

**STATE OF NEBRASKA
FY2011-12 / FY2012-13
BIENNIAL BUDGET**

**As Enacted in the
102nd Legislature-First Session**

August 2011

Table of Contents

I. INTRODUCTION	1
II. HIGHLIGHTS	2
III. GENERAL FUND FINANCIAL STATUS	7
A. General Fund Financial Status – July 2011 Tax Rate Review Committee	8
B. General Fund Financial Status – End of 2011 Legislative Session (May 2011)	9
C. Chronology of the Financial Status	10
D. Estimated Financial Status for the Following Biennium	17
E. Cash Reserve Fund	21
IV. GENERAL FUND REVENUES	23
A. Revenue Forecasts	24
B. Chronology of Revenue Forecasts	26
C. Historical Revenues	27
D. General Fund Transfers-Out	29
E. General Fund Transfers-In	31
F. 2011 Session Revenue Legislation	32
V. GENERAL FUND APPROPRIATIONS	34
A. Overview	35
1. State Totals and Summary by Operations and Aid	35
2. Historical Appropriations (state totals)	38
B. Significant Increases and Reductions	40
C. Highlights-General Fund State Aid to Individuals	42
1. Behavioral Health Aid	42
2. Developmental Disabilities Aid	42
3. Children’s Health Insurance Program (SCHIP)	43
4. Public Assistance	44
5. Medicaid	46
6. Community Health Center and Public Health Dept aid	48
7. Health aid	49
8. Aid to Aging Services	49
9. Higher Education Student Aid	49
D. Highlights-General Fund State Aid to Local Governments	50

1. Aid to K-12 Schools	50
a. Special Education	50
b. High Ability Learner program	50
b. Early Childhood program.....	50
b. School Breakfast	51
b. Other K-12 aid programs	51
c. State Aid to Schools (TEEOSA)	51
2. Aid to ESU's	54
3. Aid to Cities, Counties, and NRD's	54
4. Homestead Exemption.....	56
5. Governors Emergency Program	56
6. Aid to Community Colleges	57
E. Highlights-General Fund Agency Operations	58
1. Agency Budget / Base Reductions	58
2. Court System	63
3. Dept of Health and Human Services System.....	63
4. Dept of Correctional Services.....	66
5. State Colleges	68
6. University of Nebraska.....	69
7. State Patrol.....	69
8. Dept of Economic Development	70
9. Depreciation Assessment.....	71
10. State Employee Salary Increases	71
11. State Employee Health Insurance.....	73
12. Defined Benefit / Cash Balance Retirement Plans	74
F. General Fund Appropriations By Agency	75
G. General Fund State Aid by Individual Aid Program	78
I. General Fund Appropriations by Bills.....	80
J. Governor Vetoes and Overrides	80

VI. APPROPRIATIONS – ALL FUND SOURCES.....	81
A. State Totals and Summary.....	82
B. Cash Funds	83
1. Nursing Facility Quality Assurance Assessment Act (LB 600)	83
2. Dept of Roads	84
3. Health Care Cash Fund.....	84
C. Federal Funds	87
D. Revolving / Other Funds	88
E. Appropriations by Bill - All Fund Sources.....	89
F. Historical Appropriations - All Fund Sources	91
G. Appropriations by Agency - All Fund Sources	92

VII. CAPITAL CONSTRUCTION	102
A. Summary	103
B. Listing of General Fund & NCCF Construction Projects.....	104
C. Project Listing - Reaffirmations	106
D. Project Listing - New Construction.....	107
VIII. FY2010-11 APPROPRIATION ADJUSTMENTS (DEFICITS).....	109
A. Description of Major General Fund Items	110
B. Listing – Adjustment of Current Year (FY2010-11) General Fund Appropriations.....	111
C. Listing – Lapse of Prior Year General Fund Reappropriations.....	111
D. Listing - Adjustment of Current Year (FY2010-11) Appropriations - All Funds.....	112
E. Chronology of FY2010-11 Appropriations	113
IX. DEFINITION OF TERMS	114
A. State Biennial Budget.....	115
B. Fiscal Year.....	115
C. Fund Types.....	115
D. Operations, State Aid, Construction.....	116
E. Agency and Program Structure.....	117
F. Budget Process and Chronology	118
X. LEGISLATIVE FISCAL OFFICE STAFF & ASSIGNMENTS	120
A. Agency Assignments (agency numerical order)	121
B. Fiscal Office Staff	123

Introduction

This report contains a summary of the initial appropriations and budget actions for the FY2011-12 and FY2013-13 biennium as enacted during the 2011 Legislative Session. These are not the final appropriations as both fiscal years numbers can be changed during the 2012 Legislative Session, and FY2012-13 can further be changed during the 2013 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 the end of 2011 Session in May (referred to as Sine Die) 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 FY12/FY13 Biennium and projected for the FY13/FY14 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 2011 Legislative Session that impact revenues.

General Fund Appropriations This section provides detailed information on General Fund appropriations as enacted during the 2011 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.

FY2010-11 Deficit Appropriations This section provides a detailed listing of all FY2010-11 deficiency appropriations. Also included is a chronology of FY2010-11 appropriations from when first enacted in the 2009 Session, changes during the 2009 Special Session and 2010 Session, and the final appropriations after the 2011 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.

Highlights

This report contains a summary of the FY2011-12 and FY2012-13 biennial budget as enacted in the 2011 legislative session. 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.

Balanced Budget Achieved for the Upcoming Biennium

The enacted budget results in a \$215.4 million unobligated ending balance at the end of the FY12/FY13 Biennial Budget which is \$3.2 million above the minimum 3% reserve. At the start of the 2011 legislative session a projected financial status showed a budget that was \$986 million below the required minimum reserve. This \$986 million shortfall was based on the October 2010 revenue forecasts, agency budget request information, and funding for TEEOSA school aid and defined benefit retirement plans

ACTIONS TO BALANCE THE BUDGET	Base Yr			3 Yr
	FY11	FY12	FY13	Total
Variance: Tax Rate Review Committee (Nov 2010)				(986.5)
Variance: Sine Die 2011 Session				3.1
Difference				989.6
Revenue Actions:				
Revised Revenue Forecasts (net) - Feb 2011	(9.5)	24.0	30.0	44.5
Revised Revenue Forecasts - April 2011	82.5	91.0	60.0	233.5
Cash Fund lapses	0.0	34.6	33.4	67.9
Cash Reserve Fund transfers	0.0	(45.5)	68.0	22.5
Lapse reappropriations	36.3	0.0	0.0	36.3
Revenue Bills enacted - 2011	0.0	2.7	4.8	7.5
General Fund transfers-out (Other items)	0.0	1.7	5.5	7.2
General Fund transfers-out (Innovation Campus)	0.0	(25.0)	0.0	(25.0)
Reserve Change	0.0	0.0	(11.3)	(11.3)
Subtotal - Revenue	109.3	83.4	190.4	383.1
Spending Actions:				
TEEOSA aid, LB235 vs current law	0.0	165.2	198.9	364.1
Negate need for additional funds, retirement plans	0.0	24.6	56.4	81.0
Employee health insurance, fund no increased costs	0.0	13.9	29.1	43.0
Depreciation assessments, repealed	0.0	6.1	6.3	12.4
Homestead Exemption (revised est)	0.0	4.0	8.8	12.8
High Ability Learner, Early Childhood, Ed Innovation	0.0	5.5	6.1	11.6
Operations reductions	0.0	32.7	35.0	67.7
HHS Provider rates, 0% and 2.5% cut	0.0	14.7	14.7	29.3
Eliminate Aid to Cities, Counties, NRD's, ESU's	0.0	22.1	22.1	44.1
Medicaid (program cuts)	0.0	4.0	4.1	8.1
Public Assistance (program cuts)	0.0	1.9	1.9	3.9
Federal match rate change (FMAP), federal FY2012	0.0	(26.3)	(35.4)	(61.7)
Spending Bills enacted - 2011	0.0	(6.6)	(6.5)	(13.1)
Water Litigation Funding	0.0	(2.0)	0.0	(2.0)
Deficits and State Claims	(2.1)	0.0	0.0	(2.1)
All Other appropriations (net)	0.0	.8	6.5	7.3
Subtotal - Appropriations	(2.1)	260.8	348.1	606.8
Total	107.1	344.1	538.3	989.6

under the statutes as they existed at that time. At that time, it was the best estimate of the costs of maintaining existing programs and services reflecting existing statute and policies.

From this point, a balanced budget was achieved with a combination of higher revenue forecasts (\$278 million), cash fund transfers (\$68 million), Cash Reserve Fund transfers (\$22 million), lapse of prior year carryover appropriations (\$36 million), lower than projected increases in the budget including TEEOSA school aid (\$513 million), and outright cuts in operations and state aid programs (\$153 million). Subsequent to these savings were two items that utilized additional funds, a decline in the federal FY2012 Medicaid match rate costing \$62 million over the two years and a one-time \$25 million allocation of funds for the University Innovation Campus.(shown under General Fund transfers out).

Cuts in agency operations are specific items, there was no generally applied across the board cut. The level of cuts which ranged

from under .5% to roughly 10% by agency, resulted in an overall cut of approximately 2.7% of current General Fund appropriations for operations excluding constitutional officers salaries. These reductions are in addition to the across the board cut of 7% applied to the FY2010-11 budget.

Since Sine Die, the FY2010-11 fiscal year has been completed and actual receipts were \$62.7 above the Sine Die forecast. By statute, these extras receipts are automatically transferred to the Cash Reserve Fund and do not alter the General Fund financial status. However, several transfers-out that are authorized in statute but not in specific amounts or occur on a deficit basis, and a recalculation of the minimum reserve take the variance from the minimum reserve from the +\$3.1 million on Sine Die to a -\$9.4 million with the FY10-11 actual data.

Recurrence of Budget Shortfall in Following Biennium

The projected financial status for the following biennium shows a recurrence of a budget shortfall amounting to \$245 million. Spending growth in FY14 of 7.1% is above “normal” and is driven by the replacement of some one-time items used to help balance the FY12 and FY13 biennial budget. Revenue growth using the five year historical average methodology averages 4.4% and is below the 4.9% historical average. In addition, a significant contributor to the projected shortfall is the reallocation of a ¼% sales tax rate (roughly \$71 million per year) to the Dept of Roads, cities, and counties under LB84 enacted in the 2011 Session.

Revenue Forecasts

The budget and financial status at Sine Die were based on the Nebraska Economic Forecast Advisory Board (NEFAB) April revenue forecasts. Cumulatively, these forecasts were \$278 million higher than the October 2010 forecasts which were used in the calculation of the pre-session \$986 million shortfall projection. Revenue growth implied by these forecasts for the FY12/FY13 biennium average 3.9% (4.3% in FY11-12 and 3.5% in FY12-13). However, including the 7.9% growth inherent in the FY10-11 forecast yields an average growth of about 5.2% over the three years that affect the financial status for the biennial budget. This reflects modest growth considering the 29 year average is 4.9% but not the more robust growth coming on the heels of the negative growth in both FY2008-09 (-4.4%) and FY2009-10 (-4.8%).

Preliminary estimates for the FY14/FY15 biennium average 4.4% growth using a capped historical average methodology. At this time, there are no official NEFAB forecasts for FY14 and FY15.

As noted above, since the end of the 2011 Legislative Session, the 2010-11 fiscal year was completed and actual receipts were \$62.7 above the Sine Die forecast. Adjusted revenue growth for FY2010-11 based on actual receipts is 9.4% compared to the 7.9% growth calculated per the April forecast. Even with this high growth rate, the FY2010-11 actual receipts are still slightly less than actual receipts in FY2007-08.

Budget Growth

The General Fund budget as enacted is the accumulation of many different individual items, some increasing the budget many others reducing the budget. The net impact of these transactions results in an overall General Fund budget increase of 1.9% in FY2011-12, and a

<u>General Fund % Change</u>	<u>FY2011-12</u>	<u>FY2012-13</u>	<u>2 Yr Avg</u>
Agency Operations	(2.4)%	1.3%	0.6%
State Aid to Individuals	11.7%	3.8%	7.7%
State Aid to Local Govt	(1.4)%	5.6%	2.0%
Capital Construction	1.6%	4.1%	2.9%
Annual % Change	1.9%	3.5%	2.7%
Without replacing ARRA	(1.3)%	3.5%	1.1%

3.5% increase in FY2012-13 with a two year average of 2.7% per year.

The FY11-12 increase is largely the result of replacing the one-time use of American Recovery and Reinvestment Act of 2009 (ARRA) federal funds used in FY10-11. This includes \$89.3 million for the Medicaid federal match rate, \$3.2 million child care funds, and \$17 million general stabilization funds used in the Dept of Correctional Services. Excluding these items, the budget would have shown a 1.3% *reduction* in FY11-12 and a two year average growth of 0.9%.

The FY2011-12 General Fund budget as enacted is still \$13 million below the budget three years ago in FY2008-09.

Cash Reserve Fund

To balance the FY12/FY13 biennial budget, the Legislature used only \$22 million from the Cash Reserve Fund leaving an unobligated projected balance of \$299 million. Originally when the Appropriations Committee advanced their budget to the floor, a total of \$256 million was proposed to be used; leaving an estimated balance of \$66 million. Shortly thereafter the Nebraska Economic Forecast Advisory Board (NEFAB) increased the revenue forecasts by \$234 million over the three years. At that time, the Legislature then reduced the proposed Cash Reserve Fund transfers by the same amount with the net effect of having all the increased forecast amounts retained in the Cash Reserve Fund.

Since Sine Die, the FY2010-11 fiscal year has been completed and actual receipts were \$62.7 above the Sine Die forecast. By statute, these extras receipts are automatically transferred to the Cash Reserve Fund increasing the unobligated balance from the \$299 million at Sine Die to a current estimate of \$361.9 million.

TEEOSA School Aid

The budget includes funding for state aid to schools (TEEOSA) based on the provisions of LB 235 as enacted during the 2011 Session. The overall net change in TEEOSA aid is a decrease of \$128.4 million (-13.5%) in FY2011-12 followed by a \$57.5 million (7.0%) increase in FY12-13. The General Fund amounts (excluding the amount financed by allocated Insurance Premium Tax monies) reflect a \$7.9 million (1.0%) increase in FY11-12 followed by a \$59.9 million (7.5%) increase in FY12-13. In FY2011-12, the reason there is a large cut in overall aid but an actual increase in General Funds for TEEOSA is the expiration of the \$140.3 million of Education Stabilization funds available through the American Recovery and Reinvestment Act of 2009 (ARRA) used to help finance the FY2010-11 TEEOSA certified aid level.

Over the two years of the biennium, TEEOSA school aid under the provisions of LB235 is projected to be \$410 million less than what was projected under the law prior to LB235.

State Aid to Cities, Counties, and Natural Resource Districts

The budget as enacted eliminates all General Fund aid to cities, counties, and NRD's as provided for in LB 383 enacted early in the session. That bill eliminated the aid to cities (\$10,964,566) and aid to NRD's (\$1,436,069) programs under the State Treasurer and the new aid to counties program under the Dept of Revenue that was to go into effect in FY2011-12 pursuant to LB 218 enacted in the 2009 legislative session. This new program would have replaced three previous county aid programs, aid to counties (State Treasurer), county property tax relief program (Dept of Revenue) and county jail reimbursement (Dept of Correctional Services) (combined \$9,659,932).

The Municipal Equalization Fund (MEF) remains intact. This program financed by reallocation of the city sales tax collection fee and Insurance Premium tax allocation is considered a distributive fund and is not a General Fund appropriation.

Health and Human Services Provider Rates

The Governor's recommendation included a 5% cut in the various Health and Human Services (HHS) providers. This included behavioral health, care management, aging, Childrens Health Insurance (SCHIP) and Medicaid. This cut did not apply to those services associated with a primary care code. This cut allowed for a \$32.7 million annual General Fund savings. The Appropriations Committee had included a 4% cut in their preliminary budget sent to hearing in February.

As finally proposed by the Appropriations Committee and subsequently enacted, there were no cuts in rates for behavioral health, care management, or aging aid and a 2.5% cut in SCHIP and Medicaid (again excluding primary care) with an annual General Fund savings of \$14.7 million.

For Nebraska nursing facilities, additional federal funding for Medicaid rates under LB 600 the Nursing Facility Quality Assurance Assessment Act will partially offset these rate cuts.

Defined Benefit Retirement Plans

Each fall, actuaries provide an assessment as to the status of the defined benefit plans to which the state provides funding. These are K-12 school employees, judges and the State Patrol. Other state employees have a defined contribution plan or a cash balance plan (which is in essence a defined investment rate of return plan). The fall 2010 report showed positive investment returns for the prior plan year, almost 14%. However, notwithstanding this high return there was an actuarial shortfall of \$21.6 million payable in FY2011-12. Another actuarial study that extended the outlook another five years revealed that this shortfall grows to \$52 million in FY12-13. The FY12 and FY13 projected actuarial shortfall was subsequently negated by the enactment of LB 382 which increased employee/employer contributions. In the following biennium however additional state funds amounting to \$52 million would likely be needed even with these higher contributions continued.

Nebraska Innovation Campus

The budget as enacted for FY2011-12 includes a \$25 million transfer from the General Fund to the Nebraska Capital Construction Fund (NCCF) to finance two projects at the Nebraska Innovation Campus; renovation of the 4-H Building (\$10 million) and the new Food, Fuel and Water Research Building (\$15 million). The actual appropriation is then made from the NCCF over a two year period.,

Economic Development Legislation

The Governor proposed and the Legislature enacted several economic development bills which collectively are referred to as the Talent and Innovation Initiative. These bills were based on 2010 recommendations made in a comprehensive review of Nebraska's economic climate commonly referred to as the Battelle Study. These bills included LB386 - Nebraska Internship Program, LB 387 - Business Innovation Act, LB 388 - Site & Building Development Fund, and LB 389 - Angel Investment Tax Credit. Also based on recommendations from the Legislature's Innovation and Entrepreneurship Task Force LB 345 - Small Business Innovation Act was enacted. A more detailed explanation of these bills can be found on page 70.

Roads Funding

The budget as enacted for the upcoming biennium for the Department of Roads continues the current 26.4¢ fuel tax into the next biennium with no change by setting the Highway Cash Fund appropriation at \$390 million in FY12 and \$375 million in FY13. This appropriation level is based on revenue projections received from the Department of Roads on April 5th and reflects a significant carryover balance from the current year into FY12. This Highway Cash Fund appropriation increases state funding provided to the Department by \$20 million in FY12 and \$5 million FY13 compared to the FY10-11 \$370 million appropriation level,

Furthermore, the Legislature enacted LB 84 which adopts the Build Nebraska Act. Effective July 1, 2013 until July 1, 2033, the proceeds from an existing ¼% sales and use tax rate will be reallocated from the General Fund to the State Highway Capital Improvement Fund (85% of proceeds) and to the Highway Allocation Fund (15% of proceeds). The State Highway Capital Improvement Fund will be administered by the Department of Roads and is to be used as follows: a) at least 25% of the money is to be used for construction of the expressway system and federally designated high priority corridors. and b) the balance of money credited to the fund shall be used for surface transportation projects of the highest priority as determined by the Dept. of Roads. The Highway Allocation Fund is distributed to cities and counties. Estimates from the Department of Revenue indicate that revenue from the ¼% sales tax will equal \$69.3 million in FY13-14 (11 months) and \$71.8 million in FY14-15. Under the provisions of the bill the State Highway Capital Improvement Fund will receive \$58.9 million in FY13-14 and \$61.0 million in FY14-15; and the Highway Allocation Fund (cities and counties) will receive \$10.4 million in FY13-14 and \$10.8 million in FY14-15.

GENERAL FUND FINANCIAL STATUS

General Fund Financial Status

Tax Rate Review Committee (July 21, 2011)

	Actual FY2010-11	Biennial Budget FY2011-12	Biennial Budget FY2012-13	Following Biennium FY2013-14	Following Biennium FY2014-15
1 BEGINNING BALANCE					
2 Beginning Cash Balance	296,986,417	502,306,328	131,972,230	209,462,051	77,814,215
3 Cash Reserve transfers-above certified prior yr	0	(145,155,092)	0	0	0
4 Carryover obligations from FY11	0	(235,288,772)	0	0	0
5 Lapse FY11 carryover obligations	0	0	0	0	0
6 Allocation for potential deficits	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	296,986,417	116,862,464	126,972,230	204,462,051	72,814,215
8 REVENUES					
9 Net Receipts (Actual and Sine Die Adjusted)	3,499,655,092	3,591,099,000	3,718,621,000	3,838,728,000	4,019,952,000
10 General Fund transfers-out	(120,725,000)	(144,600,000)	(113,300,000)	(118,800,000)	(118,800,000)
11 General Fund transfers-in in receipts	0	0	0	0	0
12 Cash Reserve transfers-legislative	154,000,000	37,000,000	68,000,000	0	0
13 Accounting adjustment	(5,911,115)	0	0	0	0
14 General Fund Net Revenues	3,527,018,977	3,483,499,000	3,673,321,000	3,719,928,000	3,901,152,000
15 APPROPRIATIONS					
16 Expenditures/Appropriations	3,321,699,066	3,468,389,234	3,590,831,179	3,590,831,179	3,590,831,179
17 Projected budget actions (2010 Session)	0	0	0	255,744,657	406,039,716
18 Midbiennium adjustments (2011 Session)	0	0	0	0	0
19 "A" Bills (2010 Session)	0	0	0	0	0
20 General Fund Appropriations	3,321,699,066	3,468,389,234	3,590,831,179	3,846,575,836	3,996,870,895
21 ENDING BALANCE					
22 Dollar ending balance (Financial Status as shown)	502,306,328	131,972,230	209,462,051	77,814,215	(22,904,679)
23 Dollar ending balance (at Minimum Reserve)			218,853,531	--	228,074,040
24 Excess (shortfall) from Minimum Reserve			(9,391,480)	--	(250,978,720)
25 Biennial Reserve (%)			2.9%	--	-0.3%
26 General Fund Budget					
27 Annual % Change	2.4%	1.9%	3.5%	7.1%	3.9%
28 Two Year Average % Change	-1.1%	--	2.7%	--	5.5%
29 General Fund Revenues:					
30 Adjusted Growth	9.4%	2.8%	3.6%	4.4%	4.4%
31 Two Year Average	2.3%	--	3.2%	--	4.4%
32 Five Year Average	2.8%	--	1.2%	--	4.9%
34 Structural Revenues vs Appropriations	(199,282,296)	(21,890,234)	14,489,821	(126,647,836)	(95,718,895)

CASH RESERVE FUND	FY2010-11	FY2011-12	FY2012-13	FY2011-12	FY2012-13
Projected Unobligated Ending Balance	313,201,626	421,356,718	361,907,718	361,907,718	361,907,718

General Fund Financial Status

Sine Die 2011 Session (May 26, 2011)

	Current Year	Biennial Budget		Following Biennium	
	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
1 BEGINNING BALANCE					
2 Beginning Cash Balance	296,986,417	210,273,579	137,883,137	215,372,608	83,724,422
3 Cash Reserve transfers-automatic	0	(82,500,000)	0	0	0
4 Carryover obligations from FY10 (net)	(207,763,520)	0	0	0	0
5 Lapse FY10 reappropriations	30,376,862	0	0	0	0
6 Allocation for potential deficits	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	119,599,759	122,773,579	132,883,137	210,372,608	78,724,422
8 REVENUES					
9 Net Receipts (April 2011 NEFAB+Hist Avg)	3,437,000,000	3,591,098,792	3,718,620,650	3,838,727,650	4,019,951,650
10 General Fund transfers-out	(120,725,000)	(144,600,000)	(113,300,000)	(118,800,000)	(118,800,000)
11 General Fund transfers-in	in forecast	in forecast	in forecast	0	0
12 Cash Reserve transfers (current law)	154,000,000	37,000,000	68,000,000	0	0
13 2012 Cash Reserve transfers (new)	0	0	0	0	0
14 2012 General Fund transfers-out	0	0	0	0	0
15 2012 General Fund transfers-in	0	0	0	0	0
16 2012 Revenue Bills	0	0	0	0	0
17 General Fund Net Revenues	3,470,275,000	3,483,498,792	3,673,320,650	3,719,927,650	3,901,151,650
18 APPROPRIATIONS					
19 Appropriations Per 2011 Session	3,379,601,180	3,468,389,234	3,590,831,179	3,590,831,179	3,590,831,179
20 Projected budget increases, following biennium	0	0	0	255,744,657	406,039,716
21 2012 Mid-Biennium Budget Adjustments	0	0	0	0	0
22 2012 State Claims	0	0	0	0	0
23 2012 "A" Bills	0	0	0	0	0
24 General Fund Appropriations	3,379,601,180	3,468,389,234	3,590,831,179	3,846,575,836	3,996,870,895
25 ENDING BALANCE					
26 Dollar ending balance (Financial Status as shown)	210,273,579	137,883,137	215,372,608	83,724,422	(16,994,822)
27 Dollar ending balance (at Minimum Reserve)			212,172,612		228,246,172
28 Excess (shortfall) from Minimum Reserve			3,199,996		(245,240,994)
29 Biennial Reserve (%)			3.0%		-0.2%
General Fund Appropriations					
30 Annual % Change - Appropriations (w/o deficits)	2.4%	1.9%	3.5%	7.1%	3.9%
31 Two Year Average	-1.1%	-	2.7%	-	5.5%
General Fund Revenues					
32 Est. Revenue Growth (rate/base adjusted)	7.9%	4.3%	3.5%	4.4%	4.4%
33 Two Year Average	1.6%	-	3.9%	-	4.4%
34 Five Year Average	2.4%	-	1.2%	-	4.9%
35 Structural Revenues vs Appropriations	(313,928,387)	(21,890,442)	14,489,471	(126,648,186)	(95,719,245)

CASH RESERVE FUND	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
Projected Unobligated Ending Balance	313,201,626	358,701,626	299,252,626	299,252,626	299,252,626

Chronology of the General Fund Financial Status

Sine Die 2010

At the end of the 2010 legislative session the projected financial status for the FY12/FY13 biennium reflected a \$679.4 million projected shortfall from the minimum reserve. At that point, FY12/FY13 was the “out year” in the five year financial status and there was no projection for FY14/FY15 biennium. At the July 2010 meeting of the Tax Rate Review Committee (TRR), the General Fund financial status declined to \$751.1 million below the minimum reserve mostly due to FY2009-10 actual receipts being \$76.7 million below projection.

<u>Impact on Variance from Min Reserve (Millions of Dollars)</u>	July 2010 TRR Committee			
	FY11	FY12	FY13	Total
Carryover obligations from FY09-10	0.0	0.0	0.0	0.1
FY10 Actual vs Est General Fund Net Receipts	0.0	0.0	0.0	(76.7)
FY10 Actual vs Est CRF transfers-automatic	0.0	0.0	0.0	0.3
FY10 Actual vs Est Accounting adjustment	0.0	0.0	0.0	2.5
Change in Minimum Reserve	2.2	0.0	0.2	2.4
Total Change – July 2010 TRR Committee				(71.5)

2010 Interim

The financial status deteriorated again in November 2010 when the TRR committee again met. The shortfall from the minimum reserve grew from \$751.1million to \$986.5 million due to several factors. Original NEFAB forecasts for FY12 and FY13 were a combined \$695 million below the previously used preliminary LFO revenue estimates. Also the NEFAB lowered their FY10-11 forecast by \$58.2 million reflecting the decline in actual FY10 receipts. These declines were partially offset by lower spending projections. Those projected appropriation levels used the latest estimates for TEEOSA school aid and information from the agency budget request.

<u>Impact on Variance from Min Reserve (Millions of Dollars)</u>	November 2010 TRR Committee			
	FY11	FY12	FY13	Total
Revised TEEOSA aid estimates (Oct 2010 Joint Meeting)	(58.2)	(233.2)	(372.0)	(663.4)
Change in Minimum Reserve	0.0	0.0	(18.4)	(18.4)
Subtotal-Revenue	(58.2)	(233.2)	(353.5)	(644.9)
Deficit requests (excluding drug rebate issue) vs \$5M	30.0	0.0	0.0	30.0
Revised TEEOSA aid estimates (Oct 2010 Joint Meeting)	0.0	39.1	55.4	94.5
Special Ed (5% to 0% request)	0.0	9.2	19.0	28.2
Medicaid (7.5% to adjusted request)	0.0	26.4	50.4	76.8
Public Assistance (8.5% to adjusted request)	0.0	36.0	53.3	89.2
Salary increase (2.5% each yr to 2% FY12)	0.0	24.7	28.9	53.7
Health Insurance increase (10% to 10%)	0.0	1.2	2.5	3.7
Operations cost increases (est to 24/7 facility request)	0.0	5.3	10.7	16.0
Defined benefit retirement funding (est to request)	0.0	30.0	(1.4)	28.6
Developmental Disability aid (3% to transition only)	0.0	1.6	2.6	4.1
Behavioral health (3% to 0% request)	0.0	2.3	4.6	6.9
Maximize cash, fund shifts (HHS)	0.0	5.4	5.4	10.8
Homestead exemption (3% to request)	0.0	(9.4)	(17.6)	(26.9)
Depreciation assessments (not in original est)	0.0	(6.1)	(6.9)	(12.9)
Revised estimate of budget increases, all other	0.0	3.0	3.8	6.8
Subtotal-Appropriations	30.0	168.9	210.7)	409.6
Total Change – November TRR Committee	(28.2)	(64.3)	(142.8)	(235.4)

Appropriations Committee Preliminary Budget

The Appropriations Committee Preliminary Budget eliminated that “shortfall” by a combination of cash fund transfers, Cash Reserve Fund transfers, lapse of prior year carryover appropriations, lower than projected increases in the budget, cuts in operations and state aid programs, and outright elimination of some programs. The projected status for the FY12/FY13 biennium shows an ending balance of \$211.3 million which is only \$785,012 above the minimum 3% reserve.

About 1/3 of the actions to balance are on the revenue side of which the bulk is transfers from the Cash Reserve Fund. The other two-thirds of budget actions were on the spending side. Of these spending actions the two largest items could be considered “cost avoidance”. In the case of TEEOSA aid and costs for defined benefit retirement plans the preliminary budget assumes passage of legislation which would negate the projected increases that had previously been projected and incorporated into the financial status for the November meeting of the Tax Rate Review Committee.

<u>Impact on Variance from Min Reserve (Millions of Dollars)</u>	<u>Committee Prelim Budget</u>			
	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>Total</u>
General Fund transfers-in (not in pre-session)	0.0	31.3	30.3	61.6
General Fund transfers-out (additional EPIC)	0.0	(3.8)	0.0	(3.8)
General Fund transfers-out (balance in Prop Tax Credit fund)	0.0	5.0	5.0	10.0
General Fund transfers-out (Innovaton Campus)	0.0	(25.0)	0.0	(25.0)
General Fund transfers-out (Cultural Trust)	0.0	0.5	0.5	1.0
Cash Reserve Fund transfer	0.0	128.0	128.0	256.0
Lapse reappropriations	36.3	0.0	0.0	36.3
Change in Minimum Reserve	0.0	0.0	(9.7)	(9.7)
Subtotal - Revenue	36.3	136.0	154.1	326.4
TEEOSA School Aid, proposed funding level vs current law	0.0	171.2	212.8	384.0
Retirement shortfall, assume increased contributions	0.0	24.6	56.4	81.0
Agency / base reductions	0.0	33.6	35.6	69.1
HHS Provider rate reduction (4%)	0.0	26.2	26.2	52.3
Reduce Aid to Cities, Counties, NRD's, ESU's	0.0	22.1	22.1	44.1
Employee Health Insurance and Salaries	0.0	12.1	33.6	45.6
Homestead Exemption, lower estimate	0.0	4.0	8.8	12.8
High Ability Learners, Early Childhood Aid to Ed Innovation	0.0	5.5	6.1	11.6
Childrens Health Insurance (SCHIP)	0.0	3.8	1.8	5.7
Medicaid (program cuts)	0.0	5.6	5.7	11.3
Public Assistance (program cuts)	0.0	1.7	1.7	3.4
Depreciation assessments, extend suspension	0.0	6.1	6.9	12.9
Reduced 2012 federal Medicaid match rate FMAP	0.0	(26.3)	(35.4)	(61.7)
Business Innovation Act (net)	0.0	(5.6)	(5.6)	(11.1)
Juvenile detention costs (HHS)	0.0	(5.0)	(5.0)	(10.0)
All Other appropriation changes (with placeholder)	0.0	4.3	5.9	10.2
Deficits vs Nov TRR	1.5	0.0	0.0	1.5
State Claims	(2.0)	0.0	0.0	(2.0)
Subtotal - Appropriations	(0.5)	283.9	377.5	660.9
Total Change – Appropriations Committee Prelim Budget	35.7	419.9	531.7	987.3

Revised Revenue Forecasts – February 2011

Revised revenue forecasts in February turned the \$750,000 positive variance into a \$42.8 million positive variance. The Nebraska Economic Forecasting Advisory Board (NEFAB) reduced the FY10-11 forecast by \$9.5 million but increased the forecasts for FY11-12 (\$24 million) and FY12-13 (\$30 million) in

FY10-11. These were net changes in the forecasts taking into consideration increases in the base forecasts offset by revenue losses attributed to the federal tax changes enacted in December 2010.

Impact on Variance from Min Reserve (Millions of Dollars)	February Revenue Forecasts			
	FY11	FY12	FY13	Total
NEFAB base forecasts (Feb 2011)	(9.5)	49.4	68.1	108.0
NEFAB federal tax changes	0.0	(25.4)	(38.1)	(63.5)
Reserve change / misc adjustments	0.0	0.0	0.0	(1.3)
Total Change – February Revenue Forecast Revisions	(9.5)	24.0	30.0	42.3

Appropriations Committee Recommendation to the Legislature

The \$42 million positive variance was reduced to \$7.5 million by a series of actions. This included restoring the 4% cut in health care providers except for Medicaid, reducing the Medicaid provider rate cut from 4% to 2.5%, inclusion of funding for the Attorney General for water litigation, and funding TEEOSA school aid at the level of LB235 as advanced to the floor of the legislature. Additional funding for the defined benefit retirement plans was also included in the following biennium reflecting the continued shortfall in the plans even under the provisions of LB382. The committee also increased transfers from cash funds to the General Fund by \$3 million each year.

Impact on Variance from Min Reserve (Millions of Dollars)	Committee Recommendation			
	FY11	FY12	FY13	Total
Fund lapses	0.0	3.3	3.1	6.3
Bills enacted to date	0.0	0.6	0.6	1.2
Change in Minimum Reserve	0.0	0.0	(0.2)	(0.2)
Subtotal - Revenue	0.0	3.9	3.5	7.3
Post Hearing Adjustments – TEEOSA to LB235 level	0.0	(8.7)	(13.9)	(22.7)
Post Hearing Adjustments - Retirement	0.0	0.0	0.0	0.0
Post Hearing Adjustments - Other	(1.8)	(10.3)	(8.8)	(21.0)
Delete placeholder, add A bill	0.0	0.5	0.5	1.0
Subtotal - Appropriations	(1.8)	(18.6)	(22.2)	(42.6)
Total Change – Appropriations Committee Prelim Budget	(1.8)	(14.7)	(18.7)	(35.3)

Revised Revenue Forecast – April 2011

Right after the Appropriations Committee submitted their budget recommendations to the Legislature, the Nebraska Economic Forecasting Advisory Board (NEFAB) held their statutorily required April meeting to evaluate their revenue forecasts. At that meeting the NEFAB increased the revenue forecasts for all three years; \$82.5 million in FY10-11, \$91 million in FY2011-12 and \$60 million in FY12-13. For FY10-11 revenue forecasts had been previously “certified” and by law any revenues above this certified amount are to be transferred to the Cash Reserve Fund. Therefore for purposes of the financial status, the \$82.5 million increase in the FY10-11 forecast is subsequently shown as transferred to the Cash Reserve Fund.

Impact on Variance from Min Reserve (Millions of Dollars)	April Revenue Forecasts			
	FY11	FY12	FY13	Total
NEFAB base forecasts (April 2011)	82.5	91.0	60.0	233.5
Above certified FY11 revenues to Cash Reserve Fund	0.0	(82.5)	0.0	(82.5)
Reserve change / misc adjustments	0.0	0.0	(4.4)	(4.4)
Total Change – April Revenue Forecast Revisions	82.5	8.5	55.6	146.6

Floor Actions – 2009 Session

Budget actions from the time the Appropriations Committee submitted their recommendations to final enactment of the budget consist of (1) floor amendments, (2) Governor vetoes and overrides, and (3) enactment of revenue and spending legislation.

The first action taken was an Appropriations Committee amendment that reduced the amount of Cash Reserve Fund (CRF) used in their original recommendation (\$256 million) by the amount the revenue forecast increased in April (\$151 million for FY12 and FY13). Since the FY11 increase would automatically be transferred to the CRF the amendment only related to the FY12 and FY13 forecast revisions. This lower \$105 million statutory transfer from the CRF to the General Fund is partially offset by the \$82.5 automatic transfer from the General Fund to the CRF resulting in the final net use of CRF funds of only \$22 million.

There were only three floor amendments all of which were Appropriations Committee adjustments to their proposal, and reduced the appropriations by \$2.7 million.. Almost all of this related to a \$2.7 million shift of TEEOSA school aid from General Funds to Insurance Premium Tax based on the actual amount of funds available. By law, a portion of the Insurance Premium Tax is earmarked for school aid and the General Fund then covers the amount of certified school aid not funded with this Insurance Premium Tax earmark monies. With respect to the mainline budget bills, there were no Governor vetoes.

A total of \$12.8 million was utilized over the two year period for new spending bills. Of this amount \$11.1 related to LB387 the Business Innovation Act. Revenue bills provided an additional \$8.4 million of revenues over the two year period most coming from LB385 which suspended and then reduced the provisions of the low-income energy conservation act. Under this act authorizes certain public power entities to designate a portion of the sales tax remitted for certain energy-related home improvements for low-income Nebraska residents.

<u>Impact on Variance from Min Reserve (Millions of Dollars)</u>	Floor Action			Total
	FY11	FY12	FY13	
Floor Amendments – Cash Reserve Fund transfers	0.0	(91.0)	(60.0)	(151.0)
Floor Amendments - Appropriations	0.0	2.7	(0.1)	2.7
Revenue bills enacted	0.0	1.9	4.1	6.0
A Bills enacted	0.0	(6.4)	(6.3)	(12.8)
Change in Minimum Reserve	0.0	0.0	4.7	4.7
Total Change – Floor Actions	0.0	(92.7)	(58.1)	(150.9)

FY2010-11 Actual Data

Actual receipts for FY2010-11 were \$62.75 million above the forecast used at Sine Die of the 2011 Session. The amount of the minimum reserve increases by \$6.7 million due to a technical change in the calculation of the reserve attributed to assuming 100% expenditure of funds in FY11 at Sine Die versus less than 100% expenditure with FY11 actual data but offsetting carryover of unexpended appropriations at the start of the next year. Lastly, the \$5.9 million of accounting adjustments include several transfers to other funds not previously accounted for under “transfers-out”. These are transfers out that are authorized in statute but not in specific amounts or occur on a deficit basis like the Omaha Convention Center support and tax amnesty allocation to the Dept of Revenue. There is estimated for lapses of FY11 unexpended funds as unexpended funds for operations were reappropriated and large amount of estimated

unexpended aid funds were already specifically lapsed in the 2011 Session. Actual lapses will be know at the end of August when encumbrances are finalized..

