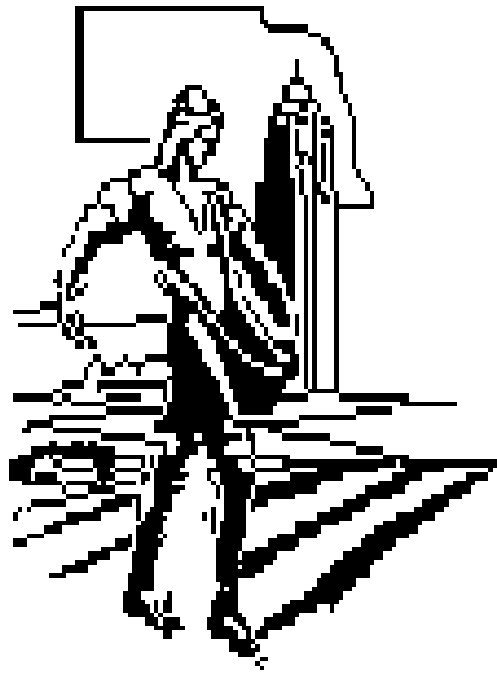


Appropriations Committee Preliminary Report



February 2020

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Overview

This report provides a projection of the state's General Fund financial picture for the current biennial budget, FY2019-20 and FY2020-21, and the following biennium, FY2021-22 and FY2022-23. The report aims to assist the Legislature with its fiscal planning as it begins to consider 2020 revenue and spending adjustments.

The projections for the current biennium incorporate (1) the October 2019 revenue forecasts of the Nebraska Economic Forecasting Advisory Board, (2) appropriations as enacted in the 2019 legislative session, and (3) the Appropriations Committee 2020 preliminary budget adjustments.

The projections for the following biennium incorporate revenue forecasts based on a historical average methodology as calculated by the Legislative Fiscal Office (see page 11), projected budget increases based on historical average increases and formula driven estimates for specific areas, and the annualized and on-going impacts of actions taken in the 2019 legislative session and the Committee Preliminary budget (see page 25). All such estimates are based on existing law including the TEEOSA school aid formula.

The Committee preliminary budget is the basis for the committee hearing schedule along with bills referenced to the Appropriations Committee. This allows the committee to hear testimony on the impacts and ramifications of the issues in the proposal before making any final decisions.

After the budget hearings, the Appropriations Committee will meet to finalize their budget proposal. At that time the committee will have available to them (1) the input obtained from the budget hearings, (2) any updated revenue forecasts from the February 28 meeting of the Nebraska Economic Forecast Advisory Board (NEFAB), and (2) the use of and ultimate level of the Cash Reserve Fund balance.

General Fund Financial Status

Overall the financial status for the current biennium (FY20 / FY21) has improved significantly as compared to Sine Die of the 2019 Legislative Session. At Sine Die, the variance from the minimum General Fund reserve (commonly referred to as the surplus or shortfall) was estimated to be only \$.2 million while the current financial status is \$139.3 million. However, there have been a large number changes, both positive and negative

The cause of this improvement was mostly attributed to increases in General Fund revenues. Actual and projected revenues have increased by \$397.4 million since Sine Die 2019. Actual receipts for FY2018-19 were \$131.4 million above forecast. In October 2019, the FY19-20 and FY20-21 forecasts were revised by the Nebraska Economic Forecast Advisory Board (NEFAB) by a total of \$266.0 million; \$160.9 million in FY19-20 and \$105.1 million in FY20-21.

However the FY18-19 and FY19-20 additional revenues are considered "above the certified forecast" and under current law are required to be transferred to the Cash Reserve Fund. The FY20-21 forecast won't be certified until the start of that fiscal year, therefore the \$105.1 million increase in the forecast for FY20-21 would be retained in the General Fund.

