	2.0%
Environmental Quality	26,431,538	32,956,558	33,113,179	1.8%
All Other	99,900,893	128,381,074	111,228,977	10.0%
Total - Federal Funds	1,750,158,602	1,814,045,740	1,881,722,440	100.0%

Almost 2/3 of the federal funds (approximately 65%) is expended in the Health and Human Services System, a large portion for programs such as Medicaid, AFDC, and other public assistance program. Federal funds in the Dept of Education account for 12.7% of the total. This is mostly flow through monies to local K-12 schools for programs such as Chapter 1, School Lunch, and Special Education.

Estimated federal funds increase at about 3.7% per year over the two years of the biennium. Although there are numerous increases and reductions in various agencies, most of the net increase in federal funds can be attributed to programs within the HHS System. There is a large increase in federal funds for capital construction reflecting the Military operations center and replacement of the Fitzgerald Veterans Home.

## REVOLVING FUNDS

These type of funds account for transactions where one agency provides goods or services to another agency. For example, an agency pays DAS-IMS for use of the states' mainframe computer. The expenditure is charged against that agency's budget (be it General, Cash, or Federal). DAS then receives these funds which are credited to a revolving fund from which DAS pays staff salaries, lease payments on computers, utilities, etc... This in essence double-counts expenditures; once when an agency pays another agency for goods/services rendered, the second time when the receiving agency then pays for costs incurred in providing the goods or services. Like cash and federal funds, there are numerous individual revolving funds within the state system. Excluding the University and State Colleges, DAS accounts for 86% of all revolving funds. The Dept of Correctional Services (through Cornhusker State Industries) accounts for another 8.6%.

REVOLVING / OTHER	FY2002-03	FY2003-04	FY2004-05	% of Total
University/Colleges	313,063,416	313,063,416	313,063,416	61.5%
Admin Services	179,027,025	169,515,106	173,344,484	33.3%
Corrections	16,337,510	16,466,935	16,576,890	3.2%
All Other	8,416,067	10,261,561	4,577,985	2.0%
Total - Rev/Other Funds	516,844,018	509,307,018	507,562,775	100.0%

About 62% of all revolving fund appropriations are contained within the University and State Colleges. However, unlike the revolving fund definition noted above, revolving funds used by the University and State Colleges account for revenues from dormitories, student unions,



agricultural experiment stations, other "enterprise" operations. This separates these revenues from those generated from student tuition and fees that are accounted for as cash funds.

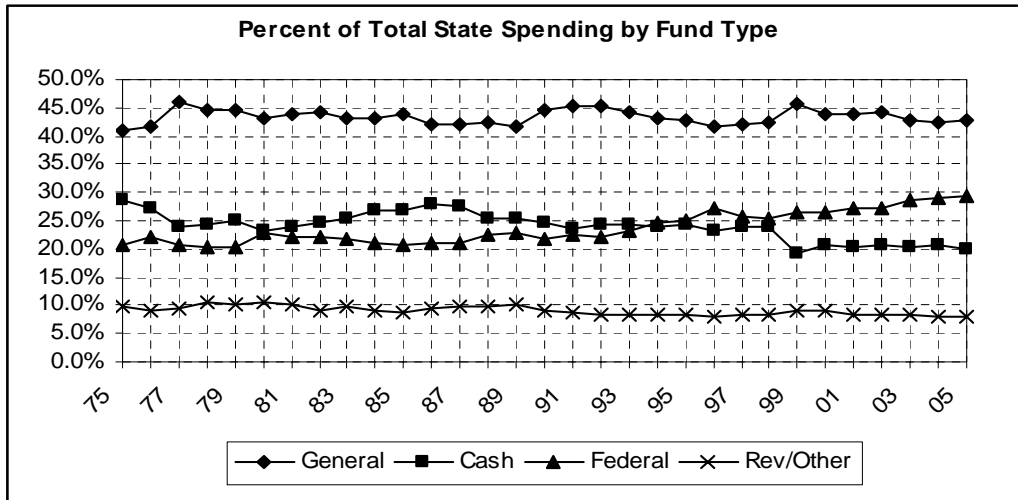
## HISTORICAL APPROPRIATIONS-ALL FUNDS

Table 28 contains historical appropriations from all fund sources for the past 20 years. All years exclude deficit appropriations. Also shown are average growth figures for the past 20 years as well as historical growth in biennial budgets.

One significant item to note is the cash fund decline in FY98-99. This relates to the merger of Clarkson Hospital and the University of Nebraska Medical Center Hospital into a non-profit private corporation, Nebraska Health Systems. Because the new entity is "private", this took the University Hospital's patient revenues (and cash fund expenditures) out of the state's accounting system amounting to over \$200 million.

Table 28 Historical Appropriations-All Funds

	General Funds	Cash Funds	Federal Funds	Revolving /Other	Total Funds
FY1984-85	823,354,120	507,218,914	391,344,534	163,460,949	1,885,378,517
FY1985-86	811,348,354	538,052,894	406,649,534	178,883,047	1,934,933,829
FY1986-87	832,883,574	544,340,304	419,300,247	191,636,307	1,988,160,432
FY1987-88	886,692,463	527,072,700	470,710,628	201,153,179	2,085,628,970
FY1988-89	975,463,332	592,274,308	538,558,829	235,868,204	2,342,164,673
FY1989-90	1,213,239,466	669,923,305	592,886,952	251,071,830	2,727,121,553
FY1990-91	1,415,098,996	736,361,772	694,819,456	266,341,766	3,112,621,990
FY1991-92	1,532,922,851	821,901,188	755,923,617	281,938,493	3,392,686,149
FY1992-93	1,596,160,107	871,907,067	839,384,006	302,998,215	3,610,449,395
FY1993-94	1,628,020,298	908,707,645	934,011,649	313,568,194	3,784,307,786
FY1994-95	1,718,957,079	970,926,826	1,004,037,357	330,821,777	4,024,743,039
FY1995-96	1,810,178,260	1,016,908,962	1,187,791,863	346,310,774	4,361,189,859
FY1996-97	1,885,810,146	1,073,119,105	1,148,329,975	370,061,527	4,477,320,753
FY1997-98	1,979,767,634	1,121,968,313	1,179,866,825	393,815,064	4,675,417,836
FY1998-99	2,230,690,100	937,401,414	1,288,860,855	445,357,561	4,902,309,930
FY1999-00	2,323,943,947	1,100,726,077	1,390,725,054	470,160,784	5,285,555,862
FY2000-01	2,458,789,233	1,130,234,910	1,528,364,447	472,171,086	5,589,559,676
FY2001-02	2,606,951,336	1,210,661,243	1,602,142,264	492,780,254	5,912,535,097
FY2002-03	2,621,296,239	1,252,852,263	1,750,158,602	516,844,018	6,141,151,122
FY2003-04	2,655,289,608	1,285,728,367	1,814,045,740	509,307,018	6,264,370,733
FY2004-05	2,751,630,516	1,279,815,987	1,881,722,440	507,562,775	6,420,731,718
Average Annual Growth					
FY85 to FY95 (10 yr)	7.6%	6.7%	9.9%	7.3%	7.9%
FY95 to FY05 (10 yr)	4.8%	2.8%	6.5%	4.4%	4.8%
FY85 to FY05 (20 yr)	6.2%	4.7%	8.2%	5.8%	6.3%
FY96/FY97 Biennium	4.7%	5.1%	6.9%	5.8%	5.5%
FY98/FY99 Biennium	8.8%	-6.5%	5.9%	9.7%	4.6%
FY00/FY01 Biennium	5.0%	9.8%	8.9%	3.0%	6.8%
FY02/FY03 Biennium	3.3%	5.3%	7.0%	4.6%	4.8%
FY04/FY05 Biennium	2.5%	1.1%	3.7%	-0.9%	2.3%



## APPROPRIATIONS BY BILL - ALL FUNDS

Table 29 Breakdown by Mainline and "A" Bills

	General	Cash	Federal	Rev/Other	Total
<b><u>FY2003-04 All Funds by Bill</u></b>					
LB 403 Military Joint Operations Center	0	975,000	17,944,700	0	18,919,700
LB 404 Constitutional Officers Salaries	18,435,756	935,583	0	0	19,371,339
LB 405 Legislator Salaries	632,982	0	0	0	632,982
LB 406 Capital Construction	20,515,031	26,396,822	12,534,357	7,214,201	66,660,411
LB 407 Mainline Budget Bill	2,609,761,434	1,245,332,303	1,782,819,053	502,092,817	6,140,005,607
LB 574 Nebraska Scholarship Act	5,874,210	0	591,731	0	6,465,941
<b>Mainline Bills</b>	<b>2,655,219,413</b>	<b>1,273,639,708</b>	<b>1,813,889,841</b>	<b>509,307,018</b>	<b>6,252,055,980</b>
<b>"A" Bills</b>	<b>70,195</b>	<b>12,088,659</b>	<b>155,899</b>	<b>0</b>	<b>12,314,753</b>
<b>Total</b>	<b>2,655,289,608</b>	<b>1,285,728,367</b>	<b>1,814,045,740</b>	<b>509,307,018</b>	<b>6,264,370,733</b>
<b><u>FY2004-05 All Funds by Bill</u></b>					
LB 403 Military Joint Operations Center	0	0	0	0	0
LB 404 Constitutional Officers Salaries	18,627,213	943,637	0	0	19,570,850
LB 405 Legislator Salaries	632,982	0	0	0	632,982
LB 406 Capital Construction	19,046,316	29,557,804	13,999,613	1,486,494	64,090,227
LB 407 Mainline Budget Bill	2,707,503,904	1,237,715,466	1,866,858,807	506,076,281	6,318,154,458
LB 574 Nebraska Scholarship Act	5,874,210	2,000,000	591,731	0	8,465,941
<b>Mainline Bills</b>	<b>2,751,684,625</b>	<b>1,270,216,907</b>	<b>1,881,450,151</b>	<b>507,562,775</b>	<b>6,410,914,458</b>
<b>"A" Bills</b>	<b>(54,109)</b>	<b>9,599,080</b>	<b>272,289</b>	<b>0</b>	<b>9,817,260</b>
<b>Total</b>	<b>2,751,630,516</b>	<b>1,279,815,987</b>	<b>1,881,722,440</b>	<b>507,562,775</b>	<b>6,420,731,718</b>

Table 30 "A" Bills Enacted - 2003 Session

Description	Fund	FY2003-04	FY2004-05
LB 30 Enforcement actions, orders issued by NRD's	Cash	10,000	10,000
LB 31 Water Well Decommissioning Fund, fees	Cash	62,000	62,000
LB 46 Community Corrections Act	General	211,229	190,656
LB 46 Community Corrections Act	Cash	3,136,447	5,015,759
LB 54 Training exemptions, foster parents	General	(155,899)	(272,289)
LB 54 Training exemptions, foster parents	Federal	155,899	272,289
LB 66 Reimbursement claims, School Technology Fund	Cash	762,000	648,000
LB 69 Transfer, Civil Air Patrol contract	Cash	31,500	31,500
LB 72 Income tax checkoff, Nebr State Fair	General	51,070	0
LB 73 Outpatient Surgical Procedure Data Collection Act	Cash	15,000	15,000
LB 85 At-will employment, Banking and Insurance examiners	Cash	137,750	137,750
LB 85 At-will employment, Banking and Insurance examiners	Cash	235,812	353,719
LB 94 Private onsite wastewater treatment systems, fees	Cash	171,114	207,454
LB 95 Written policy, disposition of unborn child remains	Cash	6,865	5,150
LB 102 Inspection forms/fees, vehicles brought into the state	Cash	40,000	38,000
LB 143 Solid waste permits, response action cost allocation	General	(100,854)	(100,854)
LB 143 Solid waste permits, response action cost allocation	Cash	100,854	100,854
LB 164 Increase community size, wastewater hardship grants	Cash	150,000	150,000
LB 165 Contracts, management of a nuclear power plant	Cash	10,000	10,000
LB 209 Changes, administrative license revocations (ALR)	Cash	191,188	193,508
LB 228 Address Confidentiality Act	Cash	20,000	20,000
LB 233 Changes, Commercial Dog/Cat Operator Inspection	Cash	33,750	33,750
LB 234 Administrative disqualification hearing, ADC/child care	General	(9,765)	(60,000)
LB 285A Tobacco Free Nebr, grasshopper control	General	405,000	405,000
LB 333 Titles/inspection, all-terrain vehicles and minibikes	Cash	9,950	750
LB 357 Statewide voter registration list	Cash	2,232,200	0
LB 381 Changes, sales tax on rented/leased motor vehicles	General	61,000	0
LB 403 Military Joint Operations Center	Cash	In mainline	0
LB 403 Military Joint Operations Center	Federal	In mainline	0
LB 562 Changes, commercial motor vehicle licenses	Cash	171,957	0