<u>Impact on Variance from Min Reserve (Millions of Dollars)</u>	FY2010-11 Actual Data			
	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>Total</u>
FY11 Actual vs Est General Fund Net Receipts	62.7	0.0	0.0	62.7
FY11 Actual vs Est CRF transfers-automatic	0.0	(62.7)	0.0	(62.7)
FY11 Actual vs Est Accounting adjustment	(5.9)	0.0	0.0	(5.9)
Assumed lapse, FY11 unexpended	0.0	0.0	0.0	0.0
Change in Minimum Reserve	0.0	0.0	(6.7)	(6.7)
Total Change – FY10-11 Actual Data	<u>56.70</u>	<u>(62.7)</u>	<u>(6.7)</u>	<u>(12.6)</u>

Table 1 Chronology of the Financial Status

(millions of dollars)	FY12/FY13 Biennium	FY14/FY15 Biennium
<i>Variance from Minimum Reserve: Sine Die 2010 Session</i>	(679.5)	na
FY10 Actual vs Est General Fund Net Receipts	(76.7)	na
FY10 Actual vs Est CRF transfers-automatic	0.3	na
FY10 Actual vs Est Accounting adjustment	2.5	na
Change in Minimum Reserve	2.4	na
<i>Variance from Minimum Reserve: July 2010 Tax Rate Review Committee</i>	(751.1)	na
Revised TEEOSA aid estimates (Oct 2010 Joint Meeting)	(663.4)	na
Change in Minimum Reserve	19.3	na
<i>Variance from Minimum Reserve: Post October 2010 NEFAB forecasts</i>	(1,395.2)	na
Deficit requests excluding drug rebate issue vs \$5M	30.0	na
Revised TEEOSA aid estimates (Oct 2010 Joint Meeting)	94.5	na
Special Ed (5% to 0% request)	28.2	na
Medicaid (7.5% to adjusted request)	76.8	na
Public Assistance (8.5% to adjusted request)	89.2	na
Salary increase (2.5% each yr to 2% FY12)	53.7	na
Health Insurance increase (10% to 10%)	3.7	na
Operations cost increases (est to 24/7 facility request)	16.0	na
Defined benefit retirement funding (est to request)	28.6	na
Developmental Disability aid (3% to transition only)	4.1	na
Behavioral health (3% to 0% request)	6.9	na
Maximize cash, fund shifts (HHS)	10.8	na
Homestead exemption (3% to request)	(26.9)	na
Depreciation assessments (not in original est)	(12.9)	na
Revised estimate of budget increases, all other	6.8	na
Change in Minimum Reserve	(0.9)	na
<i>Variance from Minimum Reserve: November 2010 Tax Rate Review</i>	(986.5)	(1,929.9)
TEEOSA School Aid, proposed funding level vs current law	384.0	962.9
Defined benefit retirement plan shortfall, assume increased contributions	81.0	193.9
Agency / base reductions	69.1	140.3
HHS Provider rate reduction (4%)	52.3	104.7
Reduce Aid to Cities, Counties, NRD's, ESU's	44.1	88.2
Employee Health Insurance and Salaries	45.6	121.8
Homestead Exemption, lower estimate	12.8	31.2
High Ability Learners, Early Childhood Aid to Ed Innovation	11.6	23.8
Childrens Health Insurance (SCHIP)	5.7	9.3
Medicaid (program cuts)	11.3	21.2
Public Assistance (program cuts)	3.4	8.5
Depreciation assessments, extend suspension	12.9	26.7
Reduced 2012 federal Medicaid match rate FMAP	(61.7)	(132.6)
Business Innovation Act (net)	(11.1)	(22.3)
Juvenile detention costs (HHS)	(10.0)	(20.0)
All Other appropriation changes (with placeholder)	10.2	25.1
Lapse reappropriations	36.3	36.3
Deficits	1.5	1.5
State Claims	(2.0)	(2.0)
General Fund transfers-in (not in pre-session)	61.6	61.6
General Fund transfers-out (additional EPIC)	(3.8)	(3.8)
General Fund transfers-out (more interest in Prop Tax Credits)	10.0	10.0
General Fund transfers-out (Innovaton Campus)	(25.0)	(25.0)
General Fund transfers-out (Cultural Trust)	1.0	1.0
Cash Reserve Fund transfer	256.0	256.0
Change in Minimum Reserve	(9.7)	(28.9)
<i>Variance from Minimum Reserve: Committee Preliminary Budget (2/14/11)</i>	0.8	(40.5)

FY12/FY13 (millions of dollars)	FY14/FY15 Biennium	Biennium
Early Childhood Aid to Ed Innovation for only two years	0.0	(6.7)
Errors in Preliminary numbers - appropriations	(1.5)	(3.1)
Correct treatment of Medicaid Fraud Settlement issue	0.0	0.0
Change in State Claims	0.3	0.3
Dec 2010 federal tax changes	(63.5)	(54.3)
Revenue Forecasts (revised Feb 2011)	108.0	143.8
Change in Minimum Reserve	(1.3)	(2.7)
<i>Variance from Minimum Reserve: February 2011 NEFAB forecasts</i>	42.8	36.8
Post Hearing Adjustments - TEEOSA	(22.7)	(71.4)
Post Hearing Adjustments - Retirement	0.0	(51.7)
Post Hearing Adjustments - Other	(21.0)	(53.4)
Lower state claims number	0.0	0.0
Delete placeholder, add A bill	1.0	2.0
Update out year spending estimate	0.0	(0.2)
Bills enacted to date	1.2	2.3
Fund lapses	6.3	6.3
Change in Minimum Reserve	(0.2)	1.2
<i>Variance from Minimum Reserve: Committee Budget to Floor</i>	7.5	(128.1)
Revenue Forecast (NEFAB April 28,2011)	233.5	263.5
Above Forecast to Cash Reserve Fund	(82.5)	(82.5)
Reduce Cash Reserve Fund transfers	(151.0)	(151.0)
Floor amendments-appropriations	2.7	2.5
Mainline vetoes-appropriation	0.0	0.0
Mainline veto overrides	0.0	0.0
Revenue bills enacted - LB 84	0.0	(141.1)
Revenue bills enacted (all other less previously included)	6.0	13.4
A Bills enacted (less previously included)	(12.8)	(25.1)
Change in Minimum Reserve	(0.2)	3.1
<i>Variance from Minimum Reserve: Sine Die 2011 Session (May 26, 2011)</i>	3.2	(245.2)
Carryover obligations from FY10-11	0.0	0.0
FY11 Actual vs Est General Fund Net Receipts	62.7	62.7
FY11 Actual vs Est CRF transfers-automatic	(62.7)	(62.7)
FY11 Actual vs Est Accounting adjustment	(5.9)	(5.9)
Assumed lapse, FY11 unexpended	0.0	0.0
Correct / adjust current and "out year" approp numbers, round revenues	0.0	0.0
Change in Minimum Reserve	(6.7)	0.2
<i>Variance from Minimum Reserve: TRR Committee (July 21, 2011)</i>	(9.4)	(251.0)

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 The NEFAB does not make official forecasts for the following biennium or what's commonly referred to as the "out years". Although different methodologies could be utilized, the revenue estimates used for the following biennium (FY13-14 and FY14-15) in the current financial status are derived using a "capped" historical average methodology. This "smoothing" technique derives "out year" revenue estimates by calculating the level of revenues that would yield a five year average growth (FY10 to FY15) roughly equal to the 30 year historical average (5.0%). Inherent in this methodology is the concept that within any five-year period, below average revenue growth in some years will be offset by above average growth in others and is visually seen in the line graph of historical adjusted revenue growth on page 27.

The "capped" provision of this methodology means that if the derived growth needed in the out-years to achieve the historical average is above the "above average" years, growth is then capped at the average of the "above average years". Likewise if the historical average method calls for below average growth in the out years, the growth is capped at the average of the "below average years". Over the past 30 years, there were 10 years in which revenue growth was "below average" (0.7% average) and 20 years in which revenue growth was above average (7.4% average).

Appropriations For the "following biennium" (FY13-14 and FY14-15), 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

Health Care Reform A large unknown for the following biennium is the costs that the state will incur due to federally enacted health care reform as contained in the Patient Protection and Affordable Care Act (ACA). Most of the expanded coverages affecting the state become operative in 2014. At the present time there are no definitive estimates that can be incorporated into the projected status for the following biennium although there will very likely be some increased costs associated with this law..

Milliman, Inc. was retained by the Nebraska Department of Health and Human Services to provide consulting services related to the financial review of the act as they relate to the provisions impacting the State's Medicaid program and budget. In their August 2010 report, the mid-range participation scenarios yield a projected increase in state costs of \$30 million in FY2013-14 and \$55 million in FY2014-15 excluding the estimates for pharmacy rebate losses which have subsequently been deleted. While there are many unknown variable regarding the costs of this law, the key assumption is the level of participation for those (1) newly eligible for expanded coverage, (2) previously eligible but not enrolled who obtain benefits to comply with the minimal essential coverage mandate (woodwork effect), and (3) those who are eligible but are not switching from existing health insurance coverage.

Another large unknown for the following biennium is the possible impacts of federal budget actions related to deficit reduction and the federal debt ceiling. What ultimately might be enacted and how any actions might affect federal funds allocated to states is unknown but very likely negative.

Table 2 Projected Budget Increases-Following Biennium

Numbers are annual increases	Two Yr Average	Est for Following Biennium	
		FY2013-14	FY2014-15
Aid to K-12 Schools (TEEOSA)	5.8%	67,385,394	36,178,313
Special Education	2.5%	4,622,346	4,737,905
Community Colleges	3.5%	3,036,531	3,142,809
Early Childhood program	--	3,365,962	0
Homestead Exemption	3.0%	2,331,000	2,400,930
Aid to ESU's	2.5%	351,294	360,076
Medicaid	7.5%	47,268,120	50,813,229
Public Assistance	8.8%	28,073,506	16,295,510
Childrens Health Insurance (CHIP)	10.3%	1,352,731	1,454,186
Developmental Disability aid	4.0%	3,872,177	4,027,064
Behavioral Health aid	3.0%	2,248,561	2,316,018
Small Business Innovation Act (LB345-2011)	--	(200,000)	0
Employee Salaries	2.5%	25,166,205	25,795,360
Employee Health Insurance	11.3%	19,130,155	16,992,395
Operations increase	2.0%	5,707,762	5,821,917
Inmate per diem costs	3.0%	1,186,026	1,221,607
Takeover county assessor per LB121-2009)	calculated	(616,540)	0
Fund shifts, other increases	calculated	6,400,000	0
LB1100 depreciation assessments	calculated	0	0
Defined benefit retirement plans	calculated	36,240,660	(20,762,261)
Health Care Reform (operations and aid)	--	???????	???????
Capital Construction	Reaff Only	(1,177,233)	(500,000)
Net Annual \$ Increase		255,744,657	150,295,059
Annual % Increase		7.1%	3.9%

Aid to Local Governments

State Aid to Schools (TEEOSA) The estimates for FY14 and FY15 are based on the same methodology utilized for the November 15 estimates required under current law for the proposed biennial budget but with Fiscal Office assumptions and should be considered Fiscal Office estimates. They are based on the proposed changes in LB235 as sent to the floor.. The estimates reflect a growth in overall school aid of 7.8% in FY14 and 3.9% in FY15.

In the following biennium, TEEOSA aid increases as parts of LB235 expire. Most significant is the local effort rate (LER) which returns to \$1.00 after two years at \$1.0395. This impact of this changes is approximately \$50 million per year. This is somewhat modified by the impact the LB235 budget limitations imposed in FY12 and FY13 have when they ultimately affect TEEOSA aid in FY14 and FY15 when the spending levels become the key component in TEEOSA aid after the two year lag. Spending

assumptions are reduced from 5.5% per year to 1% in FY12 (affects FY14 aid) and 2.5% in FY13 (affects FY15 aid). In FY11-12 the budget limitations in LB235 would allow for a growth in spending of roughly 3%. However the combination of very low growth in property valuations, limited unused tax rate capacity and the \$128 million reduction in certified aid would indicate that the level of resources available to schools would only allow for a 1% growth in spending. In this case the limit is on the resources side not the budget limit side. In FY2012-13 the growth in resources should allow for the 2.5% budget growth basically provided for in LB235.

Special Education: Increases for FY13-14 and FY14-15 reflect a 2.5% per year increase which is equal to the basic allowable growth rate under the K-12 school spending limitation.

Aid to Community Colleges A 3.5% per year annual increase is included for the following biennium budget reflecting increased state aid to support operations budget increases. This increase amounts to about a \$3.0 million per year increase.

Early Childhood program The biennial budget includes the provisions of LB333 which shifted funding for several education programs from the General Fund to the Education Innovation Fund (lottery). For the early childhood program, this shift was only for two years thus the general funds are restored starting in FY13-14.

Homestead Exemption A 3% per year annual increase is included for the following biennium budget reflecting some level of inflationary increases.

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 K-12 school spending limitation (2.5% per year).

Aid to Individuals

Medicaid For the following biennium, a 7.5% per year increase is used. This approximates the average growth over the past 10 years.

Public Assistance A basic growth rate of 6.0% per year is utilized for the various Public Assistance programs for the following biennium. This approximates the average growth over the past 10 years. . In addition, FY13-14 includes a \$11 million increase in General Funds to replace the one-time use of Emergency TANF funds in the proposed biennial budget. This increases the FY13-14 increase to 10.8% and boosts the two year average growth to 8.4%

Children's Health Insurance (CHIP) For the following biennium, a 7.5% per year increase is used which is the same as Medicaid. However the growth in General Funds is closer to 10% as 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. This estimate also assumes the the additional \$1.8 million of Health Care Cash funds will continue.

Developmental Disability Aid A 4% per year increase is included. This provides the equivalent of 2.5% per year for rate equity similar to the employee salary assumption and 1.5% for clients transitioning from K-12 programs. As this projected budget assumes no expanded programs, nothing is assumed for funding of the waiting list.

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.

Small Business Innovation Act (LB345-2011) LB 345, the Small Business Innovation Act, was enacted in the 2011 Session and established a statewide pilot program to support and assist up to 40 Nebraska-based growth businesses. The bill also provides that the Act would terminate in December 2013.

Agency Operations / Construction

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 2.5% per year increase is included which approximates inflation and the current biennium funding.

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 proposed budget as well as the average growth over the past 5 to 10 years. Also for the state plan(excludes University and Colleges) there is an additional 5% increase in FY14 to offset subsidized low rates in FY13. There is projected to be a surplus in the insurance funds in FY12 based on existing rates and projected expenditures. This surplus is then available to offset a projected shortfall in FY13 (negative gap is about 5%) allowing the rates to remain the same over the biennium. However in FY14 the rates would need to be increased about 5% with no cost increases just to replace the one-time surplus funds that were used to to supplement the FY13 rates.

Operations Inflation Included in the projected status is an across the board 2% increase in agency non-personnel operating costs.

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 3% per year increase is included to reflect both inflationary costs and an increase in the number of inmates.

Defined Benefit Retirement plans LB382 enacted in the 2011 Session addressed the projected shortfalls in defined benefit and cash balance retirement plans for the FY12/FY13 biennial budget. However, the projections are that the shortfall would grow into the following biennium. Therefore, even with the increased contributions contained in that bill being extended into the following biennium, funding shortfalls still exist in FY13-14 (\$36.2 million) and FY14-15 (\$15.5 million).

LB1100 Depreciation Assessments The statutory provisions of what are referred to as LB1100 depreciation assessments were eliminated in LB380 enacted in the 2011 session, therefore no additional funds are included.

Capital Construction General Fund dollars included in the projected budget for the following biennium for capital construction reflect reaffirmations only based on the proposed FY12/FY13 biennial budget. These are dollar amounts needed to complete funding of previously approved projects.

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. As the certified forecast is basically the revenue estimate at Sine Die when the budget is finalized, these transfers sequester revenues in excess of that which is needed to balance the budget.

The Cash Reserve Fund unobligated balance at the end of the FY12/FY13 biennium is projected at \$361.9 million. This is based on all existing statutory transfers and assumes repayment of \$8.5 million transferred to the Water Contingency Fund in FY2007-08. This is \$63 million higher than the estimate at Sine Die due to the above forecast actual receipts in FY2010-11.

Table 3 Cash Reserve Fund Status

	Actual FY2010-11	Estimated FY2011-12	Estimated FY2012-13	Estimated FY2013-14	Estimated FY2014-15
Beginning Balance	467,201,626	313,201,626	421,356,718	361,907,718	361,907,718
Excess of certified forecasts (line 3 in Status)	0	145,155,092	0	0	0
To/from Gen Fund per current law	(154,000,000)	0	0	0	0
To Water Contingency Cash Fund	0	0	8,551,000	0	0
2011 To the General Fund	0	(37,000,000)	(68,000,000)	0	0
Projected Ending Balance	313,201,626	421,356,718	361,907,718	361,907,718	361,907,718

Excess of Certified Forecasts

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. These would take place in July of the fiscal year following completion of that year. The estimate at Sine Die was \$82.5 million based on the forecast of \$3,437,000,000 are \$82.5 million above the February 2011 re-certified forecast of \$3,354,500,000. The actual transfer was \$145,155,092 as FY2010-11 actual receipts were \$62.7 million above the forecast at Sine Die.

Transfers-To & From General Fund

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. Transfers in FY2010-11 under existing law include LB 456-2009 (\$151,000,000) and LB317-2010 (3,000,000)

Transfers To & From Other Funds

In the 2008 session, LB1094 provided for a \$9 million transfer to the Water Contingency Cash Fund for the purpose of paying water right holders who agreed to lease and forgo water use to assist in the

management, protection and conservation of the water resources of river basins, but remain unpaid due to litigation. Repayment by the NRD receiving said funds is required once the litigation is resolved no later than FY2012-13.

2011 Session Transfers

The enacted budget utilizes \$105 million of Cash Reserve Fund transfers to the General fund to assist in balancing the budget. When coupled with the \$145 million automatic transfer-in to the CRF, this leaves a projected ending balance of \$361.9 million in the fund which is actually \$40 million higher than what was projected at the start of the 2011 Session..

GENERAL FUND REVENUES

General Fund Revenue Forecasts

Revenue estimates for FY2011-12 and FY2012-13 are the April 2011 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB) adjusted for legislation enacted in the 2011 Legislative Session.

The NEFAB does not make official forecasts for the following biennium or what's commonly referred to as the "out years". Although different methodologies could be utilized, the revenue estimates used for the following biennium (FY13-14 and FY14-15) in the current financial status are derived using a "capped" historical average methodology. This "smoothing" technique derives "out year" revenue estimates by calculating the level of revenues that would yield a five year average growth (FY10 to FY15) roughly equal to the 30 year historical average (5.0%). Inherent in this methodology is the concept that within any five-year period, below average revenue growth in some years will be offset by above average growth in others and is visually seen in the line graph of historical adjusted revenue growth.

The "capped" provision of this methodology means that if the derived growth needed in the out-years to achieve the historical average is higher than the "above average" years, growth is then capped at the average of the "above average years". Likewise if the historical average method calls for below average growth in the out years, the growth is capped at the average of the "below average years". Over the past 30 years, there were 10 years in which revenue growth was "below average" (0.7% average) and 20 years in which revenue growth was above average (7.4% average).

Sine Die 2011

The budget and financial status are based on the Nebraska Economic Forecast Advisory Board (NEFAB) April revenue forecasts. Cumulatively, these forecasts were \$278 million higher than the October 2010 forecasts which were used in the calculation of the pre-session \$986 million shortfall projection. Revenue growth implied by these forecasts for the FY12/FY13 biennium average 3.9% (4.3% in FY11-12 and 3.5% in FY12-13). However, including the 7.9% growth inherent in the FY10-11 forecast yields an average growth of about 5.2% over the three years that affect the financial status for the biennial budget. This reflects modest growth considering the 29 year average (at Sine Die) was 4.9% but not the more robust growth coming on the heels of the negative growth in both FY2008-09 (-4.4%) and FY2009-10 (-4.8%).

Preliminary estimates for the FY14/FY15 biennium average 4.4% growth using a capped historical average methodology. At this time, there are no official NEFAB forecasts for FY14 and FY15. The very low negative "growth" experienced in FY09 and FY10 is far enough in the past to not be part of the five year financial status being crafted. Because of the very modest growth in the NEFAB forecasts, the revenue growth needed to yield a 4.9% five year average is 4.4% in both FY13-14 and FY14-15. In this case the cap is not applicable.

The "Status" (using cyclical smoothing), implies a five year average annual growth in net receipts of 4.9% for the five fiscal years ending June 30, 2015

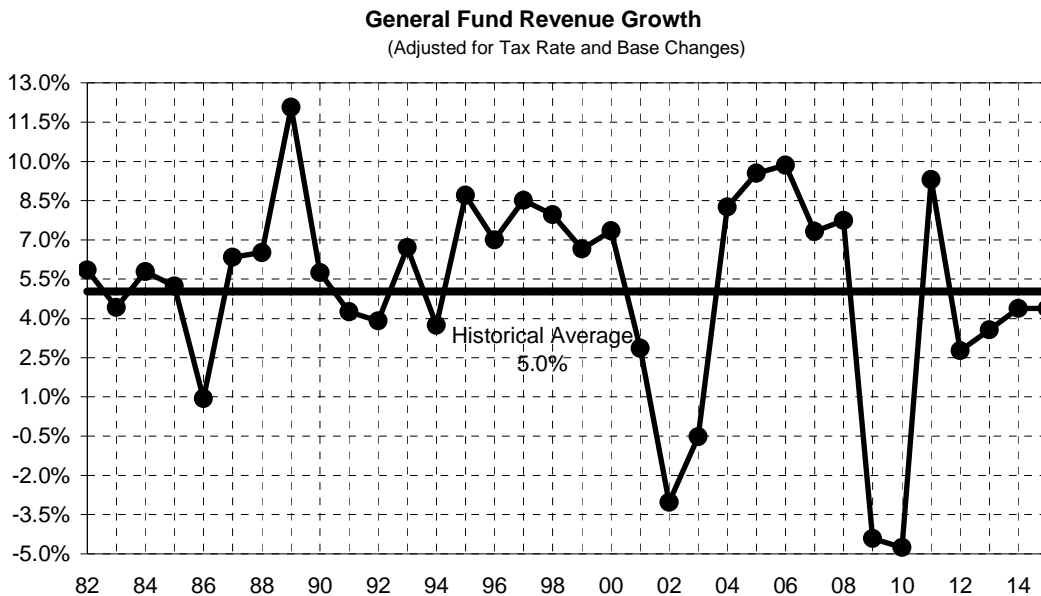
July 2011 Financial Status

Actual receipts for FY2010-11 (\$3,499,655,092) were \$62.7 million above the \$3,437,000,000 projection at 2011 Sine Die in May. Adjusted revenue growth for FY10-11 is calculated at 9.4% compared to 7.9%

at Sine Die. *AT THIS TIME THERE IS NO CHANGE IN THE FY11-12 AND FY12-13 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 \$62.7 million above forecast revenues in FY10-11, the level of growth in FY11-12 to achieve the current forecast has declined from 4.3% to 2.8%.

Table 4 - General Fund Revenue Forecasts

	Actual FY2010-11	NEFAB FY2011-12	NEFAB FY2012-13	LFO Prelim FY2013-14	LFO Prelim FY2014-15
<u>Forecast</u>					
Sales and Use Tax	1,372,784,033	1,424,967,000	1,479,967,000	1,480,670,000	1,548,145,000
Individual Income Tax	1,735,208,600	1,758,137,000	1,840,200,000	1,962,000,000	2,072,000,000
Corporate Income Tax	154,944,966	200,000,000	205,000,000	213,000,000	220,000,000
Miscellaneous receipts	236,717,493	207,995,000	193,454,000	183,058,000	179,807,000
General Fund Total	3,499,655,092	3,591,099,000	3,718,621,000	3,838,728,000	4,019,952,000
<u>Adjusted Growth</u>					
Total General Fund Revenues	9.4%	2.8%	3.6%	4.4%	4.4%
Five Yr Average	2.8%	--	1.2%	--	4.9%



Chronology of Revenue Forecasts

Table 5 contains a chronology of the revenue forecasts for FY2009-10 through FY2012-13. 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 (base).

Table 5 Chronology of Revenue Forecasts

	Total Forecast	Change in Forecast			
		Base	Fed Chnge	Bills	Total
FY2009-10					
Board Est-Oct 2008	3,595,000				
Board Est-Feb 2009	3,445,000	(150,000)	0	0	(150,000)
Board Est-April 2009	3,375,000	(25,898)	(44,102)	0	(70,000)
Sine Die-2009 Session	3,409,314	0	0	34,314	34,314
Board Est-Oct 2009	3,284,000	(125,314)	0	0	(125,314)
Sine Die-2009 Special Session	3,321,360	0	0	37,360	37,360
Board Est-Feb 2010	3,281,100	(40,260)	0	0	(40,260)
Sine Die-2010 Session	3,281,350	0	0	250	250
Actual Receipts FY2009-10	3,204,680	(76,670)	0	0	(76,670)
FY2010-11					
Board Est-Oct 2008	3,712,000				
Board Est-Feb 2009	3,581,000	(131,000)	0	0	(131,000)
Board Est-April 2009	3,515,000	(3,805)	(62,195)	0	(66,000)
Sine Die-2009 Session	3,545,953	0	0	30,953	30,953
Board Est-Oct 2009	3,374,000	(171,953)	0	0	(171,953)
Sine Die-2009 Special Session	3,396,406	0	0	22,406	22,406
Board Est-Feb 2010	3,405,000	8,594	0	0	8,594
Sine Die-2010 Session	3,422,247	0	0	17,247	17,247
Board Est-October 2010	3,364,000	(58,247)	0	0	(58,247)
Board Est-Feb 2011	3,354,500	(9,500)	0	0	(9,500)
Board Est-April 2011	3,437,000	82,500	0	0	82,500
Sine Die-2011 Session	3,437,000	0	0	0	0
Actual Receipts FY2010-11	3,499,655	62,655	0	0	62,655
FY2011-12					
LFO Prelim Sine Die-2009 Session	3,865,766	0	0	(2,234)	(2,234)
LFO Prelim-Oct 2009	3,688,766	(177,000)	0	0	(177,000)
Sine Die-2009 Special Session	3,688,766	0	0	0	0
LFO Prelim-Feb 2010	3,668,000	(20,766)	0	0	(20,766)
Sine Die-2010 Session	3,668,173	0	0	173	173
Board Est-Oct 2010	3,435,000	(233,173)	0	0	(233,173)
Board Est-Feb 2011	3,459,000	49,361	(25,361)	0	24,000
Board Est-April 2011	?	?	?	?	?
Board Est-April 2011	3,550,000	91,000	0	0	91,000
Sine Die-2011 Session	3,591,098	(0)	0	41,098	41,098
FY2012-13					
LFO Prelim Sine Die-2009 Session	4,161,971	0	0	(1,029)	(1,029)
LFO Prelim-Oct 2009	3,981,971	(180,000)	0	0	(180,000)
Sine Die-2009 Special Session	3,981,971	0	0	0	0
LFO Prelim-Feb 2010	3,962,000	(19,971)	0	0	(19,971)
Sine Die-2010 Session	3,961,965	0	0	(35)	(35)
Board Est-Oct 2010	3,590,000	(371,965)	0	0	(371,965)
Board Est-Feb 2011	3,620,000	68,132	(38,132)	0	30,000
Board Est-April 2011	?	?	?	?	?
Board Est-April 2011	3,680,000	60,000	0	0	60,000
Sine Die-2011 Session	3,718,621	0	0	38,621	38,621

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.

The average growth over the past 30 years is 5.0%. This revenue growth over time reflects the ebb and flow of economic activity and economic cycles. It reflects new businesses created and existing businesses that close. It reflects new products and services added to the tax base and existing products and services that are eliminated or expire. The key is the *net* impact. The new or expanded businesses, products or services more than offsets those that decline or disappear leaving a net overall increase averaging a 5.0% growth.

Table 6 Actual and Projected General Fund Revenues

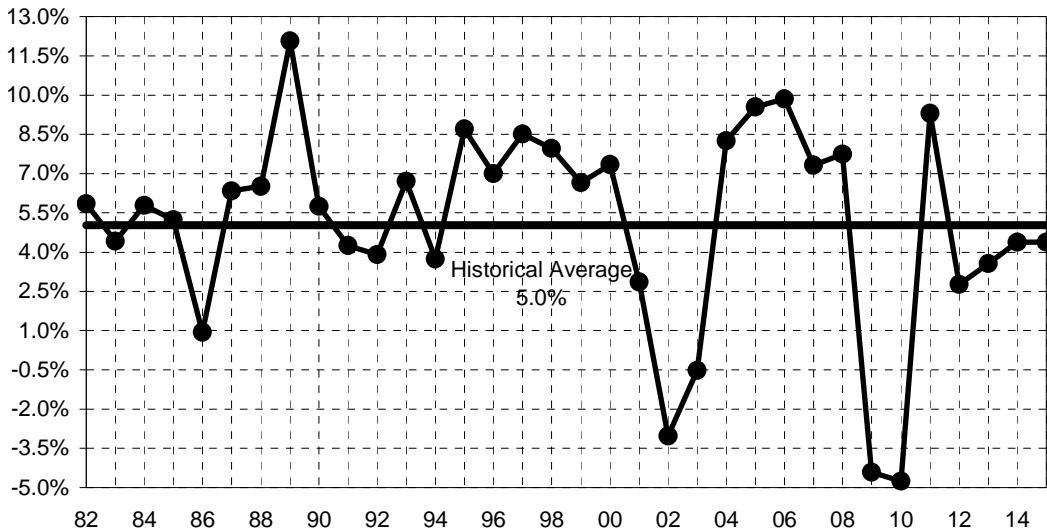
Fiscal Year	Sales and Use Tax	Individual Income Tax	Corporate Income Tax	Miscellaneous Taxes and Fees	Total Net Receipts	Adjusted Growth
FY 1992-93	586,355,271	690,350,753	102,754,927	145,200,908	1,524,661,859	6.7%
FY 1993-94	648,846,708	722,360,866	113,142,771	169,401,912	1,653,752,257	3.7%
FY 1994-95	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	7.4%
FY 2000-01	905,023,176	1,233,363,553	138,040,082	180,435,044	2,456,861,855	2.9%
FY 2001-02	918,889,782	1,159,810,647	107,628,074	179,180,246	2,365,508,749	-3.0%
FY 2002-03	1,028,931,065	1,129,421,651	111,597,405	186,449,714	2,456,399,835	-0.5%
FY 2003-04	1,114,374,321	1,249,890,025	167,429,431	187,033,230	2,718,727,007	8.3%
FY 2004-05	1,231,011,089	1,400,076,680	198,380,442	207,726,086	3,037,194,297	9.5%
FY 2005-06	1,263,678,691	1,545,338,061	262,295,456	280,875,316	3,352,187,524	9.9%
FY 2006-07	1,303,826,416	1,650,895,394	213,027,010	240,582,953	3,408,331,773	7.3%
FY 2007-08	1,321,867,139	1,726,145,405	232,851,654	225,298,373	3,506,162,571	7.1%
FY 2008-09	1,326,161,017	1,600,418,236	198,483,786	232,405,148	3,357,468,187	-4.4%
FY 2009-10	1,289,796,877	1,514,830,114	154,332,137	245,720,545	3,204,679,673	-4.8%
FY 2010-11	1,372,784,033	1,735,208,600	154,944,966	236,717,493	3,499,655,092	9.4%
FY 2011-12 NEFAB+Bills	1,424,967,000	1,758,137,000	200,000,000	207,995,000	3,591,099,000	2.8%
FY 2012-13 NEFAB+Bills	1,479,967,000	1,840,200,000	205,000,000	193,454,000	3,718,621,000	3.6%
FY 2013-14 Prelim	1,480,670,000	1,962,000,000	213,000,000	183,058,000	3,838,728,000	4.4%
FY 2014-15 Prelim	1,548,145,000	2,072,000,000	220,000,000	179,807,000	4,019,952,000	4.4%
AVERAGE GROWTH:						
Above Avg Years (20)						7.4%
Below Avg Years (10)						0.7%
Hist Average (30 yrs)						5.0%

Table 7 Adjusted General Fund Revenue Growth

	Sales / Use Tax	Individual Income Tax	Corporate Income Tax	Misc. Receipts	Total
<u>ADJUSTED GROWTH</u>					
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%	2.7%	7.4%
FY2000-01 Actual	1.8%	5.0%	-1.2%	-4.1%	2.9%
FY2001-02 Actual	1.0%	-4.7%	-19.5%	3.1%	-3.0%
FY2002-03 Actual	0.8%	-1.1%	2.7%	-7.8%	-0.5%
FY2003-04 Actual	2.3%	8.2%	47.1%	15.9%	8.3%
FY2004-05 Actual	7.1%	12.4%	19.6%	-10.0%	9.5%
FY2005-06 Actual	3.5%	10.7%	31.8%	19.1%	9.9%
FY2006-07 Actual	7.2%	11.3%	-16.4%	13.2%	7.3%
FY2007-08 Actual	4.6%	11.0%	9.1%	1.0%	7.7%
FY2008-09 Actual	-1.2%	-6.6%	-12.4%	2.2%	-4.4%
FY2009-10 Actuals	-1.9%	-5.4%	-11.4%	-12.2%	-4.8%
FY2010-11 Actuals	5.7%	13.8%	3.8%	3.0%	9.3%
FY2011-12 NEFAB+Bills	4.2%	1.2%	14.2%	-5.6%	2.8%
FY2012-13 NEFAB+Bills	3.7%	4.7%	-5.0%	1.6%	3.6%
FY2013-14 LFO Prelim	4.5%	4.3%	3.6%	5.5%	4.4%
FY2014-15 LFO Prelim	4.4%	4.5%	3.0%	5.0%	4.4%
<u>AVERAGE GROWTH:</u>					
Above Average Years (20)	5.8%	9.4%	10.8%	4.1%	7.4%
Below Average Years (10)	1.2%	2.0%	-7.2%	-0.1%	0.7%
Historical Average (30 yrs)	4.4%	6.7%	3.6%	1.7%	5.0%

General Fund Revenue Growth

(Adjusted for Tax Rate and Base Changes)



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 9 on the Financial Status).

Table 8 General Fund Transfers-Out

Excludes CRF Transfers	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
Ethanol Credits (EPIC Fund)	(5,500,000)	(6,300,000)	0	0	0
Property Tax Credit Fund	(112,000,000)	(110,000,000)	(110,000,000)	(115,000,000)	(115,000,000)
Water Resources Cash Fund	(2,700,000)	(3,300,000)	(3,300,000)	(3,300,000)	(3,300,000)
Cultural Preservation Endowment Fund	(500,000)	0	0	(500,000)	(500,000)
Indian Affairs, state assistance	(25,000)	0	0	0	0
Nebr Innovation Campus (through NCCF)	0	(25,000,000)	0	0	0
<i>Total-General Fund Transfers-Out</i>	(120,725,000)	(144,600,000)	(113,300,000)	(118,800,000)	(118,800,000)

Ethanol Production Incentive (EPIC)

Transfers to the EPIC fund for ethanol credits included those authorized in LB536 (2001) \$1.5 million per year for FY01-02 through FY07-08, LB90 (2005) an additional \$2.5 million per year from FY05-06 through FY2011-12, LB968 (2006) additional \$5 million in both FY05-06 and FY06-07, LB322 (2007) an additional \$15.5 million in FY07-08. In the 2009 Session, in addition to the \$2.5 million transfers called for under LB90-2005 the Legislature approved additional General Fund transfers to the Ethanol Production Incentive Cash Fund (EPIC) amounting to \$8,250,000 in FY2009-10 and \$3,000,000 in FY2010-11. The \$2.5 million transfer in FY2011-12 is the last transfer called for under pre-2011 law.

In addition to this \$2.5 million transfer under current law, the budget as enacted includes another \$3.8 million transfer to the Ethanol Production Incentive Cash Fund (EPIC) in order to bring the EPIC fund into balance by December 31, 2012, the end date of the EPIC program. In December 2010, the EPIC fund could not fund the current month obligation and the amount reported on the December producer applications. As a result, the proration process was initiated according to Nebraska Revised Statute 66-1345(2)(d) where credits are issued in proportion to the funds available to reimburse the Highway Trust Fund. The Department of Revenue projection estimates this proration process will continue until December 2012 absent additional funding. The recommendation includes transfers as needed from the Cash Reserve Fund to the EPIC fund to resume full issuance of credits to the ethanol producers in July 2011. It is estimated that up to \$12,000,000 will be required throughout the remaining existence of the EPIC fund to prevent proration. This same amount will then be transferred from EPIC back to the Cash Reserve Fund as revenue becomes available to the EPIC fund in late FY 2011-12 and early FY2012-13. The recommendation restores transfers made to EPIC during this time to the Cash Reserve fund by November 2012

Property Tax Credit Cash Fund

Under this program transfers are made to the Property Tax Credit Cash Fund at the discretion of the Legislature. Based on the amount of funds available, monies are then allocated to counties by the ratio of the real property valuation in the county to the real property valuation in the state. Counties then allocate

funds as credit to each tax payer again based on their proportionate value. Enacted in 2007, the amount available for credits was \$105 million in FY07-08, an \$115 million in FY08-09, FY09-10, and FY10-11.

The budget provides for \$115 million of credits for both FY2011-12 and FY2012-13. This \$115 million level is financed by transfers of \$110 million each year from the General Fund, drawing down an existing balance in the fund, and interest that will be earned on the fund balance from the time of transfer to the time of payment to the counties.

Water Resources Cash Fund

These transfers were originally enacted by LB 701 (2007) for the purpose of (1) aiding compliance efforts regarding the reduction of consumptive uses of water dealing with those natural resources districts which are deemed over or fully appropriated or are bound by an interstate compact or decree; and (2) for a statewide assessment of short- and long-term water management activities and funding needs that are statutorily required. The bill included actual transfers of \$2.7 million in both FY07-08 and FY08-09 and intent language for a \$2,700,000 General Fund transfer to occur annually from FY2009-10 through FY2018-19. The enacted budget includes these \$2.7 million transfers as called for by LB701 currently codified as Section 61-218.

LB229 enacted during the 2011 Session increased this transfer amount from \$2.7 million to \$3.3 million per year with no change in the FY2018-19 sunset. LB 229 also directs the Department of Natural Resources to apply for \$3.3 million per year grant from the Nebraska Environmental Trust for FY11-12 through FY13-14. While approval of the application is not guaranteed, LB229 provides that an applications made by the department would receive 50 points in the ranking process if the Legislature appropriates \$3,300,000 of matching funds an annual basis.

Nebraska Cultural Preservation Endowment Fund

The Cultural Preservation Endowment Fund was originally created in 1998 with a transfer of \$5 million from the General Fund. LB 1165 (2008) provided for an additional \$5 million for the endowment fund through a \$1 million transfer from the Cash Reserve Fund and intent language that \$2 million shall be transferred from the General Fund to the Nebraska Cultural Preservation Endowment Fund in both FY2009-10 and FY2010-11. The enacted budget spread that \$4 million over a four year period, \$500,000 in FY10 and FY11 and \$1.5 million in FY12 and FY13. LB1063 (2010) changed the statutory transfers from two \$1.5 million transfers to the Fund in both FY11-12 and FY12-13. to two transfers of \$500,000 and then extending the \$500,000 transfers for three more years, FY13-14, FY14-15, and FY15-16.

LB485 enacted in the 2011 Session deleted the FY12 and FY13 transfers, and then extended the \$500,000 annual transfers to FY16-17 and FY17-18.

Nebraska Innovation Campus

The budget for FY2011-12 includes a \$25 million transfer from the General Fund to the Nebraska Capital Construction Fund (NCCF) to finance two projects at the Nebraska Innovation Campus; renovation of the 4-H Building (\$10 million) and the new Food, Fuel and Water Research Building (\$15 million). A more detailed description of the projects can be found in the Capital Construction section of this report.

General Fund Transfers-In

Cash funds are funds which contain earmarked revenue sources and monies in those funds can only be used for the purposes authorized by statute. In many instances (since the 2009 special session) an authorized use of monies in a cash fund is transfers to the General Fund at the discretion of the Legislature. For accounting purposes, these are shown as “Transfers in” and are included as General Fund revenues. Such transfers for the current year (FY2010-11) and proposed biennial budget 11 as shown in Table 9.

The transfers shown FY2010-11 were enacted in the 2009 and 2010 regular and special sessions and are already incorporated into the revenue projections of the of the Nebraska Economic Forecast Advisory Board (NEFAB) as existing law.

All the transfers shown for FY2011-12 and FY2012-13 are new transfers included in the enacted biennial budget. These transfers are shown as additions to the NEFAB forecast as these lapses are not current law and were not accounted for in those revenue forecasts.

Table 9 General Fund Transfers-In

	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
Securities Act Cash Fund	37,250,000	19,000,000	19,000,000	0	0
Tobacco Products Admin Cash Fund	7,500,000	7,000,000	7,000,000	0	0
Dept of Insurance Cash Fund	11,500,000	6,000,000	6,000,000	0	0
Health and Human Services Cash Fund	2,559,140	3,400,000	0	0	0
Dept of Motor Vehicles Cash Fund	328,407	1,000,000	1,000,000	0	0
Life Insurance Demutualization Trust	0	1,000,000	0	0	0
Mutual Finance Assistance Fund	0	300,000	300,000	0	0
Local Civic, Cultural and Convention Ctr Fund	0	75,000	75,000	0	0
Motorcycle Safety Education Fund	0	197,500	0	0	0
Charitable Gaming Oper Fund	366,817	0	0	0	0
Waste Reduction and /Recycling Incentive	1,517,501	0	0	0	0
Workers Comp Cash Fund	1,000,000	0	0	0	0
Game & Parks Recreation Road Fund	1,064,006	0	0	0	0
HHS Professional & Occupational Credentialing	258,672	0	0	0	0
Property Assessment Division Cash Fund	1,000,000	0	0	0	0
State Patrol Carrier Enforcement Fund	459,035	0	0	0	0
Nebr Outdoor Recreation & Develop (NORDA)	1,064,007	0	0	0	0
Supreme Court Automation Cash Fund	201,502	0	0	0	0
Probation Program Cash Fund	479,572	0	0	0	0
Dept of Natural Resources (7 different funds)	297,205	0	0	0	0
Secretary of State (5 cash funds)	221,415	0	0	0	0
Fire Marshal (3 cash funds)	85,144	0	0	0	0
DEQ Livestock Waste Management Cash Fund	100,000	0	0	0	0
Commission on Public Advocacy Cash Fund	230,000	0	0	0	0
Electrical Board Cash Fund	203,396	0	0	0	0
Engineers and Architects Regulation Fund	39,745	0	0	0	0
Affordable Housing Trust Fund	1,609,000	0	0	0	0
Other 2009 SS lapses (89 funds 46 agencies)	2,823,536	0	0	0	0
<i>Total General Fund Transfers-In</i>	72,158,100	37,972,500	33,375,000	0	0

Revenue Legislation – 2011 Session

A minimal amount of revenue legislation was enacted during the 2011 Session at least as it applies to the FY12/FY13 biennial budget. LB84 which has the most significant impact of all the revenue legislation, does not go into effect for two years.