Changes in the Financial Status – Current Biennium

Millions of Dollars	FY19	FY20	FY21	Total
Variance - Sine Die 2019 Session				0.2
Change in actual receipts & revised forecasts	131.4	160.9	105.1	397.4
"Above certified" actual & forecast to CRF-automatic	0.0	(131.4)	(160.9)	(292.3)
Lapse of FY19 unexpended funds	0.0	74.3	0.0	74.3
Exclude allocation for deficits	0.0	5.0	0.0	5.0
2020 State Claims (LB 927)	0.0	(0.8)	0.0	(0.8)
Lapse excess FY19 reappropriation (mostly Courts)	0.0	10.7	0.0	10.7
Committee Prelim - TEEOSA aid Jan 2020 current law	0.0	0.3	20.3	20.6
Committee Prelim - Governors Emergency Program	0.0	(55.2)	0.0	(55.2)
Committee Prelim - All Other	0.0	(8.5)	6.4	(2.1)
GF Transfer-Out Critical Infrastructure Facilities	0.0	(3.8)	0.0	(3.8)
Change in Minimum Reserve, accounting adjust	(2.6)	0.0	(12.1)	(14.7)

Variance - Committee Preliminary Budget **139.3**

For expenditure items, a positive number indicates lower expenditures which are a positive addition to the variance from the minimum reserve.

Available funds were further enhanced by the expiration and lapse of \$74 million of unexpended funds from the FY18/FY19 biennium.

While the increased forecast amounts not transferred to the Cash Reserve Fund are mostly translated into a more positive variance from the minimum reserve, the Committee Preliminary Budget includes adjustments to the current budget

amounting to \$36.6 million over the two year period. The major items are summarized below while a complete listing is included in Appendix A on page 22.

Committee Preliminary Budget Adjustments (General Funds)	FY2019-20	FY2020-21	2 Yr Total
Military Dept-Governors Emergency Program, 2019 flood damage	55,240,974	0	55,240,974
DHHS-Increased costs, need to utilize staffing agencies (Lincoln & Norfolk)	5,000,000	5,000,000	10,000,000
Revenue-Adjust Homestead Exemption to actual under current law	4,100,000	5,000,000	9,100,000
DHHS - Lincoln Regional Center, ligature risk facility changes	8,800,000	0	8,800,000
DHHS-Developmental Disability aid, waiver services	0	8,943,181	8,943,181
DHHS-Child Welfare savings, new eastern service area contract	(6,000,000)	(27,000,000)	(33,000,000)
Education-TEEOSA state aid, to NDE calculated per current law	(319,400)	(20,300,839)	(20,620,239)
All Other items (net)	(3,448,645)	1,639,376	(1,809,269)
Total General Fund – Committee Preliminary	63,372,929	(26,718,282)	36,654,647

The projected financial status for the **following biennium** shows a balance \$442.9 million above the minimum reserve. Revenue growth (rate and base adjusted) in the next biennium is projected at 4.0% per year average using the capped historical average methodology (see page 11). This methodology is used in the absence of an official forecast. This is slightly below the historical average in light of the 4.5% average of the preceding three years.

Calculation of the projected budget for the following biennium is shown in Appendix C on page 25. The projected budget increases are based on historical increases for specific areas and existing law in particular the TEEOSA school aid formula. The net result of the item by item calculation is an overall spending growth of 5.1% in FY21-22, 4.1% in FY22-23 for a two year average of 4.6%. These calculations do not include the annualized impacts of 2020 budget actions which are shown separately on the financial status. When incorporating these impacts the spending growth declines to a 4.1% average.

Available for Legislative Bills

The current financial status with the Committee preliminary budget adjustments yields a projected balance that is \$139.4 million above the 3% minimum reserve. For the following biennium the projected balance is \$442.4 million above the minimum reserve which is again applicable after this biennium. This is based on estimated revenue and spending levels noted above and discussed elsewhere in this report. These amounts constitute what is available for A bills or revenue reduction bills.