Description	Fund	FY2003-04	FY2004-05
LB 574 Nebraska Scholarship Fund	General	In mainline	In mainline
LB 574 Nebraska Scholarship Fund	Cash	2,000,000	2,000,000
LB 574 Nebraska Scholarship Fund	Federal	In mainline	In mainline
LB 608 Changes, Employment/Investment Growth Act	General	236,806	303,684
LB 626 Selecting/bidding service contracts	General	6,526	6,526
LB 626 Selecting/bidding service contracts	Cash	36,632	36,632
LB 667 Various HHS licensing/registration changes	Cash	15,000	15,000
LB 735 Grain warehouse/dealer licensing changes	Cash	9,900	0
LB 756 Cancer Drug Repository Program Act	Cash	5,500	0
LB 759 Sales tax base, income tax, alcohol and cigarette tax	General	102,803	102,636
LB 760 Court fees, judges retirement	General	(837,721)	(629,468)
LB 760 Court fees, judges retirement	Cash	1,378,788	1,395,535
LB 790 State Natural Gas Regulation Act	General	100,000	0
LB 790 State Natural Gas Regulation Act	Cash	1,114,452	1,118,719
General		70,195	(54,109)
Cash		12,088,659	11,599,080
Federal		155,899	272,289
Revolving		0	0
NCCF		0	0
Total		12,314,753	11,817,260

# Appropriations by Agency - All Fund Sources

	Fund	w/o Deficits FY2002-03	Total FY2003-04	Total FY2004-05	FY04 vs Prior Year		FY05 vs Prior Year		
					\$ Chnge	% Chnge	\$ Chnge	% Chnge	
3	Legislative Council	Gen	14,410,432	13,736,743	14,340,434	(673,689)	-4.7%	603,691	4.4%
		Cash	108,454	718,454	118,454	610,000	562.5%	(600,000)	-83.5%
		Fed	68,580	39,270	39,270	(29,310)	-42.7%	0	0.0%
		Rev	0	0	0	0	na	0	na
	Total	14,587,466	14,494,467	14,498,158	(92,999)	-0.6%	3,691	0.0%	
5	Supreme Court	Gen	54,637,976	54,950,666	55,996,594	312,690	0.6%	1,045,928	1.9%
		Cash	3,972,073	7,893,733	9,545,728	3,921,660	98.7%	1,651,995	20.9%
		Fed	1,269,758	810,460	810,460	(459,298)	-36.2%	0	0.0%
		Rev	0	0	0	0	na	0	na
	Total	59,879,807	63,654,859	66,352,782	3,775,052	6.3%	2,697,923	4.2%	
7	Governor	Gen	1,426,521	1,365,432	1,424,786	(61,089)	-4.3%	59,354	4.3%
		Cash	1,028,546	1,036,517	1,047,525	7,971	0.8%	11,008	1.1%
		Fed	7,179,325	6,946,380	6,729,893	(232,945)	-3.2%	(216,487)	-3.1%
		Rev	0	0	0	0	na	0	na
	Total	9,634,392	9,348,329	9,202,204	(286,063)	-3.0%	(146,125)	-1.6%	
8	Lt. Governor	Gen	110,317	116,429	118,813	6,112	5.5%	2,384	2.0%
		Cash	0	0	0	0	na	0	na
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
	Total	110,317	116,429	118,813	6,112	5.5%	2,384	2.0%	
9	Secretary of State	Gen	730,017	707,468	724,013	(22,549)	-3.1%	16,545	2.3%
		Cash	3,561,619	6,134,183	4,059,707	2,572,564	72.2%	(2,074,476)	-33.8%
		Fed	0	0	0	0	na	0	na
		Rev	1,052,049	1,102,745	1,126,531	50,696	4.8%	23,786	2.2%
	Total	5,343,685	7,944,396	5,910,251	2,600,711	48.7%	(2,034,145)	-25.6%	
10	Auditor	Gen	2,052,929	1,912,061	1,977,857	(140,868)	-6.9%	65,796	3.4%
		Cash	941,807	875,738	901,278	(66,069)	-7.0%	25,540	2.9%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
	Total	2,994,736	2,787,799	2,879,135	(206,937)	-6.9%	91,336	3.3%	
11	Attorney General	Gen	3,847,650	5,081,842	5,216,695	1,234,192	32.1%	134,853	2.7%
		Cash	202,051	478,255	480,575	276,204	136.7%	2,320	0.5%
		Fed	0	0	0	0	na	0	na
		Rev	507,169	427,709	427,709	(79,460)	-15.7%	0	0.0%
	Total	4,556,870	5,987,806	6,124,979	1,430,936	31.4%	137,173	2.3%	

	Fund	w/o Deficits FY2002-03	Total FY2003-04	Total FY2004-05	FY04 vs Prior Year		FY05 vs Prior Year	
					\$ Chnge	% Chnge	\$ Chnge	% Chnge
12 Treasurer	Gen	22,618,998	19,414,271	19,435,336	(3,204,727)	-14.2%	21,065	0.1%
	Cash	7,317,616	5,167,274	5,185,629	(2,150,342)	-29.4%	18,355	0.4%
	Fed	3,455,601	3,522,467	3,562,989	66,866	1.9%	40,522	1.2%
	Rev	0	0	0	0	na	0	na
	Total	33,392,215	28,104,012	28,183,954	(5,288,203)	-15.8%	79,942	0.3%
13 Education	Gen	829,442,828	811,559,549	801,261,145	(17,883,279)	-2.2%	(10,298,404)	-1.3%
	Cash	21,979,369	6,363,399	4,009,772	(15,615,970)	-71.0%	(2,353,627)	-37.0%
	Fed	242,000,721	230,054,377	231,868,508	(11,946,344)	-4.9%	1,814,131	0.8%
	Rev	531,508	542,878	553,527	11,370	2.1%	10,649	2.0%
	Total	1,093,954,426	1,048,520,203	1,037,692,952	(45,434,223)	-4.2%	(10,827,251)	-1.0%
14 Public Service Commission	Gen	2,209,621	2,200,021	2,222,995	(9,600)	-0.4%	22,974	1.0%
	Cash	75,760,120	86,894,387	89,965,436	11,134,267	14.7%	3,071,049	3.5%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	77,969,741	89,094,408	92,188,431	11,124,667	14.3%	3,094,023	3.5%
15 Parole Board	Gen	667,041	686,964	707,739	19,923	3.0%	20,775	3.0%
	Cash	0	0	0	0	na	0	na
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	667,041	686,964	707,739	19,923	3.0%	20,775	3.0%
16 Revenue	Gen	62,788,421	63,590,698	66,259,960	802,277	1.3%	2,669,262	4.2%
	Cash	19,108,054	18,437,237	19,002,649	(670,817)	-3.5%	565,412	3.1%
	Fed	25,000	25,000	25,000	0	0.0%	0	0.0%
	Rev	6,678	6,850	7,017	172	2.6%	167	2.4%
	Total	81,928,153	82,059,785	85,294,626	131,632	0.2%	3,234,841	3.9%
17 Aeronautics	Gen	0	0	0	0	na	0	na
	Cash	27,539,592	27,093,081	21,071,546	(446,511)	-1.6%	(6,021,535)	-22.2%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	27,539,592	27,093,081	21,071,546	(446,511)	-1.6%	(6,021,535)	-22.2%
18 Agriculture	Gen	5,764,581	5,353,386	5,512,922	(411,195)	-7.1%	159,536	3.0%
	Cash	6,300,442	6,263,960	6,372,854	(36,482)	-0.6%	108,894	1.7%
	Fed	1,794,920	1,496,490	1,648,572	(298,430)	-16.6%	152,082	10.2%
	Rev	609,841	467,178	476,707	(142,663)	-23.4%	9,529	2.0%
	Total	14,469,784	13,581,014	14,011,055	(888,770)	-6.1%	430,041	3.2%
19 Banking	Gen	0	0	0	0	na	0	na
	Cash	4,926,945	5,192,487	5,331,436	265,542	5.4%	138,949	2.7%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	4,926,945	5,192,487	5,331,436	265,542	5.4%	138,949	2.7%

	Fund	w/o Deficits FY2002-03	Total FY2003-04	Total FY2004-05	FY04 vs Prior Year		FY05 vs Prior Year	
					\$ Chnge	% Chnge	\$ Chnge	% Chnge
20 HHS- Regulation	Gen	5,837,411	5,616,092	5,725,085	(221,319)	-3.8%	108,993	1.9%
	Cash	13,210,855	13,756,770	13,993,790	545,915	4.1%	237,020	1.7%
	Fed	12,472,991	12,780,982	13,011,492	307,991	2.5%	230,510	1.8%
	Rev	0	0	0	0	na	0	na
	Total	31,521,257	32,153,844	32,730,367	632,587	2.0%	576,523	1.8%
21 Fire Marshal	Gen	640,720	2,435,418	3,380,478	1,794,698	280.1%	945,060	38.8%
	Cash	3,508,227	1,795,790	1,071,617	(1,712,437)	-48.8%	(724,173)	-40.3%
	Fed	121,705	123,979	126,619	2,274	1.9%	2,640	2.1%
	Rev	0	0	0	0	na	0	na
	Total	4,270,652	4,355,187	4,578,714	84,535	2.0%	223,527	5.1%
22 Insurance	Gen	0	0	0	0	na	0	na
	Cash	7,389,404	8,113,576	8,285,095	724,172	9.8%	171,519	2.1%
	Fed	222,842	251,435	253,109	28,593	12.8%	1,674	0.7%
	Rev	0	0	0	0	na	0	na
	Total	7,612,246	8,365,011	8,538,204	752,765	9.9%	173,193	2.1%
23 Labor	Gen	559,784	522,453	535,195	(37,331)	-6.7%	12,742	2.4%
	Cash	2,111,442	1,994,721	2,030,115	(116,721)	-5.5%	35,394	1.8%
	Fed	35,502,974	36,166,473	36,806,318	663,499	1.9%	639,845	1.8%
	Rev	0	0	0	0	na	0	na
	Total	38,174,200	38,683,647	39,371,628	509,447	1.3%	687,981	1.8%
24 Motor Vehicles	Gen	0	0	0	0	na	0	na
	Cash	15,467,630	20,944,064	22,994,423	5,476,434	35.4%	2,050,359	9.8%
	Fed	2,666,249	3,840,248	2,875,533	1,173,999	44.0%	(964,715)	-25.1%
	Rev	0	0	0	0	na	0	na
	Total	18,133,879	24,784,312	25,869,956	6,650,433	36.7%	1,085,644	4.4%
25 HHS- Services	Gen	150,409,283	156,086,675	160,844,870	5,677,392	3.8%	4,758,195	3.0%
	Cash	31,291,550	27,506,428	24,901,142	(3,785,122)	-12.1%	(2,605,286)	-9.5%
	Fed	112,784,019	114,344,598	118,487,174	1,560,579	1.4%	4,142,576	3.6%
	Rev	0	0	0	0	na	0	na
	Total	294,484,852	297,937,701	304,233,186	3,452,849	1.2%	6,295,485	2.1%
26 HHS- Finance	Gen	668,377,470	727,425,302	812,928,592	59,047,832	8.8%	85,503,290	11.8%
	Cash	92,542,366	83,167,098	79,482,304	(9,375,268)	-10.1%	(3,684,794)	-4.4%
	Fed	1,016,063,872	1,054,360,084	1,132,205,198	38,296,212	3.8%	77,845,114	7.4%
	Rev	0	0	0	0	na	0	na
	Total	1,776,983,708	1,864,952,484	2,024,616,094	87,968,776	5.0%	159,663,610	8.6%
27 Roads	Gen	600,720	540,648	540,648	(60,072)	-10.0%	0	0.0%
	Cash	545,134,213	590,276,000	589,234,000	45,141,787	8.3%	(1,042,000)	-0.2%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	545,734,933	590,816,648	589,774,648	45,081,715	8.3%	(1,042,000)	-0.2%