Table 10 Revenue Bills Enacted - 2011 Session

	FY2011-12	FY2012-13	FY2013-14	FY2014-15
LB 84 Build Nebraska Act, highway system	0	0	(69,297,000)	(71,822,000)
LB 135 Change date, remitting certain funds to DMV	(1,238)	(1,650)	(1,650)	(1,650)
LB 158 Change drivers license exam/issuance provisions	2,475	3,300	3,300	3,300
LB 165 Municipal Telecomm Service Occupation Tax Act	0	(14,000)	(35,000)	(36,000)
LB 210 Misc revenue/taxation changes, filing dates	394,000	591,000	591,000	591,000
LB 252 Sales tax exempt, Wyuka Cemetary	(33,000)	(33,000)	(33,000)	(33,000)
LB 286 Shipping license fee, winery and grape promotion	(22,000)	(132,000)	(132,000)	(132,000)
LB 345 Small Business Innovation Act	200,000	200,000	0	0
LB 385 Suspend/reduce low-income energy conservation act	4,652,000	4,652,000	4,652,000	4,402,000
LB 389 Angel Investment Tax Credit Act	(2,063,000)	0	0	0
LB 407 Liquor Control Act, delivery of notices	7,055	0	0	0
LB 667 Multiple DUI related changes	(10,000)	(20,000)	(20,000)	(20,000)
Cash Fund Lapses (see GF transfers-in)	37,972,500	33,375,000	0	0
<i>Subtotal (incorporated into forecast numbers)</i>	41,098,792	38,620,650	(64,272,350)	(67,048,350)
LB 229 Financing sources, Water Resources Cash Fund	(600,000)	(600,000)	(600,000)	(600,000)
<i>Total-Revenue Legislation (including transfers-out)</i>	40,498,792	38,020,650	(64,872,350)	(67,648,350)

LB 84 - Build Nebraska Act. Effective July 1, 2013 until July 1, 2033, the proceeds from an existing ¼% sales and use tax rate will be reallocated from the General Fund to the State Highway Capital Improvement Fund (85% of proceeds) and to the Highway Allocation Fund (15% of proceeds). The State Highway Capital Improvement Fund will be administered by the Department of Roads and is to be used as follows: a) at least 25% of the money is to be used for construction of the expressway system and federally designated high priority corridors. and b) the balance of money credited to the fund shall be used for surface transportation projects of the highest priority as determined by the Dept. of Roads. The Highway Allocation Fund is distributed to cities and counties. Estimates from the Department of Revenue indicate that revenue from the ¼% sales tax will equal \$69.3 million in FY13-14 (11 months) and \$71.8 million in FY14-15. Under the provisions of the bill the State Highway Capital Improvement Fund will receive \$58.9 million in FY13-14 and \$61.0 million in FY14-15; and the Highway Allocation Fund (cities and counties) will receive \$10.4 million in FY13-14 and \$10.8 million in FY14-15.

LB 385 -Suspend/reduce Low-Income Home Energy Conservation act In 2008, LB1101 provided that electric utilities could opt into a program for providing grants for low income Nebraska residents to make energy-saving improvements to their homes. Low income is defined as less than 150% of the federal poverty level. Participating electric utilities could earmark up to 5% of its remitted sales tax receipts for the grants to be matched equally by the utility with it's own funds. LB385 enacted this session suspends the program for FY12, FY13, and FY14 and then starting in FY2014-15 the program is capped at a total of \$250,000.

LB 389 - Angel Investment Tax Credit encourages investment in high-tech and other startup enterprises in Nebraska by providing refundable state income tax credits to qualified investors investing in qualified early-stage companies. Capped at \$3 million annually, the program requires a minimum investment of \$25,000 for individuals and \$50,000 for investment funds. Eligible small businesses must have fewer than 25 employees, with the majority based in the state. The program is financed by lowering the cap for the Nebraska Advantage Rural Development Act from \$4,000,000 to \$1,000,000 beginning with applications filed in calendar year 2012.

LB 345 - Small Business Innovation Act was enacted also based on recommendations from the Legislature's Innovation and Entrepreneurship Task Force. This bill creates a statewide pilot program is to provide technical assistance (information tools, state and national demographic trends, competitive intelligence, marketing lists, strategy analysis, capital and labor referrals etc.), to 40 Nebraska-based growth businesses. The bill is financed by lowering the total amount of tax credits granted under the Community Development Assistance Act by \$200,000 in FY12 and FY13.

GENERAL FUND APPROPRIATIONS

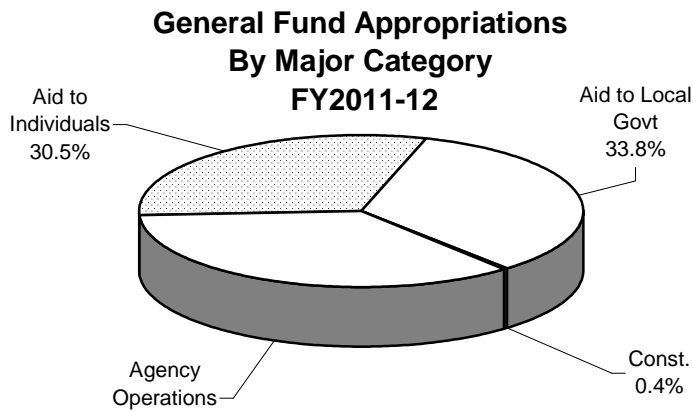
General Fund Overview

Table 11 contains a summary of the General Fund budget for the FY2011-12 and FY2012-13 biennium as enacted in the 2011 Session. Subsequent sections of this report contain a more detailed explanation of the various increases and reductions which are included in the totals shown below.

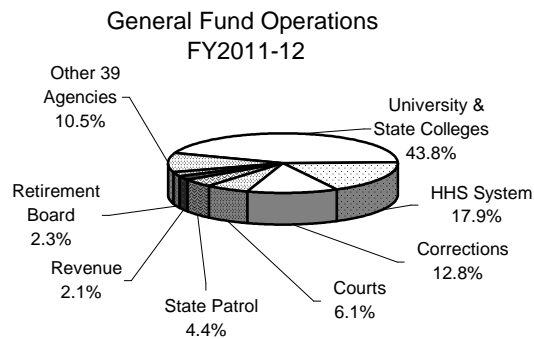
The General Fund budget as enacted reflects an increase of 1.9% in FY2011-12, and a 3.5% increase in FY2012-13 with a two year average of 2.7% per year. The FY11-12 increase is largely the result of replacing the one-time use of American Recovery and Reinvestment Act of 2009 (ARRA) federal funds used in FY10-11. This includes \$89.3 million for the Medicaid federal match rate, \$3.2 million child care funds, and \$17 million general stabilization funds used in the Dept of Correctional Services. Excluding these items, the budget would have shown a 1.3% *reduction* in FY11-12 and a two year average growth of 0.9%.

Table 11 General Fund Budget as Enacted During the 2011 Session

	w/o Deficits FY2010-11	Total Per 2011 Session		Change over Prior Yr		Change over Prior Yr		2 Yr Avg % Change	% of Total FY11-12
		FY2011-12	FY2012-13	FY11-12 (w/o deficits) \$ %	FY12-13 (w/o deficits) \$ %				
Agency Operations									
University/Colleges	540,090,076	536,124,386	543,222,833	(3,965,690)	-0.7%	7,098,447	1.3%	0.3%	15.5%
Health & Human Services System	252,915,827	219,347,008	225,177,598	(33,568,819)	-13.3%	5,830,590	2.7%	-5.6%	6.3%
Correctional Services	142,575,132	156,102,931	157,059,844	13,527,799	9.5%	956,913	0.6%	5.0%	4.5%
Courts	70,264,041	74,874,064	75,654,066	4,610,023	6.6%	780,002	1.0%	3.8%	2.2%
State Patrol	55,891,491	53,690,860	54,253,448	(2,200,631)	-3.9%	562,588	1.0%	-1.5%	1.5%
Revenue	27,071,402	25,792,617	25,447,374	(1,278,785)	-4.7%	(345,243)	-1.3%	-3.0%	0.7%
Retirement Board	27,420,010	28,344,698	29,629,917	924,688	3.4%	1,285,219	4.5%	4.0%	0.8%
Other 39 Agencies	137,435,605	128,857,402	128,544,627	(8,578,203)	-6.2%	(312,775)	-0.2%	-3.3%	3.7%
Total-GF Operations	1,253,663,584	1,223,133,966	1,238,989,707	(30,529,618)	-2.4%	15,855,741	1.3%	-0.6%	35.3%
State Aid to Individuals/Others									
Medicaid	489,426,763	599,909,134	630,241,604	110,482,371	22.6%	30,332,470	5.1%	13.5%	17.3%
Public Assistance	248,124,986	239,522,936	243,518,332	(8,602,050)	-3.5%	3,995,396	1.7%	-0.9%	6.9%
Developmental disabilities aid	90,573,431	94,652,981	96,804,432	4,079,550	4.5%	2,151,451	2.3%	3.4%	2.7%
Behavioral Health aid	74,721,481	74,810,767	74,952,023	89,286	0.1%	141,256	0.2%	0.2%	2.2%
Childrens Health Insurance (CHIP)	11,634,438	9,932,192	13,036,419	(1,702,246)	-14.6%	3,104,227	31.3%	5.9%	0.3%
Aging Programs	7,999,438	7,999,438	7,999,438	0	0.0%	0	0.0%	0.0%	0.2%
Higher Ed Student Aid programs	6,863,406	6,918,156	6,918,156	54,750	0.8%	0	0.0%	0.4%	0.2%
Public Health Aid	4,807,372	4,790,612	4,790,612	(16,760)	-0.3%	0	0.0%	-0.2%	0.1%
Community health centers	3,867,394	3,767,394	3,767,394	(100,000)	-2.6%	0	0.0%	-1.3%	0.1%
Business Innovation Act (LB387)	0	7,000,000	7,000,000	7,000,000	100.0%	0	0.0%	na	0.2%
All Other Aid to Individuals/Other	8,580,257	7,980,123	7,980,123	(600,134)	-7.0%	0	0.0%	-3.6%	0.2%
Total-GF Aid to Individuals/Other	946,598,966	1,057,283,733	1,097,008,533	110,684,767	11.7%	39,724,800	3.8%	7.7%	30.5%
State Aid to Local Govts									
State Aid to Schools (TEEOSA)	796,734,560	804,689,087	864,654,919	7,954,527	1.0%	59,965,832	7.5%	4.2%	23.2%
Special Education	184,893,842	184,893,842	184,893,842	0	0.0%	0	0.0%	0.0%	5.3%
Aid to Community Colleges	86,758,025	86,758,025	87,870,147	0	0.0%	1,112,122	1.3%	0.6%	2.5%
Homestead Exemption	65,000,000	72,300,000	77,700,000	7,300,000	11.2%	5,400,000	7.5%	9.3%	2.1%
Aid to ESU's	14,791,327	14,051,761	14,051,761	(739,566)	-5.0%	0	0.0%	-2.5%	0.4%
Aid to Cities	10,964,566	0	0	(10,964,566)	-100.0%	0	0.0%	-100.0%	0.0%
Aid to Counties programs	9,659,932	0	0	(9,659,932)	-100.0%	0	0.0%	-100.0%	0.0%
High ability learner programs	2,175,673	0	0	(2,175,673)	-100.0%	0	0.0%	-100.0%	0.0%
Early Childhood programs	3,365,962	0	0	(3,365,962)	-100.0%	0	0.0%	-100.0%	0.0%
Other Aid to Local Govt	16,692,622	11,251,587	11,060,037	(5,441,035)	-32.6%	(191,550)	-1.7%	-18.6%	0.3%
Total-GF Aid to Local Govt	1,191,036,509	1,173,944,302	1,240,230,706	(17,092,207)	-1.4%	66,286,404	5.6%	2.0%	33.8%
Capital Construction									
	13,802,233	14,027,233	14,602,233	225,000	1.6%	575,000	4.1%	2.9%	0.4%
Total General Funds									
	3,405,101,292	3,468,389,234	3,590,831,179	63,287,942	1.9%	122,441,945	3.5%	2.7%	100.0%



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... In the FY2011-12 budget, 35.3% of all General Fund appropriations are for agency operations. Although there are 47 state agencies that receive General Fund appropriations higher education (University of Nebraska and State Colleges) and the six largest agencies (Health and Human Services, Corrections, Courts, State Patrol, Revenue, and Retirement Board) account for 89% of state operations. Most of the General Funds for the Retirement Board are actually state contributions for the K-12 School employee retirement plan.



General Funds for agency operations shows a \$30.5 million reduction (-2.4%) in FY11-12 and a \$15.9 million increase (1.3%) in FY12-13. Major reductions in FY11-12 include agency budget cuts ranging from 0% to 10% (-\$32.6 million), deletion of the one-time contingency funding due to decertification of the Beatrice Developmental Center (-\$24.5 million) and a \$6.4 million shift of Health and Human Services operations costs from General to Cash funds. The one

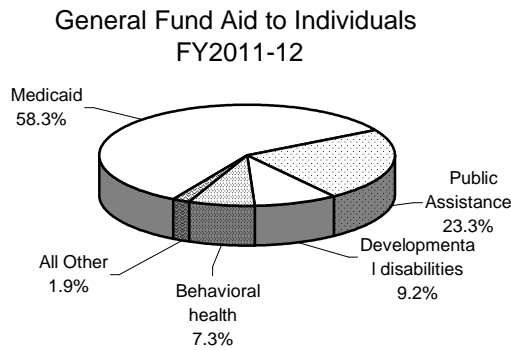
significant increase is \$17 million in the Dept of Correctional Services to replace the use of American Recovery and Reinvestment Act of 2009 (ARRA) general stabilization funds utilized in the current year budget.

In FY2012-13 virtually all of the increase is attributed to a 2% salary increase for state employees including the University of Nebraska and State Colleges (\$16.6 million).

The budget also reflects passage of legislation that save General Fund dollars by negating two significant increases that would have occurred in the absence of action. LB380 eliminated the depreciation assessment requirement that would have been restored in the upcoming biennium and would have cost \$10.4 million in FY11-12 and \$11.2 million in FY12-13. LB382 changed retirement contributions of school and State Patrol employees and negated additional state funding that would have been required amounting to \$21.7 million in FY11-12 and \$51.4 million in FY12-13. A more detailed explanation of these items is found on pages 71 and 74

Aid to Individuals About 30% of all General Fund appropriations are classified as state aid to individuals. Aid to individuals includes programs such as Medicaid, TANF Temporary Assistance to

Needy Families, 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 actually shows a \$110.7 million (11.7%) increase in FY2011-12 and a \$39.7 million (+3.8%) increase in FY2012-13.

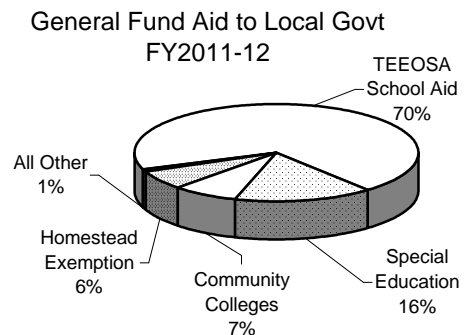
About 85% of the increase in aid funding in FY11-12 is attributed to replacing the one-time use of American

Recovery and Reinvestment Act of 2009 (ARRA) funding in the current year. This includes \$89.3 million of additional Medicaid matching funds through an enhanced FMAP (federal match rate) and higher FMAP based on unemployment, and \$3.2 million of additional child care funds. Excluding these items the growth in aid to individuals would have been slightly under 2%.

The second largest increase in this area relates to a decline in the 2012 Medicaid FMAP resulting in a General Fund increase of \$26.3 million (\$35.4 million in FY12-13). These two large increases related to declines in federal funding along with modest increases in utilization and eligibilities in Medicaid and Public Assistance were offset by a \$17 million reduction in Public Assistance by using earned Emergency TANF funds, and a 2.5% cut Medicaid provider rates related to non-primary care codes (-\$14.7 million). Except for a small increase for certain child care providers, other health and human services provider rates remained unchanged.

The enacted budget also includes several program cuts through legislation. This includes LB465 which eliminated the state-only coverage for legal permanent residents in several HHS programs (\$3.9 million savings each year) and LB468 which changes certain notices allowing HHS to implement increased co-payments (savings of \$260,937 in FY12 and \$347,902 in FY13)

Aid to Local Governments This area accounts for aid payments to local governments and accounts for 34% 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 teacher 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.



Aid to local governments shows a \$17.1 million (-1.4%) reduction in FY2011-12 and then a \$66.3 million (5.6%) increase in FY2012-13.

The net reduction in FY11-12 is largely the combination of two increases, shifting of funding for two programs from General Fund to Cash Funds, and outright elimination of three aid programs.

The two FY11-12 increases are \$7.3 million for Homestead Exemption reimbursements and \$7.9 million in TEEOSA school aid. It should be noted that although TEEOSA shows as a General Fund increase, there is actually a \$128 million reduction in total TEEOSA aid when taking into consideration the expiration of \$140 million of ARRA funds in the current year budget.

LB 333 enacted early in the 2011 Session allowed for the shifting of funding for the High Ability Learner Program (\$2,175,673) and Early Childhood Program (\$3,365,962) from General Funds to the Education Innovation Fund (lottery). Under the bill the Early Childhood Program would revert back to General Funds starting in FY2013-14.

LB 383 also enacted early in the session eliminated the aid to cities (\$10,964,566) and aid to NRD's programs (\$1,436,069) under the State Treasurer and the new aid to counties program under the Dept of Revenue that was to go into effect in FY2011-12 pursuant to LB 218 (2009). This new program would have replaced three previous county aid programs, aid to counties (State Treasurer), county property tax relief program (Dept of Revenue) and county jail reimbursement (Dept of Correctional Services). Reduction in county aid amounted to \$9,659,932.

Capital construction which accounts for about .4% 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 or on-going projects are routinely done within agencies operating budgets. Road construction and maintenance is **not** included in this category. This is included under cash fund agency operations.

In terms of General Funds, there is virtually no change in the amount appropriated for construction and 98% relates to reaffirmations which are funding of projects approved in prior sessions.

Although not actually shown as a General Fund appropriation, the most significant construction item is \$25 million (\$16.8 million in FY12 and \$8.2 million in FY13) for two projects at the University of Nebraska Innovation Campus. This is technically an appropriation from the Nebraska Capital Construction Fund (NCCF) but financed with a \$25 million transfer from the General Fund to the NCCF.

HISTORICAL GENERAL FUND APPROPRIATIONS

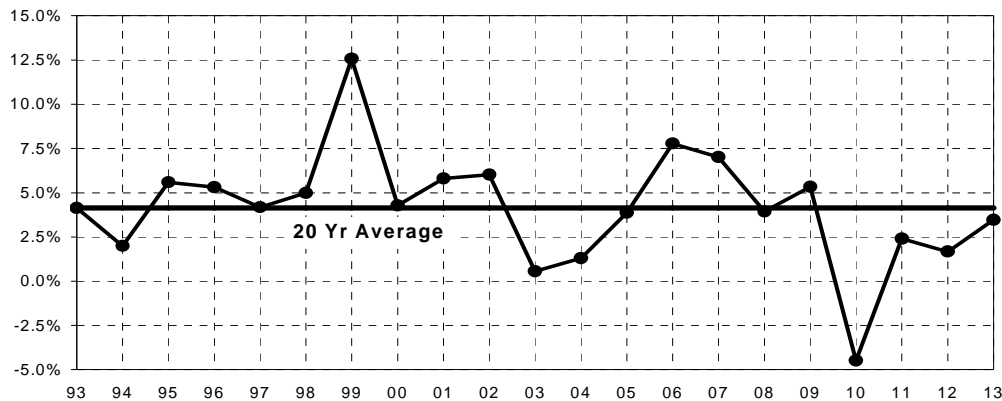
While the previous sections provide an overview of the FY2011-12 and FY2012-13 General Fund biennial budget, Table 12 provides an historical perspective showing appropriations for the twenty year period FY1992-93 through the proposed budget for FY2010-11.

In the 10 year period FY03 to FY13 the average annual increase in General Fund appropriations is 3.2%. Aid to individuals has the highest average increase, 5.3% per year, and was driven more by developmental disability, behavioral health and child welfare rather than Medicaid. Aid to local government has grown at an average rate of only 2.7%. The 2.1% average growth in agency operations reflects budget cuts in the early 2000's and early 2010's with some restoration of some funds in between. Table 12 also includes the average annual budget growth for each of the five biennial budgets contained in this 10-year period.

Table 12 Historical General Fund Appropriations

<i>(Excludes deficits)</i>	Agency Operations	Aid to Individuals	Aid to Local Govt	Construction	Total	% Change
FY1992-93 Approp	662,252,737	320,457,672	608,472,921	4,976,777	1,596,160,107	4.1%
FY1993-94 Approp	676,413,141	346,829,183	597,466,962	7,264,678	1,627,973,964	2.0%
FY1994-95 Approp	695,515,177	384,690,537	632,796,916	5,954,449	1,718,957,079	5.6%
FY1995-96 Approp	725,857,466	410,620,962	652,868,725	20,831,107	1,810,178,260	5.3%
FY1996-97 Approp	750,780,005	440,564,731	674,622,322	19,843,088	1,885,810,146	4.2%
FY1997-98 Approp	781,597,662	461,238,934	695,680,295	41,250,742	1,979,767,633	5.0%
FY1998-99 Approp	818,104,542	489,445,789	860,034,724	60,994,066	2,228,579,121	12.6%
FY1999-00 Approp	877,214,679	523,395,392	868,657,713	54,676,163	2,323,943,947	4.3%
FY2000-01 Approp	928,262,744	598,336,773	885,742,858	46,446,858	2,458,789,233	5.8%
FY2001-02 Approp	989,205,923	646,333,088	944,027,473	27,384,852	2,606,951,336	6.0%
FY2002-03 Approp	1,003,728,744	647,793,727	951,729,511	18,044,257	2,621,296,239	0.6%
FY2003-04 Approp	999,655,261	705,616,238	929,503,078	20,515,031	2,655,289,608	1.3%
FY2004-05 Approp	1,018,017,210	785,572,536	935,446,662	19,046,316	2,758,082,724	3.9%
FY2005-06 Approp	1,079,894,592	850,904,771	1,018,289,225	23,350,481	2,972,439,069	7.8%
FY2006-07 Approp	1,151,463,639	938,524,594	1,058,983,563	31,878,981	3,180,850,777	7.0%
FY2007-08 Approp	1,172,764,317	978,026,675	1,146,759,149	8,150,822	3,305,700,963	3.9%
FY2008-09 Approp	1,221,557,978	1,015,815,632	1,236,048,810	8,238,322	3,481,660,742	5.3%
FY2009-10 Approp	1,210,527,988	880,256,943	1,220,339,540	14,172,233	3,325,296,704	-4.5%
FY2010-11 Approp	1,253,663,584	946,598,966	1,191,036,509	13,802,233	3,405,101,292	2.4%
FY2011-12 Enacted	1,223,133,966	1,057,283,733	1,173,944,302	14,027,233	3,468,389,234	1.9%
FY2012-13 Enacted	1,238,989,707	1,097,008,533	1,240,230,706	14,602,233	3,590,831,179	3.5%
Average Annual Growth						
FY02/FY03 Biennium	4.0%	4.1%	3.7%	-37.7%	3.3%	
FY04/FY05 Biennium	0.7%	10.1%	-0.9%	2.7%	2.6%	
FY06/FY07 Biennium	6.4%	9.3%	6.4%	29.4%	7.4%	
FY08/FY09 Biennium	3.0%	4.0%	8.0%	-49.2%	4.6%	
FY10/FY11 Biennium	1.3%	-3.5%	-1.8%	29.4%	-1.1%	
FY12/FY13 Biennium	-0.6%	7.7%	2.0%	2.9%	2.7%	
Avg FY93 to FY03 (10 yr)	4.2%	7.3%	4.6%	13.7%	5.1%	
Avg FY03 to FY13 (10 yr)	2.1%	5.3%	2.7%	-2.1%	3.2%	
Avg FY93 to FY13 (20 yr)	3.2%	6.3%	3.6%	5.5%	4.1%	

General Fund Budget Growth - Past 20 Years



Significant General Fund Increases and Reductions

The FY2011-12 / FY2012-13 budget represents the result of numerous areas where the budget was increased, offset to some extent by areas that were reduced. Replacing the use American Recovery and Reinvestment Act of 2009 (ARRA) funds used to balance the current FY2010-11 budget is the largest and fifth largest increase. The \$140 million of ARRA Education Stabilization funds used in the FY2010-11 TEEOSA aid certification were not replaced with General Funds.

Table 13 Significant General Fund Increases / Reductions In Rank Order

Numbers are \$ change compared to FY11 base	Biennial Budget per 2011 Session		
	FY2011-12	FY2012-13	Two Yr total
1 <u>SIGNIFICANT INCREASES:</u>			
2 Replace use of ARRA enhanced FMAP, FFP, and Child Care	92,482,483	92,482,483	184,964,966
3 TEEOSA Aid to Schools (General Funds only)	7,954,527	67,920,359	75,874,886
4 Medicaid (non ARRA FMAP, 2012 FMAP, provider rate cut)	16,151,098	39,422,625	55,573,723
5 Reduced 2012 federal Medicaid match rate FMAP	26,288,574	35,444,424	61,732,998
6 Replace use of ARRA General Stabilization, Corrections	17,000,000	17,000,000	34,000,000
7 Homestead Exemption	7,300,000	12,700,000	20,000,000
8 Employee Salary increase (Agencies + Higher Ed)	1,830,102	16,674,822	18,504,924
9 Business Innovation Act (net)	5,454,078	5,454,078	10,908,156
10 Juvenile detention costs (HHS)	5,000,000	5,000,000	10,000,000
11 Inmate per diem costs (Corrections)	1,507,959	2,568,600	4,076,559
12 Developmental Disability aid (other than 2012 FMAP)	1,200,000	2,200,000	3,400,000
13 Retirement, K-12 School/Judges/Patrol/Cash Balance	924,688	2,209,907	3,134,595
14 Health Care reform implementation	1,200,000	1,800,000	3,000,000
15 IS&T Medicaid Project Portfolio (HHS)	1,500,000	1,500,000	3,000,000
16 General Operating inflation (State Agencies)	403,997	774,958	1,178,955
17 Community Colleges	0	1,112,122	1,112,122
18 Capital Construction	225,000	800,000	1,025,000
19 Subtotal-Increases Listed	186,422,506	305,064,378	491,486,884
20 <u>SIGNIFICANT REDUCTIONS:</u>			
21 Agency operations reductions	(32,631,862)	(34,941,677)	(67,573,539)
22 BSDC contingency, resumption of federal funding	(24,477,558)	(24,477,558)	(48,955,116)
23 HHS Provider rate reduction	(14,656,736)	(14,656,736)	(29,313,472)
24 Aid to Cities	(10,964,566)	(10,964,566)	(21,929,132)
25 Public Assistance (exclude replace ARRA, 2012 FMAP)	(13,179,014)	(9,450,789)	(22,629,803)
26 Aid to Counties	(9,659,932)	(9,659,932)	(19,319,864)
27 Funds shifts (HHS)	(6,400,000)	(6,400,000)	(12,800,000)
28 Early Childhood program (shift to Ed Innovation Fund)	(3,365,962)	(3,365,962)	(6,731,924)
29 High Ability Learners Aid (shift to Ed Innovation Fund)	(2,175,673)	(2,175,673)	(4,351,346)
30 Aid to NRD's	(1,436,069)	(1,436,069)	(2,872,138)
31 Childrens Health Ins(exclude 2012 FMAP, provider rate cut)	(2,850,212)	10,667	(2,839,545)
32 Superfund cleanup	(1,166,600)	(1,358,150)	(2,524,750)
33 Continued phaseout of county assessor takeover (Revenue)	(616,540)	(1,233,080)	(1,849,620)
34 Aid to ESU's	(739,566)	(739,566)	(1,479,132)
35 Behavioral health aid (exclude FMAP, provider rate cut)	(265,000)	(265,000)	(530,000)
36 Subtotal-Reductions Listed	(124,585,290)	(121,114,091)	(245,699,381)
37 <u>OTHER NOT LISTED (NET)</u>	419,943	1,427,661	(21,919,153)
38 <u>TOTAL GENERAL FUND CHANGE</u>	63,287,942	185,729,887	249,017,829

Table 14 Significant General Fund Increases / Reductions by Budget Category

	Numbers are \$ change compared to FY11 base	Biennial Budget per 2011 Session		
		FY2011-12	FY2012-13	Two Yr total
1	TEEOSA Aid to Schools (General Funds per LB235)	7,954,527	67,920,359	75,874,886
2	TEEOSA Replace ARRA Education Stabilization funds	0	0	0
3	High Ability Learners Aid (shift to Ed Innovation Fund)	(2,175,673)	(2,175,673)	(4,351,346)
4	Early Childhood program (shift to Ed Innovation Fund)	(3,365,962)	(3,365,962)	(6,731,924)
5	Homestead Exemption (net)	7,300,000	12,700,000	20,000,000
6	Community Colleges	0	1,112,122	1,112,122
7	Aid to Cities	(10,964,566)	(10,964,566)	(21,929,132)
8	Aid to Counties	(9,659,932)	(9,659,932)	(19,319,864)
9	Aid to ESU's	(739,566)	(739,566)	(1,479,132)
10	Aid to NRD's	(1,436,069)	(1,436,069)	(2,872,138)
11	Superfund cleanup	(1,166,600)	(1,358,150)	(2,524,750)
12	NRD Water Management grants	(1,653,267)	(1,653,267)	(3,306,534)
13	Other Not Listed (net)	(1,185,099)	(1,185,099)	(2,370,198)
14	AID TO LOCAL GOVERNMENTS	(17,092,207)	49,194,197	32,101,990
15	Medicaid (other than replace ARRA FMAP)	21,199,888	51,532,358	72,732,246
16	Medicaid replace ARRA ehanced FMAP and FFP	89,282,483	89,282,483	178,564,966
17	Public Assistance (other than replace ARRA)	(11,802,050)	(7,806,654)	(19,608,704)
18	Public Assistance, replace ARRA Child Care funds	3,200,000	3,200,000	6,400,000
19	Developmental Disability aid	4,079,550	6,231,001	10,310,551
20	Behavioral health aid	89,286	230,542	319,828
21	Childrens Health Insurance (SCHIP)	(1,702,246)	1,401,981	(300,265)
22	Aging programs	0	0	0
23	Higher Ed Student aid programs	54,750	54,750	109,500
24	Public Health Aid	(116,760)	(116,760)	(233,520)
25	Business Innovation Act (net)	5,454,078	5,454,078	10,908,156
26	Other Not Listed (net)	945,788	945,788	1,891,576
27	AID TO INDIVIDUALS / OTHER	110,684,767	150,409,567	261,094,334
28	Salaries (State Agencies)	1,830,102	9,442,478	11,272,580
29	Salaries (University+Colleges)	0	7,232,344	7,232,344
30	General Operating inflation (State Agencies)	403,997	774,958	1,178,955
31	Interstate Water Litigation (Attorney General)	2,000,000	0	2,000,000
32	Continued phaseout of county assessor takeover (Revenue)	(616,540)	(1,233,080)	(1,849,620)
33	BSDC contingency, resumption of federal funding	(24,477,558)	(24,477,558)	(48,955,116)
34	Funds shifts (HHS)	(6,400,000)	(6,400,000)	(12,800,000)
35	Reallocate to aid, contract case management (HHS)	(2,271,775)	0	(2,271,775)
35	Health Care reform implementation	1,200,000	1,800,000	3,000,000
36	IS&T Medicaid Project Portfolio (HHS)	1,500,000	1,500,000	3,000,000
37	Juvenile detention costs (HHS)	5,000,000	5,000,000	10,000,000
38	Reallocate aid funds, technical water studies (Nat Resources)	1,153,267	1,153,267	2,306,534
39	Inmate per diem costs (Corrections)	1,507,959	2,568,600	4,076,559
40	ARRA General Stabilization, offset Gen Funds (DCS)	17,000,000	17,000,000	34,000,000
41	Retirement, K-12 School/Judges/Patrol/Cash Balance	924,688	2,209,907	3,134,595
42	Depreciation assessments	0	0	0
43	Agency operations reductions	(32,631,862)	(34,941,677)	(67,573,539)
44	Other Not Listed (net)	3,348,104	3,696,884	7,044,988
45	AGENCY OPERATIONS	(30,529,618)	(14,673,877)	(45,203,495)
46	CAPITAL CONSTRUCTION	225,000	800,000	1,025,000
47	TOTAL GENERAL FUND CHANGE (without deficits)	63,287,942	185,729,887	249,017,829

General Fund Aid to Individuals

BEHAVIORAL HEALTH AID

The budget for behavioral health aid is basically flat for both years. A small General Fund increase due to a lower 2012 federal Medicaid match rate is offset by two small reductions including a rebasing of the Family Navigator program based on utilization. The budget does not include any cut in behavioral health provider rates.

(General Funds only)	Previous Biennium		Biennial Budget	
	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Base Year appropriation	69,273,006	69,273,006	74,721,481	74,721,481
Mental Health provider rates	1,318,061	2,655,892	0	0
Reallocate regional center savings	3,500,000	3,500,000	0	0
Federal match rate, Medicaid	0	0	354,286	495,542
Reduce Magellan behavioral health contract	0	0	(75,000)	(75,000)
LB 603 "Safe Haven" (childrens health aid)	500,000	1,000,000	0	0
LB 603 "Safe Haven" (Family Navigator)	611,984	1,056,047	(190,000)	(190,000)
LB 603 "Safe Haven" (residential/subacute waiver)	(977,697)	(1,871,577)	0	0
2009 Spec Session - reduce provider rates	0	(891,887)	0	0
Total	74,225,354	74,721,481	74,810,767	74,952,023
\$ Change over Prior Year	4,952,348	496,127	89,286	141,256
% Change over Prior Year	7.1%	0.7%	0.1%	0.2%

DEVELOPMENTAL DISABILITIES AID

Developmental disability aid is one of the few programs with an increased General Fund appropriation. The budget includes \$1,200,000 in FY11-12 and \$2,200,000 in FY12-13 for clients transitioning from K-12 school programs to community based programs. LB 830 (1991) established an entitlement to services for persons with developmental disabilities who graduate from high school or reach age 21. These dollars would fund a net additional 120 graduates in 2011-12 and an additional 100 persons will be served in 2012-13.

(General Funds only)	Previous Biennium		Biennial Budget	
	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Base Year Appropriation	71,166,316	71,166,316	90,573,431	90,573,431
Service Coordination	in oper	in oper	in oper	in oper
Provider Rates/Rate Equity	1,844,913	3,735,949	0	0
Transition	560,000	1,280,000	1,200,000	2,200,000
Waiting List	5,197,920	10,525,788	0	0
Transitioning from BSDC	5,000,000	5,000,000	0	0
FFed match rate, Medicaid	0	0	2,879,550	4,031,001
2009 SS waiting list funds	(500,000)	0	0	0
2009 SS provider rates	0	(1,134,622)	0	0
Total - New Appropriation	83,269,149	90,573,431	94,652,981	96,804,432
\$ Change over Prior Year	12,102,833	7,304,282	4,079,550	2,151,451
% Change over Prior Year	17.0%	8.8%	4.5%	2.3%

Additional General Funds were also included due to a lower federal Medicaid match rate in 2012,

No additional funds were appropriated to remove persons from the list waiting for developmental disability services.

The budget did not include any additional funds related to provider rates and rate equity but also did not reduce funds that would have required a cut in existing rates.

CHILDREN'S HEALTH INSURANCE PROGRAM (SCHIP)

This program provides medical coverage for children up to age 19 who do not have credible health insurance and whose family income is below 200% of poverty. Funding for this program began in 1998 and had originally been funded through a one-time \$25 million transfer from the Health Care Cash Fund. Those funds were exhausted in FY2003-04. A combination of General Funds and a \$5 million allocation from the Health Care Cash fund offset the expiration of the original amounts.

The amount of General Funds appropriated for SCHIP declines by \$1.7 million (-15.2%) in FY 2011-12 and then increases by \$3.1 million (31.4%) in FY 2012-13. This fluctuation is due to the use of additional cash funds. In FY 2011-12, an additional \$3.3 million is used from the Health Care Cash Fund and in FY 2012-13, an additional \$1.3 million. This is a combination of \$3 million in FY 2011-12 and \$1 million in FY 2012-13 from the unused balance from the Autism Treatment Program which will not be implemented. The statute requires a private match before the program is implemented. The Autism Action Partnership sent a letter indicating the private match would not be available and there are no other donors to provide the required match. Three hundred thousand dollars each year comes from reduction to aid to public health departments and minority health.

(General Funds only)	Previous Biennium		Biennial Budget	
	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Base Year appropriation	11,761,892	11,761,892	11,634,438	11,634,438
Fed Medicaid match rate	(144,337)	(149,697)	1,464,492	1,707,840
Utilization	240,518	739,188	985,488	1,846,367
Cost Increases	55,737	112,212	(316,526)	(316,526)
Use Health Care Cash Funds to offset General	0	0	(3,835,700)	(1,835,700)
Rebase based on prior year	(3,676,218)	(3,676,218)	0	0
Two-tiered payment rate doctor hospital visits	0	(62,122)	0	0
Indirect Medical Ed Factor	0	(1,219)	0	0
Outpatient Reimbursement	0	(56,689)	0	0
Income eligibility 185% to 200% of poverty level	2,188,116	3,005,553	0	0
2009 SS - reduce provider rates	0	(113,885)	0	0
2009 SS - use cash, Tobacco Prevention	(1,300,000)	0	0	0
2010 - LB 1106 school-based health centers	0	75,423	0	0
2009 SS provider rates	0	(1,134,622)	0	0
Total - New Appropriation	9,125,708	11,634,438	9,932,192	13,036,419
\$ Change over Prior Year	(2,636,184)	2,508,730	(1,702,246)	3,104,227
% Change over Prior Year	-22.4%	27.5%	-14.6%	31.3%

The fund transfer bill moves \$50,000 each year from the Stem Cell Research Fund and \$485,700 each year from the Tobacco Settlement and Control Cash Fund to the Health and Human Services Cash Fund. These freed up cash funds are being used to reduce the General Fund appropriation to SCHIP. Note that the Health Care Cash Fund is the source of funding for the Stem Cell Research Fund and the Tobacco Prevention and Control Cash Fund.

As in several other programs, additional General Funds were added due to the decline in the federal Medicaid match rate (FMAP) for FY12 totaling \$1.4 million in FY12 and \$1.7 million in FY13. The SCHIP match rate is changing from 70.91% to 69.65% beginning on October 2011.

Also, the budget includes a 2.5% cut in Medicaid provider rates excluding primary care. Primary care is primarily physician office visits and EPSDT screenings. General Fund savings amount to \$316,526 each year.

CHIP eligibility increased from 185% to 200% of the federal poverty level in October 2009. From September 2009 to September 2010 the number of children eligible for CHIP increased by 4,022 (16%). The projected utilization for the next biennium is 5% each year with a General Fund cost of \$985,488 in FY12 and \$1,846,367 in FY13.

PUBLIC ASSISTANCE

This budget area includes many different social service programs such as TANF/ADC, educational assistance for state wards, child welfare services, foster care, subsidized childcare, and adoption assistance. Overall the budget reflects a decrease of 3.5% in FY2011-12 (-\$8.6 million) but from that lower level, a 1.7% increase in FY12-13.

TANF Emergency Funds The reduction in FY11-12 is attributed to a shift from General Funds to TANF Emergency Funds; \$17 million in FY11-12 and \$11 million in FY12-13. Nebraska received funding from the TANF Emergency Fund which will be used to decrease the General Funds needed for FY2012. There are approximately \$6.8 million dollars per year of child welfare expenditures, for children who remain in their own homes, which are TANF approved expenditures. These expenditures can be paid for with TANF funds in FY12 and FY13. Changing the funding mix of ADC cash grants from 70% FF / 30% GF to 80% FF / 20% GF is expected to free up General Funds.

Child care shows a \$4.2 million increase in General Funds. Of this amount \$3.2 million is to replace the one-time use of ARRA funds in the current year budget. The other \$1 million is provided to increase provider rates but only to bring certain providers up to the 50th percentile as provided for in LB464 enacted in the 2011 session.. Under prior law, the rates must be set at a level between the 60th and 75th percentile based on a market rate survey. To achieve the 60th percentile level an additional \$2,808,923 would have been needed each year.

Move group home costs from Medicaid to Child Welfare The Division of Children and Family Services (CFS) will be paying for room & board for youth in group homes. According to federal regulations, Medicaid can only pay room and board costs for facilities that meet the Centers for Medicare and Medicaid Services (CMS) Psychiatric Residential Treatment Facility (PRTF) standards. Facilities with over 16 beds must have physician direction. This shift moves \$2.5 million of General Funds from Medicaid (program 348) to Public Assistance (program 347).