The Governor's budget proposal included legislation to be enacted in the 2020 session. How those bills fit within the financial status is illustrated on page 5.

Cash Reserve Fund

At the end of the 2019 legislative session, the unobligated balance was projected at \$322.4 based on an estimated \$45 million transfer related to the April NEFAB forecast for FY2018-19 being above the certified amount. The projected unobligated balance increased to \$455.2 million when FY2018-19 actual receipts were \$131.4 million above the April forecast.

In October 2019, the Nebraska Economic Forecast Advisory Board (NEFAB) increased the FY2019-20 forecast by \$160.9 million. Because the FY2019-20 forecast had already been "certified", this \$160.9 million is considered as "above certified" and would be credited to the Cash Reserve Fund if receipts come in at the forecast level. This raises the projected unobligated balance to \$616 million roughly 12% of annual revenues.

The Governors 2020 recommendation contains transfers to several different funds for several one-time projects as shown below. Total use of the Cash Reserve Fund amounts to \$107.8 million and would leave the CRF with an unobligated balance of \$506.7 million.

The Appropriations Committee preliminary budget does not include use of any Cash Reserve Fund monies. The committee provided funding for the same projects as the Governor but utilized General Funds rather than Cash Reserve Fund transfers. The CRF unobligated balance would remain at the current projection of \$616 million. A more detailed discussion of the Cash Reserve Fund is provided on page 7.

Mid-Biennium Appropriation Changes

Over the two year period, the Appropriations Committee preliminary budget adjustments utilizes a total of \$36.6 million over the two year period. This consists of \$107.4 million of increased appropriations and \$70.8 million of reductions. A detailed listing of the individual items can be found on page 15.

<u>Committee Preliminary Budget Adjustments (Gen Fund)</u>	<u>FY2019-20</u>	<u>FY2020-21</u>	<u>2 Yr Total</u>
Significant Increases	77,695,340	28,986,595	106,681,935
Significant Reductions	(14,919,400)	(55,900,839)	(70,820,239)
All Other	596,989	195,962	792,951
Total Committee Preliminary (specific items)	<u>63,372,929</u>	<u>(26,718,282)</u>	<u>36,654,647</u>

Of the significant increases, \$55.2 million is funding the Governors emergency program relating to 2019 flood damage. Other major items are costs of using staffing agencies at the Lincoln Regional Center and Norfolk Sex Offender facility (\$10 million) and ligature risk mitigation costs at the Lincoln Regional Center (\$8.8 million).

Of the significant reductions, \$33 million comes from Child Welfare savings new eastern service area contract and \$20.6 million in actual TEEOSA aid amounts under current law compared to the amount budgeted as an estimate last session.

Difference Between the Committee and Governor

Excluding 2020 legislation, in terms of total use of General Funds there is a significant difference between the Committee and Governor. Over the two year period, the committee proposed changes are \$41.9 million above the Governors recommendation.

On the other hand this difference is due to two spending items (one related only to a statutory formula amount) and funding source.

<i>Use of General Fund, Committee & Governor</i>	FY2019-20	FY2020-21	Two Yr Total
Committee Preliminary			
Gen Fund Appropriations	63,372,929	(26,718,282)	36,654,647
Gen Fund Transfers-Out	3,800,000	0	3,800,000
Total Use of Gen Funds	67,172,929	(26,718,282)	40,454,647
Governor's recommendation			
Gen Fund Appropriations	216,449	(1,664,002)	(1,447,553)
Gen Fund Transfers-Out	0	0	0
Total Use of Gen Funds	216,449	(1,664,002)	(1,447,553)
Total Difference in use of Gen Fund	(66,956,480)	25,054,280	(41,902,200)
<i>Major Differences by Item</i>	FY2019-20	FY2020-21	Two Yr Total
TEEOSA aid - Oct Est vs NDE Jan 2020 Est	0	33,144,141	33,144,141
Lower Governor Emergency Program	7,000,000	0	7,000,000
Use of CRF transfer to fund GF items	(73,864,174)	(8,089,861)	(81,954,035)
All Other differences (net)	(92,306)	0	(92,306)
Total difference in use of Gen Fun	(66,956,480)	25,054,280	(41,902,200)