	Fund	w/o Deficits FY2002-03	Total FY2003-04	Total FY2004-05	FY04 vs Prior Year		FY05 vs Prior Year		
					\$ Chnge	% Chnge	\$ Chnge	% Chnge	
28	Veterans Affairs	Gen	632,377	709,242	732,585	76,865	12.2%	23,343	3.3%
		Cash	0	0	0	0	na	0	na
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	632,377	709,242	732,585	76,865	12.2%	23,343	3.3%
29	Natural Resources	Gen	13,959,058	14,123,158	13,286,539	164,100	1.2%	(836,619)	-5.9%
		Cash	5,623,951	4,179,903	3,057,761	(1,444,048)	-25.7%	(1,122,142)	-26.8%
		Fed	210,000	429,863	433,730	219,863	104.7%	3,867	0.9%
		Rev	0	0	0	0	na	0	na
		Total	19,793,009	18,732,924	16,778,030	(1,060,085)	-5.4%	(1,954,894)	-10.4%
30	Electrical Board	Gen	0	0	0	0	na	0	na
		Cash	1,226,246	1,326,728	1,364,924	100,482	8.2%	38,196	2.9%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	1,226,246	1,326,728	1,364,924	100,482	8.2%	38,196	2.9%
31	Military Dept	Gen	3,980,719	4,051,484	4,111,523	70,765	1.8%	60,039	1.5%
		Cash	615,598	800,745	910,931	185,147	30.1%	110,186	13.8%
		Fed	10,794,292	12,137,313	12,884,168	1,343,021	12.4%	746,855	6.2%
		Rev	0	0	0	0	na	0	na
		Total	15,390,609	16,989,542	17,906,622	1,598,933	10.4%	917,080	5.4%
32	Ed Lands & Funds	Gen	392,292	394,298	407,776	2,006	0.5%	13,478	3.4%
		Cash	7,757,389	8,328,932	8,737,902	571,543	7.4%	408,970	4.9%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	8,149,681	8,723,230	9,145,678	573,549	7.0%	422,448	4.8%
33	Game and Parks	Gen	9,735,372	8,909,403	9,124,205	(825,969)	-8.5%	214,802	2.4%
		Cash	50,347,394	50,690,626	52,044,964	343,232	0.7%	1,354,338	2.7%
		Fed	344,150	339,168	344,168	(4,982)	-1.4%	5,000	1.5%
		Rev	0	0	0	0	na	0	na
		Total	60,426,916	59,939,197	61,513,337	(487,719)	-0.8%	1,574,140	2.6%
34	Library Commission	Gen	3,605,773	3,407,713	3,475,932	(198,060)	-5.5%	68,219	2.0%
		Cash	136,387	95,008	95,008	(41,379)	-30.3%	0	0.0%
		Fed	1,123,702	1,124,097	1,124,097	395	0.0%	0	0.0%
		Rev	0	0	0	0	na	0	na
		Total	4,865,862	4,626,818	4,695,037	(239,044)	-4.9%	68,219	1.5%
35	Liquor Commission	Gen	749,132	760,951	782,222	11,819	1.6%	21,271	2.8%
		Cash	54,441	54,441	54,441	0	0.0%	0	0.0%
		Fed	0	0	0	0	na	0	na
		Total	803,573	815,392	836,663	11,819	1.5%	21,271	2.6%



	Fund	w/o Deficits FY2002-03	Total FY2003-04	Total FY2004-05	FY04 vs Prior Year		FY05 vs Prior Year	
					\$ Chnge	% Chnge	\$ Chnge	% Chnge
36 Racing Commission	Gen	0	0	0	0	na	0	na
	Cash	824,984	849,494	864,297	24,510	3.0%	14,803	1.7%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	824,984	849,494	864,297	24,510	3.0%	14,803	1.7%
37 Workers Compensation	Gen	0	0	0	0	na	0	na
	Cash	3,812,484	3,932,679	4,015,014	120,195	3.2%	82,335	2.1%
	Fed	27,157	28,460	28,460	1,303	4.8%	0	0.0%
	Rev	0	0	0	0	na	0	na
	Total	3,839,641	3,961,139	4,043,474	121,498	3.2%	82,335	2.1%
38 Status of Women	Gen	195,908	15,000	0	(180,908)	-92.3%	(15,000)	-100.0%
	Cash	5,000	50,000	0	45,000	900.0%	(50,000)	-100.0%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	200,908	65,000	0	(135,908)	-67.6%	(65,000)	-100.0%
39 Brand Committee	Gen	0	0	0	0	na	0	na
	Cash	3,838,582	3,821,134	3,990,191	(17,448)	-0.5%	169,057	4.4%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	3,838,582	3,821,134	3,990,191	(17,448)	-0.5%	169,057	4.4%
40 Motor Vehicle Dealers	Gen	0	0	0	0	na	0	na
	Cash	546,809	562,522	574,204	15,713	2.9%	11,682	2.1%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	546,809	562,522	574,204	15,713	2.9%	11,682	2.1%
41 Real Estate Commission	Gen	0	0	0	0	na	0	na
	Cash	913,400	923,826	960,150	10,426	1.1%	36,324	3.9%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	913,400	923,826	960,150	10,426	1.1%	36,324	3.9%
45 Barber Examiners	Gen	0	0	0	0	na	0	na
	Cash	121,951	130,023	133,752	8,072	6.6%	3,729	2.9%
	Fed	0	0	0	0	na	0	na
	Total	121,951	130,023	133,752	8,072	6.6%	3,729	2.9%
	46 Correctional Services	Gen	121,011,371	134,433,594	133,806,791	13,422,223	11.1%	(626,803)
Cash		582,737	706,362	706,362	123,625	21.2%	0	0.0%
Fed		5,191,326	5,310,435	5,433,741	119,109	2.3%	123,306	2.3%
Rev		16,337,510	16,466,935	16,576,890	129,425	0.8%	109,955	0.7%
Total		143,122,944	156,917,326	156,523,784	13,794,382	9.6%	(393,542)	-0.3%

	Fund	w/o Deficits FY2002-03	Total FY2003-04	Total FY2004-05	FY04 vs Prior Year		FY05 vs Prior Year	
					\$ Chnge	% Chnge	\$ Chnge	% Chnge
47 Educational Telecomm.	Gen	8,412,140	8,482,093	8,790,909	69,953	0.8%	308,816	3.6%
	Cash	341,951	108,413	113,194	(233,538)	-68.3%	4,781	4.4%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	8,754,091	8,590,506	8,904,103	(163,585)	-1.9%	313,597	3.7%
48 Postsecondary Coord Comm	Gen	6,824,789	6,895,901	6,919,876	71,112	1.0%	23,975	0.3%
	Cash	4,100	2,009,500	2,010,000	2,005,400	48912.2%	500	0.0%
	Fed	917,731	917,731	917,731	0	0.0%	0	0.0%
	Rev	0	0	0	0	na	0	na
	Total	7,746,620	9,823,132	9,847,607	2,076,512	26.8%	24,475	0.2%
50 State Colleges	Gen	36,257,396	34,416,556	35,583,490	(1,840,840)	-5.1%	1,166,934	3.4%
	Cash	16,991,361	16,991,361	16,991,361	0	0.0%	0	0.0%
	Fed	15,602,090	15,602,090	15,602,090	0	0.0%	0	0.0%
	Rev	6,163,610	6,163,610	6,163,610	0	0.0%	0	0.0%
	Total	75,014,457	73,173,617	74,340,551	(1,840,840)	-2.5%	1,166,934	1.6%
51 University of Nebr.	Gen	412,450,196	393,119,402	402,233,114	(19,330,794)	-4.7%	9,113,712	2.3%
	Cash	157,772,654	157,772,654	157,772,654	0	0.0%	0	0.0%
	Fed	205,001,594	205,001,594	205,001,594	0	0.0%	0	0.0%
	Rev	306,899,806	306,899,806	306,899,806	0	0.0%	0	0.0%
	Total	1,082,124,250	1,062,793,456	1,071,907,168	(19,330,794)	-1.8%	9,113,712	0.9%
52 Board of Agriculture	Gen	0	0	0	0	na	0	na
	Cash	7,500	7,500	7,500	0	0.0%	0	0.0%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	7,500	7,500	7,500	0	0.0%	0	0.0%
53 Real Estate Appraisers	Gen	0	0	0	0	na	0	na
	Cash	188,476	199,718	202,627	11,242	6.0%	2,909	1.5%
	Fed	0	0	0	0	na	0	na
	Total	188,476	199,718	202,627	11,242	6.0%	2,909	1.5%
54 Historical Society	Gen	4,059,501	3,808,651	3,910,946	(250,850)	-6.2%	102,295	2.7%
	Cash	1,421,327	1,247,380	1,285,775	(173,947)	-12.2%	38,395	3.1%
	Fed	722,942	706,480	714,456	(16,462)	-2.3%	7,976	1.1%
	Rev	0	0	0	0	na	0	na
	Total	6,203,770	5,762,511	5,911,177	(441,259)	-7.1%	148,666	2.6%
56 Nebraska Wheat Board	Gen	0	0	0	0	na	0	na
	Cash	1,244,172	1,006,100	1,014,150	(238,072)	-19.1%	8,050	0.8%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	1,244,172	1,006,100	1,014,150	(238,072)	-19.1%	8,050	0.8%