Federal match rate change (FMAP) change The regular federal match rate is changing from 58.44% to 56.64% beginning on October 1, 2011. This impacts Title IV-E Foster Care and Adoption Assistance. Additional General Funds amount to \$1,376,964 in FY12 and \$1,641,135 in FY13.

Privatization of child welfare case management. Beginning on January 3, 2011, case management functions in child welfare were transferred to the lead agency contractors in the Eastern and Southeastern areas of the state. The savings from eliminating case managers was requested to be transferred to Program 347 to increase the contracts under child welfare. This budget transfers the funds in the first year only (\$2.7 million General Funds), pending the information from the LR 37 child welfare privatization study

LB 465 Eliminate eligibility of non-United-States citizens for public assistance. The budget incorporates the savings associated with LB465. Under prior law the Department of Health and Human Services paid for certain benefits for Legal Permanent Residents (LPRs). These benefits include Supplemental Nutrition Assistance Program - SNAP (formerly known as food stamps), aid to dependant children (ADC) payments under Temporary Assistance to Needy Families (TANF), Medicaid and Aid to the Aged, Blind, and Disabled (AABD). As Federal law requires LPRs to be in the U.S. for at least 5 years before receiving federal public benefits, Nebraska has been using state general funds to provide these public benefits during the five years before individuals become eligible for federal benefits. LB 465 eliminated this practice. General Fund savings for public assistance programs include \$1,055,069 for elimination of the SNAP program, \$241,691 in TANF/ADC, and \$16,226 in the AABD program. In the Medicaid (program 348) the General Fund savings amount to \$2,627,986.

Reduce Employment First contracts. As submitted in the agency request, the budget includes a 10% cut in Employment First contracts with a General Fund savings of \$644,320 each year. Families receiving assistance under TANF are required to participate in work requirements unless exempt. Individuals who are required to participate must be involved in countable work activities for a minimum of 20, 30, or 35 hours per week based on the age of their children. Countable work activities include employment, work experience, on-the-job training, job search/readiness, community service, vocational training and post secondary education. Federal law requires 50% of single parent families and 90% of two-parent families to be involved in work requirements. Work activities must be supervised on a daily basis. The department believes this reduction can be made without taking away services to the clients but may change how clients are served. The agency will work with contractors to find ways to reduce costs while serving clients in compliance with federal requirements.

Table 15 Public Assistance by Program (General Funds Only)

(General Funds only)	Biennial Budget			\$ Change vs FY11 base	
	FY2010-11	FY2011-12	FY2012-13	FY11-12	FY12-13
Food stamps	1,055,069	0	0	(1,055,069)	(1,055,069)
Birth Certificates	150,000	150,000	150,000	0	0
Juvenile predisposition detention	156,536	156,536	156,536	0	0
Post-adoption and post-guardianship services	2,027,970	2,027,970	2,027,970	0	0
Protection and Safety of Children	1,889,556	1,889,556	1,889,556	0	0
AABD (Aged/blind/disabled) Special Rates	1,615,576	1,599,350	1,599,350	(16,226)	(16,226)
Winnebago/TANF/MOE	339,929	339,929	339,929	0	0
Food stamp employment	185,395	185,395	185,395	0	0
Medically handicapped children	1,416,270	1,416,270	1,416,270	0	0
Title IV-E Foster Care	3,345,539	3,896,325	4,003,193	550,786	657,654
Title IV-E Adoption	5,261,624	6,087,802	6,248,105	826,178	986,481
State subsidized adoption	12,748,901	12,748,901	12,748,901	0	0
Domestic Violence	1,347,300	1,347,300	1,347,300	0	0
Education Assistance, State Wards	17,540,376	17,540,376	17,540,376	0	0
Disabled persons/family support	910,000	910,000	910,000	0	0
State Disability-Medical	9,097,211	9,097,211	9,097,211	0	0
State Disability-Maintenance	466,684	466,684	466,684	0	0

(General Funds only)	Biennial Budget			\$ Change vs FY11 base	
	FY2010-11	FY2011-12	FY2012-13	FY11-12	FY12-13
Title XX Social Services	5,783,807	5,783,807	5,783,807	0	0
State supplement-SSI	6,923,135	6,923,135	6,923,135	0	0
AFDC / TANF	16,436,293	16,194,602	16,194,602	(241,691)	(241,691)
Title IV-D Child Care	41,847,035	46,053,552	46,053,552	4,206,517	4,206,517
Emergency Assistance	1,738,126	1,738,126	1,738,126	0	0
Employment First	9,791,421	9,147,101	9,147,101	(644,320)	(644,320)
Child Welfare Services	106,051,233	110,823,008	108,551,233	4,771,775	2,500,000
Fund change – Emergency TANF	0	(17,000,000)	(11,000,000)	(17,000,000)	(11,000,000)
Total Public Assistance (General Funds)	248,124,986	239,522,936	243,518,332	(8,602,050)	(4,606,654)
Replace use of ARRA Child Care funds				3,200,000	3,200,000
Child care provider rates (net) (to 50th percentile per LB464)				1,006,517	1,006,517
Enhanced treatment group home room & board				2,500,000	2,500,000
Federal match rate change (FMAP) for federal FY2012				1,376,964	1,644,135
Privatization of child welfare case management				2,271,775	0
Reduce Employment First Contracts by 10%				(644,320)	(644,320)
Fund Mix Change for Program 347 - TANF				(17,000,000)	(11,000,000)
LB 465-Eliminate state-option food stamp benefit expansion				(1,055,069)	(1,055,069)
LB 465-Eliminate coverage for legal permanent residents ADC & AABD				(257,917)	(257,917)
Total Public Assistance (General Funds)				(8,602,050)	(4,606,654)

MEDICAID

For the FY11-12/FY12-13 biennium the budget results in an average increase in General Fund appropriations for Medicaid of 13.5% per year. This two year average consists of a 22% increase in FY11-12 and a 5.13% increase in FY12-13. These percentages fluctuate substantially due to the impacts of \$89.3 million of enhanced and unemployment bonus federal match rate funds pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA). Adjusting out the impact of ARRA funding, the underlying growth in Medicaid is 3.2% in FY11-12, 5.1% in FY12-13 with a two year average of 4.1%

Replace Use of ARRA FMAP funds The American Recovery and Reinvestment Act of 2009 (ARRA) enacted in February 2009 contained a provision whereby states received an enhanced federal Medicaid match rate of 6.2% from October 1, 2008 to December 31, 2010, if states meet certain conditions. Also the state qualified for additional FMAP funds based on an unemployment factor adjustment. Over the three years this higher federal FMAP was in place, Nebraska saved \$64.8 million in FY08-09, \$144.9 million in FY09-10, and \$89.3 million in FY10-11. With the expiration of the higher FMAP levels, additional state funds of \$89.3 million are included to restore the “base” General Fund funding level.

Provider Rates. The Governor recommended a 5% cut in Medicaid health care provider rates. Primary care codes would be excluded from the reduction. . The Appropriations Committee included a 4% in their preliminary budget and ultimately lowered the reduction to 2.5% in their final proposal and was enacted at that level. General Fund savings from this 2.5% reduction amount to \$14.3 million each year.

Federal Match Rate Beginning Octoberf 2011, the federal match rate is changing from 58.44% to 56.64% This requires an increase in state General Funds totaling \$19,389,000 in FY11-12 and \$26,449,943 in FY12-13.

Eligibility and Utilization Increases relating to eligibility and utilization result in additional General Fund dollars of \$19.6 million in FY11-12 and \$44.1 million in FY12-13. Overall utilization is anticipated to grow 1.2% in FY12 and 3% in FY13. This includes increases for the aged (1% per year), disabled (3% FY12, 5% FY13), children (1.5% FY12, 5% FY13), and adults (1% FY12, 1.5% FY13). Prescription drugs are increasing 4.0%.

Restoration of coverage, ADC adults not complying with employment requirements Adults receiving Aid to Dependent Children (ADC) who are able to work are required to participate in the Employment First program, a program designed to move families from public assistance to economic self-sufficiency. In 2007, cash assistance under the ADC program and Medicaid coverage were suspended for ADC parents who failed to meet their Employment First obligations. In 2008, a lawsuit was filed against the department saying that the department overstepped its authority by suspending a client's Medicaid coverage for failing to meet the obligations for the Employment First program. In 2010, the Nebraska Supreme Court ruled that ADC adults cannot be denied Medicaid simply because they do not follow the rules for the separate Employment First program. Subsequently coverage was restored and the enacted budget restores General Funds at \$1.6 million per year. LB467 was introduced at the request of the Governor to eliminate this coverage however that bill was not enacted.

Program Changes The budget includes five program changes offered by the agency as part of their budget request. The changes and associated reduction in General fund appropriations are as follow.

- (1) Eliminate the practice of providing certain benefits for Legal Permanent Residents (LPRs) As noted in the description of Public Assistance programs, **LB465** eliminated the practice of providing certain benefits for Legal Permanent Residents (LPRs) until such time as the LPR's are eligible under federal law. In the Medicaid (program 348) the General Fund savings amounts to \$2,627,986.
- (2) Increase co-pays to the maximum. Nebraska does not currently charge copays at the maximum rate allowed under federal law. The increase would primarily apply to drugs and the copay would increase from \$2 to \$3. This change will reduce payment to providers by the amount of the copay. Copays only apply to adults covered under Medicaid. LB468 provides clarification as to the Department of Health and Human Services providing notice to the Legislature prior to adoption and promulgation of proposed rules and regulations under the Medicaid Program regarding the following: 1) premiums, co-payments and deductibles, and 2) limits on amount, scope and duration of goods and services. This clarification is to allow the department to implement increased co-payments as noted. General Fund savings amount to \$260,937 in FY12 and \$347,902 in FY13.
- (3) Pay nursing facility leave days at reduced rate Currently Medicaid pays nursing homes up to 15 bed-hold days each time a resident is hospitalized and up to 24 annual bed-hold days each time a resident takes therapeutic leave from the facility. These bed-hold days are paid at the same rate as the days when the resident is present in the facility and receiving care. This change would pay bed-hold days at a standard leave rate. General Fund savings of \$356,064 each year.
- (4) Change durable medical equipment coverage. Medicaid will set maximum rates for some Durable Medical Equipment (DME) products currently reimbursed at the provider's cost plus 30%. Examples of these are non-sterile gloves and reusable bed pads. Medicaid will establish a policy to set maximum units on incontinence supplies and require a physician's explanation if more than the maximum number of units are needed by the client. Medicaid will also establish a policy of renting hospital grade breast pumps up to two months for defined medical conditions and up to 12 months for other more serious medical conditions that preclude or limit breastfeeding, and thus require a hospital grade breast pump. General Fund savings of \$783,095 per year.

(5) Expand physical health managed care statewide. Physical health managed care is currently utilized in 10 counties. The budget assumes this would expand Medicaid physical health managed care statewide starting in FY2012-13. Physical health managed care has demonstrated a lower per member, per month cost than the fee-for-service delivery model. General Fund savings of \$1,134,867 are included starting in FY12-13.

Table 16 Medicaid (General Funds)

	Previoust Biennium		Biennial Budget	
	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Base Year appropriation	590,958,613	590,958,613	489,426,763	489,426,763
Base Adjustment	(19,965,296)	(19,965,296)	0	0
Adjust for federal match rate	(6,016,183)	(6,210,186)	19,389,000	26,449,943
Eligibility and Utilization	15,145,684	33,688,970	19,579,180	44,072,539
Provider Rates, Cost Increases	2,327,958	7,103,754	(14,340,210)	(14,340,210)
ARRA Enhanced FMAP (2009, 2009 special, 2010 sessions)	(97,376,177)	(73,682,483)	73,682,483	73,682,483
ARRA Unemployment FMAP (2009 and 2009 special sessions)	(39,431,000)	(15,600,000)	15,600,000	15,600,000
Clawback	(172,871)	(182,845)	0	0
Provider rates to .5% increase 2009 SS	0	(10,642,202)	0	0
Move to at-risk Managed Care 2009 SS	0	(2,800,000)	0	0
Implement Transportation Broker 2009 SS	0	(360,000)	0	0
Implement Radiology Management 2009 SS	(160,000)	(320,000)	0	0
Eliminate Medicaid reimbursement on Medicare claims 2009 SS	0	(2,400,000)	0	0
Shift funds, group home room & board 2010 Session	deficit	(1,160,000)	0	0
Recapture, prenatal services to unborn children 2010 Session	deficit	(5,338,013)	0	0
LB1106 school-based health centers, new match 2010 Session	0	(1,119,224)	0	0
Medicaid Cov for ADC Adults Not Meeting EF Reqs	0	0	1,600,000	1,600,000
LB 465 Eliminate State Coverage of Legal Perm Residents	0	0	(2,627,986)	(2,627,986)
LB468 Increase Co-Pays to Maximum Allowed by Federal Law	0	0	(260,937)	(347,902)
Pay Nursing Facility Leave Days at Reduced Rate	0	0	(356,064)	(356,064)
Change durable medical equipment coverage	0	0	(783,095)	(783,095)
Expand physical health managed care statewide	0	0	0	(1,134,867)
Room and Board PRTFs	0	0	(1,000,000)	(1,000,000)
Medicaid Total General Funds	445,306,457	489,426,763	599,909,134	630,241,604
Annual \$ Change	(145,652,156)	44,120,306	110,482,371	30,332,470
Annual % Change	-24.6%	9.9%	22.6%	5.1%
Annual \$ Change - Excluding ARRA FMAP increases	(8,844,979)	(3,404,388)	21,199,888	30,332,470
Annual % Change- Excluding ARRA FMAP increases	-1.5%	-0.6%	3.7%	5.1%

COMMUNITY HEALTH CENTER & LOCAL HEALTH DEPT AID

The previous budget provided \$1.9 million General Funds annually for aid to local public health departments. This is divided equally among the eighteen local public health departments. This budget reduces this amount by \$50,000 approximately a 2.5% reduction.

The previous biennial budget also provided \$1.9 million per year to six federally recognized community health centers located in Omaha (2), Lincoln, Columbus, Gering, and Norfolk. These centers serve low-income individuals and a high number of uninsured. Each center receives a base amount of \$100,000 with the balance of the funding distributed proportionally based on in the previous state fiscal year's number of uninsured clients as reported on the Uniform Data System Report. This budget reduces the appropriation by \$50,000 approximately a 2.5% reduction.

HEALTH AID

The previous budget included \$4.8 million General Funds for a variety of health aid programs. This includes programs such as Chronic Renal Disease, HIV/AIDS Prevention and Ryan White program, Breast and Cervical Cancer Screening, Every Woman Matters program, Stay in the Game Program, Immunization, Newborn Screening and Genetics, Reproductive Health, Emergency Medical Services Training, Native American health services, and Nebraska Advocacy Services.

The enacted budget includes no change in General Funds except for a \$16,760 reduction by elimination of aid for motor voter to WIC subcontractors. The National Voter Registration Act of 1993 mandates that WIC clinics offer voter registration opportunities on-site. Voter registration opportunities have been integrated into ongoing program operations and this funding is not being distributed.

AID TO AGING SERVICES

The FY11 budget provided General Fund aid of \$2,033,123 for care management and \$5,966,315 for aid to area agencies on aging. For FY12 and FY13 the enacted budget includes no change in funding for FY12 and FY13.

HIGHER EDUCATION STUDENT AID

Overall increases in student scholarship aid, General and Cash funds, amount to 8.9% in FY2011-12 with no additional change in FY2011-12. In terms of General Funds, there is a \$54,750 increase in the appropriation for the Access College Early Scholarship program bringing the total to an even \$500,000. While there is no change in General Funds for the Nebraska Scholarship program, there is a \$1,250,000 increase in the amount of lottery funds for scholarships bringing the total cash fund amount to \$9 million.. This increased appropriation authority accommodates disbursement of related financial aid at levels commensurate with lottery revenue anticipated to be credited to the fund in FY12 and FY13. For 2009-10, actual total revenue (including interest on fund balances) credited to the fund was \$8,064,931.

Table 17 Coordinating Commission Student Aid Programs

General and Cash Funds	Previoust Biennium		Biennial Budget	
	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Nebraska Scholarship Program	6,633,101	6,418,156	6,418,156	6,418,156
Access College Early Scholarship	275,250	445,250	500,000	500,000
Subtotal-General Funds	6,908,351	6,863,406	6,918,156	6,918,156
Lottery funds (Nebr Scholarship Program)	7,000,000	7,750,000	9,000,000	9,000,000
Combined General and Cash Funds	13,908,351	14,613,406	15,918,156	15,918,156
\$ Change over Prior Year	1,076,036	705,055	1,304,750	0
% Change over Prior Year	8.4%	5.1%	8.9%	0.0%

General Fund Aid to Local Governments

STATE AID TO K-12 SCHOOLS

Table 18 shows the total amount of General Fund state aid to K-12 schools from the various aid programs. In terms of General Funds, the average percent change over the two year period is a positive 3.1%. While the General Fund amounts show an increase, overall aid declines mainly due to the expiration of \$140 million of ARRA Education Stabilization funds used to fund TEEOSA and shift of high ability learners and early childhood funding to the Education Innovation Fund (lottery). Combined General and ARRA funds, the two year average change in overall aid to K-12 schools is a negative -3.5%. A description of the various programs follows the table

Table 18 Total General Fund State Aid to K-12 Schools

	Approp FY2007-08	Approp FY2008-09	Approp FY2009-10	Approp FY2010-11	Biennial Budget	
					FY2011-12	FY2012-13
State Aid to Education (TEEOSA)	753,555,548	823,527,243	824,960,159	796,734,560	804,689,087	864,654,919
Special Education	179,508,584	184,893,842	184,893,842	184,893,842	184,893,842	184,893,842
High ability learner programs	2,336,921	2,336,921	2,336,921	2,175,673	to Lottery	to Lottery
Early Childhood program	3,626,267	3,615,426	3,604,328	3,365,962	to Lottery	to Lottery
School Lunch	421,087	421,087	410,560	392,032	392,032	392,032
Textbook loan program	435,000	450,000	487,500	465,500	465,500	465,500
School Breakfast reimbursement	379,071	411,100	412,811	427,260	453,008	453,008
Adult Education	230,574	230,574	224,810	214,664	214,664	214,664
Vocational Education	450,000	450,000	0	0	0	0
Learning Communities Aid	0	500,000	1,000,000	882,275	882,275	882,275
Total Gen Fund Aid - K-12 Districts	940,943,052	1,016,836,193	1,018,330,931	989,551,768	991,990,408	1,051,956,240
ARRA Education Stabilization	0	0	93,668,750	140,287,176	0	0
Gen Fund + ARRA	940,943,052	1,016,836,193	1,111,999,681	1,129,838,944	991,990,408	1,051,956,240
General Funds:						
\$ Change over Prior Yr	56,856,214	75,893,141	1,494,738	(28,779,163)	2,438,640	59,965,832
% Change over Prior Yr	6.4%	8.1%	0.1%	-2.8%	0.2%	6.0%
General + ARRA Funds:						
\$ Change over Prior Yr	56,856,214	75,893,141	95,163,488	17,839,263	(137,848,536)	59,965,832
% Change over Prior Yr	6.4%	8.1%	9.4%	1.6%	-12.2%	6.0%

Special Education The enacted biennial budget continues special education reimbursement at the previous \$184,893,842 level. This would be four consecutive years at that level.

High Ability Learner Program This budget shifts funding for the High Ability Learner program from General Funds to the Education Innovation Fund (lottery) as provided for in LB 333 enacted early in the session. The program is continued at the previous level of \$2,175,673.

Early Childhood Program The budget shifts funding for the Early Childhood program from General Funds to the Education Innovation Fund (lottery) for FY2011-12 and FY2012-13 as provided for in LB 333 enacted early in the 2011 session.. The program is continued at the prior year level of \$3,365,962. Under LB 333 funding would revert back to General Funds starting in FY2013-14.

School Breakfast The budget includes a \$25,748 increase in FY2011-12 to fund estimated claims.

Other K-12 Aid Programs The budget includes no change in funding for School Lunch (\$392,032), Adult Education (\$214,664), textbook loan(\$465,500), and new Learning Community board aid (\$882,275).

Tax Equity and Educational Opportunities Support Act (TEEOSA)

TEEOSA school aid had many different changes that occurred before and during the 2011 Legislative Session. The following describes the status of TEEOSA aid as the formula existed prior to any 2011 session changes, changes to the formula that were made during the 2011 session, and then a final summary of TEEOSA as it stood at the end of the 2011 Session. This is followed by a brief summary of the distribution and impact of the Ed Jobs monies.

TEEOSA Estimates Under Previous Law: Under the prior law without LB235, TEEOSA school aid was projected to increase by \$60 million (6.3%) in FY11-12 and an additional \$90.6 million (9.0%) in FY10-11. With the expiration of the ARRA funds, the General Fund increase in FY11-12 would have been \$196.6 million or 24.7%. The major contributors to this increase in aid is the increase in the cost growth factor with the phasing out of the changes in LB245-2009.and low property valuations.

Estimates under Prior Law	Certified FY2010-11	Estimated FY2011-12	Estimated FY2012-13	Estimated FY2013-14	Estimated FY2014-15
<u>Key Assumptions</u>					
School Disbursements	5.6%	5.7%	3.0%	5.5%	5.5%
Property Valuations (assessed)	5.7%	4.3%	2.5%	5.0%	5.0%
Cost Growth Factor	3.75%	3.25%	4.50%	5.50%	6.00%
Local Effort Rate	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<u>Certified / Estimated</u>					
State General Funds	796,734,559	993,327,828	1,086,405,860	1,191,080,540	1,288,281,076
Insurance Premium Tax	13,200,000	17,151,812	14,701,226	15,068,757	15,445,476
ARRA Stablization Funds	140,287,176	0	0	0	0
Total TEEOSA Aid	950,221,735	1,010,479,640	1,101,107,086	1,206,149,297	1,303,726,552
<u>Change over Prior Year</u>					
General Fund - Dollar Change	(28,225,600)	196,593,269	93,078,032	104,674,680	97,200,536
General Fund - Percent Change	-3.4%	24.7%	9.4%	9.6%	8.2%
Total TEEOSA Aid - Dollar Change	16,345,717	60,257,905	90,627,446	105,042,211	97,577,255
Total TEEOSA Aid - Percent Change	1.8%	6.3%	9.0%	9.5%	8.1%

The importance of the cost growth factor is the formula takes two year old actual Annual Financial Report data and inflates it to the aid year. When comparing annual changes if the cost growth factor is held constant, growth in NEEDS will be close to the growth in General Fund Operating Expenditures (GFOE). If the cost growth factors are different growth in NEEDS will be the combination of the growth in school spending two years prior and the difference in cost growth factors. In these three years, the cost growth factor is higher than the prior year. Each 1% in school spending is roughly \$30 million. WHILE THIS IS ONLY 1% ON THE SPENDING SIDE, THIS \$30 MILLION IS EQUAL TO A 3% INCREASE IN STATE AID. All other things being equal a \$1 increase is a \$1 increase in TEEOSA aid.

LB 235 Formula Changes These increases that would have occurred under the previous law were reduced significantly by the provisions of LB 235. These reductions total \$188.7 million in FY11-12 and \$221.7 million in FY12-13. LB235 changes both the NEEDS and resources components of the TEEOSA formula as well as adjusting budget limitations.

The parts which affect NEEDS accounts for the largest part of the savings collectively amounting to \$137 million in FY12 and \$168.8 million in FY13. These NEEDS changes come from a reduction in the cost growth factor and applying a 95% limit to both the averaging adjustment and NEEDS stabilization. NOTE THAT THE IMPACT OF EACH CANNOT BE ISOLATED DUE TO THE INTERACTION OF ALL THREE AREAS. For example, just lowering the cost growth factor results in a \$32 million increase in NEEDS stabilization and a \$3 million reduction in the averaging adjustment. Just lowering the averaging adjustment threshold by itself results in a \$63 million reduction in the averaging adjustment but a \$17 million increase in the NEEDS stabilization. The savings from this area decline in the following years as the cost growth factor returns to it's normal state.

Changing the local effort rate (LER) from \$1.00 to \$1.0395 results in a savings of approximately \$50 million per year. These savings expire starting in the following biennium as the LER returns to \$1.00. Reducing the income tax allocation by \$21 million only results in a savings of approximately \$2 million. This is due to the fact that for equalized school districts a decline in this area as a resources is offset by a subsequent increase in equalization aid.

The final and most significant impact in the following biennium comes from the budget limitations imposed in FY12 and FY13 which ultimately affect TEEOSA aid in FY14 and FY15 when the spending levels become the key component in TEEOSA aid after the two year lag. Spending assumptions are reduced from 5.5% per year to 1% in FY12 (affects FY14 aid) and 2.5% in FY13 (affects FY15 aid). In FY11-12 the budget limitations in LB235 would allow for a growth in spending of roughly 3%. However the combination of very low growth in property valuations, limited unused tax rate capacity and the \$128 million reduction in certified aid would indicate that the level of resources available to schools would only allow for a 1% growth in spending. In this case the limit is on the resources side not the budget limit side. In FY2012-13 the growth in resources should allow for the 2.5% budget growth provided for in LB235.

LB 235 Changes	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
March 2011 Est Under Prior Law	950,221,737	1,010,479,640	1,101,107,086	1,206,149,298	1,303,726,553
LB235, aid components, NEEDS	0	(136,997,960)	(168,838,268)	(127,409,132)	(88,246,939)
LB235, aid components, Local Effort Rate	0	(49,732,549)	(50,975,862)	0	0
LB235, aid components, income tax	0	(1,936,810)	(1,936,810)	0	0
LB235, budget components	0	0	0	(131,631,096)	(231,815,512)
Revised "certification" number	0	(1,941)	0	0	0
Prior yr deficiencies/negative balances	0	30,519	0	0	0
Total Changes – LB 235	0	(188,638,741)	(221,750,941)	(259,040,228)	(320,062,451)
Sine Die 2011	950,221,737	821,840,899	879,356,145	947,109,070	983,664,102

TEEOSA Aid as Enacted State aid to schools (TEEOSA) based on the provisions of LB 235 enacted in the 2011 Session.. The overall net change in TEEOSA aid is a decrease of \$128.4 million (-13.5%) in FY2011-12 followed by a \$57.5 million (7.0%) increase in FY12-13. The General Fund amounts

(excluding the amount financed by allocated Insurance Premium Tax monies) reflect a \$10.7 million (1.3%) increase in FY11-12 followed by a \$57.5 million (7.1%) increase in FY12-13. In FY2011-12, the reason there is a large cut in overall aid but an actual increase in General Funds for TEEOSA is the expiration of the \$140.3 million of Education Stabilization funds available through the American Recovery and Reinvestment Act of 2009 (ARRA) used to help finance the FY2010-11 TEEOSA certified aid level. Note that these dollar and percent changes noted here do not take into consideration the \$58.6 million of federal EDUJOBS monies distributed in FY2010-11 with the passage of LB18 and summarized later..

Table 19 provides a summary of TEEOSA aid showing the original estimates under the previous law through the projected amount funded per LB235. Also shown is the allocation of the overall aid amount by funding source and the dollar and percent change in both total aid and General Fund amounts.

Table 19 TEEOSA Aid - Sine Die 2011 with LB 235

Estimates under LB 235	Certified* FY2010-11	Certified FY2011-12	Estimated FY2012-13	Estimated FY2013-14	Estimated FY2014-15
<u>Key Assumptions</u>					
School Disbursements	5.6%	5.7%	3.0%	1.0%	2.5%
Property Valuations (assessed)	5.7%	4.3%	2.5%	5.0%	5.0%
Cost Growth Factor	3.75%	.25%	.50%	3.00%	5.00%
Local Effort Rate	\$1.00	\$1.0395	\$1.0395	\$1.00	\$1.00
<u>Certified / Estimated</u>					
State General Funds	796,734,559	804,689,087	864,654,919	932,040,313	968,218,626
Insurance Premium Tax	13,200,000	17,151,812	14,701,226	15,068,757	15,445,476
ARRA Stablization Funds	140,287,176	0	0	0	0
Total TEEOSA Aid (excluding Ed Jobs)	950,221,735	821,840,899	879,356,145	947,109,070	983,664,102
<u>Change over Prior Year</u>					
General Fund - Dollar Change	(28,225,600)	7,954,528	59,965,832	67,385,394	36,178,313
General Fund - Percent Change	-3.4%	1.0%	7.5%	7.8%	3.9%
Total TEEOSA Aid - Dollar Change	16,345,717	(128,380,836)	57,515,246	67,752,925	36,555,032
Total TEEOSA Aid - Percent Change	1.8%	-13.5%	7.0%	7.7%	3.9%

* Does not include the provisions of LB18 Ed Jobs

LB 18 Formula Changes (Ed Jobs) In August 2010, the federal Education Jobs and Medicaid Assistance Act of 2010 was enacted. The Act allocated approximately \$10 billion to local school districts to prevent teacher layoffs due to state revenue shortfalls. Nebraska's allocation of these funds, commonly referred to as ED JOBS, was \$58.6 million. Due to requirements in the act, the monies needed to be distributed in FY2010-11.. This additional \$58.6 million was distributed by LB 18 which revised the TEEOSA formula for FY2010-11 by increasing formula needs by 2.23% and requiring the recertification of state aid for that year on or before March 1, 2011. Increases between the original certification and the recertification would be designated as federal Education Jobs Fund allocations. Though use of the funds were at the discretion of the schools, they were encouraged to use their Ed Jobs funds during FY2010-11 and conserve general funds for the FY2011-12 school year when there will, most likely, not be any additional federal funds.

The following table shows TEEOSA aid with and without the LB18 Ed Job funds and then illustrates the impact if the school funds conserved by the use of Ed Jobs funds are carried forward into FY2011-12. Note that in this illustration the addition of Ed Job funds to the FY10-11 aid tends to exaggerate the reduction in FY11-12 while in reality it helps alleviate the funding loss if the conserved funds are carried forward into FY11-12.

LB 18 Changes	Certified FY2010-11	Certified FY2011-12	Estimated FY2012-13	Estimated FY2013-14	Estimated FY2014-15
TEEOSA Aid – Per LB 235	950,221,735	821,840,899	879,356,145	947,109,070	983,664,102
EDUJOBS Funds (LB 18)	58,610,740	0	0	0	0
TEEOSA Aid as final certified	1,008,832,475	821,840,899	879,356,145	947,109,070	983,664,102
Assumed carryover of conserved funds	(58,610,740)	58,610,740	0	0	0
TEEOSA Aid + conserved funds	950,221,735	880,451,639	879,356,145	947,109,070	983,664,102
TEEOSA Aid (excluding Ed Jobs)					
Dollar Change over Prior Yr	16,345,717	(128,380,836)	57,515,246	67,752,925	36,555,032
Percent Change over Prior Yr	1.8%	-13.5%	7.0%	7.7%	3.9%
TEEOSA Aid (including Ed Jobs)					
Dollar Change over Prior Yr	74,956,457	(186,991,576)	57,515,246	67,752,925	36,555,032
Percent Change over Prior Yr	8.0%	-18.5%	7.0%	7.7%	3.9%
TEEOSA Aid + conserved funds					
Dollar Change over Prior Yr	16,345,717	(69,770,096)	(1,095,494)	67,752,925	36,555,032
Percent Change over Prior Yr	1.8%	-7.3%	-0.1%	7.7%	3.9%

AID TO ESU'S

The budget for aid to ESU's t includes a 5% cut in aid to ESU's.

(General Funds only)	Approp FY2007-08	Approp FY2008-09	Approp FY2009-10	Approp FY2010-11	Biennial Budget FY2011-12 FY2012-13	
Base Year Appropriation	11,546,488	11,546,488	16,089,570	16,089,570	14,791,327	14,791,327
LB 1208 (2006) Distance education services	(183,850)	(183,850)	(202,000)	(202,000)	0	0
LB 603 Change core service/technology funding	0	4,726,932	0	0	0	0
Reduce aid for core services by 5%	0	0	0	0	(552,027)	(552,027)
Reduce distance education aid by 5%	0	0	0	0	(15,282)	(15,282)
Reduce aid to ESU's for technology infrastructure	0	0	0	0	(172,257)	(172,257)
2.5% / 5% Across the Board cut (2009 Spec Sess)	0	0	0	(794,379)	0	0
2% Across the Board cut (2010 Sess)	0	0	0	(301,864)	0	0
Total - New Appropriation	11,362,638	16,089,570	15,887,570	14,791,327	14,051,761	14,051,761
\$ Change over Prior Yr	(183,850)	4,726,932	(202,000)	(1,096,243)	(739,566)	0
% Change over Prior Yr	-1.6%	41.6%	-1.3%	-6.9%	-5.0%	0.0%

AID TO CITIES, COUNTIES, NRD'S

The enacted budget eliminates all General Fund aid to cities, counties, and NRD's as provided for in LB 383 enacted early in the 2011 session. That bill eliminated the aid to cities and aid to NRD's programs under the State Treasurer and the new aid to counties program under the Dept of Revenue that was to go

into effect in FY2011-12 pursuant to LB 218 enacted in the 2009 legislative session. This new program would have replaced three previous county aid programs, aid to counties (State Treasurer), county property tax relief program (Dept of Revenue) and county jail reimbursement (Dept of Correctional Services).

The Municipal Equalization Fund (MEF) remains intact. This program financed by reallocation of the city sales tax collection fee and Insurance Premium tax allocation is considered a distributive fund and is not a General Fund appropriation.

STATE AID TO NRD'S

Aid to NRD's	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Prior Year Base	1,545,502	1,545,502	1,545,502	1,503,939	1,436,069	0
2009 Session (input error)	0	0	(3,000)	0	0	0
2009 Spec Session 2.5%/5% ATB Cut	0	0	(38,563)	(38,562)	0	0
2010 Session 2 ATB Cut	0	0	0	(29,308)	0	0
2011 Eliminate aid to cities, counties, NRD;s (LB	0	0	0	0	(1,436,069)	0
Total - Aid to NRD's (#12-119)	1,545,502	1,545,502	1,503,939	1,436,069	0	0

STATE AID TO CITIES

Aid to Cities	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Prior Year Base	11,257,193	11,257,193	11,257,193	11,482,763	10,964,566	0
2009 Session Replace MIRF monies remaining	0	0	520,000	0	0	0
2009 Spec Session 2.5%/5% ATB Cut	0	0	(294,430)	(294,430)	0	0
2010 Session 2 ATB Cut	0	0	0	(223,767)	0	0
2011 Eliminate aid to cities, counties, NRD;s (LB	0	0	0	0	(10,964,566)	0
Total - (#12-120, General Funds)	11,257,193	11,257,193	11,482,763	10,964,566	0	0

STATE AID TO COUNTIES

Aid to Counties	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Prior Year Base	4,965,866	4,965,866	4,965,866	4,841,719	4,623,222	0
2009 Spec Session 2.5%/5% ATB Cut	0	0	(124,147)	(124,146)	0	0
2010 Session 2 ATB Cut	0	0	0	(94,351)	0	0
2011 Eliminate aid to cities, counties, NRD;s (LB	0	0	0	0	(4,623,222)	0
Total - Aid to Counties (#12-149)	4,965,866	4,965,866	4,841,719	4,623,222	0	0

County Property Tax Relief	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Prior Year Base	0	1,500,000	1,500,000	1,500,000	1,396,500	0
2007 Program restoration	1,500,000	0	0	0	0	0
2009 Spec Session 2.5%/5% ATB Cut	0	0	0	(75,000)	0	0
2010 Session 2 ATB Cut	0	0	0	(28,500)	0	0
2011 Eliminate aid to cities, counties, NRD;s (LB	0	0	0	0	(1,396,500)	0
Total - County Property Tax Relief (#16-104)	1,500,000	1,500,000	1,500,000	1,396,500	0	0

County Jail Reimbursement	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Prior Year Base	3,910,000	3,910,000	3,910,000	3,812,250	3,640,210	0
2009 Spec Session 2.5%/5% ATB Cut	0	0	(97,750)	(97,750)	0	0
2010 Session 2 ATB Cut	0	0	0	(74,290)	0	0
2011 Eliminate aid to cities, counties, NRD;s (LB	0	0	0	0	(3,640,210)	0
Total - County Jail Reimbursement (#46-750)	3,910,000	3,910,000	3,812,250	3,640,210	0	0

Combined County Total	10,375,866	10,375,866	10,153,969	9,659,932	0	0
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HOMESTEAD EXEMPTION

This program provides property tax relief to special categories of homeowners through state funded reimbursements to local governments for property taxes not collected due to the granting of homestead exemptions. Although some form of homestead reimbursement has existed since 1969 the core of the existing program was created by LB 65 in 1979. It is found in Sections 77-3501 through 77-3529 of the Nebraska Revised Statutes.

The Dept of Revenue estimates the homestead exemption amount using a linear regression model with data from 1996 through 2010. The variables used in the model to explain Homestead reimbursement are: 1) Homestead reimbursement for the prior year; 2) capital gains reported on Nebraska resident income tax returns; 3) medical expenses reported by Homestead applicants; and 4) a time trend variable. Because most of the spending in the Homestead Exemption program is to assist low-income elderly homeowners, income is the major determining factor in the number of qualified applicants. The model suggests that the decreases in income in 2008 and 2009 were responsible for the need for an increased appropriation for FY2010-11. Capital gains earned by Nebraska residents is used as a proxy variable for non-wage income earned by retirees and in tax year 2009, capital gains dropped nearly 50% from 2008 levels

The most recent forecast for FY 2010-11 is \$68.8 million, compared to the current appropriation of \$65.0 million for FY 2010-11. The baseline estimates for FY2011-12 and FY2012-13 are \$72.3 and \$77.7 million respectively. Based on the agency request, this program is projected to increase by \$7.3 million (11.3%) in FY11-12 and an additional \$5.4 million (7.5%) in FY12-13. The FY11-12 increase is an extension of the \$3.8 million FY11 deficit plus a 5.1% increase. These increases start to recognize the pool of 65-year olds which increases dramatically as the baby boomers, born starting in 1947, start to become eligible in 2012

Homestead Exemption	Appropriation	Appropriation	Appropriation	Appropriation	Biennial Budget	
	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Base Year appropriation	56,473,000	56,473,000	76,120,104	76,120,104	65,000,000	65,000,000
Base reduction per base yr actual data	0	0	(14,870,104)	(14,870,104)	0	0
Cost/Client increases	6,689,960	12,579,104	1,000,000	3,750,000	7,300,000	12,700,000
LB968 (2006) Change max values/exemptions	6,894,000	7,068,000	0	0	0	0
Total General Funds (without deficits)	70,056,960	76,120,104	62,250,000	65,000,000	72,300,000	77,700,000
Deficit	(7,000,000)	(14,870,104)	3,609,000	3,800,000	?	?
Total General Funds (with deficits)	63,056,960	61,250,000	65,859,000	68,800,000	72,300,000	77,700,000
\$ Change (including deficits)	6,323,960	(1,806,960)	4,609,000	2,941,000	3,500,000	5,400,000
% Change (including deficits)	11.1%	-2.9%	7.5%	4.5%	5.1%	7.5%

GOVERNOR'S EMERGENCY PROGRAM

The budget provides new General Fund support for the Governors Emergency Program at \$500,000 for each year of the upcoming biennium. This is no change from the FY11 base year new appropriation. Additional funds are provided through the FY10-11 deficit and reappropriation of the unexpended balance. Deficit funding for FY10-11 includes a \$10.9 million General Fund increase. Currently the obligations for previous disasters exceed the amount of appropriated funds by \$3.86 million. The deficit funding of \$10.9 million would replenish the balance and leave approximately \$7 million of unobligated funds for future disasters.

AID TO COMMUNITY COLLEGES

Aid to community colleges would be held flat in FY10-11 and increase by \$1,112,122 (1.3%) in FY11-12.. The community college aid increase is intended to assist with meeting costs of salary increases.

General Fund Agency Operations

AGENCY BUDGET / BASE REDUCTIONS

The enacted budget includes many reductions in state agency budgets. These specific reductions amount to \$32.7 million in FY11-12 with an annualize impact of \$35 million in FY12-13. These reductions relate to specific items (there was no generally applied across the board cut) and are equal to approximately 2.7% of current General Fund appropriations (excluding constitutional officers salaries). These reductions are in addition to the across the board cuts of 2.5% in FY2009-10 and an additional 4.5% cut (7% total) in FY2010-11.

Many of these reductions were identified in the agency budget request itself. Other reductions were identified through the “90/10 modification” process where all state agencies are required to identify potential reductions as part of the budget request process. Furthermore, other items came from the LR542 budget review process where various standing committees identified potential reductions if there were a 10% reduction in funding for those agencies under their jurisdiction.

Not included in these amounts are the several fund shift items in the Dept of Health and Human Services and deletion of the contingency funding that had been added last biennium due to decertification if Beatrice State Developmental Center (BSDC)

The following table shows a summary by agency of the budget cuts and what those specific cuts amount to as a percent of their current General Fund appropriations (excluding constitutional officers salaries). A detailed listing of specific items follows the table.