In terms of spending items, the largest difference is in TEEOSA school aid where the Governor used a different estimate. Statute requires the Dept of Education (NDE) with the assistance of the property tax administrator, Legislative Fiscal Analyst, and DAS-Budget Division to make an estimate of the funding needs for TEEOSA for the next year by November 15. This estimate is to be provided to the Governor and chairpersons of the Education and Appropriations Committees. At that time the FY20-21 estimate was \$1.085 billion which was \$12.5 million **higher** than the aid number included in the budget as enacted in the 2019 session. This is the number the Governor included in his recommendation. In January 2020, the Dept. of Education released a preliminary aid certification number using actual annual financial report data that was not available at the time the previous estimate was made. This update indicates a total amount of TEEOSA aid at \$1.052 billion which is \$20 million **lower** than the Sine Die 2019 level.

The other spending difference is in the Governor's Emergency Program. The Appropriations Committee preliminary budget was \$7 million lower than the Governor based on a review of the listing of FEMA Public Assistance projects and identification of projects that have historically not been eligible for assistance through the Governor's Emergency Program. This resulted in a downward adjustment of \$7 million to the total estimated state cost-share of FEMA Public Assistance projects that will be attributable to the Governors Emergency Program.

The last and largest difference is in the use of the Cash Reserve Fund (CRF). The Governor used a total of \$107 million from the Cash Reserve Fund (\$81.9 million in this two year budget) to fund six one-time projects as well as shifting completion of the State Capitol HVAC project from General Funds to the NCCF and a CRF transfer. A complete list can be found on page 7. The Appropriations Committee funded the same items as the Governor but used General Funds rather than transfers from the CRF.

The Governors proposed budget also included several bills that are not included in the Committee proposal but will be considered as the budget process proceeds to the floor of the Legislature. The following table compares the variance from minimum reserve under the Committee Preliminary Budget and the Governor's proposal including legislation included in his recommendation. In the current biennium, the Committee preliminary budget accommodates the bills in the Governor's proposal and still leaves \$6 million.

Variance from Minimum Reserve, Committee and Governor

(Millions of dollars)	FY19	FY20	Current Biennium	FY21	FY22	Following Biennium
Committee Preliminary Budget			\$139.4			\$442.4
Military Retirement benefits (LB 153)	0.0	(5.1)	(5.1)	(12.6)	(13.3)	(31.1)
Imagine Nebraska Act (LB 720)	0.0	(3.3)	(3.3)	(6.2)	(19.2)	(28.6)
Repeal Personal Property Tax Exemption (LB xxx)	0.0	14.8	14.8	14.8	14.8	44.4
New Property Tax Relief (LB xxx)	0.0	(140.0)	(140.0)	(175.0)	(205.0)	(520.0)
Reserve Change	0.0	0.0	0.2	0.0	5.1	5.3
Committee Prelim Budget with Governor Bills			\$6.0			\$(87.6)
Higher TEEOSA - Oct Est vs NDE Jan 2020 Est	0.0	(33.1)	(33.1)	(41.0)	(37.9)	(112.1)
Higher Est - Governors Emergency Program	(7.0)	0.0	(7.0)	0.0	0.0	(7.0)
Fund one-time items with CRF transfer	73.9	8.1	82.0	14.4	11.4	107.8
Lower spending assumption (3% vs 4%)	0.0	0.0	0.0	45.9	97.2	143.1
Reserve Change	0.0	0.0	0.4	0.0	1.3	1.7
Governors Recommendation			\$48.2			\$45.9

The real difference comes in the following biennium where incorporating the bills in the Governors proposal into the Committee Preliminary budget results in a \$87.6 million shortfall in the following biennium. As can be seen in the scenario, under the Governors proposal the projected financial status ends in a positive \$45.9 million variance from the minimum reserve. To achieve this balanced condition a substantially lower projected budget growth would be required, 3.0% per year as indicated in the Governors financial status. No detailed breakdown of these projected increases is available, so one can't compare the increases as derived here with the itemized projected increases in the Committee Preliminary financial status as shown in Appendix C on page 25.