	Fund	w/o Deficits FY2002-03	Total FY2003-04	Total FY2004-05	FY04 vs Prior Year		FY05 vs Prior Year	
					\$ Chnge	% Chnge	\$ Chnge	% Chnge
57 Oil & Gas Commission	Gen	0	0	0	0	na	0	na
	Cash	485,656	488,293	477,197	2,637	0.5%	(11,096)	-2.3%
	Fed	91,100	91,549	93,721	449	0.5%	2,172	2.4%
	Rev	0	0	0	0	na	0	na
	Total	576,756	579,842	570,918	3,086	0.5%	(8,924)	-1.5%
58 Engineers Architects	Gen	0	0	0	0	na	0	na
	Cash	468,729	509,214	512,698	40,485	8.6%	3,484	0.7%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	468,729	509,214	512,698	40,485	8.6%	3,484	0.7%
59 Geologists Board	Gen	0	0	0	0	na	0	na
	Cash	24,370	25,911	25,911	1,541	6.3%	0	0.0%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	24,370	25,911	25,911	1,541	6.3%	0	0.0%
60 Ethanol Board	Gen	0	0	0	0	na	0	na
	Cash	631,796	607,091	614,713	(24,705)	-3.9%	7,622	1.3%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	631,796	607,091	614,713	(24,705)	-3.9%	7,622	1.3%
61 Dairy Board	Gen	0	0	0	0	na	0	na
	Cash	1,801,700	1,802,257	1,802,257	557	0.0%	0	0.0%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	1,801,700	1,802,257	1,802,257	557	0.0%	0	0.0%
62 Land Surveyors	Gen	0	0	0	0	na	0	na
	Cash	28,799	29,078	29,432	279	1.0%	354	1.2%
	Fed	0	0	0	0	na	0	na
	Total	28,799	29,078	29,432	279	1.0%	354	1.2%
	63 Public Accountancy	Gen	0	0	0	0	na	0
Cash		462,297	416,465	403,229	(45,832)	-9.9%	(13,236)	-3.2%
Fed		0	0	0	0	na	0	na
Rev		0	0	0	0	na	0	na
Total		462,297	416,465	403,229	(45,832)	-9.9%	(13,236)	-3.2%
64 State Patrol	Gen	39,266,782	39,648,855	41,259,860	382,073	1.0%	1,611,005	4.1%
	Cash	7,429,642	8,117,875	8,354,769	688,233	9.3%	236,894	2.9%
	Fed	1,307,393	1,772,587	1,772,587	465,194	35.6%	0	0.0%
	Rev	0	0	0	0	na	0	na
	Total	48,003,817	49,539,317	51,387,216	1,535,500	3.2%	1,847,899	3.7%

	Fund		w/o Deficits FY2002-03	Total FY2003-04	Total FY2004-05	FY04 vs Prior Year		FY05 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
65 Admin Services (DAS)	Gen		9,088,478	8,446,876	8,586,057	(641,602)	-7.1%	139,181	1.6%
	Cash		9,551,829	9,669,018	8,734,227	117,189	1.2%	(934,791)	-9.7%
	Fed		0	0	0	0	na	0	na
	Rev		179,027,025	169,515,106	173,344,484	(9,511,919)	-5.3%	3,829,378	2.3%
	Total		197,667,332	187,631,000	190,664,768	(10,036,332)	-5.1%	3,033,768	1.6%
66 Abstracter's Board	Gen		0	0	0	0	na	0	na
	Cash		31,846	33,714	34,368	1,868	5.9%	654	1.9%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		31,846	33,714	34,368	1,868	5.9%	654	1.9%
67 Equal Opportunity Commission	Gen		993,342	1,195,866	1,231,034	202,524	20.4%	35,168	2.9%
	Cash		0	0	0	0	na	0	na
	Fed		1,190,294	1,221,261	1,252,540	30,967	2.6%	31,279	2.6%
	Rev		0	0	0	0	na	0	na
	Total		2,183,636	2,417,127	2,483,574	233,491	10.7%	66,447	2.7%
68 Mexican- American Commission	Gen		206,413	191,685	194,896	(14,728)	-7.1%	3,211	1.7%
	Cash		0	3,900	3,900	3,900	na	0	0.0%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		206,413	195,585	198,796	(10,828)	-5.2%	3,211	1.6%
69 Arts Council	Gen		1,229,822	1,118,639	1,134,605	(111,183)	-9.0%	15,966	1.4%
	Cash		1,525,000	1,525,000	1,500,000	0	0.0%	(25,000)	-1.6%
	Fed		568,081	569,153	570,605	1,072	0.2%	1,452	0.3%
	Rev		0	0	0	0	na	0	na
	Total		3,322,903	3,212,792	3,205,210	(110,111)	-3.3%	(7,582)	-0.2%
70 Foster Care Review Board	Gen		1,134,558	1,062,977	1,097,082	(71,581)	-6.3%	34,105	3.2%
	Cash		6,000	6,000	6,000	0	0.0%	0	0.0%
	Fed		680,256	695,949	710,565	15,693	2.3%	14,616	2.1%
	Rev		0	0	0	0	na	0	na
	Total		1,820,814	1,764,926	1,813,647	(55,888)	-3.1%	48,721	2.8%
72 Economic Development	Gen		4,844,361	3,939,543	4,018,355	(904,818)	-18.7%	78,812	2.0%
	Cash		12,399,319	8,971,472	11,103,614	(3,427,847)	-27.6%	2,132,142	23.8%
	Fed		24,955,124	23,470,284	23,504,717	(1,484,840)	-6.0%	34,433	0.1%
	Rev		0	0	0	0	na	0	na
	Total		42,198,804	36,381,299	38,626,686	(5,817,505)	-13.8%	2,245,387	6.2%
73 Landscape Architects	Gen		0	0	0	0	na	0	na
	Cash		13,165	12,887	13,547	(278)	-2.1%	660	5.1%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		13,165	12,887	13,547	(278)	-2.1%	660	5.1%

	Fund	w/o Deficits FY2002-03	Total FY2003-04	Total FY2004-05	FY04 vs Prior Year		FY05 vs Prior Year	
					\$ Chnge	% Chnge	\$ Chnge	% Chnge
74 Power Review Board	Gen	0	0	0	0	na	0	na
	Cash	332,473	320,849	344,370	(11,624)	-3.5%	23,521	7.3%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	332,473	320,849	344,370	(11,624)	-3.5%	23,521	7.3%
75 Investment Council	Gen	0	0	0	0	na	0	na
	Cash	662,782	692,347	718,368	29,565	4.5%	26,021	3.8%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	662,782	692,347	718,368	29,565	4.5%	26,021	3.8%
76 Indian Affairs	Gen	185,802	173,817	177,734	(11,985)	-6.5%	3,917	2.3%
	Cash	0	0	0	0	na	0	na
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	185,802	173,817	177,734	(11,985)	-6.5%	3,917	2.3%
77 Industrial Relations	Gen	234,715	213,185	227,297	(21,530)	-9.2%	14,112	6.6%
	Cash	0	0	0	0	na	0	na
	Fed	0	0	0	0	na	0	na
	Total	234,715	213,185	227,297	(21,530)	-9.2%	14,112	6.6%
78 Crime Commission	Gen	3,217,048	3,077,526	3,075,810	(139,522)	-4.3%	(1,716)	-0.1%
	Cash	1,230,108	1,818,749	1,814,689	588,641	47.9%	(4,060)	-0.2%
	Fed	12,606,709	13,146,642	12,463,911	539,933	4.3%	(682,731)	-5.2%
	Rev	0	0	0	0	na	0	na
	Total	17,053,865	18,042,917	17,354,410	989,052	5.8%	(688,507)	-3.8%
81 Blind and Visually Impaired	Gen	537,282	531,539	531,068	(5,743)	-1.1%	(471)	-0.1%
	Cash	60,000	62,550	64,250	2,550	4.3%	1,700	2.7%
	Fed	3,314,566	3,283,226	3,306,632	(31,340)	-0.9%	23,406	0.7%
	Rev	0	0	0	0	na	0	na
	Total	3,911,848	3,877,315	3,901,950	(34,533)	-0.9%	24,635	0.6%
82 Deaf and Hard of Hearing	Gen	700,186	678,308	696,008	(21,878)	-3.1%	17,700	2.6%
	Cash	23,700	19,700	19,700	(4,000)	-16.9%	0	0.0%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	723,886	698,008	715,708	(25,878)	-3.6%	17,700	2.5%
83 Community Colleges	Gen	65,158,738	62,376,556	63,203,664	(2,782,182)	-4.3%	827,108	1.3%
	Cash	78,000	0	0	(78,000)	-100.0%	0	na
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	65,236,738	62,376,556	63,203,664	(2,860,182)	-4.4%	827,108	1.3%

	Fund		w/o Deficits FY2002-03	Total FY2003-04	Total FY2004-05	FY04 vs Prior Year		FY05 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
84 Environmental Quality (DEQ)	Gen		6,591,653	4,385,369	3,788,872	(2,206,284)	-33.5%	(596,497)	-13.6%
	Cash		29,944,747	30,177,155	30,442,163	232,408	0.8%	265,008	0.9%
	Fed		26,431,538	32,956,558	33,113,179	6,525,020	24.7%	156,621	0.5%
	Rev		0	0	0	0	na	0	na
	Total		62,967,938	67,519,082	67,344,214	4,551,144	7.2%	(174,868)	-0.3%
85 Retirement Board	Gen		15,389,214	15,927,474	15,927,474	538,260	3.5%	0	0.0%
	Cash		4,720,375	6,788,657	6,750,078	2,068,282	43.8%	(38,579)	-0.6%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		20,109,589	22,716,131	22,677,552	2,606,542	13.0%	(38,579)	-0.2%
86 Dry Bean Board	Gen		0	0	0	0	na	0	na
	Cash		400,000	400,114	400,114	114	0.0%	0	0.0%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		400,000	400,114	400,114	114	0.0%	0	0.0%
87 Accountability & Disclosure	Gen		422,526	393,341	404,769	(29,185)	-6.9%	11,428	2.9%
	Cash		609,734	674,092	745,660	64,358	10.6%	71,568	10.6%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		1,032,260	1,067,433	1,150,429	35,173	3.4%	82,996	7.8%
88 Nebraska Corn Board	Gen		0	0	0	0	na	0	na
	Cash		4,702,415	4,712,254	4,724,698	9,839	0.2%	12,444	0.3%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		4,702,415	4,712,254	4,724,698	9,839	0.2%	12,444	0.3%
90 Railway Council	Gen		3,029	2,726	2,726	(303)	-10.0%	0	0.0%
	Cash		0	0	0	0	na	0	na
	Fed		0	0	0	0	na	0	na
	Rev		500,000	500,000	500,000	0	0.0%	0	0.0%
	Total		503,029	502,726	502,726	(303)	-0.1%	0	0.0%
92 Grain Sorghum Board	Gen		0	0	0	0	na	0	na
	Cash		709,624	602,446	605,783	(107,178)	-15.1%	3,337	0.6%
	Fed		0	0	0	0	na	0	na
	Total		709,624	602,446	605,783	(107,178)	-15.1%	3,337	0.6%
	93 Tax Equalization & Review (TERC)	Gen		714,945	667,668	683,389	(47,277)	-6.6%	15,721
Cash			34,536	20,222	20,458	(14,314)	-41.4%	236	1.2%
Fed			0	0	0	0	na	0	na
Rev			0	0	0	0	na	0	na
Total			749,481	687,890	703,847	(61,591)	-8.2%	15,957	2.3%

	Fund		w/o Deficits FY2002-03	Total FY2003-04	Total FY2004-05	FY04 vs Prior Year		FY05 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
94 Public Advocacy	Gen		684,610	0	0	(684,610)	-100.0%	0	na
	Cash		1,326,591	2,763,495	2,781,817	1,436,904	108.3%	18,322	0.7%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		2,011,201	2,763,495	2,781,817	752,294	37.4%	18,322	0.7%
95 Rural Development Commission	Gen		0	0	0	0	na	0	na
	Cash		20,000	0	0	(20,000)	-100.0%	0	na
	Fed		125,000	0	0	(125,000)	-100.0%	0	na
	Rev		0	0	0	0	na	0	na
	Total		145,000	0	0	(145,000)	-100.0%	0	#DIV/0!
96 Property Assessment and Taxation	Gen		3,249,734	3,913,063	4,023,435	663,329	20.4%	110,372	2.8%
	Cash		2,058,933	1,187,539	1,217,936	(871,394)	-42.3%	30,397	2.6%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		5,308,667	5,100,602	5,241,371	(208,065)	-3.9%	140,769	2.8%
Capital Construction	Gen		18,044,257	20,515,031	19,046,316	2,470,774	13.7%	(1,468,715)	-7.2%
	Cash		33,296,828	27,371,822	29,557,804	(5,925,006)	-17.8%	2,185,982	8.0%
	Fed		3,325,000	30,479,057	13,999,613	27,154,057	816.7%	(16,479,444)	-54.1%
	Rev		5,208,822	7,214,201	1,486,494	2,005,379	38.5%	(5,727,707)	-79.4%
	Total		59,874,907	85,580,111	64,090,227	25,705,204	42.9%	(21,489,884)	-25.1%
STATE TOTALS	Gen		2,621,296,239	2,655,289,608	2,751,630,516	33,993,369	1.3%	96,340,908	3.6%
	Cash		1,252,852,263	1,285,728,367	1,279,815,987	32,876,104	2.6%	(5,912,380)	-0.5%
	Fed		1,750,158,602	1,814,045,740	1,881,722,440	63,887,138	3.7%	67,676,700	3.7%
	Rev		516,844,018	509,307,018	507,562,775	(7,537,000)	-1.5%	(1,744,243)	-0.3%
	Total		6,141,151,122	6,264,370,733	6,420,731,718	123,219,611	2.0%	156,360,985	2.5%