Table 20 Summary of Agency General Fund Budget Reductions

Agency Number and Name	GF Cuts FY2011-12	GF Cuts FY2012-13	% of GF Budget
3 Legislative Council	(60,000)	(60,000)	-0.4%
5 Supreme Court	(745,066)	(745,066)	-1.5%
7 Governor	(20,000)	(20,000)	-1.3%
10 State Auditor	(225,919)	(225,919)	-10.2%
11 Attorney General	(290,658)	(290,658)	-5.0%
12 State Treasurer	(153,850)	(163,850)	-11.0%
13 Education	(1,569,086)	(1,579,573)	-8.9%
14 Public Service Comm	(191,826)	(191,109)	-9.6%
16 Revenue	(863,453)	(863,453)	-3.2%
18 Agriculture	(604,102)	(604,104)	-9.9%
21 Fire Marshal	(338,556)	(338,556)	-7.9%
23 Labor	(54,207)	(54,207)	-10.0%
25 HHS-System	(10,089,470)	(10,417,091)	-4.0%
27 Roads	(2,429)	(2,429)	-100.0%
28 Veterans Affairs	(8,000)	(6,000)	-0.7%
29 Natural Resources	(211,163)	(211,163)	-2.3%
31 Military Dept	(49,343)	(50,848)	-1.3%
32 Ed Lands & Funds	(33,623)	(33,623)	-10.0%
33 Game and Parks	(1,151,117)	(1,151,117)	-10.0%
34 Library Commission	(198,922)	(198,922)	-8.0%

Agency Number and Name	GF Cuts FY2011-12	GF Cuts FY2012-13	% of GF Budget
46 Corrections	(5,728,174)	(7,601,790)	-4.0%
47 NETC	(23,897)	(23,897)	-0.3%
48 Postsecond Coord Comm	(60,693)	(60,693)	-5.0%
50 State Colleges	(530,060)	(530,060)	-1.2%
51 University of Nebraska	(3,771,149)	(3,925,898)	-0.8%
54 Historical Society	(419,491)	(419,491)	-10.0%
64 State Patrol	(3,230,624)	(3,406,426)	-5.8%
65 Administrative Services	(714,827)	(473,577)	-8.9%
67 Equal Opportunity Comm	(127,651)	(127,651)	-10.0%
68 Mexican-American Comm	(20,837)	(20,837)	-10.6%
69 Arts Council	(58,795)	(58,795)	-10.0%
70 Foster Care	(7,870)	(7,870)	-0.6%
72 Economic Development	(511,309)	(511,309)	-10.8%
76 Indian Commission	(18,157)	(18,157)	-8.1%
77 Industrial Relations	(30,998)	(30,998)	-10.0%
78 Crime Commission	(285,500)	(285,500)	-3.3%
87 Accountability/Disclosure	(11,093)	(11,093)	-2.7%
93 TERC	(35,604)	(35,604)	-4.4%
TOTAL BY AGENCY	(32,631,862)	(34,941,677)	-2.7%

Table 21 Detail Listing of Agency General Fund Budget Reductions

Agency / Program	Item	Oper Cuts FY2011-12	Oper Cuts FY2012-13
3 Legislative Council	122 Base reduction	(60,000)	(60,000)
5 Supreme Court	5 Rebase Appropriation	(62,819)	(62,819)
5 Supreme Court	52 Court Operations Adjustment - 2.5% reduction	(682,247)	(682,247)
7 Governor	21 Reappropriation in Lieu of Appropriation	(20,000)	(20,000)
10 State Auditor	506 Miscellaneous Reductions to offset Worker's Comp.	(3,379)	(3,379)
10 State Auditor	506 Reductions in Staff and Hardware Purchases	(222,540)	(222,540)
11 Attorney General	507 Reduce Staffing	(290,658)	(290,658)
12 State Treasurer	24 Reduce funding for salaries	(54,145)	(54,145)
12 State Treasurer	24 Computer Hardware	(26,000)	(26,000)
12 State Treasurer	24 Postage and Printing Expense	(10,000)	(20,000)
12 State Treasurer	24 IT Consulting/Software purchases	(11,000)	(11,000)
12 State Treasurer	24 Reduce Staffing	(38,010)	(38,010)
12 State Treasurer	659 Miscellaneous Expenses	(14,695)	(14,695)
13 Education	25 Eliminate LB 1024 FTE	(246,620)	(246,620)
13 Education	25 Transfer teacher certification investigation to cash funds	(123,468)	(123,468)
13 Education	25 Shift to Ed. Innovation Fund - Student Leader Center	(450,000)	(450,000)
13 Education	25 Agency FTE reduction	(550,000)	(550,000)
13 Education	25 Shift to Ed. Innovation Fund - Multicultural Education	(114,629)	(114,629)
13 Education	351 Gen funds to fed maintenance of effort level, voc rehab	(84,369)	(94,856)
14 Public Service	14 Reduced Health Insurance Expenses	(15,591)	(15,591)
14 Public Service	16 Reduction per agency request	(1,527)	(1,527)
14 Public Service	54 Reallocation of Staff - Fund Shift	(25,787)	(25,787)

Agency / Program	Item		Oper Cuts FY2011-12	Oper Cuts FY2012-13
14 Public Service	54	Eliminate the Railroad Safety Program	(61,807)	(61,090)
14 Public Service	54	Eliminate Director of Transportation position	(87,114)	(87,114)
16 Revenue	102	Eliminate Position Vacancies	(661,568)	(661,568)
16 Revenue	112	Reduce staffing, assessment function.	(201,885)	(201,885)
18 Agriculture	56	Elimination of Gen Funds for equipment expenses.	(69,938)	(69,938)
18 Agriculture	61	Laboratory equipment.	(45,000)	(45,000)
18 Agriculture	63	Eliminate Gen Funds, Commercial Dog & Cat Inspection	(149,672)	(149,672)
18 Agriculture	63	Eliminate funding, backtagging incentive program.	(30,000)	(30,000)
18 Agriculture	78	FTE downsizing.	(309,492)	(309,494)
21 Fire Marshal	193	Deputy Fire Marshal Lay-Offs	(121,201)	(121,201)
21 Fire Marshal	193	Equipment Reduction	(9,642)	(9,642)
21 Fire Marshal	193	Reduce WIRAT Training Hours	(3,360)	(3,360)
21 Fire Marshal	340	Part-Time Instructors	(19,924)	(19,924)
21 Fire Marshal	340	Reduce State Fire School Classes Offered	(18,176)	(18,176)
21 Fire Marshal	340	Computers	(5,000)	(5,000)
21 Fire Marshal	340	Reduce Temporary Services	(4,498)	(4,498)
21 Fire Marshal	415	Eliminate Volunteer Emerg Responders Recruit & Retention	(12,066)	(12,066)
21 Fire Marshal	845	Delay purchase of laptop computers	(52,689)	(52,689)
21 Fire Marshal	845	Equipment Reduction	(50,000)	(50,000)
21 Fire Marshal	845	Communication and Electronic Equipment	(42,000)	(42,000)
23 Labor	194	Eliminate Labor Law Specialist in Labor Standards Program.	(54,207)	(54,207)
25 HHS-System	33	Centralize building and rent budgets	(87,500)	(87,500)
25 HHS-System	33	Centralize facility buyers	(44,000)	(44,000)
25 HHS-System	33	Eliminate an epidemiology surveillance coordinator	(110,000)	(110,000)
25 HHS-System	33	Eliminate the LB 603 (2009) Evaluation Contract	0	(150,000)
25 HHS-System	33	Move part of administration costs to Program 179	(96,512)	(96,512)
25 HHS-System	33	Rebase Children's Helpline due to underutilization	(310,000)	(310,000)
25 HHS-System	33	Reduce FTE/contracts in Economic & Family Support	(1,301,646)	(1,301,646)
25 HHS-System	33	Reduce printing costs	(213,161)	(213,161)
25 HHS-System	33	Reduce standardized devices supported by IS&T	(240,000)	(240,000)
25 HHS-System	33	Reduce the number of paper forms	(88,084)	(88,084)
25 HHS-System	33	Transfer X-ray regulation to cash funds	(220,000)	(220,000)
25 HHS-System	33	Savings, Enterprise Content Management	(158,634)	(359,134)
25 HHS-System	33	Reduce contract for the Behavioral Health Strategic Plan	(40,000)	(40,000)
25 HHS-System	33	Reduce additional staffing, General Operations	(1,162,149)	(1,162,149)
25 HHS-System	178	Reduce expenditures in the Emergency Medical Services	(7,021)	(7,021)
25 HHS-System	32	Budget Instruction adjustments	(188)	(188)
25 HHS-System	33	Budget Instruction adjustments	(141,803)	(118,924)
25 HHS-System	250	Budget Instruction adjustments	(18,484)	(18,484)
25 HHS-System	365	Budget instruction adjustments	(71,896)	(71,896)
25 HHS-System	421	Budget instruction adjustments	(37,362)	(37,362)
25 HHS-System	519	Budget instruction adjustments	(29,544)	(29,544)
25 HHS-System	33	Contract Reductions	(2,737,243)	(2,737,243)
25 HHS-System	33	Contract Reductions	(357,032)	(357,032)
25 HHS-System	33	Contract Reductions	(238,022)	(238,022)
25 HHS-System	250	Contract Reductions	(39,670)	(39,670)
25 HHS-System	365	Contract Reductions	(238,022)	(238,022)
25 HHS-System	421	Contract Reductions	(158,681)	(158,681)
25 HHS-System	519	Contract Reductions	(198,351)	(198,351)
25 HHS-System	33	Centralize accounting - Reduce FTEs	(307,424)	(307,424)
25 HHS-System	250	Centralize accounting - Reduce FTEs	(98,744)	(98,744)
25 HHS-System	365	Centralize accounting - Reduce 2.0 Accounting Clerks	(91,607)	(91,607)

Agency / Program	Item		Oper Cuts FY2011-12	Oper Cuts FY2012-13
25 HHS-System	421	Centralize accounting - Reduce 1.0 Accounting Clerk	(43,068)	(43,068)
25 HHS-System	870	Centralize accounting - Reduce 1.0 Accounting Clerk	(47,809)	(47,809)
25 HHS-System	519	Centralize accounting - Reduce 4.0 Accounting Clerks	(186,348)	(186,348)
25 HHS-System	All	Base Adjustment for Salary Savings	(297,465)	(297,465)
27 Roads	113	Eliminate the Railway Council	(2,429)	(2,429)
28 Vet Affairs	37	Finance Cemetery Operations with Cash Funds	(8,000)	(6,000)
29 Nat Resources	334	Reduction in force.	(211,163)	(211,163)
31 Military Dept	544	Reduce operating and repair , state-owned facilities	(49,343)	(50,848)
32 Ed Lands & Funds	529	Eliminate .43 FTE Mapping Specialist	(33,623)	(33,623)
33 Game and Parks	336	Agency efficiency review and reorganization	(150,294)	(150,294)
33 Game and Parks	337	Agency efficiency review and reorganization	(40,373)	(40,373)
33 Game and Parks	549	Agency efficiency review and reorganization	(672,636)	(672,636)
33 Game and Parks	617	Agency efficiency review and reorganization	(67,406)	(67,406)
33 Game and Parks	617	Fund shift, General to Game Cash Fund	(220,000)	(220,000)
33 Game and Parks	550	Vehicle insurance premiums, General to cash	(408)	(408)
34 Library Comm	252	Reduction in Library Commission personnel.	(198,922)	(198,922)
35 Liquor Control	73	Eliminate Staff Assistant II Position, 1.0 FTE.	0	0
46 Corrections	200	Cost Savings Initiatives in Health Services	(480,000)	(480,000)
46 Corrections	200	Decrease of 25 FTE by June 2011	(1,020,270)	(1,020,270)
46 Corrections	200	Eliminate 4 work crews at the Work Ethic Camp	(223,415)	(223,415)
46 Corrections	200	House Federal Detainees	(762,120)	(762,120)
46 Corrections	200	Increase in Good Time for Inmates and Parolees	0	(108,185)
46 Corrections	200	Other miscellaneous reductions	(89,701)	(89,701)
46 Corrections	200	Pay Deputy Director from Revolving Funds	(136,374)	(136,374)
46 Corrections	200	Reduce IT Applications/Programming Costs	(250,000)	(250,000)
46 Corrections	200	Reduction in Leased Vehicle Usage	(100,000)	(100,000)
46 Corrections	200	Reduction in overtime - videoconferencing	(150,000)	(150,000)
46 Corrections	200	Reduction in overtime at facilities	(50,000)	(50,000)
46 Corrections	200	Stage 1 Lower Population	(1,426,294)	(2,631,725)
46 Corrections	200	Stage 1 Lower Population, Reduce Central Office FTE	(200,000)	(200,000)
46 Corrections	200	Stage 1 Lower Population, Reduction In Program Staff	(360,000)	(600,000)
46 Corrections	200	Stage 2 Lower Population. Reduction of Facility Staff	(480,000)	(800,000)
47 NETC	533	Conversion from Satellite to Fiber Optics	0	0
47 NETC	566	Reduce General Fund Support	(23,897)	(23,897)
48 Coord Comm	640	Reduce General Fund Support for Operations	(60,693)	(60,693)
50 State Colleges	48	Depreciation Assessments - Recapture	(530,060)	(530,060)
51 University of Nebr	781	Building Depreciation Assessment - Recapture	(3,771,149)	(3,771,149)
51 University of Nebr	781	Eliminate funding, optometry education assistance	0	(154,749)
54 Historical Society	648	Library/Archives and Museum Staff	(189,399)	(189,399)
54 Historical Society	648	Maintenance and Security Staffing	(57,679)	(57,679)
54 Historical Society	648	Historic Sites Staffing	(54,462)	(54,462)
54 Historical Society	648	Research and Publications Staff	(41,116)	(41,116)
54 Historical Society	648	Archeology Staff	(32,714)	(32,714)
54 Historical Society	648	Ford Center Staffing	(22,496)	(22,496)
54 Historical Society	648	Administration Support Staff	(21,625)	(21,625)
64 State Patrol	100	Reduce the appropriation for purchase of vehicles	(1,175,400)	(1,175,400)
			Oper Cuts	Oper Cuts

Agency / Program	Item	FY2011-12	FY2012-13
64 State Patrol	100 DROP Retirement Contribution	(371,439)	(547,241)
64 State Patrol	100 Maintenance cost, paid by CLEIN fund in the OCIO	(70,000)	(70,000)
64 State Patrol	100 Reduce Gen increase cash funds, agency flexibility.	(829,272)	(829,272)
64 State Patrol	630 Capitol Security Fund Source	(165,128)	(165,128)
64 State Patrol	100 Base Adjustment for Salary Savings	(619,385)	(619,385)
65 DAS	101 Shift Funding for Staff	(39,418)	(39,418)
65 DAS	169 Reduce Federal Liaison funding.	(4,131)	(4,131)
65 DAS	535 Risk Management Fund Shift.	(79,015)	(79,015)
65 DAS	560 Eliminate funding support, Joslyn Castle operations	(35,000)	(35,000)
65 DAS	592 Decrease for Indemnification.	(241,250)	0
65 DAS	685 Reduce funds budgeted for utilities.	(197,009)	(197,009)
65 DAS	685 Eliminate 1.0 FTE grounds maintenance position.	(52,872)	(52,872)
65 DAS	685 Eliminate 1.0 FTE custodial position.	(43,132)	(43,132)
65 DAS	685 Eliminate utilization of SOS temporary personnel.	(20,000)	(20,000)
65 DAS	685 Reduce funds budgeted for other temporary personnel	(3,000)	(3,000)
67 Equal Opp	59 Eliminate computer replacement funding from the base	(25,484)	(25,484)
67 Equal Opp	59 Eliminate two investigator positions	(102,167)	(102,167)
68 Latino-American	537 Freeze GF appropriation at flat \$175,000 level	(20,837)	(20,837)
69 Arts Council	326 Reduce operating expenses, agency and grant administration.	(25,276)	(25,276)
69 Arts Council	326 Reduce administrative support position to .50 FTE	(23,864)	(23,864)
69 Arts Council	326 Elimination of organizational dues.	(9,655)	(9,655)
70 Foster Care	116 Two furlough days for all staff	(7,870)	(7,870)
72 Econ Develop	600 Elimination of an Office Clerk position.	(41,563)	(41,563)
72 Econ Develop	603 Innovation Zone Commission sunset	(133,366)	(133,366)
72 Econ Develop	603 Reallocation of 1 FTE from General Funds	(86,380)	(86,380)
72 Econ Develop	616 Reduction of tourism marketing funding.	(250,000)	(250,000)
76 Indian Comm	584 Reduce the administrative secretary to half time	(16,697)	(16,697)
76 Indian Comm	584 Reduce outreach and travel	(1,460)	(1,460)
77 Indust Relations	490 Commissioner Conference Attendance.	(600)	(600)
77 Indust Relations	490 Commissioner Travel.	(1,540)	(1,540)
77 Indust Relations	490 Per Diem Salaries.	(28,858)	(28,858)
78 Crime Comm	198 Eliminate Staff / Federal Fund Shift	(55,500)	(55,500)
78 Crime Comm	198 Eliminate Homicide Study	(20,000)	(20,000)
78 Crime Comm	199 Transfer Cash Funds and Lower General Funds	(30,000)	(30,000)
78 Crime Comm	199 Eliminate Staff / Cash Fund Shift	(180,000)	(180,000)
87 Account/Disclosure	94 Reduce Staff by 1.0 FTE	(11,093)	(11,093)
93 TERC	115 Shift General Fund to Cash Fund.	(20,000)	(20,000)
93 TERC	115 Reduce "Other Operating Expenses"	(15,604)	(15,604)
xx Multiple	Adjust for Salary Savings (#64 and #25 shown separately)	(184,343)	(184,343)
State Total		(32,631,862)	(34,941,677)

COURT SYSTEM

The enacted budget includes a 2.5% (\$682,247) reduction in court operations excluding judges salaries and benefits and probation. Unexpended funds from the judges salaries programs can also be reallocated to court operations.

DEPT OF HEALTH AND HUMAN SERVICES

The General Fund budget for the operation of the HHS System has many significant items included both increases and reductions.

Juvenile Detention Costs The department requested, and the Governor and Legislature funded, increased General Fund appropriations of \$5 million each year to cover the increased cost of juvenile detention services. In prior years these increased costs had been covered through Child Welfare funds in the Public Assistance program. For the most part this amount is shift of funds from Public Assistance to Juvenile Services.

Inflationary Increases: The budget includes inflationary increases for food, drugs, medical and clinical services and medical supplies for the regional centers, veterans homes, youth rehabilitation and treatment centers, Norfolk Sex Offender Treatment Center, and the Beatrice State Developmental Center. Requests for these items are considered to be unique operating costs for 24 hour facilities. The Department of Health and Human Services (HHS) guidelines for increases in these line items were as follows: food increased 1% each year; drugs costs increased 4% each year; and, medical services and supplies increased 3% each year. Medical supplies include laboratory supplies, contracts with doctors, and costs to take clients to medical appointments. The increases are based upon historical inflationary increases in these line items. Additional funds added for these operating expenses for all of the 24 facilities operated by HHS totaled \$403,997 General Funds in FY2011-12 and \$774,958 General Funds in FY2012-13.

Medicaid information and technology projects The agency requested funds to bring the department's computer systems into compliance with new HIPAA 5010 and National Council for Prescription Drug Programs standards that regulate the electronic submission of specific healthcare transactions, as required by federal law. The compliance date for use of these standards is January 1, 2012. In addition, the department must convert their diagnostic code set to one required by the federal law. All HIPAA covered entities must be in compliance with this provision by October 1, 2013. The department has hired the Public Consulting Group to lead the development of the State Medicaid Health Information Technology Plan. The plan is anticipated to be completed by June 2011. This funding is needed to implement the plan. The budget includes \$1.5 million General Funds each year for this project along with \$12.3 million per year of federal funds.

Federal Health Care Reform implementation Under the Patient Protection and Affordable Care Act (ACA) most of the expanded coverages affecting the state become operative in 2014. However there would be administrative costs incurred in the years prior to the 2014 ACA required changes. There are a number of mandatory requirements for Medicaid under the ACA that will need to be addressed in the next two-year period. Program changes include, but are not limited to:

1. Development of a benchmark plan
2. Implementation of the National Correct Coding Initiative (NCCI)
3. Implementation of the Recovery Audit Contractors (RAC)
4. Numerous changes to the provider enrollment and verification process
5. Processes for tracking eligibility and FMAP percentages based on category of eligibility
6. Changes to physician fee schedules
7. Implementation of a new income standard for eligibility
8. Presumptive eligibility process changes
9. The ability to track health care outcomes
10. The ability to interface with the Health Information Exchange

Each of these changes will require significant systems work in MMIS (Medicaid Management Information System) and NFOCUS (Eligibility system). Additional staff will be required to implement and administer the required changes. Some of these projects will include costs for required services obtained through the RFP process. Such services will be additional costs for the department. Some of the changes required by the ACA were effective with the implementation of the law. Staff is currently working to draft regulations, submit state plan changes, and is pursuing appropriate system-related changes related to those requirements.

At the time the agency request was submitted DHHS did not have a formalized implementation plan for the ACA and utilized an estimate developed by Milliman Inc. which prepared a report of the anticipated costs of the ACA. Milliman determined that the costs in FY11-12 and FY12-13 would be approximately \$6.3 million and \$12.5 million respectively. These were rough calculations using fairly generic assumptions not necessarily an assessment or analysis of Nebraska's specific situation. The request was then based on the usual administrative match rate of 50% GF and 50% FF

The Governors recommendation included \$4 million in FY12 (\$2 million each General and Federal) and \$6 million (\$3 million each General and Federal) utilizing the same 50%-50% fund mix.

The enacted budget also includes the same \$4 million in FY12 and \$6 million in FY13 however uses an overall 30% General 70% Federal mix. CMS has sent out guidance that the FMAP for computer systems will be 10% state and 90% federal. Overall funding included is \$1,200,000 General and \$2,800,000 Federal in FY12 and \$1,800,000 General and \$4,200,000 Federal in FY13

Additional developmental disability service coordinators Funding is provided for five additional service coordinators in FY12 and an additional five service coordinators in FY13 due to the influx of over 800 people being provided services off of the waiting list in the FY10/FY11 biennium. The additional caseloads will not allow the current number of service coordinators to transition new developmental disability graduates into services with the additional aid provided.. (\$127,580 General and \$127,580 Federal in FY11-12, \$255,160 General and \$255,160 Federal in FY12-13)

Beatrice State Developmental Center (BSDC) decertification contingency funding In the previous biennial budget, the Centers for Medicare and Medicaid Services (CMS) terminated BSDC's Medicaid approval in March of 2007 due to non-compliance with four of eight conditions of participation. The decertification resulted in the loss of over \$25 million of annual funding for the center. At that time, the budget included a contingency general fund appropriation in Program 422 of \$25 million in FY2009-10 and \$24,477,558 in FY2010-11. The department is in the process of having BSDC recertified as five separate ICF-MR's. It is anticipated the institutional programs will be recertified prior to the 2011-12 fiscal year. Based on this premise, general funds provided as contingency funds in the current biennium

in place of federal funds will no longer be required when federal funding is reinstated and have been removed from the proposed budget for the upcoming biennial budget.

Privatization of child welfare case management. Beginning on January 3, 2011, case management functions in child welfare were transferred to the lead agency contractors in the Eastern and Southeastern areas of the state. The savings from eliminating case managers was requested to be transferred to Program 347 to increase the contracts under child welfare. The budget as enacted transferred the funds in the first year only (\$2.7 million General Funds), pending the information from the LR 37 child welfare privatization study

DHHS Operations Reductions The budget includes other cuts amounting to \$8.8 million in FY11-12 and \$8.9 million in FY12-13. These cuts are contained in fourteen different issues most of which were modifications identified as part of the “90/10” modification process as part of the budget request submittal. Following the list is a narrative description of several of the larger items.

DHHS Operations Reductions	FY2011-12	FY2012-13
Contract reductions	(3,967,021)	(3,967,021)
Reduce FTEs and contracts in Economic and Family Support	(1,301,646)	(1,301,646)
Reduce additional staffing in General Operations	(1,162,149)	(1,162,149)
Reduce FTE's, centralization of payroll and finance functions	(775,000)	(775,000)
Cost savings, reduced Beatrice State Develop Cntr (BSDC) census	(672,000)	(672,000)
Rebase Children's Helpline due to underutilization	(310,000)	(310,000)
Reduce standardized devices supported by IS&T	(240,000)	(240,000)
Eliminate an epidemiology surveillance coordinator	(110,000)	(110,000)
Reduce the number of paper forms	(88,084)	(88,084)
Centralize building and rent budgets	(87,500)	(87,500)
Eliminate the LB 603 (2009) Evaluation Contract.	0	(150,000)
Centralize facility buyers	(44,000)	(44,000)
Reduce contract for the Behavioral Health Strategic Plan.	(40,000)	(40,000)
Reduce EMS expenditures, eliminate one board meeting	(7,021)	(7,021)

The contract reduction issue was a budget modification identified by the agency as part of the budget request “90/10 modification process. Under this issue, the Department will review all contracts before they are renewed and make reductions where appropriate to achieve savings. (\$3,967,021 in both FY12 and FY13)

Approximately 42 FTEs would be eliminated in the Economic and Family support area . The reductions would be accomplished through a combination of not refilling vacant positions and layoffs. These positions are frontline, administrative and supervisory overseeing the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance to Needy Families (TANF), Low-Income Energy Assistance, Kids Connection, and child care.

The staffing reductions in the General Operations area relate to an agency budget modification but did not identify Funding reductions that will result in additional unspecified staffing reductions in the General Operations areas was included.

The budget includes a reduction of 17.0 FTE staff as provided for in the agency budget request by eliminating accounting clerks in the institutional programs through the centralization of payroll and finance functions. Six personnel assistants and an office clerk position will also be eliminated.General Fund savings amount to \$775,000 each year.

At the Beatrice State Developmental Center (BSDC) the census is being reduced through voluntary movement of people into community settings. The department anticipates that it will be able to close a small unit at BSDC in 2011. Closure of the unit will result in the reduction of a management position, a qualified mental retardation professional, direct care positions, facility costs, food, supplies expenses, and other costs associated with the unit's operations. The plan is to move people who live in the smallest unit on campus to homes on campus with vacancies, as appropriate settings become available. Staff will be reduced as the census is decreased and the unit will close when it is ultimately vacated.

The Children's Helpline which was established in the current biennium and assists families of youth experiencing an urgent behavioral health situation in responding to the situation and avoiding utilization of emergency levels of care. An evaluation study of the Helpline and Family Navigator programs showed the usage was less than originally projected allowing for a base reduction of \$310,000 general funds each fiscal year.

DEPT OF CORRECTIONAL SERVICES

In terms of the FY11-12 and FY12-13 biennium, the dollar and percent increase in funding for the Dept of Correctional Services (NDCS) is skewed by the replacement of the one-time ARRA stabilization funds in the FY10-11 base. The actual percent changes show a 9.5% increase in FY11-12 operations. Adjusting out the impact of the ARRA funds, this becomes a 2.4% reduction. Significant changes in their appropriations are noted below.

ARRA General Fiscal Stabilization funds Under the American Recovery and Reinvestment Act of 2009 (ARRA), Nebraska was allocated \$52 million of general fiscal stabilization funds. As stated in the Act, these funds could be used for public safety and other government services. The total \$52 million, was used to offset General Fund appropriations for NDCS \$35 million in FY2009-10 and \$17 million in FY2010-11. The budget for FY2011-12 and FY2012-13 includes an additional \$17 million General Funds to replace the one-time use of these ARRA funds.

Budget Reductions, Lower Prison Population The enacted budget, which followed the Governor's Recommendation, includes portions of the Department of Correctional Services (NDCS) modifications to lower the prison population with General Fund savings of \$2.5 million in FY2011-12 and \$4.2 million in FY2012-13. An estimated 545 additional inmates will be placed on parole or in the reentry furlough program (RFP) within the next two years. The NDCS plan is to reduce the prison population to 125 percent capacity over the next biennium. As of April 2011 it was at 139 percent.

The increase in the parole and RFP population will be achieved through close cooperation between the Parole Board and NDCS, to ensure that inmates are evaluated, classified, and receive appropriate treatment early in their prison term and are prepared parole candidates when they appear before the Parole Board. Eventually, 95% of all inmates are released from prison.

The plan will focus on those inmates who have 36 months or less to serve on their sentences. Additionally, there are approximately 308 inmates admitted to NDCS each year who have one year or less to serve, and currently, 100% of these inmates serve out their full sentences. The NDCS plan will place

emphasis on paroling nonviolent inmates on their parole eligibility date rather than having them serve out their full sentences in a prison facility.

Paroled individuals have a better chance to become law-abiding citizens than those who are mandatorily discharged because parole provides a structured release. Offenders under parole supervision are required to seek employment, maintain stable housing, and attend any required treatment.

Additional parole officers will be hired as NDCS housing units close. The trained housing staff will then be available to apply for parole officer positions. It is estimated that 2.5 housing units could be closed over the next biennium under the NDCS inmate reduction plan.

Other Budget Reductions In addition to the budget reductions attributed to reducing inmate populations, the budget incorporated other cuts amounting to \$3.3 million in FY11-12 and \$3.4 million in FY12-13. These cuts are contained in eleven different issues and include:

<u>DCS Budget Reductions</u>	<u>FY2011-12</u>	<u>FY2012-13</u>
Cost Savings Initiatives in Health Services.	(480,000)	(480,000)
Decrease of 25 FTE by June 2011	(1,020,270)	(1,020,270)
House Federal Detainees.	(762,120)	(762,120)
Eliminate 4 work crews at the Work Ethic Camp (WEC)	(223,415)	(223,415)
Increase in Good Time for Inmates and Parolees	0	(108,185)
Other miscellaneous reductions	(89,701)	(89,701)
Pay Deputy Director from Revolving Funds.	(136,374)	(136,374)
Reduce IT Applications/Programming Costs	(250,000)	(250,000)
Reduction in Leased Vehicle Usage	(100,000)	(100,000)
Reduction in overtime - videoconferencing.	(150,000)	(150,000)
Reduction in overtime at facilities.	(50,000)	(50,000)

Cost Savings Initiatives in Health Services would include things like reducing the use of contract nurses, review of pharmacy practices and the DCS formulary, potential use of Mobile radiology technology, expanded use of primary case physicians, physician assistants and nurse practitioners concurrent with reduced use of emergency rooms, implementing a contract for inmate case reviews for claims exceeding \$30,000 per inmate, and use of a hospitalist (hospital-based general physician that assumes the care of hospitalized patients in the place of patients' primary care physician.

The decrease of 25 FTE relates to DCS streamlining its operations and reviewing vacant positions. Twenty-five positions have been identified for elimination by July 1, 2011. Most of these positions have already been vacated through attrition. DCS has initiated adjustments to job duties so as to minimize the impact of these reductions on the facilities and staff. DCS states that the safety and security of the institutions will not be adversely impacted by this modification.

Under the issue relating to housing federal detainees, DCS would contract with the federal U.S. Marshal's Service to house 26 Federal Detainees at an estimated cost of \$88.36 per inmate per day, and they would be housed in existing Lincoln facilities. No additional staffing would be required. Any medical costs would be paid by the U.S. Marshal's Service. The direct cost to DCS would be the non-medical per-diem cost estimated at \$2,939 per inmate per year, or \$76,416. Federal revenue received of \$838,536 minus non-medical per diem would be a net General Fund savings of \$762,120

Additional Custody Staff, Omaha Correctional Center The budget includes additional funding for 3.0 FTE security staff at the Omaha Correctional Center (OCC) amounting to \$130,853 in FY11-12

and \$128,853 in FY12-13. The OCC had an actual average population in FY10 of 656 and is projected to increase to 750 during the next two years. The inmate population at OCC will be increasing because when crowding occurs, NDCS notes that it is safer to manage such crowding at a lower custody level and OCC houses medium/minimum inmates.

The new staff include an additional property officer and two industry corporals to supervise and control inmate movement to and from the Cornhusker State Industries area (CSI). An additional property officer is needed to handle all of the transfers, admits, and releases. A new CSI building is being constructed at OCC, and is expected to open soon. An industries officer is needed to provide supervision and control of inmates.

Inmate Medical Costs The budget includes funds for higher inmate medical costs amounting to \$1,357,959 in FY11-12 and \$2,418,600 in FY12-13. These cost increases are in three areas:

- 1) Inflationary increases for certain medical items (doctors, hospital stays, drugs). The DCS budget projects cost increases of 9.5% per year for drugs and hospital costs. This projection is based on a survey that showed prescription drugs increased an average of 10.9% in 2009 with this increase expected to continue. Additionally, hospital costs are projected to increase 11.5% to 12.5%. (\$856,459 FY12, \$1,781,000 FY13)
- 2) Funding to cover pregnancy and birth costs. Medicaid no longer pays the pregnancy and birth costs for inmates. Unborn children are no longer recognized as a Medicaid group so the pregnant inmate must qualify in her own right and an incarcerated woman does not qualify. (\$215,500 both FY12 and FY13)
- 3) TSCI medical contract cost increases. DCS just re-bid the contract for inmate medical services at Tecumseh (TSCI). The increase is what is in the contract for FY2011-12 and FY2012-13. The new contract has inflation built into it, but also has provisions for deductions if staffing is not provided as required. (\$286,000 FY12, \$422,100 FY13)

Inmate Food Cost Increases The budget includes an additional \$150,000 each year for increased food costs. This is approximately a 3% increase in the current food budget of \$4.5 million. This is significantly below the requested increase of 7.7% in FY11-12 and 8.8% in FY12-13. The current FY11 food budget of \$4.5 million equals \$2.63 per inmate per day. Actual costs have exceeded budgeted the past two years; FY10 \$2.71 actual vs \$2.55 budgeted, FY09 \$2.76 actual vs \$2.44 budgeted.

STATE COLLEGES

In a year where substantial cuts are made in most agency operations, funding for the State Colleges remains relatively flat. The only reduction was \$530,060 related to the LB1100 depreciation assessments. LB 318, enacted in 2009, suspended the charges for FY09-10 and FY10-11 after which, they are to be reinstated at the 1% rate beginning with FY11-12. When LB318 was enacted the requirement to pay the assessment was removed. However the associated dollar amounts were left in the State College appropriation amount. LB 380 introduced this session at the request of the Governor continues this suspension through FY11-12 and FY12-13. The Governor then deleted the associated amounts that had been retained in the base budget. The enacted budget also removes this funding but the depreciation assessment requirement was actually repealed rather than a two year suspension.

The only other significant item included in the budget is funding associated with salary increases in the second year of the biennium, FY2012-13, the same as for state employees. As recommended by the Governor, the budget includes an increase in General Funds for FY12-13 to provide a portion of funds necessary to support salary increases approximating 2% for the State College System.

The Nebraska State Colleges have reached settlements for the 2011-13 biennium with each of three collective bargaining groups representing college employees. Under terms of the agreements, faculty as well as professional staff are to receive salary increases of 1% for each year of the biennium while support staff will receive no salary increase in 2011-12 and a 1% increase for 2012-13 plus longevity increases that will equate to just over an additional 1%. Nebraska State College System health insurance rates will not increase for 2011-12 while rate increases for 2012-13 are anticipated to approximate not more than 4%.

UNIVERSITY OF NEBRASKA

Similar to the State Colleges, funding for the University of Nebraska remains relatively flat. The only reduction was \$3,771,149 related to elimination of the depreciation surcharge requirement as discussed under the State Colleges section. The budget also includes a portion of the monies needed to approximate funding the equivalent of a 2% salary increase in the second year of the biennium, FY2012-13,

Collective bargaining at the University includes only the faculty at UNK and UNO. UNK faculty agreed to a 1% salary increase per year. UNO faculty agreed to a 1.1% salary increase per year. All other salary increases will be determined by the Board of Regents prior to July 1.

The University requested a 10% increase in health insurance costs. The Board of Regents will approve an increase in health insurance costs prior to July 1.

Amounts approved by the Board of Regents above the enacted General Fund budget will be paid for by a tuition rate increase or by a reallocation of resources or both.

STATE PATROL

The General Fund budget for the State Patrol is a net 5.1% reduction in FY11-12 compared to the FY11 base year. These reductions are contained in seven different budget cuts and include the following:

Reducing funds for purchase of vehicles (\$1,175,400 each year). The agency is in a unique position where there exists a surplus of vehicles on hand, and a lower rate of usage of vehicles due to a reduced number of officers

Reducing DROP Retirement Contribution (\$371,439 FY12, \$547,241 FY13) The State Patrol has reviewed the number of employees currently participating in the DROP program, and has estimated the impact of future participants. Upon entering DROP, the employee's retirement benefit is calculated and the employee and the employer (State) cease making monthly contributions to the State Patrol Retirement

Plan. The experience since September 1, 2008, is indicating that the Patrol will be contributing less to the retirement plan.

Reduce General Funds and increase cash funds (\$829,272 each year) This dollar amount equals two modifications of the State Patrol; eliminate 10 Civilian Positions (\$525,935), and reduce spending on supplies and equipment (\$303,337). The enacted budget is intended to give the agency flexibility by increasing the cash fund appropriation to offset the General Fund reduction and by not reducing the salary limit.

DEPT OF ECONOMIC DEVELOPMENT

The Governor proposed and the Legislature enacted several economic development bills which collectively are referred to as the Talent and Innovation Initiative. These bills were based on 2010 recommendations made in a comprehensive review of Nebraska's economic climate commonly referred to as the Battelle Study

LB 386 - Nebraska Internship Program is a partnership with Nebraska businesses to create new internship opportunities for college and university students. Funded with \$1.5 million a year from existing job training funds, and matched by eligible companies, the program will create opportunities for 500 to 750 juniors and seniors studying at four-year institutions or students in their second year at a Nebraska community college to gain job experience.

LB 387 - Business Innovation Act provides competitive grants for research at Nebraska institutions, new product development and testing, and help expand small business and entrepreneur outreach efforts. It will expand grant opportunities within targeted industries to help businesses providing matching funds with prototype development, commercialization and applied research in the state and provide assistance for microenterprise projects. A total of \$7 million of General Funds are provided for grants, \$5,454,078 of new funds and \$1,545,922 from reallocation of existing grant funds..

LB 388 - Site & Building Development Fund is intended to help increase industrial and commercial sites available and ready for business development. Communities will provide matching funds toward projects that can involve demolition, new construction and rehabilitation. State funding will be focused on land and infrastructure costs with 40 percent of funding available to non-metro areas. Funding for the program would come from transfers from the Affordable Housing Trust Fund and an allocation from the existing documentary stamp tax.

LB 389 - Angel Investment Tax Credit encourages investment in high-tech and other startup enterprises in Nebraska by providing refundable state income tax credits to qualified investors investing in qualified early-stage companies. Capped at \$3 million annually, the program requires a minimum investment of \$25,000 for individuals and \$50,000 for investment funds. Eligible small businesses must have fewer than 25 employees, with the majority based in the state. The program is financed by lowering the cap for the Nebraska Advantage Rural Development Act from \$4,000,000 to \$1,000,000 beginning with applications filed in calendar year 2012.

Also based on recommendations from the Legislature's Innovation and Entrepreneurship Task Force LB 345 - Small Business Innovation Act was enacted. This bill creates a statewide pilot program is to provide technical assistance (information tools, state and national demographic trends, competitive

intelligence, marketing lists, strategy analysis, capital and labor referrals etc.), to 40 Nebraska-based growth businesses. The bill is financed by lowering the total amount of tax credits granted under the Community Development Assistance Act by \$200,000 in FY12 and FY13.

DEPRECIATION ASSESSMENTS

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) was to annually thereafter assess depreciation charges to the relevant state agency on the basis of 2% of the total project cost. In the case of acquisition of an existing facility, the depreciation charge was based upon 2% of the greater of the acquisition price or the value of the facility as determined by DAS. LB410, enacted in 2003, suspended these charges for 2003-04. LB1092, enacted in 2004, suspended the charges for 2004-05 and provided for reinstatement of the charges at a 1% rate for 2005-06. The charges remained at this 1% rate through 2008-09. LB318, enacted in 2009, suspended the charges for 2009-10 and 2010-11 after which, the charges are to be reinstated at the 1% rate beginning with 2011-12. Amounts remitted by state agencies for these 'LB1100' depreciation charges have been credited, as applicable, to the State Building Renewal Assessment Fund (Sec. 81-188.01), University Building Renewal Assessment Fund (Sec. 81-188.03), and State College Building Renewal Assessment Fund (Sec. 81-188.05). The funds are administered by the "309" Task Force for Building Renewal (a division of DAS). In general terms, amounts from the respective funds are authorized to be expended for building renewal projects and other building improvements incident to approved building renewal projects.

LB 380 as originally introduced would have suspended assessment of 'LB1100' depreciation charges for FY11-12 and FY12-13. Under provisions of the bill, the depreciation charges would resume at the 1% rate for 2013-14 and future years. LB 380 as enacted repealed the statutory provisions with no resumption in future years.

Elimination of this assessment results in substantial General Fund savings, \$10.4 million in FY11-12 and \$11.2 million in FY12-13. Most of these savings are actually what could be considered a cost avoidance meaning increased costs that will not have to be funded if LB380 is enacted. The other amounts are monies currently left in the University and State Colleges budgets when the assessment was suspended and which are proposed to be cut in the upcoming biennium if the assessment is deleted.

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. Table 22 shows the General Fund amount funded in the biennial budget.

Table 23 shows the historical salary increases over the past 10 years 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 FY03 to FY13, employee salary increases averaged 2.4% per year.

Nebraska Association of Public Employees (NAPE-AFSCME) Collective bargaining agreements have been reached with NAPE-AFSCME on a labor contract for FY2011-12 and FY2012-13. The contract calls for no salary increase for FY2011-12, and a 2.0% increase on July 1, 2012 (FY2012-13).

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.. The budget includes funding for a 2% salary increase in FY2012-13 only, the same as for the NAPE/AFSCME Master Contract as noted above.

“Salary Equity” Increase

In the current fiscal year, FY10-11, the NAPE salary agreement called for a 2.5% increase. While these employees covered by labor contracts received this salary increase, those not covered by labor contracts did not receive a salary increase in FY10-11 except for employees of the Dept of Education and Court System. To avoid having no salary increase for two consecutive years, the Governor recommended and the Legislature funded a 1.5% increase in FY11-12 only for those employees who did not receive an increase in FY10-11.

State Colleges As noted in the previous narrative regarding the State Colleges budget, the budget includes increased General Funds for FY12-13 to provide a portion of funds necessary to support salary increases approximating 2%. The Nebraska State Colleges have reached settlements for the 2011-13 biennium with each of three collective bargaining groups representing college employees. Under the agreements, faculty as well as professional staff are to receive salary increases of 1% for each year of the biennium while support staff will receive no salary increase in 2011-12 and a 1% increase for 2012-13 plus longevity increases that will equate to just over an additional 1%.

University of Nebraska Similar to the State Colleges, the General Fund budget provides a portion of the funding for salary increases approximating the NAPE Master Contract which is no increase in FY11-12 and 2% in FY12-13. Collective bargaining at the University includes only the faculty at UNK and UNO. UNK faculty agreed to a 1% salary increase per year. UNO faculty agreed to a 1.1% salary increase per year. All other salary increases will be determined by the Board of Regents prior to July 1.

Table 22 Funded Salary Increases

General Funds Only	FY2011-12	FY2012-13
State Agencies	0	7,576,716
State Colleges	0	602,084
University of Nebraska	0	6,630,260
Subtotal: 0% / 2% Increases	0	14,809,060
Salary Equity (1.5% FY12)	1,830,102	1,865,762
Total General Fund Salaries	1,830,102	16,674,822

Table 23 Historical NAPE Master Contracts

Fiscal Year	General Salary Policy	FY basis % Chnge
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%
FY2005-06	3.0% on July 1	3.00%
FY2006-07	3.25% on July 1	3.25%
FY2007-08		
*	3.0% on July 1	3.00%
FY2008-09*	2.5% on July 1	2.50%
FY2009-10	2.9% on July 1	2.90%
FY2010-11	2.5% on July 1	2.50%
FY2011-12	No Salary Increase	0.00%
FY2012-13	2.0% on July 1	2.00%
Ten Year Average (FY03 to FY13)		2.40%

*additional amounts for specific units

STATE EMPLOYEE HEALTH INSURANCE

State Employees For the two years of the upcoming biennium, no additional funds are budgeted for employee health insurance costs.

At the present time, existing rates have been exceeding claims expenditures. This positive gap, plus shifts in coverage, allows for a very small change in rates in FY2011-12. Claims expenditures are projected to increase by

approximately 8.5% in FY2012-13 however it's projected that the rates charged would not change. This claims expenditure growth turns the positive revenue/claims gap into a negative, however this shortfall would be covered by accumulated funds from the prior years. In the projected budget for the following biennium, FY14/FY15, a substantial increase in rates is assumed in FY2013-14 to eliminate this negative revenue/claims gap created in FY2012-13.

Table 24 Health Insurance Cost Increases

General Funds Only	FY2011-12	FY2012-13
State Employees	0	0
State Colleges	0	0
University of Nebraska	0	0
Total General Fund costs	0	0

State Colleges The budget does not provide any additional funding for potential health insurance cost increases in either year. Nebraska State College System health insurance rates will not increase for 2011-12 while rate increases for 2012-13 are anticipated to approximate not more than 4%.

University of Nebraska For the University of Nebraska, the budget does not provide any additional funding for potential health insurance cost increases. The University requested a 10% increase in health insurance costs. The Board of Regents will approve an increase in health insurance costs prior to July 1.

Table 25 shows the historical trends in health insurance rates. The comparison uses Blue Cross/Blue Shield (BC/BS) BlueChoice family coverage which is the highest cost coverage. It's also the health insurance plan most consistently offered over the years. For FY2010-11, annual premium costs (including employee and employer) range from a low of \$3,952 for BC/BS High Deductible PPO single coverage to \$27,058 this BC/BS BlueChoice family. The ten-year average annual increase is 8.6% including projected rates for FY12 and FY13.

Table 25 Historical Health Insurance Rates - BC/BS Family Coverage

BC/BS (Family)	Dollar Cost Per Employee - FY Basis				Percent of Total		
	Employee	Employer	Total	% Change	Employee	Employer	Trust
FY2000-01	2,207.58	8,304.60	10,512.18	7.1%	21.0%	79.0%	100.0%
FY2001-02	2,360.94	8,881.62	11,242.56	6.9%	21.0%	79.0%	100.0%
FY2002-03	2,503.20	9,416.76	11,919.96	6.0%	21.0%	79.0%	100.0%
FY2003-04	2,686.26	10,105.50	12,791.76	7.3%	21.0%	79.0%	100.0%
FY2004-05	2,859.60	10,758.00	13,617.60	6.5%	21.0%	79.0%	100.0%
FY2005-06	3,313.56	12,465.96	15,779.52	15.9%	21.0%	79.0%	100.0%
FY2006-07	3,776.28	14,206.56	17,982.84	14.0%	21.0%	79.0%	100.0%
FY2007-08	4,206.72	15,825.48	20,032.20	11.4%	21.0%	79.0%	100.0%
FY2008-09	4,647.48	17,483.28	22,130.76	10.5%	21.0%	79.0%	100.0%
FY2009-10	5,181.36	19,491.36	24,672.72	11.5%	21.0%	79.0%	100.0%
FY2010-11	5,682.24	21,376.08	27,058.32	9.7%	21.0%	79.0%	100.0%
FY2011-12 Current Est	5,696.28	21,429.12	27,125.40	0.2%	21.0%	79.0%	100.0%
FY2012-13 Current Est	5,696.28	21,429.12	27,125.40	0.0%	21.0%	79.0%	100.0%
<u>Average Annual Change</u>							
FY03 to FY13 (10 Yr)	8.6%	8.6%	8.6%				

DEFINED BENEFIT / CASH BALANCE RETIREMENT PLANS

The Public Employees Retirement Board (PERB) is the entity through which the state contributes funding for the three defined benefit plans for K-12 school employees, judges, and State Patrol. Financing for the benefits provided by these three defined benefit plans comes from employee and matching employer contributions as set in statute, court fees (for the judges plan), the investment return on those contributions, and state contributions as required by statute. There also are two cash balance plans which are what could be termed “defined return” plans where the state in essence guarantees an annual return on the investment not a guaranteed benefit amount. In both cases, when revenue from these sources is not actuarially sufficient, state appropriations are required. For all these programs, the state General Fund is responsible for financing any actuarial shortfalls in these programs at statutory employee and employer contribution rates.

Each fall, actuaries provide an assessment as to the status of the defined benefit plans as of the preceding July 1. The fall 2010 report showed positive investment returns for the prior plan year, almost 14%. Notwithstanding this high return, an even higher return was removed from the five year smoothing period and the substantial losses that occurred in 2008 and 2009 still remain. The fall report identified a an actuarial shortfall of \$21.6 million payable in FY2011-12. Another actuarial study then extended the outlook another five years. That study revealed a growing shortfall over the next four years with the shortfall level declining slightly in the fifth year..

The enacted budget for the FY12 / FY13 biennium did not have to include additional state funding to cover this actuarial shortfall due to the net impact of increased employee/employer contribution changes as enacted in **LB 382**. The biggest dollar offset is attributed to the school plan. Changes to the school plan reflected in these estimates includes an increase in the school and employee contribution rate of .6% in FY11-12 and 1.5% in FY12-13 and extending the 1% increases enacted in 2009 which is scheduled to expire in FY2013-14. Changes for the State Patrol plan include an increase from 16% to 19% for both the employee contributions and employer contributions..

Table 26 shows (1) the projected actuarial shortfalls by plan, (2) projected net offsets based on the provisions of LB382, and (3) the net amount of additional State Contributions after the proposed changes in employer and employee contributions.

Table 26 Defined Benefit / Cash Balance Plan Shortfall

Market Return Assumptions						
Plan Year End	June 2011	June 2012	June 2013	June 2014	June 2015	June 2016
Market Return Assumptions	13.5%	10.0%	8.0%	8.0%	8.0%	8.0%
Shortfall and Actions Taken						
	FY2011-12	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
School System	18,800,000	48,500,000	81,245,000	99,435,000	116,597,000	112,254,000
Judges System	0	0	338,000	828,000	1,406,000	1,496,000
State Patrol System	2,770,000	4,075,000	5,516,000	6,372,000	5,751,000	5,366,000
State Cash Balance	0	0	0	0	0	0
County Cash Balance	0	0	0	0	0	0
Total Projected Shortfall	21,570,000	52,575,000	87,099,000	106,635,000	123,754,000	119,116,000
Net Change, Retirement Committee proposal	(21,694,079)	(51,355,650)	(51,953,611)	(91,156,601)	(105,055,849)	(105,055,849)
Remaining unfunded shifted forward	124,079	(1,219,350)	1,095,271	0	0	0
Net Additional Contribution by state after changes	0	0	36,240,660	15,478,399	18,698,151	14,060,151

General Fund Appropriations By Agency

FY12 / FY13 Biennial Budget as Enacted in the 2011 Legislative Session

		Type	Base Yr FY2010-11	Enacted FY2011-12	Enacted FY2012-13	FY12 vs Prior Yr		FY13 vs Prior Yr	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
#03	Legislative Council	Oper	17,550,553	17,729,162	17,977,091	178,609	1.0%	247,929	1.4%
#03	Legislative Council	Total	17,550,553	17,729,162	17,977,091	178,609	1.0%	247,929	1.4%
#05	Supreme Court	Oper	70,264,041	74,874,064	75,654,066	4,610,023	6.6%	780,002	1.0%
#05	Supreme Court	Total	70,264,041	74,874,064	75,654,066	4,610,023	6.6%	780,002	1.0%
#07	Governor	Oper	1,636,049	1,631,635	1,652,727	(4,414)	-0.3%	21,092	1.3%
#07	Governor	Total	1,636,049	1,631,635	1,652,727	(4,414)	-0.3%	21,092	1.3%
#08	Lt. Governor	Oper	143,285	143,423	143,610	138	0.1%	187	0.1%
#08	Lt. Governor	Total	143,285	143,423	143,610	138	0.1%	187	0.1%
#09	Secretary of State	Oper	448,368	442,212	444,708	(6,156)	-1.4%	2,496	0.6%
#09	Secretary of State	Total	448,368	442,212	444,708	(6,156)	-1.4%	2,496	0.6%
#10	State Auditor	Oper	2,343,098	2,147,685	2,184,391	(195,413)	-8.3%	36,706	1.7%
#10	State Auditor	Total	2,343,098	2,147,685	2,184,391	(195,413)	-8.3%	36,706	1.7%
#11	Attorney General	Oper	5,943,070	7,713,160	5,795,369	1,770,090	29.8%	(1,917,791)	-24.9%
#11	Attorney General	Total	5,943,070	7,713,160	5,795,369	1,770,090	29.8%	(1,917,791)	-24.9%
#12	State Treasurer	Aid	17,023,857	0	0	(17,023,857)	-100.0%	0	na
#12	State Treasurer	Oper	1,513,782	1,387,516	1,389,129	(126,266)	-8.3%	1,613	0.1%
#12	State Treasurer	Total	18,537,639	1,387,516	1,389,129	(17,150,123)	-92.5%	1,613	0.1%
#13	Education	Aid	1,006,343,095	1,008,042,169	1,068,008,001	1,699,074	0.2%	59,965,832	5.9%
#13	Education	Oper	17,662,993	15,972,467	16,097,774	(1,690,526)	-9.6%	125,307	0.8%
#13	Education	Total	1,024,006,088	1,024,014,636	1,084,105,775	8,548	0.0%	60,091,139	5.9%
#14	Public Service Comm	Oper	2,509,079	2,334,926	2,359,563	(174,153)	-6.9%	24,637	1.1%
#14	Public Service Comm	Total	2,509,079	2,334,926	2,359,563	(174,153)	-6.9%	24,637	1.1%
#15	Parole Board	Oper	799,188	806,321	819,249	7,133	0.9%	12,928	1.6%
#15	Parole Board	Total	799,188	806,321	819,249	7,133	0.9%	12,928	1.6%
#16	Revenue	Aid	66,396,500	72,300,000	77,700,000	5,903,500	8.9%	5,400,000	7.5%
#16	Revenue	Oper	27,071,402	25,792,617	25,447,374	(1,278,785)	-4.7%	(345,243)	-1.3%
#16	Revenue	Total	93,467,902	98,092,617	103,147,374	4,624,715	4.9%	5,054,757	5.2%
#18	Agriculture	Oper	6,128,426	5,554,886	5,618,857	(573,540)	-9.4%	63,971	1.2%
#18	Agriculture	Total	6,128,426	5,554,886	5,618,857	(573,540)	-9.4%	63,971	1.2%
#21	Fire Marshal	Oper	4,293,454	3,934,637	3,991,920	(358,817)	-8.4%	57,283	1.5%
#21	Fire Marshal	Total	4,293,454	3,934,637	3,991,920	(358,817)	-8.4%	57,283	1.5%
#23	Labor	Oper	542,072	489,927	497,939	(52,145)	-9.6%	8,012	1.6%
#23	Labor	Total	542,072	489,927	497,939	(52,145)	-9.6%	8,012	1.6%
#25	HHS System	Aid	931,792,389	1,036,022,540	1,075,747,340	104,230,151	11.2%	39,724,800	3.8%
#25	HHS System	Oper	252,915,827	219,347,008	225,177,598	(33,568,819)	-13.3%	5,830,590	2.7%
#25	HHS System	Total	1,184,708,216	1,255,369,548	1,300,924,938	70,661,332	6.0%	45,555,390	3.6%
#27	Roads	Oper	2,429	0	0	(2,429)	-100.0%	0	na
#27	Roads	Total	2,429	0	0	(2,429)	-100.0%	0	na
#28	Veterans Affairs	Oper	1,115,761	1,108,586	1,127,666	(7,175)	-0.6%	19,080	1.7%
#28	Veterans Affairs	Total	1,115,761	1,108,586	1,127,666	(7,175)	-0.6%	19,080	1.7%

	Type	Base Yr FY2010-11	Enacted FY2011-12	Enacted FY2012-13	FY12 vs Prior Yr		FY13 vs Prior Yr	
					\$ Chnge	% Chnge	\$ Chnge	% Chnge
#29 Natural Resources	Aid	7,611,628	5,958,361	5,958,361	(1,653,267)	-21.7%	0	0.0%
#29 Natural Resources	Oper	9,304,414	10,286,686	10,397,171	982,272	10.6%	110,485	1.1%
#29 Natural Resources	Total	16,916,042	16,245,047	16,355,532	(670,995)	-4.0%	110,485	0.7%
#31 Military Dept	Aid	988,775	988,775	988,775	0	0.0%	0	0.0%
#31 Military Dept	Oper	3,695,668	3,653,446	3,687,973	(42,222)	-1.1%	34,527	0.9%
#31 Military Dept	Total	4,684,443	4,642,221	4,676,748	(42,222)	-0.9%	34,527	0.7%
#32 Ed Lands & Funds	Oper	335,310	305,465	310,575	(29,845)	-8.9%	5,110	1.7%
#32 Ed Lands & Funds	Total	335,310	305,465	310,575	(29,845)	-8.9%	5,110	1.7%
#33 Game & Parks	Aid	44,222	42,011	42,011	(2,211)	-5.0%	0	0.0%
#33 Game & Parks	Oper	11,507,092	10,709,153	10,833,605	(797,939)	-6.9%	124,452	1.2%
#33 Game & Parks	Total	11,551,314	10,751,164	10,875,616	(800,150)	-6.9%	124,452	1.2%
#34 Library Commission	Aid	1,131,378	1,043,240	1,043,240	(88,138)	-7.8%	0	0.0%
#34 Library Commission	Oper	2,489,223	2,324,875	2,390,260	(164,348)	-6.6%	65,385	2.8%
#34 Library Commission	Total	3,620,601	3,368,115	3,433,500	(252,486)	-7.0%	65,385	1.9%
#35 Liquor Control	Oper	957,770	962,331	973,825	4,561	0.5%	11,494	1.2%
#35 Liquor Control	Total	957,770	962,331	973,825	4,561	0.5%	11,494	1.2%
#46 Correctional Services	Aid	3,640,210	0	0	(3,640,210)	-100.0%	0	na
#46 Correctional Services	Oper	142,575,132	156,102,931	157,059,844	13,527,799	9.5%	956,913	0.6%
#46 Correctional Services	Total	146,215,342	156,102,931	157,059,844	9,887,589	6.8%	956,913	0.6%
#47 NETC	Oper	9,498,750	9,499,670	9,558,708	920	0.0%	59,038	0.6%
#47 NETC	Total	9,498,750	9,499,670	9,558,708	920	0.0%	59,038	0.6%
#48 Coordinating Comm	Aid	6,863,406	6,918,156	6,918,156	54,750	0.8%	0	0.0%
#48 Coordinating Comm	Oper	1,213,855	1,166,756	1,185,157	(47,099)	-3.9%	18,401	1.6%
#48 Coordinating Comm	Total	8,077,261	8,084,912	8,103,313	7,651	0.1%	18,401	0.2%
#50 State Colleges	Oper	45,369,972	44,846,037	45,450,893	(523,935)	-1.2%	604,856	1.3%
#50 State Colleges	Total	45,369,972	44,846,037	45,450,893	(523,935)	-1.2%	604,856	1.3%
#51 University of Nebraska	Oper	494,720,104	491,278,349	497,771,940	(3,441,755)	-0.7%	6,493,591	1.3%
#51 University of Nebraska	Total	494,720,104	491,278,349	497,771,940	(3,441,755)	-0.7%	6,493,591	1.3%
#54 Historical Society	Oper	4,194,912	3,797,693	3,853,605	(397,219)	-9.5%	55,912	1.5%
#54 Historical Society	Total	4,194,912	3,797,693	3,853,605	(397,219)	-9.5%	55,912	1.5%
#64 State Patrol	Oper	55,891,491	53,690,860	54,253,448	(2,200,631)	-3.9%	562,588	1.0%
#64 State Patrol	Total	55,891,491	53,690,860	54,253,448	(2,200,631)	-3.9%	562,588	1.0%
#65 Admin Services (DAS)	Oper	8,020,421	7,327,181	7,638,096	(693,240)	-8.6%	310,915	4.2%
#65 Admin Services (DAS)	Total	8,020,421	7,327,181	7,638,096	(693,240)	-8.6%	310,915	4.2%
#67 Equal Opportunity	Oper	1,276,113	1,152,618	1,178,277	(123,495)	-9.7%	25,659	2.2%
#67 Equal Opportunity	Total	1,276,113	1,152,618	1,178,277	(123,495)	-9.7%	25,659	2.2%
#68 Latino American Comm.	Oper	195,837	175,950	178,681	(19,887)	-10.2%	2,731	1.6%
#68 Latino American Comm.	Total	195,837	175,950	178,681	(19,887)	-10.2%	2,731	1.6%
#69 Arts Council	Aid	847,854	838,069	838,069	(9,785)	-1.2%	0	0.0%
#69 Arts Council	Oper	585,033	529,648	538,267	(55,385)	-9.5%	8,619	1.6%
#69 Arts Council	Total	1,432,887	1,367,717	1,376,336	(65,170)	-4.5%	8,619	0.6%
#70 Foster Care Review	Oper	1,357,694	1,355,920	1,379,348	(1,774)	-0.1%	23,428	1.7%
#70 Foster Care Review	Total	1,357,694	1,355,920	1,379,348	(1,774)	-0.1%	23,428	1.7%

	Type	Base Yr FY2010-11	Enacted FY2011-12	Enacted FY2012-13	FY12 vs Prior Yr		FY13 vs Prior Yr	
					\$ Chnge	% Chnge	\$ Chnge	% Chnge
#72 Economic Development	Aid	1,545,922	7,200,000	7,200,000	5,654,078	365.7%	0	0.0%
#72 Economic Development	Oper	4,754,074	4,457,423	4,507,955	(296,651)	-6.2%	50,532	1.1%
#72 Economic Development	Total	6,299,996	11,657,423	11,707,955	5,357,427	85.0%	50,532	0.4%
#76 Indian Commission	Oper	223,535	179,486	167,410	(44,049)	-19.7%	(12,076)	-6.7%
#76 Indian Commission	Total	223,535	179,486	167,410	(44,049)	-19.7%	(12,076)	-6.7%
#77 Industrial Relations	Oper	309,981	281,161	284,108	(28,820)	-9.3%	2,947	1.0%
#77 Industrial Relations	Total	309,981	281,161	284,108	(28,820)	-9.3%	2,947	1.0%
#78 Crime Commission	Aid	2,166,328	2,301,403	2,301,403	135,075	6.2%	0	0.0%
#78 Crime Commission	Oper	8,722,109	3,243,305	3,272,518	(5,478,804)	-62.8%	29,213	0.9%
#78 Crime Commission	Total	10,888,437	5,544,708	5,573,921	(5,343,729)	-49.1%	29,213	0.5%
#81 Blind & Visually Impaired	Aid	176,890	176,890	176,890	0	0.0%	0	0.0%
#81 Blind & Visually Impaired	Oper	835,295	837,324	846,113	2,029	0.2%	8,789	1.0%
#81 Blind & Visually Impaired	Total	1,012,185	1,014,214	1,023,003	2,029	0.2%	8,789	0.9%
#82 Deaf & Hard of Hearing	Oper	836,115	838,373	848,782	2,258	0.3%	10,409	1.2%
#82 Deaf & Hard of Hearing	Total	836,115	838,373	848,782	2,258	0.3%	10,409	1.2%
#83 Community Colleges	Aid	86,758,025	86,758,025	87,870,147	0	0.0%	1,112,122	1.3%
#83 Community Colleges	Total	86,758,025	86,758,025	87,870,147	0	0.0%	1,112,122	1.3%
#84 Environmental Quality	Aid	4,304,996	2,638,396	2,446,846	(1,666,600)	-38.7%	(191,550)	-7.3%
#84 Environmental Quality	Oper	3,264,821	3,279,921	3,323,012	15,100	0.5%	43,091	1.3%
#84 Environmental Quality	Total	7,569,817	5,918,317	5,769,858	(1,651,500)	-21.8%	(148,459)	-2.5%
#85 Retirement Board	Oper	27,420,010	28,344,698	29,629,917	924,688	3.4%	1,285,219	4.5%
#85 Retirement Board	Total	27,420,010	28,344,698	29,629,917	924,688	3.4%	1,285,219	4.5%
#87 Account/Disclosure	Oper	410,932	401,814	407,548	(9,118)	-2.2%	5,734	1.4%
#87 Account/Disclosure	Total	410,932	401,814	407,548	(9,118)	-2.2%	5,734	1.4%
#93 Tax Equal/Review Comm	Oper	815,044	694,660	683,640	(120,384)	-14.8%	(11,020)	-1.6%
#93 Tax Equal/Review Comm	Total	815,044	694,660	683,640	(120,384)	-14.8%	(11,020)	-1.6%
Construction-Total	Total	13,802,233	14,027,233	14,602,233	225,000	1.6%	575,000	4.1%
OPERATIONS		1,253,663,584	1,223,133,966	1,238,989,707	(30,529,618)	-2.4%	15,855,741	1.3%
STATE AID		2,137,635,475	2,231,228,035	2,337,239,239	93,592,560	4.4%	106,011,204	4.8%
CONSTRUCTION		13,802,233	14,027,233	14,602,233	225,000	1.6%	575,000	4.1%
TOTAL GENERAL FUNDS		3,405,101,292	3,468,389,234	3,590,831,179	63,287,942	1.9%	122,441,945	3.5%

General Fund State Aid by Aid Program

FY12 / FY13 Biennial Budget as Enacted in the 2011 Session

Agency	Base Yr FY2010-11	Enacted FY2011-12	Enacted FY2012-13	FY12 vs Prior Yr \$ Chnge	FY12 vs Prior Yr % Chnge	FY13 vs Prior Yr \$ Chnge	FY13 vs Prior Yr % Chnge
#12-State Treasurer							
Aid to NRD's	1,436,069	0	0	(1,436,069)	-100.0%	0	na
Aid to Cities	10,964,566	0	0	(10,964,566)	-100.0%	0	na
Aid to Counties	4,623,222	0	0	(4,623,222)	-100.0%	0	na
#13-Education							
State Aid to Education (TEEOSA)	796,734,560	804,689,087	864,654,919	7,954,527	1.0%	59,965,832	7.5%
Special Education	184,893,842	184,893,842	184,893,842	0	0.0%	0	0.0%
Aid to ESU's	14,791,327	14,051,761	14,051,761	(739,566)	-5.0%	0	0.0%
High ability learner programs	2,175,673	0	0	(2,175,673)	-100.0%	0	na
Early Childhood program	3,365,962	0	0	(3,365,962)	-100.0%	0	na
School Lunch	392,032	392,032	392,032	0	0.0%	0	0.0%
Textbook loan program	465,500	465,500	465,500	0	0.0%	0	0.0%
School Breakfast reimbursement	427,260	453,008	453,008	25,748	6.0%	0	0.0%
Adult Education	214,664	214,664	214,664	0	0.0%	0	0.0%
Learning Communities Aid	882,275	882,275	882,275	0	0.0%	0	0.0%
Vocational Rehabilitation	2,000,000	2,000,000	2,000,000	0	0.0%	0	0.0%
#16-Revenue							
County Property Tax Relief	1,396,500	0	0	(1,396,500)	-100.0%	0	na
Homestead Exemption	65,000,000	72,300,000	77,700,000	7,300,000	11.2%	5,400,000	7.5%
#25-Health and Human Services							
Behavioral Health aid	74,721,481	74,810,767	74,952,023	89,286	0.1%	141,256	0.2%
Medical student assistance/RHOP	637,086	637,086	637,086	0	0.0%	0	0.0%
Childrens Health Insurance	11,634,438	9,932,192	13,036,419	(1,702,246)	-14.6%	3,104,227	31.3%
Public Assistance	248,124,986	239,522,936	243,518,332	(8,602,050)	-3.5%	3,995,396	1.7%
Medicaid	489,426,763	599,909,134	630,241,604	110,482,371	22.6%	30,332,470	5.1%
Developmental Disabilities aid	90,573,431	94,652,981	96,804,432	4,079,550	4.5%	2,151,451	2.3%
Community health centers	3,867,394	3,767,394	3,767,394	(100,000)	-2.6%	0	0.0%
Health Aid	4,807,372	4,790,612	4,790,612	(16,760)	-0.3%	0	0.0%
Care Management	2,033,123	2,033,123	2,033,123	0	0.0%	0	0.0%
Area agencies on aging	5,966,315	5,966,315	5,966,315	0	0.0%	0	0.0%
#29-Natural Resources							
Nebr Water Conservation Fund	2,318,036	2,318,036	2,318,036	0	0.0%	0	0.0%
Resources Development Fund	3,140,325	3,140,325	3,140,325	0	0.0%	0	0.0%
NRD Water Management grants	2,153,267	500,000	500,000	(1,653,267)	-76.8%	0	0.0%
#31-Military Dept.							
Governors Emergency Program	500,000	500,000	500,000	0	0.0%	0	0.0%
Guard tuition assistance	488,775	488,775	488,775	0	0.0%	0	0.0%
#33-Game & Parks							
Niobrara Council	44,222	42,011	42,011	(2,211)	-5.0%	0	0.0%
#34-Library Commission							
Local libraries	1,131,378	1,043,240	1,043,240	(88,138)	-7.8%	0	0.0%

Agency	Base Yr FY2010-11	Enacted FY2011-12	Enacted FY2012-13	FY12 vs Prior Yr		FY13 vs Prior Yr	
				\$ Chnge	% Chnge	\$ Chnge	% Chnge
#46-Corrections							
County jail cost reimbursement	3,640,210	0	0	(3,640,210)	-100.0%	0	na
#47-Postsecondary Ed Coord. Comm.							
Nebr Scholarship Program	6,418,156	6,418,156	6,418,156	0	0.0%	0	0.0%
Access College Early Scholarship	445,250	500,000	500,000	54,750	12.3%	0	0.0%
#69-Arts Council							
Aid to arts programs	661,654	595,489	595,489	(66,165)	-10.0%	0	0.0%
Council on Humanities	186,200	167,580	167,580	(18,620)	-10.0%	0	0.0%
Managing Mainstreet	0	75,000	75,000	75,000	na	0	0.0%
#72-Economic Development							
Managing Mainstreet	93,100	in #69	in #69	(93,100)	-100.0%	0	na
Microenterprise Development Act	463,172	0	0	(463,172)	-100.0%	0	na
Ag Opportunities/Value-Added	850,000	0	0	(850,000)	-100.0%	0	na
Building Entrepreneurial Communities	139,650	0	0	(139,650)	-100.0%	0	na
Business Innovation Act	0	7,000,000	7,000,000	7,000,000	na	0	0.0%
Small Business Innovation Act	0	200,000	200,000	200,000	na	0	0.0%
#78-Crime Commission							
Juvenile services grants	587,812	587,812	587,812	0	0.0%	0	0.0%
County Juvenile Services aid	1,492,500	1,477,575	1,477,575	(14,925)	-1.0%	0	0.0%
Crimestoppers program	13,457	13,457	13,457	0	0.0%	0	0.0%
Victim Witness assistance	52,559	52,559	52,559	0	0.0%	0	0.0%
Crime Victims reparations	20,000	20,000	20,000	0	0.0%	0	0.0%
Violence Prevention Grants	0	150,000	150,000	150,000	na	0	0.0%
#81-Blind & Visually Impaired							
Blind rehabilitation	176,890	176,890	176,890	0	0.0%	0	0.0%
#83-Community Colleges							
Aid to Community Colleges	86,758,025	86,758,025	87,870,147	0	0.0%	1,112,122	1.3%
#84-Environmental Quality							
Superfund cleanup	1,980,000	813,400	621,850	(1,166,600)	-58.9%	(191,550)	-23.5%
Storm Water Management grants	2,324,996	1,824,996	1,824,996	(500,000)	-21.5%	0	0.0%
Individuals/Other	946,598,966	1,057,283,733	1,097,008,533	110,684,767	11.7%	39,724,800	3.8%
Local Government	1,191,036,509	1,173,944,302	1,240,230,706	(17,092,207)	-1.4%	66,286,404	5.6%
Total General Fund State Aid	2,137,635,475	2,231,228,035	2,337,239,239	93,592,560	4.4%	106,011,204	4.8%

General Fund Appropriations by Bill

	FY2010-11	FY2011-12	FY2012-13
LB 210 Misc revenue/taxation changes, filing dates	0	37,000	0
LB 345 Small Business Innovation Act	0	200,000	200,000
LB 382 Change contribution rates, retirement plans	0	628,798	628,798
LB 384 Eliminate a TERC commissioner	0	(74,515)	(99,354)
LB 387 Business Innovation Act	0	5,564,078	5,564,078
LB 389 Angel Investment Tax Credit Act	0	145,500	83,500
LB 390 Changes, community corrections and Crime Comm.	0	(31,000)	(31,005)
LB 549 Nebraska Youth Conservation Program	0	Cash	Cash
LB 121 Eliminate Fire Marshal tracking duties, VERRRA	0	*	*
LB 191 Changes, sentence reductions and good time	0	*	*
LB 235 Revise TEEOSA school aid formula	0	*	*
LB 259 Repeal Light-Density Rail Line Assistance Act	0	*	*
LB 333 Change allocation, Education Innovation Fund	0	*	*
LB 334 Eliminate Higher ed mandates, optometry assistance	0	*	*
LB 383 Eliminate state aid, cities, counties, and NRD's	0	*	*
LB 465 Eliminate certain public assist benefits, non-US citizens	0	*	*
LB 464 Change child care reimbursement provisions	0	*	*
LB 468 Change reporting, medical assistance program	0	*	*
<i>Subtotal-"A" Bills</i>	0	6,469,861	6,346,017
LB 374 Mainline Budget Bill	0	3,424,033,488	3,545,974,023
LB 375 Legislator Salaries	0	632,982	632,982
LB 376 Constitutional Officers Salaries	0	23,225,670	23,275,924
LB 377 Capital Construction	0	14,027,233	14,602,233
LB 373 Deficits	(27,202,366)	0	0
LB 585 State Claims	1,702,254	0	0
<i>Subtotal-Mainline Bills</i>	(25,500,112)	3,461,919,373	3,584,485,162
Total-Appropriations Bills (General Funds)	(25,500,112)	3,468,389,234	3,590,831,179

* Impact of these bills was incorporated into the mainline budget bills

Governor Vetoes and Overrides

In the 2011 Legislative Session there was only one Governor veto of General Fund appropriations, LB 200 Healthy Food Financing Initiative Act, amounting to \$150,000 each year. The veto was sustained with the failure of the override motion..

There were no vetoes in the mainline appropriations bills.

APPROPRIATIONS ALL FUND SOURCES

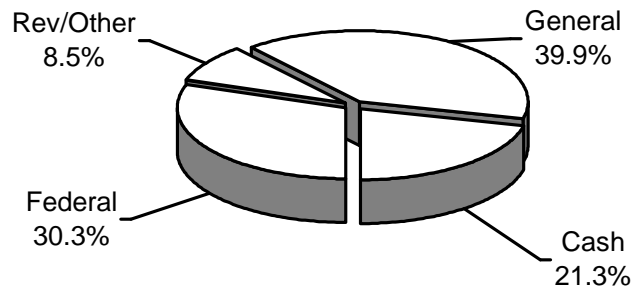
Appropriations - All Fund Sources

This section of the report reflects the enacted 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. For a more detailed explanation of the changes in appropriations from other fund sources, please refer to the specific agency pages later on in this report.

Table 27 FY12 / FY13 Biennial Budget - All Fund Sources

	General	Cash	Federal	Rev/Other	Total
<u>FY2010-11 (without deficits)</u>					
Agency Operations	1,253,663,584	1,347,443,293	793,042,642	713,628,115	4,107,777,634
State Aid	2,137,635,475	400,172,739	1,990,897,880	1,226,034	4,529,932,128
Capital Construction	13,802,233	38,591,997	0	18,757,819	71,152,049
FY2010-11 Total	3,405,101,292	1,786,208,029	2,783,940,522	733,611,968	8,708,861,811
<u>FY2011-12</u>					
Agency Operations	1,220,353,392	1,393,182,913	810,926,138	719,202,636	4,143,665,079
State Aid	2,234,008,609	415,423,363	1,825,132,520	1,226,034	4,475,790,526
Capital Construction	14,027,233	39,822,061	0	20,227,500	74,076,794
FY2011-12 Total	3,468,389,234	1,848,428,337	2,636,058,658	740,656,170	8,693,532,399
Change over prior year					
Dollar	63,287,942	62,220,308	(147,881,864)	7,044,202	(15,329,412)
Percent	1.9%	3.5%	-5.3%	1.0%	-0.2%
<u>FY2012-13</u>					
Agency Operations	1,238,989,707	1,347,442,995	813,142,448	719,990,857	4,119,566,007
State Aid	2,337,239,239	411,549,723	1,822,208,028	1,226,034	4,572,223,024
Capital Construction	14,602,233	38,331,330	0	11,301,933	64,235,496
FY2012-13 Total	3,590,831,179	1,797,324,048	2,635,350,476	732,518,824	8,756,024,527
Change over prior year					
Dollar	122,441,945	(51,104,289)	(708,182)	(8,137,346)	62,492,128
Percent	3.5%	-2.8%	0.0%	-1.1%	0.7%

FY2011-12 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 70 different agencies. Only 7 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	FY2010-11	FY2011-12	FY2012-13	% of Total
Roads	667,004,414	717,002,239	674,086,239	38.8%
University of Nebraska	351,136,822	351,136,822	351,136,822	19.0%
HHS System	148,505,837	164,162,242	162,759,689	8.9%
Revenue	146,751,982	140,453,096	141,110,044	7.6%
Public Service Comm	76,013,200	75,947,167	75,909,959	4.1%
Game and Parks	61,888,126	63,455,866	62,856,701	3.4%
All Other	334,907,648	336,270,905	329,464,594	18.2%
Total - Cash Funds	1,786,208,029	1,848,428,337	1,797,324,048	100.0%
\$ Change	30,397,619	62,220,308	(51,104,289)	
% Change	1.7%	3.5%	-2.8%	

The Dept of Roads alone accounts for 39% of cash fund revenues and expenditures. The University of Nebraska accounts for 19% and HHS (including the Health Care Cash Fund) accounts for 9%. The Dept of Revenue accounts for 7.6% of the total as the \$115 million property tax credits are expended as cash funds. No other agency accounts for more than 4.1% of the total.

The budget for FY11-12 reflects a 3.5% growth in cash fund appropriations. Significant increases include \$20 million for additional Roads construction, \$28 million to cash flow current roads projects, \$14 million under LB 600 the Nursing Facility Quality Assurance Assessment Act, \$5.5 million to shift the Early Childhood and High Ability Learner aid programs General Fund to lottery funds, and \$3.8 million of Health Care Cash funds for the CHIP program.. Significant reductions include \$8 million to suspend the Home Energy Improvement program and \$4.5 million lower funding requirement for license plate issuance.

LB 600 the Nursing Facility Quality Assurance Assessment Act

This bill provides for a Quality Assurance Assessment, also referred to as a "provider tax". It is a mechanism used by 46 states, including Nebraska, to increase payments to "classes" of Medicaid providers by increasing federal funding. (In Nebraska, ICF/MRs are the only "class" of providers currently utilizing this system.) Under a Quality Assessment providers pay an assessment to the State which is reimbursed to facilities with the federal match. Under federal regulations (42 CFR 433.68) the assessment is made against days of service to Medicaid and private-pay residents (Medicare days are excluded). In general terms for every dollar assessed to a qualifying nursing facility the nursing facility receives approximately two dollars and fifty cents. The reimbursements as enhanced rates and/or

supplements are to Medicaid days only therefore advantaging facilities with higher percentages of Medicaid residents over those with low or none. By selecting waivers and exemptions permitted under federal regulations, Nebraska's quality assessment under LB 600 would require a \$3.50 per day assessment. Only approximately ten facilities, or less, of the 224 facilities in the state would pay more into the system than are reimbursed. Under LB 600 the Nursing Facility Quality Assurance Assessment Act would benefit approximately 215 facilities. The plan would need to be approved by CMS as a quality assessment waiver plan; the approval process timeframe has varied from roughly three to nine months in other states.

Dept of Roads

The cash fund numbers shown in the table above for the Dept of Roads include state, federal, and local funds and reflect the best estimate of the cash flow of expenditures as projects are completed. The following provides information on "state" highway funding and the impact of the enacted budget on the fuel tax.

The budget for the Department of Roads continues the current 26.4¢ fuel tax into the next biennium with no change by setting the Highway Cash Fund appropriation at \$390 million in FY12 and \$375 million in FY13. This appropriation level is based on revenue projections received from the Department of Roads on April 5th and reflects a significant carryover balance from the current year into FY12.

The Highway Cash Fund appropriation increases state funding provided to the Department by \$20 million in FY12 and \$5,000,000 in FY13 when compared to the FY11 base year \$370 million appropriation.

The budget also increases funding available for highway construction by adopting several cost saving measures that were proposed by the Governor. This includes salary savings from pay increases that were budgeted but not given in FY11, the elimination of 45 positions, reducing right-of-way purchases, and the transfer of money from the Motorcycle Safety Education Fund per LB170. Together, these savings result in an additional \$9.3 million of highway construction over the biennium (\$4.8 million in FY12 and \$4.5 million in FY13).

Recognizing that salary increases decrease the amount of appropriation that is available for highway construction the net increase in state construction funding over the biennium is \$31 million (\$24.2 in FY12 and \$6.8 in FY13) under the enacted budget. This includes the additional revenue from the increase in the Highway Cash Fund appropriation, the cost savings that free up money for additional construction, and the cost of salary increases that reduce money available for construction.

The provisions of LB84 which would allocate ¼ cent of the sales tax rate for roads does not go into effect until FY2013-14.

Health Care Cash Fund

The Health Care Cash Fund receives funding from the Medicaid Intergovernmental Trust Fund and the Tobacco Settlement Trust Fund. The revenue source for the Medicaid Intergovernmental Trust Fund was a previously allowable intergovernmental transfer of extra Medicaid reimbursements to the state from publicly-owned nursing facilities. The source of the Tobacco Settlement Trust Fund is payments from tobacco companies pursuant to a nation wide settlement entered into several years ago.

Each year the state investment officer determines the amount of the transfer from each of these respective funds totaling the amount required by statute. The current year appropriations and requested appropriations for the biennium as shown Table 28.