# **CAPITAL CONSTRUCTION**



# Capital Construction Summary

	Reaffirmations	New Projects	Total
<b>FY2003-04</b>			
General Funds (SBF)	20,125,031	390,000	20,515,031
Cash Funds	21,438,604	5,933,218	27,371,822
Federal Funds	0	30,479,057	30,479,057
Revolving/Other Funds	1,486,494	0	1,486,494
Nebr Capital Const Fund (NCCF)	0	5,727,707	5,727,707
<b>FY2003-04 Total</b>	<b>43,050,129</b>	<b>42,529,982</b>	<b>85,580,111</b>
<b>FY2004-05</b>			
General Funds (SBF)	18,656,316	390,000	19,046,316
Cash Funds	20,413,640	9,144,164	29,557,804
Federal Funds	0	13,999,613	13,999,613
Revolving/Other Funds	1,486,494	0	1,486,494
Nebr Capital Const Fund (NCCF)	0	0	0
<b>FY2004-05 Total</b>	<b>40,556,450</b>	<b>23,533,777</b>	<b>64,090,227</b>
<b>FY2005-06</b>			
General Funds (SBF)	18,388,031	0	18,388,031
Cash Funds	5,200,000	0	5,200,000
Federal Funds	0	0	0
Revolving/Other Funds	1,486,494	0	1,486,494
Nebr Capital Const Fund (NCCF)	0	0	0
<b>FY2005-06 Total</b>	<b>25,074,525</b>	<b>0</b>	<b>25,074,525</b>
<b>FY2006-07</b>			
General Funds (SBF)	18,748,031	0	18,748,031
Cash Funds	5,200,000	0	5,200,000
Federal Funds	0	0	0
Revolving/Other Funds	1,486,494	0	1,486,494
Nebr Capital Const Fund (NCCF)	0	0	0
<b>FY2006-07 Total</b>	<b>25,434,525</b>	<b>0</b>	<b>25,434,525</b>

**New Construction** refers to projects initiated in the 2003 Session while **Reaffirmations** refers to funding needed to complete projects authorized and initial funding provided in prior legislative sessions. General Funds utilized for capital construction are actually appropriated as State Building Funds (SBF). Although technically a separate fund, the sole source of funds for the SBF are transfers from the General Fund and therefore are in fact General Funds.

About 98% of the recommended General Funds for capital construction are reaffirmations of projects initiated in prior sessions. This includes \$5.7 million in each year for continuation of

the NETV digital conversion project, \$5.9 million in each year for the state's share of deferred maintenance and repair projects at the University and State Colleges as authorized under LB1100 (1998), \$1.7 million each year for renovation of the Carpenter NETC building, and \$3.2 million in FY03-04 and \$2.7 million in FY04-05 for continued funding of the State Capitol masonry and structural repair project.

Table 31 contains a complete listing of General Fund (State Building Fund) projects. A complete list of all reaffirmations and new construction projects, including all fund sources, follows.

Table 31 General Fund Listing-Capital Construction Projects

	2003-04	2004-05	2005-06	2006-07
<b><u>REAFFIRMATIONS</u></b>				
#46-Corrections NCW York-Phase I expansion	1,000,000	0	0	0
#47-NETC NEB*SAT-replace Network 3 equipment	100,000	100,000	100,000	100,000
#47-NETC Transponder replacement, digitize NETC signal	5,700,000	5,700,000	5,700,000	5,700,000
#47-NETC Carpenter (NETC) Building renovations	1,738,671	1,738,671	1,738,671	1,738,671
#50-Colleges PSC-Library Building / WSC Power Plant	2,009,360	2,009,360	2,009,360	2,009,360
#50-Colleges Deferred maintenance/repair (LB1100-1998)	400,000	400,000	400,000	400,000
#51-University Deferred maintenance/repair (LB1100-1998)	5,500,000	5,500,000	5,500,000	5,500,000
#65-DAS State Capitol-renovations/improvements	500,000	500,000	500,000	500,000
#65-DAS Masonry/Structural repair-State Capitol	3,177,000	2,708,285	2,440,000	2,800,000
<b><u>NEW CONSTRUCTION</u></b>				
#47-NETC KLNE Lexington Transmitter	390,000	0	0	0
#47-NETC KMNE Bassett Transmitter.	0	390,000	0	0
Reaffirmation	20,125,031	18,656,316	18,388,031	18,748,031
New Construction	390,000	390,000	0	0
Total	20,515,031	19,046,316	18,388,031	18,748,031

There were only two new construction General fund items, replacement of two NETC transmitters. However, there are two relatively large new projects which do not use state General Funds.

### **Military Dept Operations Center**

Under LB403, the Military Department is authorized to construct a Military Joint Operations Center that would combine the Nebraska National Guard headquarters, unit armory space, Nebraska Emergency Management Agency (NEMA) operations and administration, and the State Patrol's Communications Center into one facility. This facility would be located at the National Guard base in Lincoln in a secure environment. Impetus for the project includes the conversion to new missions for the Guard, the intrusion of the Antelope Valley project into the current military campus at 14<sup>th</sup> and Military Road, the need to upgrade the Emergency

Operating Center, additional space requirements for NEMA and State Patrol Communications, the need for more secure facilities, and the availability of federal funding. Collocation benefits will include data integration, shared usage of training facilities and equipment, and the consolidation of overlapping NEMA/Patrol duties.

The National Guard portion of the project will be funded 100% federal and is estimated to cost \$15 million. The NEMA/State Patrol portion of the project will cost approximately \$3.9 million, with \$2.9 million funded with federal funds and a state match of \$975,000. The state match would be generated from the sale of six Military Department buildings and land located at 14th and Military Road. If the real estate is sold for the appraised value of \$3,650,000, the net gain to the General Fund after repaying the federal government for recent improvements (\$100,000), paying the state match for the proposed facility (\$975,000), and covering any maintenance costs pending the sale and selling expenses, will be approximately \$2.5 million. LB 403 is the vehicle used to authorize the sale of Military's property and provide financing authorization for the new facility.

### **Replace the Fitzgerald Veterans Home**

A new veterans home in Douglas County will be built to replace the existing Thomas Fitzgerald Veterans Home. The lease for the current home will expire in 2005 and the estimated cost to renovate the facility to comply with standards is \$18.6 million. The capacity of the new facility would be approximately 110 beds. The total estimated cost of the new facility is \$15.3 million of which \$5.7 million is state funds and \$9.5 million federal matching funds. With state funds appropriated for 2003-04, the federal match could be approved by October 1, 2003. Construction could then begin in 2005 and be completed in April 2007.

LB 798 includes a transfer of \$5,727,707 from the Cash Reserve Fund to the Nebraska Capital Construction Fund to provide the state match for the project. The transfer will be made periodically between July 1, 2003 and June 30, 2007 as funds are required. The General Fund is to replenish the Cash Reserve Fund for the amount transferred on or before June 30, 2008.

## Project Listing - Reaffirmations

Reaffirmations		Fiscal Yr	Dollar Amt	Fund
#46-Corrections	NCW York-Phase I expansion	2003-04	1,000,000	Gen
#47-NETC	NEB*SAT-replace Network 3 equipment	2003-04	100,000	Gen
	NEB*SAT-replace Network 3 equipment	2004-05	100,000	Gen
	NEB*SAT-replace Network 3 equipment	2005-06	100,000	Gen
	NEB*SAT-replace Network 3 equipment	2006-07	100,000	Gen
	NEB*SAT-replace Network 3 equipment	Future	200,000	Gen
#47-NETC	Transponder replacement, digitize NETC signal	2003-04	5,700,000	Gen
	Transponder replacement, digitize NETC signal	2004-05	5,700,000	Gen
	Transponder replacement, digitize NETC signal	2005-06	5,700,000	Gen
	Transponder replacement, digitize NETC signal	2006-07	5,700,000	Gen
	Transponder replacement, digitize NETC signal	Future	15,992,153	Gen
#47-NETC	Carpenter (NETC) Building renovations	2003-04	1,738,671	Gen
	Carpenter (NETC) Building renovations	2004-05	1,738,671	Gen
	Carpenter (NETC) Building renovations	2005-06	1,738,671	Gen
	Carpenter (NETC) Building renovations	2006-07	1,738,671	Gen
	Carpenter (NETC) Building renovations	Future	3,477,342	Gen
#50-Colleges	PSC-Library Building / WSC-Power Plant	2003-04	2,009,360	Gen
	PSC-Library Building / WSC-Power Plant	2004-05	2,009,360	Gen
	PSC-Library Building / WSC-Power Plant	2005-06	2,009,360	Gen
	PSC-Library Building / WSC-Power Plant	2006-07	2,009,360	Gen
	PSC-Library Building / WSC-Power Plant	Future	4,018,720	Gen
#50-Colleges	Deferred maintenance/repair (LB1100)	2003-04	400,000	Gen
	Deferred maintenance/repair (LB1100)	2003-04	952,426	Rev
	Deferred maintenance/repair (LB1100)	2004-05	400,000	Gen
	Deferred maintenance/repair (LB1100)	2004-05	952,426	Rev
	Deferred maintenance/repair (LB1100)	2005-06	400,000	Gen
	Deferred maintenance/repair (LB1100)	2005-06	952,426	Rev
	Deferred maintenance/repair (LB1100)	2006-07	400,000	Gen
	Deferred maintenance/repair (LB1100)	2006-07	952,426	Rev
	Deferred maintenance/repair (LB1100)	Future	800,000	Gen
Deferred maintenance/repair (LB1100)	Future	1,904,852	Rev	
#51-University	Deferred maintenance/repair (LB1100)	2003-04	5,500,000	Gen
	Deferred maintenance/repair (LB1100)	2003-04	5,200,000	Cash
	Deferred maintenance/repair (LB1100)	2004-05	5,500,000	Gen
	Deferred maintenance/repair (LB1100)	2004-05	5,200,000	Cash
	Deferred maintenance/repair (LB1100)	2005-06	5,500,000	Gen
	Deferred maintenance/repair (LB1100)	2005-06	5,200,000	Cash
	Deferred maintenance/repair (LB1100)	2006-07	5,500,000	Gen
	Deferred maintenance/repair (LB1100)	2006-07	5,200,000	Cash
	Deferred maintenance/repair (LB1100)	Future	11,000,000	Gen
Deferred maintenance/repair (LB1100)	Future	13,400,000	Cash	
#51-University	Agricultural Field Laboratory (UNL)	2003-04	8,100	Cash
	Agricultural Field Laboratory (UNL)	2004-05	7,000	Cash
#51-University	Agricultural Research Land acquisition (UNL)	2003-04	26,000	Cash
	Agricultural Research Land acquisition (UNL)	2004-05	21,000	Cash

Reaffirmations (continued)		Fiscal Yr	Dollar Amt	Fund
#65-DAS	State Capitol-renovations/improvements	2003-04	500,000	Gen
	State Capitol-renovations/improvements	2004-05	500,000	Gen
	State Capitol-renovations/improvements	2005-06	500,000	Gen
	State Capitol-renovations/improvements	2006-07	500,000	Gen
	State Capitol-renovations/improvements	Future	2,000,000	Gen
#65-DAS	Parking garage expansion	2003-04	323,304	Rev
	Parking garage expansion	2004-05	323,304	Rev
	Parking garage expansion	2005-06	323,304	Rev
	Parking garage expansion	2006-07	323,304	Rev
	Parking garage expansion	Future	2,990,562	Rev
#65-DAS	Executive Building-Exercise purchase option	2003-04	210,764	Rev
	Executive Building-Exercise purchase option	2004-05	210,764	Rev
	Executive Building-Exercise purchase option	2005-06	210,764	Rev
	Executive Building-Exercise purchase option	2006-07	210,764	Rev
	Executive Building-Exercise purchase option	Future	1,812,571	Rev
#65-DAS	State Capitol-Masonry/Structural repair	2003-04	3,177,000	Gen
	State Capitol-Masonry/Structural repair	2004-05	2,708,285	Gen
	State Capitol-Masonry/Structural repair	2005-06	2,440,000	Gen
	State Capitol-Masonry/Structural repair	2006-07	2,800,000	Gen
	State Capitol-Masonry/Structural repair	Future	0	Gen
#65-DAS	LB309 Task Force, deferred repair/maint (cig tax)	2003-04	16,204,504	Cash
	LB309 Task Force, deferred repair/maint (cig tax)	2004-05	15,185,640	Cash

## Project Listing - New Construction Projects

New Construction		Fiscal Yr	Dollar Amt	Fund
#25-HHS	Construct a new Douglas County veterans home.	2003-04	5,727,707	NCCF
	Construct a new Douglas County veterans home.	2003-04	9,545,357	Fed
#27-Roads	Newcastle - New maintenance facility.	2003-04	647,408	Cash
	Statewide - Salt storage buildings.	2003-04	870,140	Cash
	Stapleton - New maintenance facility.	2004-05	1,140,900	Cash
	Springview - Equipment storage building.	2004-05	284,850	Cash
	Grant - Equipment storage building.	2004-05	375,250	Cash
	Hebron - Equipment storage building addition.	2004-05	783,250	Cash
	South Omaha - Equipment storage building.	2004-05	587,600	Cash
	Gothenburg - Salt storage dome.	2004-05	750,000	Cash
	Taylor - Shop and office building.	2004-05	887,090	Cash
	Blair - Shop and office building.	2004-05	668,690	Cash
	Imperial - Equipment storage building.	2004-05	244,130	Cash
	Albion - Equipment storage building.	2004-05	479,104	Cash
#31-Military Dept	Joint Operations Center.	2003-04	975,000	Cash
	Joint Operations Center.	2003-04	17,944,700	Fed
#31-Military Dept	100% federally funded construction projects.	2003-04	2,729,000	Fed
	100% federally funded construction projects.	2004-05	13,739,613	Fed
#33-Game & Parks	Bassett District II - Maintenance building.	2003-04	125,000	Cash
#33-Game & Parks	State Park System - Deferred maintenance.	2003-04	300,000	Cash
	State Park System - Deferred maintenance.	2004-05	300,000	Cash
#33-Game & Parks	Motor boat access.	2003-04	250,000	Cash
#33-Game & Parks	Emergency repairs to state park facilities.	2003-04	100,000	Cash
	Emergency repairs to state park facilities.	2004-05	100,000	Cash
#33-Game & Parks	Fishing access development.	2003-04	200,000	Cash
#33-Game & Parks	Fort Robinson - Sewer and utility repairs.	2003-04	1,100,000	Cash
#33-Game & Parks	Arbor Lodge - Mansion roof repair.	2003-04	75,000	Cash
#33-Game & Parks	Wildlife Management Areas - Improvements.	2003-04	320,000	Cash
#33-Game & Parks	State Parks System - Basic facilities.	2003-04	100,000	Cash
	State Parks System - Basic facilities.	2004-05	100,000	Cash
#33-Game & Parks	Calamus Hatchery- Pond liners.	2003-04	100,000	Cash
#33-Game & Parks	State Parks - Land acquisition.	2003-04	200,000	Cash
	State Parks - Land acquisition.	2004-05	200,000	Cash
#33-Game & Parks	District Offices - Improvements.	2003-04	120,670	Cash
#33-Game & Parks	Two Rivers SRA- Electrical hookups.	2003-04	100,000	Cash
#33-Game & Parks	Fishery facility improvements.	2003-04	95,000	Cash

<b>New Construction</b> (Continued)		Fiscal Yr	Dollar Amt	Fund
#33-Game & Parks	Lewis & Clark Commemoration-Special projects.	2003-04	25,000	Cash
#33-Game & Parks	Calamus Hatchery - Water well development.	2003-04	30,000	Cash
#33-Game & Parks	State park projects - Contingency for overruns.	2003-04	55,000	Cash
	State park projects - Contingency for overruns.	2004-05	21,250	Cash
#33-Game & Parks	Historical park projects - Contingency	2004-05	11,550	Cash
#33-Game & Parks	State recreation area projects-Contingency	2003-04	5,000	Cash
	State recreation area projects - Contingency	2004-05	24,500	Cash
#33-Game & Parks	Trail development assistance.	2003-04	140,000	Cash
	Trail development assistance.	2004-05	140,000	Cash
#33-Game & Parks	Ponca State Park - Group lodging facility.	2004-05	425,000	Cash
#33-Game & Parks	Aquatic habitat enhancement and restoration.	2004-05	1,000,000	Cash
#33-Game & Parks	Fort Kearny SHP - Water system repairs.	2004-05	50,000	Cash
#33-Game & Parks	Ash Hollow SHP - Superintendent residence.	2004-05	150,000	Cash
#33-Game & Parks	Two Rivers SRA - Shower/latrine building.	2004-05	240,000	Cash
#33-Game & Parks	Rockford Lake SRA - Electrical hookups.	2004-05	50,000	Cash
#33-Game & Parks	Lake Maloney SRA - Maintenance shop.	2004-05	100,000	Cash
#33-Game & Parks	Arbor Lodge SHP - Shop renovation.	2004-05	31,000	Cash
#47-NETC	KLNE Lexington Transmitter	2003-04	390,000	Gen
	KLNE Lexington Transmitter	2003-04	260,000	Fed
#47-NETC	KMNE Bassett Transmitter.	2004-05	390,000	Gen
	KMNE Bassett Transmitter.	2004-05	260,000	Fed

# **FY2002-03 Deficiency Appropriations**



## CHRONOLOGY OF FY2002-03 APPROPRIATIONS

<b>GENERAL FUNDS</b>	Operations	State Aid	Construction	Total
<b>Total Per 2001 Session</b>	1,077,995,124	1,705,038,293	30,133,356	2,813,166,773
2001 Special Session Actions	(25,868,463)	(32,710,289)	(7,347,056)	(65,925,808)
<b>Total Per 2001 Special Session</b>	<u>1,052,126,661</u>	<u>1,672,328,004</u>	<u>22,786,300</u>	<u>2,747,240,965</u>
2002 Session Budget Actions	(21,446,352)	(30,826,490)	(2,847,843)	(55,120,685)
<b>Total Per 2002 Session</b>	<u>1,030,680,309</u>	<u>1,641,501,514</u>	<u>19,938,457</u>	<u>2,692,120,280</u>
2002 Spec Session Actions	(29,144,087)	(39,888,514)	(1,894,200)	(70,926,801)
Oper/aid shifts	2,089,762	(2,089,762)	0	0
2002 Third Spec Session	102,760	0	0	102,760
<b>Total Per 2002 Special Sessions.</b>	<u>1,003,728,744</u>	<u>1,599,523,238</u>	<u>18,044,257</u>	<u>2,621,296,239</u>
2003 Session Deficits	7,430,291	14,786,693	0	22,216,984
2003 Session State Claims	354,800	0	0	354,800
2003 Session "A" bills	250,000	0	0	250,000
<b>Final Total per 2003 Session</b>	<u>1,011,763,835</u>	<u>1,614,309,931</u>	<u>18,044,257</u>	<u>2,644,118,023</u>

<b>ALL FUNDS</b>	General	Cash	Federal	Rev/Other	Total
<b>Total Per 2001 Session</b>	2,813,166,770	1,208,644,805	1,675,905,037	500,811,952	6,198,528,564
2001 Special Session Actions	(65,925,808)	3,097,197	(6,187,781)	(1,888,773)	(70,905,165)
<b>Total Per 2001 Special Session</b>	<u>2,747,240,962</u>	<u>1,211,742,002</u>	<u>1,669,717,256</u>	<u>498,923,179</u>	<u>6,127,623,399</u>
2002 Session Actions	(55,120,682)	5,387,124	370,052	3,891,834	(45,471,672)
<b>Total Per 2002 Session</b>	<u>2,692,120,280</u>	<u>1,217,129,126</u>	<u>1,670,087,308</u>	<u>502,815,013</u>	<u>6,082,151,727</u>
2002 Special Session Actions	(70,926,801)	6,318,726	(23,728,968)	3,894,200	(84,442,843)
2003 Spec Session	102,760	0	0	0	102,760
Update cash/federal estimates	0	29,404,411	103,800,262	10,134,805	143,339,478
<b>Per 2002 Special Sessions</b>	<u>2,621,296,239</u>	<u>1,252,852,263</u>	<u>1,750,158,602</u>	<u>516,844,018</u>	<u>6,141,151,122</u>
2003 Session Deficits	22,216,984	1,851,483	691,491	800,000	25,559,958
2003 Session State Claims	354,800	217,050	0	46,301	618,151
2003 Session "A" bills	250,000	150,000	0	0	400,000
<b>Final Total per 2003 Session</b>	<u>2,644,118,023</u>	<u>1,255,070,796</u>	<u>1,750,850,093</u>	<u>517,690,319</u>	<u>6,167,729,231</u>

## SUMMARY LISTING OF GENERAL FUND DEFICIT ITEMS

Agency	Item	Dollar Amt
26 HHS-Finance	Child welfare shortfall	10,000,000
46 Corrections	Inmate medical per diem	8,436,695
16 Revenue	Deficit in the Homestead Exemption Program.	3,411,730
46 Corrections	State Prisoner Reimbursement owed to counties	1,294,085
65 DAS	State Claims (LB 806)	354,800
5 Courts	Use information technology savings for court operations	300,000
18 Agriculture	Grasshopper control (LB 285A)	250,000
46 Corrections	LB Depreciation charges for FY 02 and FY03	95,464
5 Courts	Replace obsolete tape recording equipment in county courts	75,000
13 Education	Option Enrollment Transportation	74,503
54 Hist Society	309 matching funds, Museum of Nebr History air conditioner	58,000
95 Rural Develop	Unemployment/vacation payout	18,632
13 Education	Cost of substitute teachers	6,375
94 Public Advocacy	Eliminate funds, indigent defense aid administration	(43,500)
5 Courts	Shift funds, Dist Court Judges Salaries to Court Operations	(50,000)
5 Courts	Shift funds, County Court Judges Salaries to Court Operations	(60,000)
20 HHS-Reg	Funds Shift, drinking water program	(100,000)
5 Courts	Earmark for technology projects	(300,000)
5 Courts	Replaces general funds with cash funds	(400,000)
12 Treasurer	Reduce FY03 for excess reappropriation.	(600,000)
General Fund Total Deficiency Appropriations		22,216,9842

Virtually all the increase is in the first three areas. The largest single item is a \$10 million deficit for Health and Human Services for public assistance programs, mostly child welfare.. The second largest is inmate medical costs at the Dept of Correctional Services. A discussion of each of these issues is contained in the General Fund Operations narrative description.