The major change this biennium is the use of an additional \$5.7 million for the Childrens Health Insurance program (SCHIP). These additional Health Care Cash funds come from a projected unused balance related to the Autism program (\$3 million in FY12 and \$1 million in FY13) and reallocation from several existing programs (\$835,700 in FY12 and FY13). The Autism Treatment Program Act requires that \$1 million from the Health Care Cash Fund be transferred each year for five years. The funding could not be spent until a private match was deposited into the Autism Treatment Cash Fund. The Autism Action Partnership sent a letter to the HHS last summer stating they would not put up the match. There are no other donors that will put up the private dollars.

Another issue is the long term sustainability of the fund. In late March, 2011, representatives of the firm, Hewitt Ennis Knupp, acting as consultant to the Nebraska State Investment Council, reported to the Council on the sustainability of the endowment that supports expenditures from the Health Care Cash Fund. Their conclusion that, “(the) Spending level is too high; (the) portfolio will likely decline over next 10 years. Downside risk of depleting portfolio is significant,” was based on continuing the current practice that over the next ten years expenditures would exceed inflows by roughly \$25 million per year, despite an “aggressive” investment portfolio consisting of 75% equities, 25% fixed income instruments. The central tendency of the analysis concludes that by the 10th year, the value of assets in the endowment will decline to 81% of current value. The analysis also identified the possibility of a high value of 216%, or a low value of 20% (of current asset value), though these extremes are recognized as low probability events.

Alternate scenarios were also presented, based on the alternative views of lower expenditures, (\$10 million above inflows), or higher expenditures, (\$40 million above inflows). Additionally, less aggressive investment strategies were included in several combinations with the expenditure assumptions. The consultant report concludes that if the current level of annual commitments is not reduced, “Spending levels of high and very high will likely result in declining portfolio, under the current aggressive asset allocation. If spending can be kept low, portfolio will likely grow.”

Table 28 Health Care Cash Fund

	Agency Program	Base Yr FY2010-11	Biennial Budget	
			FY2011-12	FY2012-13
<u>Behavioral Health Provider Increases</u>				
Regions	25-38	2,599,660	2,599,660	2,599,660
Child Welfare	25-347	2,734,444	2,734,444	2,734,444
Medicaid	25-348	2,165,896	2,165,896	2,165,896
Medicaid managed care / inpatient and RTC	25-348	2,600,000	2,600,000	2,600,000
Subtotal		10,100,000	10,100,000	10,100,000
<u>Service Capacity</u>				
Mental Health / Substance Abuse Regions	25-38	6,500,000	6,500,000	6,500,000
Juvenile Services	25-250	1,000,000	1,000,000	1,000,000
Subtotal		7,500,000	7,500,000	7,500,000
<u>Emergency Protective Custody</u>	25-38	1,500,000	1,500,000	1,500,000

	Agency Program	Base Yr FY2010-11	Biennial Budget	
			FY2011-12	FY2012-13
<u>Respite Care</u>				
Respite regions and personnel	25-33	404,643	404,643	404,643
Respite aid	25-347	810,000	810,000	810,000
Subtotal		1,214,643	1,214,643	1,214,643
<u>Developmental Disability Waiting List</u>				
	25-424	5,000,000	5,000,000	5,000,000
<u>Public Health</u>				
Public Health Staff	25-179	100,000	100,000	100,000
County Public Health county aid	25-502	5,600,000	5,404,190	5,404,190
Subtotal		5,700,000	5,504,190	5,504,190
<u>Minority Health</u>				
Qualified health clinics	25-502	1,400,000	1,351,040	1,351,040
Minority health aid	25-502	1,580,000	1,524,770	1,524,770
Minority health satellites	25-179	220,000	220,000	220,000
Subtotal		3,200,000	3,095,810	3,095,810
<u>Childrens Health Insurance (SCHIP)</u>				
	25-344	5,000,000	5,300,000	5,300,000
<u>Biomedical Research</u>				
	25-623	14,000,000	14,000,000	14,000,000
<u>Human Service Studies</u>				
	3-122	100,000	75,000	75,000
<u>Attorney General</u>				
	11-507	395,807	395,807	395,807
<u>EMS Technicians</u>				
	25-33	13,688	13,688	13,688
<u>Revenue Auditor Specialist</u>				
	16-102	56,686	58,845	58,845
-				
<u>Compulsive Gamblers</u>				
	25-33/38	250,000	250,000	250,000
-				
<u>Autism Treatment Program Act</u>				
	25 & 51	1,000,000	0	0
-				
<u>Nebraska Regional Poison Control Center</u>				
	51-515	200,000	200,000	200,000
-				
<u>Parkinson's Disease Registry</u>				
	25-33	26,000	26,000	26,000
-				
<u>Tobacco Prevention</u>				
Tobacco Prevention	25-30	3,000,000	3,000,000	3,000,000
Medicaid coverage, smoking cessation	25-348	450,000	425,000	425,000
Subtotal	25-30	3,456,000	3,425,000	3,425,000
<u>Stem Cell Research</u>				
	25-623	500,000	450,000	450,000
FROM ALLOCATION		59,206,824	58,183,983	58,183,983
Unused prior year Autism funds to CHIP			3,000,000	1,000,000
TOTAL USE OF HEALTH CARE CASH FUND		59,206,824	61,183,983	59,183,983

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 77 state agencies, 34 receive some level of federal funds.

FEDERAL FUNDS	FY2010-11	FY2011-12	FY2012-13	% of Total
HHS System	1,580,207,570	1,535,045,355	1,564,589,284	58.2%
University of Nebraska	500,243,063	500,243,063	500,243,063	19.0%
Education	484,728,099	343,966,785	345,208,966	13.0%
Labor	44,115,954	49,312,719	45,721,913	1.9%
Environmental Quality	29,690,009	29,740,316	29,870,308	1.1%
All Other	144,955,827	177,750,420	149,716,942	6.7%
Total - Federal Funds	2,783,940,522	2,636,058,658	2,635,350,476	100.0%
Total ARRA Funds (offset GF)	(250,602,207)	0	0	
Total - Federal Funds excluding ARRA funds used to offset GF	2,533,338,315	2,636,058,658	2,635,350,476	
\$ Change	229,740,858	(147,881,864)	(708,182)	
% Change	9.0%	-5.3%	0.0%	
\$ Change without ARRA	261,342,293	102,720,343	(708,182)	
% Change without ARRA	11.5%	4.1%	0.0%	

Almost all federal funds are in three agencies; Health and Human Services System (58%) where a large portion is for programs such as Medicaid, AFDC and other public assistance program, University of Nebraska (19%) and Dept of Education (13%) which is mostly flow through monies to local K-12 schools for programs such as Title 1, School Lunch, and Special Education.

Estimated federal funds decreased by 5.3% in FY11-12 mostly due to the expiration of ARRA funds available to offset General Funds in FY2010-11 as shown below.

ARRA Funds in Budget Numbers	FY2010-11	FY2011-12	FY2012-13
ARRA - Child Care	3,200,000	0	0
ARRA - Enhanced FMAP	73,682,483	0	0
ARRA - Unemployment FMAP	15,600,000	0	0
ARRA - Enhanced FFP	832,548	0	0
ARRA - General Stabilization	17,000,000	0	0
ARRA - Education Stabilization	140,287,176	0	0
Total - ARRA Fed Funds in budget nu	250,602,207	0	0

Other FY11-12 significant reductions in federal funds relate to the the 2.5% reduction in certain Medicaid provider rates (-\$21.5 million) and lower 2012 federal Medicaid match rate (-\$19.4 million). Significant FY11-12 increases include include \$28.4 million in the Energy Office reflecting a cash flow of ARRA funds, \$19.8 million under LB 600 the Nursing Facility Quality Assurance Assessment Act, \$17 million use of Emergency TANF funds in lieu of General Funds, and \$26 million for Medicaid eligibility and utilization increases.

Revolving / Other Funds

These type of funds account for transactions where one agency provides goods or services to another agency. For example, the Dept of Education pays DAS-Building Division rent for the State Office Building. The expenditure is charged against the Departments 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, utilities, cleaning costs, 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 80% of all revolving funds. The Dept of Correctional Services (through Cornhusker State Industries) accounts for another 7.8%.

REVOLVING / OTHER	FY2010-11	FY2011-12	FY2012-13	% of Total
University/Colleges	511,275,403	511,275,403	511,341,964	69.0%
Admin Services	181,835,366	187,057,576	187,665,424	25.3%
Corrections	18,073,965	18,229,738	18,309,400	2.5%
All Other	6,651,755	5,980,953	6,015,103	0.8%
Total - Revolving Funds	717,836,489	722,543,670	723,331,891	97.6%
Nebr Capital Const Fund (NCCF)	15,775,479	18,112,500	9,186,933	2.4%
Total - Revolving/Other Funds	733,611,968	740,656,170	732,518,824	100.0%

About 69% 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.

Appropriations by Bill – All Funds

Table 29 Breakdown by Mainline Bills and A Bills

	General	Cash	Federal	Rev/Other	Total
<u>FY2011-12 All Funds by Bill</u>					
LB 374 Mainline Budget Bill	3,424,033,488	1,791,815,089	2,615,541,939	720,428,670	8,551,819,186
LB 375 Legislator Salaries	632,982	0	0	0	632,982
LB 376 Constitutional Officers Salaries	23,225,670	1,125,727	0	0	24,351,397
LB 377 Capital Construction	14,027,233	39,822,061	0	20,227,500	74,076,794
Mainline Bills	3,461,919,373	1,832,762,877	2,615,541,939	740,656,170	8,650,880,359
"A" Bills	6,469,861	15,665,460	20,516,719	0	42,652,040
Total per 2011 Session	3,468,389,234	1,848,428,337	2,636,058,658	740,656,170	8,693,532,399
<u>FY2012-13 All Funds by Bill</u>					
LB 374 Mainline Budget Bill	3,545,974,023	1,742,144,978	2,614,524,664	721,216,891	8,623,860,556
LB 375 Legislator Salaries	632,982	0	0	0	632,982
LB 376 Constitutional Officers Salaries	23,275,924	1,125,727	0	0	24,401,651
LB 377 Capital Construction	14,602,233	38,331,330	0	11,301,933	64,235,496
Mainline Bills	3,584,485,162	1,781,602,035	2,614,524,664	732,518,824	8,713,130,685
"A" Bills	6,346,017	15,722,013	20,825,812	0	42,893,842
Total per 2011 Session	3,590,831,179	1,797,324,048	2,635,350,476	732,518,824	8,756,024,527

Table 30 "A" Bills Enacted - 2011 Session

Description	Fund	FY2010-11	FY2011-12	FY2012-13
LB 90 Change provisions, UCC secured transactions	Cash	0	0	44,480
LB 157 Change guardianship and conservatorship provisions	Cash	0	21,000	0
LB 163 Electronic application, handicapped parking permits	Cash	0	38,000	0
LB 178 Change commercial drivers' licenses provisions	Cash	0	38,000	75,922
LB 181 Establish a surcharge under the Livestock Brand Act	Cash	0	0	50,000
LB 210 Misc revenue/taxation changes, filing dates	General	0	37,000	0
LB 229 Water Resources Cash Fund funding sources	Cash	0	3,900,000	3,900,000
LB 289 Authorize low-speed vehicles on public highways	Cash	0	29,250	0
LB 305 Study of state meat and poultry inspection program	Cash	0	65,000	30,000
LB 345 Small Business Innovation Act	General	0	200,000	200,000
LB 382 Change contribution rates, retirement plans	General	0	628,798	628,798
LB 382 Change contribution rates, retirement plans	Cash	0	174,265	174,265
LB 384 Eliminate a TERC commissioner	General	0	(74,515)	(99,354)
LB 387 Business Innovation Act	General	0	5,564,078	5,564,078

Description	Fund	FY2010-11	FY2011-12	FY2012-13
LB 388 Site and Building Development Act	Cash	0	303,000	1,303,000
LB 389 Angel Investment Tax Credit Act	General	0	145,500	83,500
LB 390 Changes, community corrections and Crime Comm.	General	0	(31,000)	(31,005)
LB 390 Changes, community corrections and Crime Comm.	Cash	0	(5,172,661)	(5,172,656)
LB 410 Appraisal Management Company Registration Act	Cash	0	36,450	31,700
LB 463 Change juvenile and truancy provisions, CASA grants	Cash	0	200,000	200,000
LB 525 Medicaid waiver, CHIP admin cap, Regional Poison Cntr	Cash	0	250,000	250,000
LB 525 Medicaid waiver, CHIP admin cap, Regional Poison Cntr	Federal	0	583,333	583,333
LB 549 Nebraska Youth Conservation Program	General	0	0	0
LB 549 Nebraska Youth Conservation Program	Cash	0	1,014,288	0
LB 575 Interstate Compact on Ed Opportunity Military Children	Cash	0	0	27,200
LB 590 Changes, cigarette taxation licensing, settlement	Cash	0	201,556	208,487
LB 600 Nursing Facility Quality Assurance Assessment Act	Cash	0	14,206,172	14,419,265
LB 600 Nursing Facility Quality Assurance Assessment Act	Federal	0	19,933,386	20,242,479
LB 637 Postsecondary Institution Act, Coord Comm provisions	Cash	0	160,000	160,000
LB 667 Multiple DUI related changes	Cash	0	126,140	20,350
LB 684 Travel & tourism advisory committee, strategic plan	Cash	0	75,000	0
General		0	6,469,861	6,346,017
Cash		0	15,665,460	15,722,013
Federal		0	20,516,719	20,825,812
Total		0	42,652,040	42,893,842

Historical Appropriations-All Funds

Table 31 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 31 Historical Appropriations-All Funds

	General Funds	Cash Funds	Federal Funds	Rev / Other*	Total Funds
FY1991-92 Approp	1,532,922,851	821,901,188	755,923,617	281,938,493	3,392,686,149
FY1992-93 Approp	1,596,160,107	871,907,067	839,384,006	302,998,215	3,610,449,395
FY1993-94 Approp	1,628,020,298	908,707,645	934,011,649	313,568,194	3,784,307,786
FY1994-95 Approp	1,718,957,079	970,926,826	1,004,037,357	330,821,777	4,024,743,039
FY1995-96 Approp	1,810,178,260	1,016,908,962	1,187,791,863	346,310,774	4,361,189,859
FY1996-97 Approp	1,885,810,146	1,073,119,105	1,148,329,975	370,061,527	4,477,320,753
FY1997-98 Approp	1,979,767,634	1,121,968,313	1,179,866,825	393,815,064	4,675,417,836
FY1998-99 Approp	2,228,579,121	937,301,414	1,288,860,855	445,357,561	4,900,098,951
FY1999-00 Approp	2,323,943,947	1,100,726,077	1,390,725,054	470,160,784	5,285,555,862
FY2000-01 Approp	2,458,789,233	1,130,234,910	1,528,364,447	472,171,086	5,589,559,676
FY2001-02 Approp	2,606,951,336	1,210,661,243	1,602,142,264	492,780,254	5,912,535,097
FY2002-03 Approp	2,621,296,239	1,252,852,263	1,750,158,602	516,844,018	6,141,151,122
FY2003-04 Approp	2,655,289,608	1,285,728,367	1,814,045,740	509,307,018	6,264,370,733
FY2004-05 Approp	2,758,082,724	1,348,606,437	2,150,399,990	538,811,896	6,795,901,047
FY2005-06 Approp	2,972,439,069	1,599,561,441	2,183,758,870	546,381,840	7,302,141,220
FY2006-07 Approp	3,180,850,777	1,515,042,477	2,293,382,276	600,297,850	7,589,573,380
FY2007-08 Approp	3,305,700,963	1,637,701,761	2,215,900,086	643,850,466	7,803,153,276
FY2008-09 Approp	3,481,660,742	1,737,598,483	2,294,400,979	712,318,113	8,225,978,317
FY2009-10 Approp	3,380,864,343	1,762,003,199	2,554,199,664	716,159,796	8,413,227,002
FY2010-11 Approp	3,405,101,292	1,786,208,029	2,783,940,522	733,611,968	8,708,861,811
FY2011-12 Approp	3,468,389,234	1,848,428,337	2,636,058,658	740,656,170	8,693,532,399
FY2012-13 Approp	3,590,831,179	1,797,324,048	2,635,350,476	732,518,824	8,756,024,527
Average Annual Growth					
FY02 / FY03 Biennium	3.3%	5.3%	7.0%	4.6%	4.8%
FY04 / FY05 Biennium	2.6%	3.8%	10.8%	2.1%	5.2%
FY06 / FY07 Biennium	7.4%	6.0%	3.3%	5.6%	5.7%
FY08 / FY09 Biennium	4.6%	7.1%	0.0%	8.9%	4.1%
FY10 / FY11 Biennium	-1.1%	1.4%	10.2%	1.5%	2.9%
FY12 / FY13 Biennium	2.7%	0.3%	-2.7%	-0.1%	0.3%
Avg FY93 to FY03 (10 yr)	5.1%	3.7%	7.6%	5.5%	5.5%
Avg FY03 to FY13 (10 yr)	3.2%	3.6%	4.1%	3.6%	3.6%
Avg FY03 to FY13 (20 yr)	4.1%	3.6%	5.8%	4.5%	4.5%

Appropriations By Agency - All Funds

FY12/FY13 Biennial Budget as Enacted in the 2011 Session

	Fund	w/o Deficits FY2010-11	Total FY2011-12	Total FY2012-13	FY12 vs Prior Year		FY13 vs Prior Year		
					\$ Chnge	% Chnge	\$ Chnge	% Chnge	
3	Legislative Council	Gen	17,550,553	17,729,162	17,977,091	178,609	1.0%	247,929	1.4%
		Cash	255,518	171,133	171,227	(84,385)	-33.0%	94	0.1%
		Fed	39,270	39,270	39,270	0	0.0%	0	0.0%
		Rev	0	0	0	0	na	0	na
	Total	17,845,341	17,939,565	18,187,588	94,224	0.5%	248,023	1.4%	
5	Supreme Court	Gen	70,264,041	74,874,064	75,654,066	4,610,023	6.6%	780,002	1.0%
		Cash	17,829,741	13,831,434	13,872,180	(3,998,307)	-22.4%	40,746	0.3%
		Fed	1,402,025	1,398,914	1,404,142	(3,111)	-0.2%	5,228	0.4%
		Rev	0	0	0	0	na	0	na
	Total	89,495,807	90,104,412	90,930,388	608,605	0.7%	825,976	0.9%	
7	Governor	Gen	1,636,049	1,631,635	1,652,727	(4,414)	-0.3%	21,092	1.3%
		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	1,636,049	1,631,635	1,652,727	(4,414)	-0.3%	21,092	1.3%	
8	Lt. Governor	Gen	143,285	143,423	143,610	138	0.1%	187	0.1%
		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	143,285	143,423	143,610	138	0.1%	187	0.1%	
9	Secretary of State	Gen	448,368	442,212	444,708	(6,156)	-1.4%	2,496	0.6%
		Cash	6,540,787	6,510,494	6,585,614	(30,293)	-0.5%	75,120	1.2%
		Fed	98,300	98,300	98,300	0	0.0%	0	0.0%
		Rev	995,138	1,009,844	1,012,765	14,706	1.5%	2,921	0.3%
	Total	8,082,593	8,060,850	8,141,387	(21,743)	-0.3%	80,537	1.0%	
10	Auditor	Gen	2,343,098	2,147,685	2,184,391	(195,413)	-8.3%	36,706	1.7%
		Cash	1,078,988	1,287,214	1,304,552	208,226	19.3%	17,338	1.3%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
	Total	3,422,086	3,434,899	3,488,943	12,813	0.4%	54,044	1.6%	
11	Attorney General	Gen	5,943,070	7,713,160	5,795,369	1,770,090	29.8%	(1,917,791)	-24.9%
		Cash	1,024,019	1,030,996	1,040,437	6,977	0.7%	9,441	0.9%
		Fed	1,556,085	1,569,586	1,587,852	13,501	0.9%	18,266	1.2%
		Rev	1,188,415	1,200,907	1,217,816	12,492	1.1%	16,909	1.4%
	Total	9,711,589	11,514,649	9,641,474	1,803,060	18.6%	(1,873,175)	-16.3%	

	Fund	w/o Deficits FY2010-11	Total FY2011-12	Total FY2012-13	FY12 vs Prior Year		FY13 vs Prior Year	
					\$ Chnge	% Chnge	\$ Chnge	% Chnge
12 Treasurer	Gen	18,537,639	1,387,516	1,389,129	(17,150,123)	-92.5%	1,613	0.1%
	Cash	5,461,380	4,933,635	4,959,639	(527,745)	-9.7%	26,004	0.5%
	Fed	2,127,597	1,774,929	1,775,680	(352,668)	-16.6%	751	0.0%
	Rev	0	0	0	0	na	0	na
	Total	26,126,616	8,096,080	8,124,448	(18,030,536)	-69.0%	28,368	0.4%
13 Education	Gen	1,024,006,088	1,024,014,636	1,084,105,775	8,548	0.0%	60,091,139	5.9%
	Cash	9,990,541	15,220,303	13,531,031	5,229,762	52.3%	(1,689,272)	-11.1%
	Fed	484,728,099	343,966,785	345,208,966	(140,761,314)	-29.0%	1,242,181	0.4%
	Rev	154,728	154,728	154,728	0	0.0%	0	0.0%
	Total	1,518,879,456	1,383,356,452	1,443,000,500	(135,523,004)	-8.9%	59,644,048	4.3%
14 Public Service Commission	Gen	2,509,079	2,334,926	2,359,563	(174,153)	-6.9%	24,637	1.1%
	Cash	76,013,200	75,947,167	75,909,959	(66,033)	-0.1%	(37,208)	0.0%
	Fed	0	1,353,053	1,072,357	1,353,053	na	(280,696)	-20.7%
	Rev	0	0	0	0	na	0	na
	Total	78,522,279	79,635,146	79,341,879	1,112,867	1.4%	(293,267)	-0.4%
15 Parole Board	Gen	799,188	806,321	819,249	7,133	0.9%	12,928	1.6%
	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	799,188	806,321	819,249	7,133	0.9%	12,928	1.6%
16 Revenue	Gen	93,467,902	98,092,617	103,147,374	4,624,715	4.9%	5,054,757	5.2%
	Cash	146,751,982	140,453,096	141,110,044	(6,298,886)	-4.3%	656,948	0.5%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	240,219,884	238,545,713	244,257,418	(1,674,171)	-0.7%	5,711,705	2.4%
17 Aeronautics	Gen	0	0	0	0	na	0	na
	Cash	21,903,879	20,315,728	20,133,265	(1,588,151)	-7.3%	(182,463)	-0.9%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	21,903,879	20,315,728	20,133,265	(1,588,151)	-7.3%	(182,463)	-0.9%
18 Agriculture	Gen	6,128,426	5,554,886	5,618,857	(573,540)	-9.4%	63,971	1.2%
	Cash	9,031,024	6,970,320	6,956,841	(2,060,704)	-22.8%	(13,479)	-0.2%
	Fed	3,063,998	4,652,403	4,670,141	1,588,405	51.8%	17,738	0.4%
	Rev	525,981	527,855	533,048	1,874	0.4%	5,193	1.0%
	Total	18,749,429	17,705,464	17,778,887	(1,043,965)	-5.6%	73,423	0.4%
19 Banking	Gen	0	0	0	0	na	0	na
	Cash	6,401,106	6,788,001	6,850,108	386,895	6.0%	62,107	0.9%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	6,401,106	6,788,001	6,850,108	386,895	6.0%	62,107	0.9%

	Fund	w/o Deficits FY2010-11	Total FY2011-12	Total FY2012-13	FY12 vs Prior Year		FY13 vs Prior Year	
					\$ Chnge	% Chnge	\$ Chnge	% Chnge
21 Fire Marshal	Gen	4,293,454	3,934,637	3,991,920	(358,817)	-8.4%	57,283	1.5%
	Cash	1,706,866	1,696,125	1,711,311	(10,741)	-0.6%	15,186	0.9%
	Fed	332,038	337,695	341,907	5,657	1.7%	4,212	1.2%
	Rev	0	0	0	0	na	0	na
	Total	6,332,358	5,968,457	6,045,138	(363,901)	-5.7%	76,681	1.3%
22 Insurance	Gen	0	0	0	0	na	0	na
	Cash	10,583,081	10,944,442	11,420,055	361,361	3.4%	475,613	4.3%
	Fed	324,168	1,572,789	1,425,670	1,248,621	385.2%	(147,119)	-9.4%
	Rev	0	0	0	0	na	0	na
	Total	10,907,249	12,517,231	12,845,725	1,609,982	14.8%	328,494	2.6%
23 Labor	Gen	542,072	489,927	497,939	(52,145)	-9.6%	8,012	1.6%
	Cash	1,979,993	4,799,462	2,000,578	2,819,469	142.4%	(2,798,884)	-58.3%
	Fed	44,115,954	49,312,719	45,721,913	5,196,765	11.8%	(3,590,806)	-7.3%
	Rev	0	0	0	0	na	0	na
	Total	46,638,019	54,602,108	48,220,430	7,964,089	17.1%	(6,381,678)	-11.7%
24 Motor Vehicles	Gen	0	0	0	0	na	0	na
	Cash	25,984,579	21,396,597	19,859,990	(4,587,982)	-17.7%	(1,536,607)	-7.2%
	Fed	29,461	1,042,146	999,687	1,012,685	3437.4%	(42,459)	-4.1%
	Rev	0	0	0	0	na	0	na
	Total	26,014,040	22,438,743	20,859,677	(3,575,297)	-13.7%	(1,579,066)	-7.0%
25 HHS System	Gen	1,184,708,216	1,255,369,548	1,300,924,938	70,661,332	6.0%	45,555,390	3.6%
	Cash	148,505,837	164,162,242	162,759,689	15,656,405	10.5%	(1,402,553)	-0.9%
	Fed	1,580,207,570	1,535,045,355	1,564,589,284	(45,162,215)	-2.9%	29,543,929	1.9%
	Rev	0	0	0	0	na	0	na
	Total	2,913,421,623	2,954,577,145	3,028,273,911	41,155,522	1.4%	73,696,766	2.5%
27 Roads	Gen	2,429	0	0	(2,429)	-100.0%	0	na
	Cash	667,004,414	717,002,239	674,086,239	49,997,825	7.5%	(42,916,000)	-6.0%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	667,006,843	717,002,239	674,086,239	49,995,396	7.5%	(42,916,000)	-6.0%
28 Veterans Affairs	Gen	1,115,761	1,108,586	1,127,666	(7,175)	-0.6%	19,080	1.7%
	Cash	0	8,000	6,000	8,000	na	(2,000)	-25.0%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	1,115,761	1,116,586	1,133,666	825	0.1%	17,080	1.5%
29 Natural Resources	Gen	16,916,042	16,245,047	16,355,532	(670,995)	-4.0%	110,485	0.7%
	Cash	5,646,885	9,084,277	9,086,125	3,437,392	60.9%	1,848	0.0%
	Fed	503,214	504,660	511,923	1,446	0.3%	7,263	1.4%
	Rev	0	0	0	0	na	0	na
	Total	23,066,141	25,833,984	25,953,580	2,767,843	12.0%	119,596	0.5%

	Fund	w/o Deficits FY2010-11	Total FY2011-12	Total FY2012-13	FY12 vs Prior Year		FY13 vs Prior Year	
					\$ Chnge	% Chnge	\$ Chnge	% Chnge
30 Electrical Board	Gen	0	0	0	0	na	0	na
	Cash	1,584,533	1,553,212	1,572,515	(31,321)	-2.0%	19,303	1.2%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	1,584,533	1,553,212	1,572,515	(31,321)	-2.0%	19,303	1.2%
31 Military Dept	Gen	4,684,443	4,642,221	4,676,748	(42,222)	-0.9%	34,527	0.7%
	Cash	922,118	887,785	891,758	(34,333)	-3.7%	3,973	0.4%
	Fed	18,358,061	23,713,440	23,811,239	5,355,379	29.2%	97,799	0.4%
	Rev	0	0	0	0	na	0	na
	Total	23,964,622	29,243,446	29,379,745	5,278,824	22.0%	136,299	0.5%
32 Ed Lands & Funds	Gen	335,310	305,465	310,575	(29,845)	-8.9%	5,110	1.7%
	Cash	9,646,044	11,115,121	11,597,987	1,469,077	15.2%	482,866	4.3%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	9,981,354	11,420,586	11,908,562	1,439,232	14.4%	487,976	4.3%
33 Game and Parks	Gen	11,551,314	10,751,164	10,875,616	(800,150)	-6.9%	124,452	1.2%
	Cash	61,888,126	63,455,866	62,856,701	1,567,740	2.5%	(599,165)	-0.9%
	Fed	2,356,337	5,165,970	5,183,291	2,809,633	119.2%	17,321	0.3%
	Rev	0	0	0	0	na	0	na
	Total	75,795,777	79,373,000	78,915,608	3,577,223	4.7%	(457,392)	-0.6%
34 Library Commission	Gen	3,620,601	3,368,115	3,433,500	(252,486)	-7.0%	65,385	1.9%
	Cash	94,085	94,085	94,085	0	0.0%	0	0.0%
	Fed	1,499,056	1,502,442	1,511,770	3,386	0.2%	9,328	0.6%
	Rev	0	0	0	0	na	0	na
	Total	5,213,742	4,964,642	5,039,355	(249,100)	-4.8%	74,713	1.5%
35 Liquor Commission	Gen	957,770	962,331	973,825	4,561	0.5%	11,494	1.2%
	Cash	70,719	70,719	70,719	0	0.0%	0	0.0%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	1,028,489	1,033,050	1,044,544	4,561	0.4%	11,494	1.1%
36 Racing Commission	Gen	0	0	0	0	na	0	na
	Cash	1,065,578	1,040,025	1,049,019	(25,553)	-2.4%	8,994	0.9%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	1,065,578	1,040,025	1,049,019	(25,553)	-2.4%	8,994	0.9%
37 Workers Compensation Court	Gen	0	0	0	0	na	0	na
	Cash	5,583,741	5,530,896	5,577,046	(52,845)	-0.9%	46,150	0.8%
	Fed	48,927	48,684	49,357	(243)	-0.5%	673	1.4%
	Rev	0	0	0	0	na	0	na
	Total	5,632,668	5,579,580	5,626,403	(53,088)	-0.9%	46,823	0.8%

	Fund		w/o Deficits	Total	Total	FY12 vs Prior Year		FY13 vs Prior Year	
			FY2010-11	FY2011-12	FY2012-13	\$ Chnge	% Chnge	\$ Chnge	% Chnge
39 Brand Committee	Gen		0	0	0	0	na	0	na
	Cash		4,233,544	4,202,056	4,296,578	(31,488)	-0.7%	94,522	2.2%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		4,233,544	4,202,056	4,296,578	(31,488)	-0.7%	94,522	2.2%
40 Motor Vehicle Dealers	Gen		0	0	0	0	na	0	na
	Cash		683,768	692,721	700,463	8,953	1.3%	7,742	1.1%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		683,768	692,721	700,463	8,953	1.3%	7,742	1.1%
41 Real Estate Commission	Gen		0	0	0	0	na	0	na
	Cash		1,091,523	1,094,247	1,105,285	2,724	0.2%	11,038	1.0%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		1,091,523	1,094,247	1,105,285	2,724	0.2%	11,038	1.0%
45 Barber Examiners	Gen		0	0	0	0	na	0	na
	Cash		147,041	150,001	151,907	2,960	2.0%	1,906	1.3%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		147,041	150,001	151,907	2,960	2.0%	1,906	1.3%
46 Correctional Services	Gen		146,215,342	156,102,931	157,059,844	9,887,589	6.8%	956,913	0.6%
	Cash		2,179,876	2,054,373	2,054,373	(125,503)	-5.8%	0	0.0%
	Fed		17,970,288	1,732,408	1,738,680	(16,237,880)	-90.4%	6,272	0.4%
	Rev		18,073,965	18,229,738	18,309,400	155,773	0.9%	79,662	0.4%
	Total		184,439,471	178,119,450	179,162,297	(6,320,021)	-3.4%	1,042,847	0.6%
47 Educational Telecomm.	Gen		9,498,750	9,499,670	9,558,708	920	0.0%	59,038	0.6%
	Cash		242,755	294,255	337,755	51,500	21.2%	43,500	14.8%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		9,741,505	9,793,925	9,896,463	52,420	0.5%	102,538	1.0%
48 Postsecondary Coord Comm	Gen		8,077,261	8,084,912	8,103,313	7,651	0.1%	18,401	0.2%
	Cash		7,759,535	9,009,535	9,009,535	1,250,000	16.1%	0	0.0%
	Fed		998,736	2,499,905	2,501,488	1,501,169	150.3%	1,583	0.1%
	Rev		0	0	0	0	na	0	na
	Total		16,835,532	19,594,352	19,614,336	2,758,820	16.4%	19,984	0.1%
50 Nebraska State Colleges	Gen		45,369,972	44,846,037	45,450,893	(523,935)	-1.2%	604,856	1.3%
	Cash		27,900,573	27,900,573	28,210,737	0	0.0%	310,164	1.1%
	Fed		46,699,900	46,699,900	46,739,698	0	0.0%	39,798	0.1%
	Rev		7,961,387	7,961,387	8,027,948	0	0.0%	66,561	0.8%
	Total		127,931,832	127,407,897	128,429,276	(523,935)	-0.4%	1,021,379	0.8%

	Fund		w/o Deficits	Total	Total	FY12 vs Prior Year		FY13 vs Prior Year	
			FY2010-11	FY2011-12	FY2012-13	\$ Chnge	% Chnge	\$ Chnge	% Chnge
51 University of Nebraska	Gen		494,720,104	491,278,349	497,771,940	(3,441,755)	-0.7%	6,493,591	1.3%
	Cash		351,136,822	351,136,822	351,136,822	0	0.0%	0	0.0%
	Fed		500,243,063	500,243,063	500,243,063	0	0.0%	0	0.0%
	Rev		503,314,016	503,314,016	503,314,016	0	0.0%	0	0.0%
	Total		1,849,414,005	1,845,972,250	1,852,465,841	(3,441,755)	-0.2%	6,493,591	0.4%
52 Board of Agriculture	Gen		0	0	0	0	na	0	na
	Cash		2,500,000	2,500,000	2,500,000	0	0.0%	0	0.0%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		2,500,000	2,500,000	2,500,000	0	0.0%	0	0.0%
53 Real Property Appraiser Brd	Gen		0	0	0	0	na	0	na
	Cash		276,611	314,218	311,781	37,607	13.6%	(2,437)	-0.8%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		276,611	314,218	311,781	37,607	13.6%	(2,437)	-0.8%
54 Historical Society	Gen		4,194,912	3,797,693	3,853,605	(397,219)	-9.5%	55,912	1.5%
	Cash		1,847,997	1,850,842	1,858,041	2,845	0.2%	7,199	0.4%
	Fed		803,251	805,662	814,309	2,411	0.3%	8,647	1.1%
	Rev		0	0	0	0	na	0	na
	Total		6,846,160	6,454,197	6,525,955	(391,963)	-5.7%	71,758	1.1%
56 Nebraska Wheat Board	Gen		0	0	0	0	na	0	na
	Cash		1,339,901	1,291,288	1,338,330	(48,613)	-3.6%	47,042	3.6%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		1,339,901	1,291,288	1,338,330	(48,613)	-3.6%	47,042	3.6%
57 Oil & Gas Commission	Gen		0	0	0	0	na	0	na
	Cash		750,564	775,420	779,345	24,856	3.3%	3,925	0.5%
	Fed		91,028	92,013	93,595	985	1.1%	1,582	1.7%
	Rev		0	0	0	0	na	0	na
	Total		841,592	867,433	872,940	25,841	3.1%	5,507	0.6%
58 Engineers Architects	Gen		0	0	0	0	na	0	na
	Cash		755,164	689,468	695,816	(65,696)	-8.7%	6,348	0.9%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		755,164	689,468	695,816	(65,696)	-8.7%	6,348	0.9%
59 Geologists Board	Gen		0	0	0	0	na	0	na
	Cash		31,352	43,852	44,902	12,500	39.9%	1,050	2.4%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		31,352	43,852	44,902	12,500	39.9%	1,050	2.4%

	Fund		w/o Deficits FY2010-11	Total FY2011-12	Total FY2012-13	FY12 vs Prior Year		FY13 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
60 Ethanol Board	Gen		0	0	0	0	na	0	na
	Cash		532,313	529,779	535,708	(2,534)	-0.5%	5,929	1.1%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		532,313	529,779	535,708	(2,534)	-0.5%	5,929	1.1%
61 Dairy Board	Gen		0	0	0	0	na	0	na
	Cash		1,400,000	1,399,947	1,399,957	(53)	0.0%	10	0.0%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		1,400,000	1,399,947	1,399,957	(53)	0.0%	10	0.0%
62 Land Surveyors	Gen		0	0	0	0	na	0	na
	Cash		28,391	28,372	28,374	(19)	-0.1%	2	0.0%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		28,391	28,372	28,374	(19)	-0.1%	2	0.0%
63 Public Accountancy	Gen		0	0	0	0	na	0	na
	Cash		412,113	413,403	416,852	1,290	0.3%	3,449	0.8%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		412,113	413,403	416,852	1,290	0.3%	3,449	0.8%
64 State Patrol	Gen		55,891,491	53,690,860	54,253,448	(2,200,631)	-3.9%	562,588	1.0%
	Cash		14,742,071	16,449,921	16,560,311	1,707,850	11.6%	110,390	0.7%
	Fed		2,192,056	2,198,019	2,267,865	5,963	0.3%	69,846	3.2%
	Rev		805,153	972,619	981,746	167,466	20.8%	9,127	0.9%
	Total		73,630,771	73,311,419	74,063,370	(319,352)	-0.4%	751,951	1.0%
65 Admin Services (DAS)	Gen		8,020,421	7,327,181	7,638,096	(693,240)	-8.6%	310,915	4.2%
	Cash		9,029,222	4,373,088	4,134,132	(4,656,134)	-51.6%	(238,956)	-5.5%
	Fed		0	1,243,400	207,084	1,243,400	na	(1,036,316)	-83.3%
	Rev		181,835,366	187,057,576	187,665,424	5,222,210	2.9%	607,848	0.3%
	Total		198,885,009	200,001,245	199,644,736	1,116,236	0.6%	(356,509)	-0.2%
66 Abstracter's Board	Gen		0	0	0	0	na	0	na
	Cash		44,986	47,919	50,105	2,933	6.5%	2,186	4.6%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		44,986	47,919	50,105	2,933	6.5%	2,186	4.6%
67 Equal Opportunity Commission	Gen		1,276,113	1,152,618	1,178,277	(123,495)	-9.7%	25,659	2.2%
	Cash		0	0	0	0	na	0	na
	Fed		811,886	677,810	677,810	(134,076)	-16.5%	0	0.0%
	Rev		0	0	0	0	na	0	na
	Total		2,087,999	1,830,428	1,856,087	(257,571)	-12.3%	25,659	1.4%

	Fund	w/o Deficits FY2010-11	Total FY2011-12	Total FY2012-13	FY12 vs Prior Year		FY13 vs Prior Year	
					\$ Chnge	% Chnge	\$ Chnge	% Chnge
68 Latino American Commission	Gen	195,837	175,950	178,681	(19,887)	-10.2%	2,731	1.6%
	Cash	35,000	0	0	(35,000)	-100.0%	0	na
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	230,837	175,950	178,681	(54,887)	-23.8%	2,731	1.6%
69 Arts Council	Gen	1,432,887	1,367,717	1,376,336	(65,170)	-4.5%	8,619	0.6%
	Cash	1,435,000	1,435,000	1,435,000	0	0.0%	0	0.0%
	Fed	650,275	881,702	883,955	231,427	35.6%	2,253	0.3%
	Rev	0	0	0	0	na	0	na
	Total	3,518,162	3,684,419	3,695,291	166,257	4.7%	10,872	0.3%
70 Foster Care Review Board	Gen	1,357,694	1,355,920	1,379,348	(1,774)	-0.1%	23,428	1.7%
	Cash	5,700	5,700	5,700	0	0.0%	0	0.0%
	Fed	651,043	400,000	400,000	(251,043)	-38.6%	0	0.0%
	Rev	0	0	0	0	na	0	na
	Total	2,014,437	1,761,620	1,785,048	(252,817)	-12.6%	23,428	1.3%
71 Energy Office	Gen	0	0	0	0	na	0	na
	Cash	1,664,522	1,636,776	1,640,261	(27,746)	-1.7%	3,485	0.2%
	Fed	6,112,426	34,624,019	7,738,608	28,511,593	466.5%	(26,885,411)	-77.6%
	Rev	0	0	0	0	na	0	na
	Total	7,776,948	36,260,795	9,378,869	28,483,847	366.3%	(26,881,926)	-74.1%
72 Economic Development	Gen	6,299,996	11,657,423	11,707,955	5,357,427	85.0%	50,532	0.4%
	Cash	17,208,918	18,093,774	19,040,148	884,856	5.1%	946,374	5.2%
	Fed	21,981,811	27,154,602	27,156,092	5,172,791	23.5%	1,490	0.0%
	Rev	0	0	0	0	na	0	na
	Total	45,490,725	56,905,799	57,904,195	11,415,074	25.1%	998,396	1.8%
73 Landscape Architects	Gen	0	0	0	0	na	0	na
	Cash	21,722	32,021	32,711	10,299	47.4%	690	2.2%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	21,722	32,021	32,711	10,299	47.4%	690	2.2%
74 Power Review Board	Gen	0	0	0	0	na	0	na
	Cash	676,069	637,446	641,776	(38,623)	-5.7%	4,330	0.7%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	676,069	637,446	641,776	(38,623)	-5.7%	4,330	0.7%
75 Investment Council	Gen	0	0	0	0	na	0	na
	Cash	2,497,644	2,436,150	2,480,449	(61,494)	-2.5%	44,299	1.8%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	2,497,644	2,436,150	2,480,449	(61,494)	-2.5%	44,299	1.8%