## DETAILED LISTING - FY2002-03 DEFICIT APPROPRIATIONS

		Fund	Type	\$ Amount
<b>#05-Supreme Court</b>				
6	Shift funds, Dist Court Judges Salaries to Court Operations	Gen	Oper	(50,000)
7	Shift funds, County Court Judges Salaries to Court Operations	Gen	Oper	(60,000)
52	Replace obsolete tape recording equipment in county courts	Gen	Oper	75,000
52	Earmark for technology projects	Gen	Oper	(300,000)
52	Use information technology savings for court operations	Gen	Oper	300,000
52	Shift funds, Probation Services to Court Operations	Gen	Oper	0
67	Shift funds, Probation Services to Court Operations	Gen	Oper	0
67	Increase cash fund authority, Probation	Cash	Oper	150,000
67	Replaces general funds with cash funds	Gen	Oper	(400,000)
67	Replaces general funds with cash funds	Cash	Oper	400,000
570	Statewide court wiring project	Cash	Oper	0
570	Additional unused technology funds	Cash	Oper	0

	Fund	Type	\$ Amount
<b>#09-Secretary of State</b>			
45 LB 357 Statewide voter registration list	Cash	Oper	150,000
<b>#12-State Treasurer</b>			
24 Reduce FY03 for excess reappropriation.	Gen	Oper	(600,000)
665 Omaha convention center allocation	Cash	Oper	556,020
<b>#13-Dept of Education</b>			
25 Cost of substitute teachers	Gen	Aid	6,375
25 Aid for high ability learners.	Gen	Aid	0
25 Option Enrollment Transportation	Gen	Aid	74,503
25 Aid for educational service units.	Gen	Aid	0
<b>#14-Public Service Commission</b>			
212 Nebraska Competitive Marketplace Fund	Cash	Oper	50,000
<b>#16-Dept of Revenue</b>			
108 Deficit in the Homestead Exemption Program.	Gen	Aid	3,411,730
<b>#18-Dept of Agriculture</b>			
333 Grasshopper control (LB 285A)	Gen	Oper	250,000
<b>#20-HHS-Licensure/Regulation</b>			
177 Funds Shift, drinking water program	Gen	Oper	(100,000)
177 Funds Shift, drinking water program	Cash	Oper	100,000
<b>#21-Fire Marshal</b>			
193 Increase PSL by \$1,856 due to retirement and termination	PSL	Oper	YES
<b>#25-HHS Services</b>			
33 Cash spending authority, Mathematica Policy Research, Inc.	Cash	Oper	300,000
365 Shift \$600,000 PSL from Prog 365 to Prog 421	PSL	Oper	YES
421 Shift \$600,000 PSL from Prog 365 to Prog 421	PSL	Oper	YES
<b>#26-HHS Finance/Support</b>			
341 Change fund mix, Prog 341-Administration	Cash	Oper	1,200,000
341 Change fund mix, Prog 341-Administration	Fed	Oper	(1,200,000)
347 Increase cash for Homeless Shelter Assistance	Cash	Aid	450,000
347 Child welfare shortfall	Gen	AID	10,000,000
<b>#29-Natural Resources</b>			
331 Environmental Fund transfers and reappropriations	Gen	Oper	0
331 Environmental Fund transfers and reappropriations	Cash	Oper	0
331 Additional lapse, litigation costs (Gov \$1,350,000 Comm \$738,607)	Gen	Oper	YES
<b>#30-Electrical Board</b>			
197 Salaries, retired employee payout	Cash	Oper	83,083
197 Printing costs	Cash	Oper	12,600
<b>#31-Military Dept</b>			
192 Gov Emergency Fund, lapse \$350,000 Gen Funds	Gen	Aid	LAPSE
192 Gov Emergency Fund, increase cash fund authority	Cash	Aid	350,000
544 Maintenance/repair, Army National Guard facilities	Gen	Oper	0
<b>#34-Library Commission</b>			
302 Increase PSL \$20,625, Panhandle Library System Coordinator	PSL	PSL	YES

	Fund	Type	\$ Amount
<b><u>#46-Correctional Services</u></b>			
200	Gen	Oper	8,436,695
200	Cash	Oper	700,000
725	Gen	Oper	95,464
750	Gen	Aid	1,294,085
<b><u>#47-Nebr Educational Telecommunications</u></b>			
533	Gen	Oper	0
533	Cash	Oper	45,636
566	Gen	Oper	0
566	Cash	Oper	14,650
<b><u>#54-Historical Society</u></b>			
541	Gen	Oper	58,000
<b><u>#65-Administrative Services</u></b>			
573	Cash	Oper	18,519
594	Rev	Oper	800,000
625	Cash	Oper	LAPSE
na	Gen	Oper	354,800
na	Cash	Oper	217,050
na	Rev	Oper	46,301
<b><u>#78-Crime Commission</u></b>			
199	----	Oper	YES
<b><u>#84-Dept of Environmental Quality</u></b>			
513	Gen	Oper	YES
<b><u>#94-Public Advocacy</u></b>			
425	Gen	Oper	(43,500)
426	Cash	Aid	93,114
<b><u>#95-Rural Development Commission</u></b>			
134	Gen	Oper	18,632
<b><u>Capital Construction</u></b>			
101	Cash	Const	(2,672,139)
101	Fed	Const	1,891,491
General Funds			22,821,784
Cash Funds			2,218,533
Federal Funds			691,491
Revolving Funds			846,301
Total			26,578,109

# Definition of Terms

# Definition of Terms

## STATE BIENNIAL BUDGET

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A biennium is the time period for which the same Legislature exists. For example, the 97th Legislature will exist for two years, with the first session held in 2001, the second session in 2002. Although the State Constitution prohibits one Legislature from enacting appropriations that are binding on a future Legislature, the first session of the 97th Legislature can bind the second session of the same 97th Legislature. Therefore the 97th Legislature, meeting in 2001, can enact appropriations for FY2001-02 and FY2002-03 without binding the 98th Legislature. The biennial budget then is the sum of all appropriations made by the Legislature (both the first and second sessions) for these two succeeding fiscal years. These budgets as initially set in the 2001 session, can be revised and amended in subsequent legislative sessions, up until the end of a fiscal year.

The biennial budget can't be found in any single legislative bill. The phrase "the sum of all appropriations" was appropriately used as appropriations are contained in many different bills. What's referred to as the "mainline" budget bills are basically the appropriations to carryout the functions of state government as they exist at the beginning of a legislative session, and are normally contained in several different bills; legislator salaries, constitutional officer salaries, a main budget, and capital construction. New legislation enacted during a legislative session carries a companion appropriation bill if an appropriation is necessary to carry out the new law. This companion bill, referred to as an "A" bill, is a separate bill using the original bill number with the letter "A" following. In this manner, the appropriation to carry out the provisions of this legislation is only enacted if in fact the new legislation is enacted.

## FISCAL YEAR

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The time period for which appropriations are made is the states' fiscal year that runs from July 1st through June 30th of the following year. The fiscal year covering the period July 1, 2001 through June 30, 2002 is referred to as FY2001-02, FY01-02, or simply FY02. Within this 12-month period, agencies are limited to only those appropriations made for FY2001-02. The fiscal year covering the period July 1, 2002 through June 30, 2003 is referred to as FY2002-03, FY02-03, or simply FY03.

## FUND TYPES

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The State of Nebraska utilizes several different types of funds for appropriating and accounting for revenue sources. This structure is somewhat similar to a bank that has several general categories of accounts such as commercial, individual, and trust accounts while under these general types of accounts are many separate and distinct individual accounts. In the state system, the broad types of funds are listed below:

**General Fund** - This fund accounts for all the receipts not specified by statute to be credited to another fund. The majority of General Fund revenues come from sales and use taxes, and individual and corporate income taxes. Also deposited into the General Fund are liquor taxes, and approximately half of the cigarette tax and insurance premium taxes. There is only a single General Fund. Because appropriations from this fund determine the level of sales and income tax rates, most discussion on "balancing the budget" relates to the General Fund.

**Cash Funds** - These funds are used to account for the revenues and expenditures of dedicated fees and charges. Unlike the single General Fund, there are more than 250 individual cash funds contained in 76 different agencies. In many instances, an agency has multiple cash funds. For example, the Dept of Agriculture has 25 different cash funds. Monies held in these funds generally can only be used for the specific purpose for which the fund was created. Cash funds are used to account for revenues such as University and State College tuition and fees, institution patient revenues, hunting/fishing permits, highway revenues (gas tax and sales tax on motor vehicles), and agricultural commodity check-off fees. In addition, most inspection, regulatory, and license fees and charges, are dedicated to and accounted for through the use of cash funds. The Dept of Roads accounts for almost 50% of cash fund revenues/expenditures.

**Federal Funds** - Federal funds account for monies received from the federal government either as grants, contracts, or matching funds. Unlike other fund sources, federal fund appropriations are an estimate and agencies are not limited to the amount shown in the appropriation bills though receipts must meet expenditures. Similar to cash funds, there are numerous individual federal funds contained in the accounting system and they are generally limited to specific uses as authorized by the federal program from which the funds came from. Over 2/3 of the federal funds (approximately 70%) is expended in the Health and Human Services System, a large portion for programs such as Medicaid, ADC, and other public assistance program. Federal funds in the Dept of Education account for 12% of the total, mostly flow through monies to local K-12 schools for programs such as Chapter 1, School Lunch, and Special Education.

**Revolving Funds** - These types of funds account for transactions where one agency provides goods or services to another agency. For example, the Dept of Education pays DAS-Information Management Services for use of the states' mainframe computer. The expenditure is charged against Education's budget (be it General, Cash, or Federal) as data processing expenses. DAS-IMS then receives these funds which are credited to a revolving fund from which DAS-IMS pays staff salaries, lease payments on computers, utilities, etc... This in essence double-counts an expenditure; once when an agency pays another for goods/services rendered, the second time when the receiving agency then pays for costs incurred in providing the goods or services. Like cash and federal funds, there are numerous individual revolving funds within the state system. The University and State Colleges also use revolving funds but to account for revenues from dormitories, student unions, agricultural experiment stations, and other "enterprise" operations.

**Other Funds** - In the appropriation figures, this type includes a very small amount of private donations in capital construction, and the Nebraska Capital Construction Fund (NCCF). The NCCF accounts for cigarette tax that is earmarked for capital construction. Because these amounts are both relatively small, they are combined with Revolving Funds for purposes of this report.

## **OPERATIONS, STATE AID, CONSTRUCTION**

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In this report, there are several instances where appropriations by fund type are also broken down into three categories: operations, state aid, and capital construction. And within the "state aid" category, there are two kinds: state aid to individuals/other and state aid to local governments.

**Agency Operations** accounts for the costs of actually operating state agencies including costs such as employee salaries and benefits, data processing, utilities, vehicle and equipment purchases, fuel and oil, etc...

**Aid to Individuals/Other** includes programs such as Medicaid, Aid to Dependent Children (ADC), child welfare services and student scholarships where state funds are provided for the direct benefit of an individual. This area also includes aid to quasi-government units, which are those local agencies that do not have the authority to levy property taxes. This would include entities such as area agencies on aging, mental health regions and developmental disability regions.

**Aid to Local Governments** accounts for aid payments to local governments that have the authority to levy a property tax such as cities, counties, K-12 schools, community colleges, natural resource districts (NRD's), and educational services units (ESU's). This category includes programs such as state aid to schools (TEEOSA), special education, homestead exemption reimbursements and property tax relief through direct aid payments to cities, counties, NRD's, community colleges, and ESU's. State payments to fund part of the K-12 teacher retirement plan are not included under this category as those amounts are credited directly to the teacher retirement fund and are not checks written to school districts nor do those amounts show up as a school revenue or subsequent expenditure.