	Fund		w/o Deficits FY2010-11	Total FY2011-12	Total FY2012-13	FY12 vs Prior Year		FY13 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
76 Indian Affairs	Gen		223,535	179,486	167,410	(44,049)	-19.7%	(12,076)	-6.7%
	Cash		25,000	137,922	92,922	112,922	451.7%	(45,000)	-32.6%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		248,535	317,408	260,332	68,873	27.7%	(57,076)	-18.0%
77 Industrial Relations	Gen		309,981	281,161	284,108	(28,820)	-9.3%	2,947	1.0%
	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		309,981	281,161	284,108	(28,820)	-9.3%	2,947	1.0%
78 Crime Commission	Gen		10,888,437	5,544,708	5,573,921	(5,343,729)	-49.1%	29,213	0.5%
	Cash		2,004,581	2,073,421	2,082,147	68,840	3.4%	8,726	0.4%
	Fed		10,335,766	10,430,201	10,438,878	94,435	0.9%	8,677	0.1%
	Rev		0	0	0	0	na	0	na
	Total		23,228,784	18,048,330	18,094,946	(5,180,454)	-22.3%	46,616	0.3%
81 Blind and Visually Impaired	Gen		1,012,185	1,014,214	1,023,003	2,029	0.2%	8,789	0.9%
	Cash		86,086	93,988	94,296	7,902	9.2%	308	0.3%
	Fed		3,519,806	3,275,917	3,315,713	(243,889)	-6.9%	39,796	1.2%
	Rev		0	0	0	0	na	0	na
	Total		4,618,077	4,384,119	4,433,012	(233,958)	-5.1%	48,893	1.1%
82 Deaf and Hard of Hearing	Gen		836,115	838,373	848,782	2,258	0.3%	10,409	1.2%
	Cash		12,758	23,986	18,236	11,228	88.0%	(5,750)	-24.0%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		848,873	862,359	867,018	13,486	1.6%	4,659	0.5%
83 Community Colleges	Gen		86,758,025	86,758,025	87,870,147	0	0.0%	1,112,122	1.3%
	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		86,758,025	86,758,025	87,870,147	0	0.0%	1,112,122	1.3%
84 Environmental Quality (DEQ)	Gen		7,569,817	5,918,317	5,769,858	(1,651,500)	-21.8%	(148,459)	-2.5%
	Cash		32,432,516	32,519,083	30,877,280	86,567	0.3%	(1,641,803)	-5.0%
	Fed		29,690,009	29,740,316	29,870,308	50,307	0.2%	129,992	0.4%
	Rev		0	0	0	0	na	0	na
	Total		69,692,342	68,177,716	66,517,446	(1,514,626)	-2.2%	(1,660,270)	-2.4%
85 Retirement Board	Gen		27,420,010	28,344,698	29,629,917	924,688	3.4%	1,285,219	4.5%
	Cash		5,097,417	5,217,500	4,996,648	120,083	2.4%	(220,852)	-4.2%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		32,517,427	33,562,198	34,626,565	1,044,771	3.2%	1,064,367	3.2%

	Fund		w/o Deficits	Total	Total	FY12 vs Prior Year		FY13 vs Prior Year	
			FY2010-11	FY2011-12	FY2012-13	\$ Chnge	% Chnge	\$ Chnge	% Chnge
86 Dry Bean Board	Gen		0	0	0	0	na	0	na
	Cash		380,000	379,785	380,494	(215)	-0.1%	709	0.2%
	Fed		0	0	0	0	na	0	na
	Total		380,000	379,785	380,494	(215)	-0.1%	709	0.2%
87 Accountability & Disclosure	Gen		410,932	401,814	407,548	(9,118)	-2.2%	5,734	1.4%
	Cash		1,081,449	993,641	1,080,134	(87,808)	-8.1%	86,493	8.7%
	Fed		0	0	0	0	na	0	na
	Total		1,492,381	1,395,455	1,487,682	(96,926)	-6.5%	92,227	6.6%
88 Nebraska Corn Board	Gen		0	0	0	0	na	0	na
	Cash		4,951,030	4,945,989	4,954,818	(5,041)	-0.1%	8,829	0.2%
	Fed		399,018	260,581	260,581	(138,437)	-34.7%	0	0.0%
	Rev		0	0	0	0	na	0	na
Total		5,350,048	5,206,570	5,215,399	(143,478)	-2.7%	8,829	0.2%	
92 Grain Sorghum Board	Gen		0	0	0	0	na	0	na
	Cash		288,800	289,616	290,724	816	0.3%	1,108	0.4%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
Total		288,800	289,616	290,724	816	0.3%	1,108	0.4%	
93 Tax Equalization & Review (TERC)	Gen		815,044	694,660	683,640	(120,384)	-14.8%	(11,020)	-1.6%
	Cash		95,000	115,000	115,000	20,000	21.1%	0	0.0%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
Total		910,044	809,660	798,640	(100,384)	-11.0%	(11,020)	-1.4%	
94 Public Advocacy	Gen		0	0	0	0	na	0	na
	Cash		4,001,934	3,996,764	4,012,151	(5,170)	-0.1%	15,387	0.4%
	Fed		0	0	0	0	na	0	na
	Total		4,001,934	3,996,764	4,012,151	(5,170)	-0.1%	15,387	0.4%
99 Capital Construction	Gen		13,802,233	14,027,233	14,602,233	225,000	1.6%	575,000	4.1%
	Cash		38,591,997	39,822,061	38,331,330	1,230,064	3.2%	(1,490,731)	-3.7%
	Fed		0	0	0	0	na	0	na
	Rev		18,757,819	20,227,500	11,301,933	1,469,681	7.8%	(8,925,567)	-44.1%
Total		71,152,049	74,076,794	64,235,496	2,924,745	4.1%	(9,841,298)	-13.3%	
STATE TOTALS	Gen		3,405,101,292	3,468,389,234	3,590,831,179	63,287,942	1.9%	122,441,945	3.5%
	Cash		1,786,208,029	1,848,428,337	1,797,324,048	62,220,308	3.5%	(51,104,289)	-2.8%
	Fed		2,783,940,522	2,636,058,658	2,635,350,476	(147,881,864)	-5.3%	(708,182)	0.0%
	Rev		733,611,968	740,656,170	732,518,824	7,044,202	1.0%	(8,137,346)	-1.1%
	Total		8,708,861,811	8,693,532,399	8,756,024,527	(15,329,412)	-0.2%	62,492,128	0.7%

CAPITAL CONSTRUCTION

Capital Construction Summary

	Reaffirmations	New Projects	Total
FY2011-12			
General Funds	13,652,233	375,000	14,027,233
Cash Funds	32,273,930	7,548,131	39,822,061
Federal Funds	0	0	0
Revolving/Other Funds	2,115,000	0	2,115,000
Nebr Capital Const Fund (NCCF)	800,000	17,312,500	18,112,500
FY2011-12 Total	48,841,163	25,235,631	74,076,794
FY2012-13			
General Funds	14,452,233	150,000	14,602,233
Cash Funds	32,273,930	6,057,400	38,331,330
Federal Funds	0	0	0
Revolving/Other Funds	2,115,000	0	2,115,000
Nebr Capital Const Fund (NCCF)	0	9,186,933	9,186,933
FY2012-13 Total	48,841,163	15,394,333	64,235,496
FY2013-14			
General Funds	13,425,000	0	13,425,000
Cash Funds	11,000,000	0	11,000,000
Federal Funds	0	0	0
Revolving/Other Funds	2,115,000	0	2,115,000
Nebr Capital Const Fund (NCCF)	0	0	0
FY2013-14 Total	26,540,000	0	26,540,000
FY2014-15			
General Funds	12,925,000	0	12,925,000
Cash Funds	11,000,000	0	11,000,000
Federal Funds	0	0	0
Revolving/Other Funds	2,115,000	0	2,115,000
Nebr Capital Const Fund (NCCF)	0	0	0
FY2014-15 Total	26,040,000	0	26,040,000

New Construction refers to projects initiated in the 2011 Session while *Reaffirmations* refers to funding needed to complete projects authorized and initial funding provided in prior legislative sessions.

The Nebraska Capital Construction Fund (NCCF) was originally created in the early 70's to account for a five cent cigarette tax earmark to build the Devaney Sports Center. Over time, the cigarette tax that had originally flowed to the NCCF has been basically reallocated and earmarked for other items. Amounts appropriated from the NCCF for the FY12/FY12 biennium are derived from a \$25 million transfer from the General Fund, excess from completed projects, and investment income generated on the invested NCCF balance.

Excluding the Nebraska Innovation Campus project, over the two years of the biennium, about 97% of the appropriated General Funds and NCCF funds for capital construction are reaffirmations of projects

initiated in prior sessions. This includes \$12.1 million in each year for the state's share of deferred maintenance and repair projects at the University of Nebraska and State Colleges as authorized under LB605 (2006), and \$1.0 million per year for continued lease/purchase payments for the tower financing of the statewide public safety communication system enacted in 2007.

Table 32 contains a complete listing of General Fund and NCCF projects. A narrative description of the major new construction items and a complete list of all reaffirmations and new construction projects, including all fund sources, follow.

Table 32 General Fund and NCCF Listing-Capital Construction Projects

		Fund	2011-12	2012-13	2013-14	2014-15	Future Yrs
REAFFIRMATIONS							
#46-Corrections	Security system upgrades, all institutions	General	500,000	500,000	500,000	0	0
#50-Colleges	Deferred maintenance/repair (LB605-2006)	General	1,125,000	1,125,000	1,125,000	1,125,000	5,625,000
#51-University	Deferred maintenance/repair (LB605-2006)	General	11,000,000	11,000,000	11,000,000	11,000,000	55,000,000
#51-University	NCTA Education Center	NCCF	800,000	0	0	0	0
#51-University	NCTA Education Center	General	0	800,000	800,000	800,000	8,786,135
#65-DAS	Public Safety Tower Financing	General	1,027,233	1,027,233	0	0	0
NEW CONSTRUCTION							
#25-HHS	New housing for Bridges Program - Hastings	NCCF	450,000	1,049,433	0	0	0
#47-NETC	Conversion from Satellite to Fiber Optics	General	225,000	0	0	0	0
#51-University	Nebraska Innovation Campus projects	NCCF	16,862,500	8,137,500	0	0	0
#65-DAS	State Capitol improvements	General	150,000	150,000	0	0	0
Reaffirmation							
General Fund			13,652,233	14,452,233	13,425,000	12,925,000	69,411,135
NCCF			800,000	0	0	0	0
Total - Reaffirmation			14,452,233	14,452,233	13,425,000	12,925,000	69,411,135
New Construction							
General Fund			375,000	150,000	0	0	0
NCCF			17,312,500	9,186,933	0	0	0
Total - New Construction			17,687,500	9,336,933	0	0	0
Total General Fund			14,027,233	14,602,233	13,425,000	12,925,000	69,411,135
Total NCCF			18,112,500	9,186,933	0	0	0

Nebraska Innovation Campus Projects

The Governor recommended and the Appropriations Committee concurred in including funding for two projects for the Nebraska Innovation Campus (NIC) at University of Nebraska-Lincoln in order to move NIC development forward and leverage private investment.

1. Renovation of the 4-H Building. The recommendation includes \$10 million for the project - \$5.3 million NCCF for FY12 and \$4.7 million NCCF in FY13. The \$10 million in state funds is to be used to leverage an additional \$10 million in private financing.

2. The design and build of the Food, Fuel and Water Research Building. The recommendation includes \$15 million - \$11.5 million NCCF for FY12 and \$3.5 million NCCF for FY13. The \$15 million in state funds is to be used to leverage an additional \$30 million in private financing.

FY2011-12	NCCF	16,862,500
FY2012-13	NCCF	8,137,500
Project Total		25,000,000

Although the appropriation for the project is funded from the Nebraska Capital Construction Fund (NCCF) the source of the funds is a \$25 million transfer from the General Fund to the NCCF.

Bridges Program Hastings, New Housing

The budget includes funding for new housing to be constructed for the Bridges Program which is currently on the campus of the Hastings Regional Center. It is a 14-bed program serving males with developmental disabilities who have challenging behaviors which pose a significant risk to members of the community.

The project consists of three 4-bedroom residences which would be located on an approximately 20 acre parcel divided into five acre lots. The three homes will be on four acres and the remaining acre will be used for recreation.

The relocation of the program from the regional center will mean the residents will be eligible for federal Medicaid funding. About \$1 million of federal funds could be leveraged each year for the cost of medical and other services provided to individuals at Bridges.

There are currently 32 FTE full-time and 2.0 part-time positions working in the program. An additional 7.0 program positions and 1.0 maintenance position will be added if the project is funded.

FY2011-12	NCCF	450,000
FY2012-13	NCCF	1,049,433
Project Total		1,499,433

Project Listing - Reaffirmations

Reaffirmations	Fiscal Yr	Dollar Amt	Fund	
#46-Corrections	Security system upgrades, all institutions	2011-12	500,000	Gen
	Security system upgrades, all institutions	2012-13	500,000	Gen
	Security system upgrades, all institutions	2013-14	500,000	Gen
#50-Colleges	Deferred repair/renovation/replacement (LB605)	2011-12	1,125,000	Gen
	Deferred repair/renovation/replacement (LB605)	2011-12	1,200,000	Rev
	Deferred repair/renovation/replacement (LB605)	2012-13	1,125,000	Gen
	Deferred repair/renovation/replacement (LB605)	2012-13	1,200,000	Rev
	Deferred repair/renovation/replacement (LB605)	2013-14	1,125,000	Gen
	Deferred repair/renovation/replacement (LB605)	2013-14	1,200,000	Rev
	Deferred repair/renovation/replacement (LB605)	2014-15	1,125,000	Gen
	Deferred repair/renovation/replacement (LB605)	2014-15	1,200,000	Rev
	Deferred repair/renovation/replacement (LB605)	Future	5,625,000	Gen
Deferred repair/renovation/replacement (LB605)	Future	6,000,000	Rev	
#50-Colleges	Board facilities fee fund projects	2011-12	915,000	Rev
	Board facilities fee fund projects	2012-13	915,000	Rev
	Board facilities fee fund projects	2013-14	915,000	Rev
	Board facilities fee fund projects	2014-15	915,000	Rev
	Board facilities fee fund projects	Future	6,405,000	Rev
#51-University	Deferred repair/renovation/replacement (LB605)	2011-12	11,000,000	Gen
	Deferred repair/renovation/replacement (LB605)	2011-12	11,000,000	Cash
	Deferred repair/renovation/replacement (LB605)	2012-13	11,000,000	Gen
	Deferred repair/renovation/replacement (LB605)	2012-13	11,000,000	Cash
	Deferred repair/renovation/replacement (LB605)	2013-14	11,000,000	Gen
	Deferred repair/renovation/replacement (LB605)	2013-14	11,000,000	Cash
	Deferred repair/renovation/replacement (LB605)	2014-15	11,000,000	Gen
	Deferred repair/renovation/replacement (LB605)	2014-15	11,000,000	Cash
	Deferred repair/renovation/replacement (LB605)	Future	55,000,000	Gen
Deferred repair/renovation/replacement (LB605)	Future	50,632,546	Cash	
#51-University	NCTA Education Center	2011-12	800,000	NCCF
	NCTA Education Center	2012-13	800,000	Gen
	NCTA Education Center	2013-14	800,000	Gen
	NCTA Education Center	2014-15	800,000	Gen
	NCTA Education Center	Future	8,786,135	Gen
#65-DAS	LB309 Task Force, deferred repair/maint (cig tax)	2011-12	21,273,930	Cash
	LB309 Task Force, deferred repair/maint (cig tax)	2012-13	21,273,930	Cash
#65-DAS	Public Safety Communication Tower Financing	2011-12	1,027,233	Gen
	Public Safety Communication Tower Financing	2012-13	1,027,233	Gen
	Public Safety Communication Tower Financing	2013-14	0	Gen
	Public Safety Communication Tower Financing	2014-15	0	Gen
	Public Safety Communication Tower Financing	Future	0	Gen

Project Listing – New Construction Projects

New Construction		Fiscal Yr	Dollar Amt	Fund
#25-HHS	New housing for Bridges Program - Hastings	2011-12	450,000	NCCF
	New housing for Bridges Program - Hastings	2012-13	1,049,433	NCCF
#33-Game & Parks	State Park System - Deferred maintenance.	2011-12	300,000	Cash
	State Park System - Deferred maintenance.	2012-13	300,000	Cash
#33-Game & Parks	Emergency repairs, fish and wildlife facilities	2011-12	50,000	Cash
	Emergency repairs, fish and wildlife facilities	2012-13	50,000	Cash
#33-Game & Parks	Emergency repairs, state park facilities.	2011-12	75,000	Cash
	Emergency repairs, state park facilities.	2012-13	75,000	Cash
#33-Game & Parks	Buffalo Bill State Historical Park - Update fire system	2011-12	10,000	Cash
#33-Game & Parks	Aquatic habitat enhancement and restoration.	2011-12	3,500,000	Cash
	Aquatic habitat enhancement and restoration.	2012-13	2,500,000	Cash
#33-Game & Parks	Fort Kearny SRA - New sewer and septic dump station	2011-12	150,000	Cash
#33-Game & Parks	Lewis and Clark SRA - Water line repairs and upgrade	2011-12	20,000	Cash
#33-Game & Parks	Mahoney State Park - Upgrade and renovate cabins	2011-12	150,000	Cash
	Mahoney State Park - Upgrade and renovate cabins	2012-13	150,000	Cash
#33-Game & Parks	Lewis and Clark SRA - Marina concrete decking replacement	2011-12	25,000	Cash
#33-Game & Parks	Cowboy Trail - Emergency and deferred maintenance	2011-12	175,000	Cash
#33-Game & Parks	Mahoney State Park - Aquatic Center playground equipment	2011-12	30,000	Cash
#33-Game & Parks	Niobrara State Park - outdoor education & park services building	2011-12	50,000	Cash
#33-Game & Parks	Fisheries facilities repairs and improvements – Statewide	2011-12	75,000	Cash
	Fisheries facilities repairs and improvements – Statewide	2012-13	75,000	Cash
#33-Game & Parks	Wildlife Management Areas - Misc. improvements	2011-12	325,000	Cash
	Wildlife Management Areas - Misc. improvements	2012-13	325,000	Cash
#33-Game & Parks	District Offices - General improvements/repairs statewide	2011-12	155,000	Cash
	District Offices - General improvements/repairs statewide	2012-13	75,000	Cash
#33-Game & Parks	Lake McConaughy/Lake Ogallala SRA - Boat ramp repairs	2011-12	60,000	Cash
#33-Game & Parks	Youth Outdoor Skills Camp Facility - Boosalis Park, Lincoln	2011-12	1,000,000	Cash
	Youth Outdoor Skills Camp Facility - Boosalis Park, Lincoln	2012-13	1,000,000	Cash
#33-Game & Parks	Lake Wanahoo - Shower/latrine facilities	2011-12	75,000	Cash
#33-Game & Parks	Lake Wanahoo - Storage/maintenance facilities	2011-12	30,000	Cash
#33-Game & Parks	Motor Boat Access - Statewide	2011-12	260,000	Cash
	Motor Boat Access - Statewide	2012-13	250,000	Cash

New Construction		Fiscal Yr	Dollar Amt	Fund
#33-Game & Parks	State Parks System - Basic facilities.	2011-12	75,000	Cash
	State Parks System - Basic facilities.	2012-13	75,000	Cash
#33-Game & Parks	Wildlife lands acquisition and improvements - Statewide	2011-12	300,000	Cash
	Wildlife lands acquisition and improvements - Statewide	2012-13	300,000	Cash
#33-Game & Parks	Medicine Creek SRA - New cabins	2011-12	215,000	Cash
#33-Game & Parks	Fremont SRA - Addition and upgrade to group building	2011-12	100,000	Cash
#33-Game & Parks	Parks & recreation property acquisition/improvements-Statewide	2011-12	100,000	Cash
#33-Game & Parks	Parks & recreation property acquisition/improvements-Statewide	2012-13	100,000	Cash
#33-Game & Parks	State park projects - Contingency for overruns.	2011-12	11,500	Cash
	State park projects - Contingency for overruns.	2012-13	27,400	Cash
#33-Game & Parks	State recreation area projects - Contingency	2011-12	28,500	Cash
	State recreation area projects - Contingency	2012-13	17,000	Cash
#33-Game & Parks	State historical parks projects-Contingency	2011-12	500	Cash
#33-Game & Parks	Fort Robinson State Park - Comanche Hall heating system	2012-13	180,000	Cash
#33-Game & Parks	Mahoney State Park - Upgrade the Lodge Rooms Carpeting	2012-13	150,000	Cash
#33-Game & Parks	Calamus Reservoir SRA - Shower/latrine facility	2012-13	150,000	Cash
#33-Game & Parks	Platte River State Park - Repairs to pavilion flooring	2012-13	68,000	Cash
#33-Game & Parks	Summit Reservoir SRA - Addition of electrical hookups	2012-13	20,000	Cash
#33-Game & Parks	Lake Ogallala SRA - Upgrade and add electrical hookups	2012-13	50,000	Cash
#33-Game & Parks	Branched Oak SRA - Electrical hookups for area 4	2012-13	60,000	Cash
#33-Game & Parks	Two Rivers SRA - New electrical hookups	2012-13	60,000	Cash
#47-NETC	Conversion from Satellite to Fiber Optics	2011-12	225,000	Gen
	Conversion from Satellite to Fiber Optics	2012-13	0	Gen
	Conversion from Satellite to Fiber Optics	2013-14	0	Gen
#47-NETC	Radio conversion, cash fund authority related to fed funds	2011-12	202,631	Cash
#51-University	Nebraska Innovation Campus projects	2011-12	16,862,500	NCCF
	Nebraska Innovation Campus projects	2012-13	8,137,500	NCCF
#65-DAS	State Capitol improvements	2011-12	150,000	Gen
	State Capitol improvements	2012-13	150,000	Gen

FY2010-11 Appropriation Adjustments (Deficits)

Summary of FY2010-11 Deficits - Major General Fund Items

Appropriations changes related to the FY2010-11 budget are a major contributor towards alleviating the FY12 / FY13 biennial shortfall. When the new appropriation amount for a fiscal year is revised during that fiscal year, this is commonly referred to as a “deficit”. In this case, these “deficits” reduce General Fund appropriations by \$27.2 million. A \$55 million reduction attributed to an extension of the ARRA enhanced FMAP is partially offset by increases in the “normal” 2011 FMAP (\$16.5 million), Homestead Exemption claims (\$3.8 million) and additional funds for the Governors Emergency program (\$10.8 million)

Homestead Exemption: The current appropriation is \$65,000,000 for FY10-11. The Department requested an additional \$3,800,000 to fully fund the homestead exemption reimbursement claims as submitted. The original deficit request was for \$9,300,000. The request was amended based upon new data in which the population forecast was lower than previously estimated and the model the Department uses fits better when the population data is lagged one year. This indicates that many homestead applicants file for the exemption for the first time in the year after they turn 65. Because of this, the request was amended downward.

Medicaid - ARRA enhanced federal match rate (FMAP): Congress extended the ARRA FMAP but at a lower and graduated declining rate. For the quarter January 1, 2011 through March 31, 2011, the enhanced rate is 3.2% and from April 1, 2011 to June 30, 2011, the rate is 1.2%. The previous enhanced rate was 6.2%. Nebraska also retained the unemployment bonus of 2%. This allows for a reduction in General Funds of \$55 million.

Medicaid – Lower FY11 federal Match rate (FMAP) Nebraska’s base FY11 FMAP decreased from 60.56 % to 58.44%

Governors Emergency Program Obligations for previous disasters exceeded the amount of appropriated funds by \$3,860,000. Funding the initial deficit request of \$5,860,000 would replenish the balance and leave approximately \$2 million of unobligated funds for future disasters. The enacted budget includes an additional \$5,000,000 on top of the \$5,860,000 deficit appropriation increasing the unobligated balance available for future disasters to \$7 million.

<u>Governors Emergency Program Obligations</u>	
FY06 December ice storm	93,711
FY07 May tornado/flood	214,574
FY07 May flooding	44,267
FY07 December storm	88,925
FY07 June storms	58,888
FY07 April 08 storms	31,855
FY07 May 08 storms	752,053
FY07 Omaha storm	224,876
FY08 June storm	684,343
FY09 Bovine TB	299,611
FY09 November storm	87,806
FY09 December storm	991,394
FY10 Ice dusting/flooding	1,250,000
FY10 Flooding	6,000,000
Joint Forces Hq	307,430
Total obligations	11,129,738

Lapse of Prior Year General Fund Reappropriations In addition to the \$27 million savings through a reduction in the FY10-11 appropriations, the budget includes lapsing \$31 million of reappropriated balances from prior years. In the 2009 session all unexpended balances from the FY08 and FY09 biennium were reappropriated into FY10 the first year of the new biennial budget.

Likewise, the unexpended balances from FY10 were reappropriated to FY11. This FY10-11 reappropriation in essence contains three years of any unused and excess funds. The largest of these

amounts include \$6.9 million from Behavioral Health aid, \$3.9 million from SCHIP, \$6.8 million in developmental disability aid, and \$11.5 million in Medicaid.

The first table below highlights all the General Fund deficit appropriation changes while the second table lists the lapse of reappropriated balances. A complete listing of all FY2010-11 items starts on page 112,

FY2010-11 General Fund Appropriation Adjustments

Agency	Prog	Issue	Type	Amount
13	Education	25	Recognize salary savings, non-bargaining staff	Oper (90,549)
13	Education	158	TEEOSA Aid; gher recertified and revised Insurance Premium tax	Aid (792,840)
13	Education	158	School breakfast claims	Aid 11,023
16	Revenue	108	Homestead exemption deficit	Aid 3,800,000
25	HHS System	33	Unused helpline funds	Oper (500,000)
25	HHS System	422	Unused Beatrice State Developmental Center contingency funds	Oper (2,000,000)
25	HHS System	348	Medicaid - ARRA ehanced FMAP extension	Aid (55,000,000)
25	HHS System	348	Medicaid - Lower FY11 FMAP	Aid 16,500,000
31	Military Dept	192	Governor's Emergency Fund, costs related to natural disasters	Aid 5,860,000
31	Military Dept	192	Establish reserve for Governors's Emergency Fund	Aid 5,000,000
	Operations			12,936,101
	State Aid			(143,403,036)
	Construction			0
	Total General Fund Deficits			(130,466,935)

Lapse of Prior Year General Fund Reappropriations

Agency / Issue	Fund	Amount
13 Education - Education Aid Unobligated	Gen	(47,596)
25 HHS - Behavioral Health, unobligated aid	Gen	(6,860,778)
25 HHS - Children's Health Insurance aid	Gen	(3,930,320)
25 HHS - Medicaid	Gen	(11,546,186)
25 HHS - Developmental Disabilities Aid	Gen	(6,774,348)
25 HHS - Public Health Aid	Gen	(568,612)
65 DAS - Capital Commission unobligated operations	Gen	(500,000)
72 DED - Administration Unobligated aid	Gen	(15,816)
72 DED - Community & Rural Developme aid	Gen	(9,908)
72 DED - Industrial Recruitment aid	Gen	(33,298)
77 CIR - Commissioner Expenses	Gen	(59,203)
77 CIR - Administration operations	Gen	(30,797)
54 Historical Society - Headquarters Bldg Life/Safety project complete	NCCF	(100,000)
65 DAS - State Capitol Improvements unobligated funding	NCCF	(682,985)
Total Lapsed Appropriations		(30,959,847)
General Funds		(30,376,862)
NCCF Funds		(582,985)

FY2010-11 Appropriation Adjustments

All Funds

Agency / Issue	Fund	Type	Amount
#12 State Treasurer			
12 Cash fund appropriation not needed	Cash	Oper	(3,000)
505 Change in College Savings program manager	Cash	Oper	130,926
505 Nebraska Investment Council fees	Cash	Oper	(210,000)
665 Convention Center Support Fund	Cash	Aid	2,396,300
#13 Dept of Education			
25 Recognize salary savings, non-bargaining staff	Gen	Oper	(90,549)
158 TEEOSA Aid; higher recertified and revised Insurance Premium tax	Gen	Aid	(792,840)
158 TEEOSA Aid; federal ED JOBS program (LB 18)	Fed	Aid	see note
158 School breakfast claims	Gen	Aid	11,023
614 Salary Limitation increase for negotiated salary (\$453)	PSL	Oper	PSL
#16 Dept of Revenue			
108 Homestead exemption deficit	Gen	Aid	3,800,000
#25-HHS System			
33 Unused helpline funds	Gen	Oper	(500,000)
422 Unused Beatrice State Developmental Center contingency funds	Gen	Oper	(2,000,000)
348 Medicaid - ARRA ehanced FMAP extension	Gen	Aid	(55,000,000)
348 Medicaid - ARRA ehanced FMAP extension	Fed	Aid	55,000,000
348 Medicaid - Lower FY11 FMAP	Gen	Aid	16,500,000
348 Medicaid - Lower FY11 FMAP	Fed	Aid	(16,500,000)
#31 Military Dept			
192 Governor's Emergency Fund, costs related to natural disasters	Gen	Aid	5,860,000
192 Establish reserve for Governors's Emergency Fund	Gen	Aid	5,000,000
#65 Administrative Services			
591 Revise amounts to be transferred to Tort Claims	Cash	Oper	93,433
na State Claims (LB 585)	Gen	Oper	1,702,254
na State Claims (LB 585)	Cash	Oper	99,966
na State Claims (LB 585)	Rev	Oper	1,316,287
#85 Retirement Board			
41 Base-line projections and actuarial analysis	Gen	Oper	10,000
41 Base-line projections and actuarial analysis	Cash	Oper	62,500
General Funds			(25,500,112)
Cash Funds			2,570,125
Federal Funds			38,500,000
Revolving Funds			1,316,287
Total			16,886,300

LB 18 enacted early in the session made changes to the TEEOSA school aid formula for purposes of distributing \$58.6 million of federal Education Jobs and Medicaid Assistance Act of 2010 (ED Jobs) funds. No accompanying appropriations bill was required as federal fund appropriations are estimates therefore these dollar amounts are not included in the total shown here.

Chronology of FY2010-11 Appropriations

GENERAL FUNDS	Operations	State Aid	Construction	Total
Total Per 2009 Session	1,314,986,683	2,229,491,973	14,652,233	3,559,130,889
2009 Special Session Actions	<u>(55,585,666)</u>	<u>(91,891,010)</u>	<u>(1,000,000)</u>	<u>(148,476,676)</u>
Total Per 2009 Special Session	1,259,401,017	2,137,600,963	13,652,233	3,410,654,213
2010 Session-Committee Proposed	(5,973,151)	(2,956,727)	150,000	(8,779,878)
2010 Session-Floor Actions	46,352	3,174,959	0	3,221,311
2010 Session-Mainline Governor Vetoes	0	0	0	0
2010 Session-Mainline Veto Overrides	0	0	0	0
2010 Session "A" bills	0	0	0	0
Post 2010 Session	<u>189,366</u>	<u>(183,720)</u>	<u>0</u>	<u>5,646</u>
2010 Session - Midbiennium Adjustments	(5,737,433)	34,512	150,000	(5,552,921)
Total Per 2010 Session	1,253,663,584	2,137,635,475	13,802,233	3,405,101,292
2011 Session Deficits	(2,580,549)	(24,621,817)	0	(27,202,366)
2011 Session State Claims	<u>1,702,254</u>	<u>0</u>	<u>0</u>	<u>1,702,254</u>
2011 Session - Deficits	(878,295)	(24,621,817)	0	(25,500,112)
Final Appropriation per 2011 Session	1,252,785,289	2,113,013,658	13,802,233	3,379,601,180

ALL FUNDS	General	Cash	Federal	Rev/Other	Total
Total Per 2009 Session	3,559,130,889	1,758,363,935	2,584,681,790	733,922,070	8,636,098,684
2009 Special Session Actions	<u>(148,476,676)</u>	<u>(11,984,833)</u>	<u>0</u>	<u>(4,222,285)</u>	<u>(164,683,794)</u>
Total Per 2009 Special Session	3,410,654,213	1,746,379,102	2,584,681,790	729,699,785	8,471,414,890
2010 Session Mainline Changes	(5,558,567)	103,000	(8,107,059)	2,019,056	(11,543,570)
2010 Session Vetoes	0	0	0	0	0
2010 Session Overrides	0	0	0	0	0
2010 Session "A" bills	5,646	1,525,674	64,949	0	1,596,269
Post 2010 Session	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
2010 Session Midbienniums	<u>(5,552,921)</u>	<u>1,628,674</u>	<u>(8,042,110)</u>	<u>2,019,056</u>	<u>(9,947,301)</u>
Total Per 2010 Session	3,405,101,292	1,748,007,776	2,576,639,680	731,718,841	8,461,467,589
Update cash/federal estimates	<u>0</u>	<u>38,200,253</u>	<u>207,300,842</u>	<u>1,893,127</u>	<u>247,394,222</u>
Adjusted Per 2010 Session	3,405,101,292	1,786,208,029	2,783,940,522	733,611,968	8,708,861,811
2011 Session Deficits	(27,202,366)	2,470,159	38,500,000	0	13,767,793
2011 Session State Claims	<u>1,702,254</u>	<u>99,966</u>	<u>0</u>	<u>1,316,287</u>	<u>3,118,507</u>
Final per 2011 Session	3,379,601,180	1,788,778,154	2,822,440,522	734,928,255	8,725,748,111

Definition of Terms

STATE BIENNIAL BUDGET

A biennium is the time period for which the same Legislature exists. For example, the 102nd Legislature will exist for two years, with the first session held in 2011, the second session in 2012. Although the State Constitution prohibits one Legislature from enacting appropriations that are binding on a future Legislature, the first session of the 102nd Legislature can bind the second session of the same 102nd Legislature. Therefore the 102nd Legislature, meeting in 2011, can enact appropriations for FY2011-12 and FY2012-13 without binding the 103rd 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 2011 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 carry out 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

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, 2011 through June 30, 2012 is referred to as FY2011-12, FY11-12, or simply FY12. Within this 12-month period, agencies are limited to only those appropriations made for FY2011-12. The fiscal year covering the period July 1, 2012 through June 30, 2013 is referred to as FY2012-13, FY12-13, or simply FY13.

FUND TYPES

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. There is only a single General Fund. The majority of General Fund revenues come from sales and use taxes, and individual and corporate income taxes. 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. Also deposited into the General Fund are liquor taxes, and approximately half of the cigarette tax and insurance premium taxes.

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 70 different agencies. 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, 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 38% 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. About 63% of the federal funds are 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 17% of the total mostly flow through monies to local K-12 schools for programs such as Title 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-Building Division (SBD) for office rent in a state office building. The expenditure is charged against Education's budget (be it General, Cash, or Federal) as rent expenses. DAS-SBD then receives these funds which are credited to a revolving fund from which DAS-SBD pays staff salaries, utilities, custodial costs, repairs, 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

In this report, there are 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 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 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

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

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 Department of Administrative Services (DAS) Budget Division 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 Governors 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 Governors 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 and last 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 FY09-10 and FY10-11 biennial budget was enacted in the 2009 Session. Both years can be changed during the 2010 Session, even though at that time, the state will be nine months into FY09-10. The second year of the biennial budget (FY2010-11) can also be subject to change prospectively during the 2010 Session and again during the 2011 Session as a "deficit" during the fiscal year.

Legislative Fiscal Office

Agency Assignments and Staff

Agency Assignments

(Agencies in numerical order)

Agency	Analyst
#03 Legislative Council	Tom Bergquist
#05 Supreme Court	Doug Nichols
#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	Scott Danigole
#12 State Treasurer	Scott Danigole
#13 Dept of Education	Sandy Sostad
#14 Public Service Commission	Scott Danigole
#15 Board of Pardons and Parole	Doug Nichols
#16 Dept of Revenue	Doug Gibbs
#17 Dept of Aeronautics	Mike Lovelace
#18 Dept of Agriculture	Jeanne Glenn
#19 Dept of Banking	Phil Hovis
#21 State Fire Marshal	Scott Danigole
#22 Dept of Insurance	Sandy Sostad
#23 Dept of Labor	Doug Gibbs
#24 Dept of Motor Vehicles	Sandy Sostad
#25 Dept of Health & Human Services System Behavioral Health, Developmental Disabilities related All Other HHS Programs	Sandy Sostad, 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 Gibbs
#36 Racing Commission	Doug Gibbs
#37 Workers' Compensation Court	Doug Nichols
#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	Doug Nichols
#47 Educational Telecommunications Commission	Kathy Tenopir
#48 Coordinating Commission Postsecondary Ed	Phil Hovis

Agency	Analyst
#50 State Colleges	Phil Hovis
#51 University of Nebraska	Kathy Tenopir
#52 State Fair Board	Jeanne Glenn
#53 Real Property Appraiser 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 Gibbs
#59 Board of Geologists	Doug Gibbs
#60 Ethanol Board	Jeanne Glenn
#61 Dairy Industry Development Board	Jeanne Glenn
#62 Board of Examiners for Land Surveyors	Doug Gibbs
#63 Board of Public Accountancy	Mike Lovelace
#64 State Patrol	Doug Nichols
#65 Dept of Administrative. Services Personnel, Employee Relations, Risk Management, Building Division, Capitol Comm, 309 Task Force All Other Divisions	Kathy Tenopir Phil Hovis Scott Danigole
#66 Abstractors Board of Examiners	Doug Gibbs
#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
#71 Nebraska Energy Office	Scott Danigole
#72 Dept of Economic Development	Jeanne Glenn
#73 Bd of Examiners for Landscape Architects	Doug Gibbs
#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	Doug Nichols
#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
#92 Grain Sorghum Board	Jeanne Glenn
#93 Tax Equalization and Review Commission	Doug Gibbs
#94 Commission on Public Advocacy	Doug Nichols

Legislative Fiscal Office Staff

Name	Phone	Email	Responsibilities
Calvert, Michael	471-0059	Mcalvert@leg.ne.gov	Director
Bergquist, Tom	471-0062	Tbergquist@leg.ne.gov	Deputy Director
Hayes, Susan	471-2264	Shayes@leg.ne.gov	Fiscal Assistance
McNally, Wanda	471-2263	Wmcnally@leg.ne.gov	Fiscal Assistance
Yelick, Don	471-0061	Dyelick@leg.ne.gov	Economic and Tax Research Analyst, Revenue Forecasting
Danigole, Scott	471-0055	Sdanigole@leg.ne.gov	Governor/PRO/Energy, Lt. Governor, Secretary of State, State Auditor, Attorney General, State Treasurer, Public Service Commission, State Fire Marshal, State Electrical Board, Historical Society, Oil & Gas Conservation Commission, DAS Administrative Services, Energy Office, Power Review Board, Accountability & Disclosure Commission
Gibbs, Doug	471-0051	Dgibbs@leg.ne.gov	Revenue, Labor, Liquor Control Commission, Racing Commission, Engineers & Architects Examiners Board, Land Surveyors Examiners Board, Abstractors Examiners Board, Geologists Board, Landscape Architects Examiners Board, Tax Equalization and Review Commission
Glenn, Jeanne	471-0056	Jglenn@leg.ne.gov	Agriculture, Natural Resources, Brand Committee, Fair Board, Wheat Board, Ethanol Board, Dairy Industry Development Board, Arts Council, Economic Development, Environmental Quality, Dry Bean Commission, Corn Board, Grain Sorghum Board,
Hovis, Phil	471-0057	Phovis@leg.ne.gov	Banking, Library Commission, Postsecondary Ed Coordinating Commission, State College System, DAS Building Division/Task Force for Building Renewal/Capitol Commission, Community Colleges
Hruska, Liz	471-0053	Lhruska@leg.ne.gov	Health & Human Services, Barber Examiners Board, Equal Opportunity Commission, Mexican-American Commission, Foster Care Review Board, Indian Affairs Commission, Hearing Impaired Commission
Lovelace, Mike	471-0050	Mlovelace@leg.ne.gov	Aeronautics, Roads, Veterans Affairs, Military Department, Game & Parks Commission, Real Estate Commission, Real Property Appraisers Board, Public Accountancy Board

Nichols, Doug	471-0052	Dnichols@leg.ne.gov	Supreme Court, Board of Pardons and Parole, Workers' Compensation Court, Corrections, State Patrol, Crime Commission, Commission on Public Advocacy
Sostad, Sandy	471-0054	Ssostad@leg.ne.gov	Education, Insurance, Health & Human Services (Behavioral Health & Developmental Disabilities), Motor Vehicles, Educational Lands & Funds Board, Motor Vehicle Industry Licensing Board, Commission for the Blind and Visually Impaired
Tenopir, Kathy	471-0058	Ktenopir@leg.ne.gov	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