**Capital Construction** includes costs for new construction and major repairs and renovation of state-owned facilities. The term "major" is used with respect to repair and renovations as relatively small or on-going projects are routinely done within agencies operating budgets. Highway and road construction and maintenance is not included in this category. This is included under cash fund agency operations.



## **AGENCY AND PROGRAM STRUCTURE**

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Although only agency total figures are shown in this report, the state uses a program structure to which all appropriations are made. Budget programs are set out in the appropriations bills and are intended to follow functional lines within an agency. Overall there are approximately 350 budget programs within 82 state agencies. A lump sum appropriation is made to each program by fund type. Individual line items of expenditure (ie... salaries, data processing, equipment, supplies) are identified in the agency request and subsequently during the expenditure of the appropriated funds, but not for purposes of appropriations.

The only legally valid appropriations are made to budget programs with agency totals being for informational purposes only. Funds can only be shifted from one program to another by action of the Legislature. In some cases an entire agency is contained in one budget program. This normally occurs when it is a small agency with basically one purpose. A good example is the Board of Barber Examiners. However, there are some examples of very large agencies that are also contained in only one program, for example the Dept of Correctional Services. In this case, the need for flexibility in terms of reallocating funding among the various institutions dictates a broader budget program. In these instances, more detailed data is available through the use of sub-programs during the request and expenditure process.

## **BUDGET PROCESS AND CHRONOLOGY**

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The budgetary process is a biennial cycle of submissions, reviews, and appropriations. The full cycle takes almost one complete 12-month period. The following steps basically comprise the cycle as it works during the preparation of a biennial budget.

**Step 1 Budget Request Instructions** By July 15, statutes require the Dept. of Administrative Services (DAS) to issue instructions and forms for state agencies to use in submitting the budget request for the next two fiscal years.

**Step 2 Agency Budget Requests** By September 15, agencies must submit their requests to DAS with a copy to the Legislative Fiscal Office (LFO).

**Step 3 Staff Review** From September through December, analysts for the DAS Budget Division and LFO review agency requests and collect and analyze information justifying the request levels. The DAS-Budget analysis is conducted for the use of the Governor in developing his/her recommendations, the LFO analysis is provided for the Appropriations Committee and Legislature.

**Step 4 Governor's Recommendation** By statute, the Governor's budget is due by January 15th of each year. In the first year of his/her term, this time is extended until February 15th.

Step 5 Appropriations Committee Initial Review From the middle of January to mid to late February, the Appropriations Committee reviews agency requests and develops a preliminary recommendation. This preliminary recommendation becomes the basis for the agency budget hearings as well as a Preliminary Report required by legislative rules. This report is due 20-30 legislative days after the Governor's budget is submitted during odd numbered years (15-20 legislative days in even numbered years).

Step 6 Agency Budget Hearings From mid-February to mid-March, approximately 4-5 weeks are used to conduct public hearings on the agency request, the Governor's recommendations and Appropriations Committee preliminary recommendation. During these hearings, agencies, interest groups, and the general public submit requested changes to the Committee preliminary recommendation. Although not done frequently, other standing committees of the Legislature may have hearings on the budgets of those agencies under their subject jurisdiction during this time.

Step 7 Committee Final Recommendation From mid-March to the mid to late April, another four weeks is used to review all requests subsequent to the hearings and finalize the Appropriations Committee recommendation that will be sent to the full Legislature. By rule, the budget bills must be submitted to the Legislature as a whole by the 70th legislative day in 90 day sessions, and the 40th day in 60 day sessions, otherwise the Governor's bills are considered as introduced. When the Appropriations Committee sends their recommendations to the entire Legislature, the other standing committees again have the opportunity to review and/or hold hearings on the recommendations for the agencies under their jurisdiction.

Step 8 General File Like all other bills, budget bills are subject to amendment on the floor of the Legislature. The only difference is that for budget bills, all amendments must have 25 votes where a simple majority of those voting can amend other bills. This is the first of three stages a legislative bill must follow on its' way to passage.

Step 9 Select File This is the second stage of floor debate and again the budget bills are subject to debate and amendment.

Step 10 Final Reading The number of votes required for passage of budget bills depends on whether the bill has the emergency clause (ie.. the bill becomes law immediately after signed by the Governor), and whether the appropriation exceeds the Governor's recommendation. Any bill with the emergency clause (including budget bills) requires a 2/3 vote of the 49 members of the Legislature (33 votes). Since the fiscal year starts on July 1, and voting on budget bills normally occurs at the end of May or first part of June, the mainline budget bills will require the emergency clause in order for agencies to have funding available by the start of the new fiscal year. Some appropriations can go into effect after the fiscal year has begun as the mainline bill provides adequate cash flow until 90 days after the session ends when bills without the emergency clause go into effect. In cases of bills without the emergency clause the number of votes depends on whether the appropriation is in excess of the Governor's recommendation (30 votes) or at or below the Governor's recommendation (simple majority, 25 votes). By legislative rule, all bills which have a General Fund impact

(ie.. General Fund "A" bill or General Fund revenue loss) are held on the final stage of consideration until the mainline budget bills have been passed.

Step 11 Governor Vetoes The Governor has five calendar days (excluding Sunday) to sign bills as enacted, let the bill become law without his/her signature, or return the bill with vetoes. In addition to the authority to veto a bill in total, the Governor also has the authority to line-item veto which means the Governor can strike a number and insert a lower number for any specific item of appropriation.

Step 12 Veto Overrides By legislative rule, if more than one item in a bill is vetoed, the Appropriations Committee must make a report to the Legislature within one legislative day. The rules further lay out the order for considering override attempts: (1) the Committee may offer to override the entire bill; (2) the Committee may offer to override selected line item vetoes; (3) any member of the Legislature may then offer a motion to override the entire bill; and (4) any member may then offer motions to override selected line item vetoes. In the Committee report, the Appropriations Committee can either recommend or not recommend overrides, or as in some cases, remain silent on the disposition of vetoes. In all cases, veto overrides require 30 votes.

Step 13 Deficit Appropriations A budget enacted for a fiscal year can be amended or changed up to the last day of that fiscal year. Deficit appropriations are changes made to the originally enacted appropriations. There are several chances to amend a biennial budget once it has been enacted. For example, the FY03-04 and FY04-05 biennial budget was enacted in the 2003 Session. Both years can be changed during the 2004 Session, even though at that time, the state will be nine months into FY03-04. The second year of the biennial budget (FY2004-05) can also be subject to change during the 2004 Session and again during the 2005 Session.

# **Legislative Fiscal Office**

## **Agency Assignments and Staff**

# Agency Assignments

(Agencies in numerical order)

Agency	Analyst
#03 Legislative Council	Tom Bergquist
#05 Supreme Court	Howard Kensinger
#07 Governor/PRO/Energy	Scott Danigole
#08 Lieutenant Governor	Scott Danigole
#09 Secretary of State	Scott Danigole
#10 State Auditor	Scott Danigole
#11 Attorney General	Howard Kensinger
#12 State Treasurer	Scott Danigole
#13 Dept of Education	Sandy Sostad
#14 Public Service Commission	Scott Danigole
#15 Board of Pardons and Parole	Howard Kensinger
#16 Dept of Revenue	Doug Nichols
#17 Dept of Aeronautics	Mike Lovelace
#18 Dept of Agriculture	Jeanne Glenn
#19 Dept of Banking	Phil Hovis
#20 Dept of Health & Human Services-Regulation	Liz Hruska
#21 State Fire Marshal	Scott Danigole
#22 Dept of Insurance	Sandy Sostad
#23 Dept of Labor	Doug Nichols
#24 Dept of Motor Vehicles	Sandy Sostad
#25 Dept of Health & Human Services-Services	Sandy Sostad, Hruska
#26 Dept of Health & Human Services-Finance	Liz Hruska
#27 Dept of Roads	Mike Lovelace
#28 Dept of Veterans Affairs	Mike Lovelace
#29 Dept of Natural Resources	Jeanne Glenn
#30 State Electrical Board	Scott Danigole
#31 Military Department	Mike Lovelace
#32 Board of Educational Lands and Funds	Sandy Sostad
#33 Game and Parks Commission	Mike Lovelace
#34 Library Commission	Phil Hovis
#35 Liquor Control Commission	Doug Nichols
#36 Racing Commission	Doug Nichols
#37 Workers' Compensation Commission	Doug Nichols
#38 Commission on the Status of Women	Liz Hruska
#39 Brand Committee	Jeanne Glenn
#40 Motor Vehicle Industry Licensing Board	Sandy Sostad
#41 Real Estate Commission	Mike Lovelace
#45 Board of Barber Examiners	Liz Hruska
#46 Dept of Correctional Services	Howard Kensinger
#47 Educational Telecommunications Commission	Kathy Tenopir
#48 Coordinating Comm for Postsecondary Education	Phil Hovis

Agency	Analyst
#50 State Colleges	Phil Hovis
#51 University of Nebraska	Kathy Tenopir
#52 Fair Board	Jeanne Glenn
#53 Real Estate Appraisers Board	Mike Lovelace
#54 Historical Society	Scott Danigole
#56 Wheat Board	Jeanne Glenn
#57 Oil and Gas Conservation Commission	Scott Danigole
#58 Board of Examiners for Engineers and Architects	Doug Nichols
#59 Board of Geologists	Jeanne Glenn
#60 Ethanol Board	Jeanne Glenn
#61 Dairy Industry Development Board	Jeanne Glenn
#62 Board of Examiners for Land Surveyors	Doug Nichols
#63 Board of Public Accountancy	Mike Lovelace
#64 State Patrol	Howard Kensinger
#65 Dept of Admin. Services	Scott Danigole et al
#66 Abstractors Board of Examiners	Doug Nichols
#67 Equal Opportunity Commission	Liz Hruska
#68 Mexican American Commission	Liz Hruska
#69 Nebraska Arts Council	Jeanne Glenn
#70 Foster Care Review Board	Liz Hruska
#72 Dept of Economic Development	Jeanne Glenn
#73 Bd of Examiners for Landscape Architects	Doug Nichols
#74 Power Review Board	Scott Danigole
#75 Investment Council	Kathy Tenopir
#76 Commission on Indian Affairs	Liz Hruska
#77 Commission of Industrial Relations	Kathy Tenopir
#78 Crime Commission	Howard Kensinger
#81 Commission for the Blind and Visually Impaired	Sandy Sostad
#82 Commission on the Deaf and Hard of Hearing	Liz Hruska
#83 Community Colleges	Phil Hovis
#84 Dept of Environmental Quality	Jeanne Glenn
#85 Public Employees Retirement Board	Kathy Tenopir
#86 Dry Bean Commission	Jeanne Glenn
#87 Political Accountability and Disclosure	Scott Danigole
#88 Corn Board	Jeanne Glenn
#90 Nebraska Railway Council	Mike Lovelace
#92 Grain Sorghum Board	Jeanne Glenn
#93 Tax Equalization and Review Commission	Doug Nichols
#94 Commission on Public Advocacy	Howard Kensinger
#95 Rural Development Commission	Jeanne Glenn
#96 Dept of Property Taxation and Assessment	Doug Nichols

# Legislative Fiscal Office Staff

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Name	Phone	Email	Responsibilities
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Tenopir, Kathy	471-0058	Ktenopir@unicam.state.ne.us	Educational Television Commission, University of Nebraska, DAS Personnel Division, DAS Employee Relations Division, DAS Risk Mgmt Division/State Claims, Commission on Industrial Relations, Investment Council, Public Employees Retirement Board