General Fund Financial Status

Appropriations Committee Preliminary Budget

	Current Yr FY2018-19	Biennial Budget FY2019-20 FY2020-21		Following Biennium FY2021-22 FY2022-23	
1 BEGINNING BALANCE					
2 Beginning Cash Balance	453,601,627	736,509,690	437,948,385	432,459,463	591,774,231
3 Cash Reserve transfers-automatic	(61,995,773)	(176,378,178)	(160,893,000)	0	0
4 Carryover obligations from FY19	0	(243,471,041)	0	0	0
5 Lapse FY19 reappropriations	0	10,700,601	0	0	0
6 Allocation for potential deficits	0	0	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	391,605,854	327,361,072	272,055,385	427,459,463	586,774,231
8 REVENUES & TRANSFERS					
9 Net Receipts (October 2019 NEFAB + hist avg)	4,893,772,504	5,090,000,000	5,150,000,000	5,339,000,000	5,548,098,000
10 General Fund transfers-out (current law)	(230,300,000)	(286,800,000)	(286,800,000)	(286,800,000)	(286,800,000)
11 General Fund transfers-in (current law)		in actual	in forecast		
12 Cash Reserve transfers (current law)	48,000,000	0	0	0	0
13 2020 Cash Reserve transfers (new)	0	0	0	0	0
14 2020 General Fund transfers-out	0	(3,800,000)	0	0	0
15 2020 General Fund transfers-in	0	0	0	0	0
16 2020 Revenue Bills	0	0	0	0	0
17 General Fund Net Revenues	4,711,472,504	4,799,400,000	4,863,200,000	5,052,200,000	5,261,298,000
18 APPROPRIATIONS					
19 Expenditures / Appropriations (2019 Session)	4,366,568,668	4,624,671,858	4,729,514,204	4,729,514,204	4,729,514,204
20 Projected budget increase, following biennium	0	0	0	238,512,852	441,530,580
21 2020 Midbiennium Budget Adjustments (to date)	0	63,372,929	(26,718,282)	(80,141,824)	(78,407,642)
22 2020 State Claims (LB 927)	0	767,900	0	0	0
23 2020 "A" Bills	0	0	0	0	0
24 General Fund Appropriations	4,366,568,668	4,688,812,687	4,702,795,922	4,887,885,232	5,092,637,142
25 ENDING BALANCE					
26 \$ Ending balance (per Financial Status)	736,509,690	437,948,385	432,459,463	591,774,231	755,435,088
27 \$ Ending balance (at Min. Reserve 3.0%)			293,063,258		312,989,052
28 Excess (shortfall) from Minimum Reserve			139,396,205		442,446,036
29 Biennial Reserve (%)			4.5%		7.6%
<u>General Fund Appropriations</u>					
30 Annual % Change - Appropriations (w/o deficits)	1.3%	3.8%	1.7%	3.9%	4.2%
31 Two Year Average	0.5%	--	2.7%	--	4.1%
<u>General Fund Revenues</u>					
32 Est. Revenue Growth (rate/base adjusted)	8.7%	2.9%	2.0%	4.0%	4.0%
33 Two Year Average	6.6%	--	2.4%	--	4.0%
34 Five Year Average	4.0%	--	3.8%	--	4.3%
35 <u>On-Going Revenues vs Appropriations</u>	207,188,889	174,728,142	160,404,078	164,314,768	168,660,858
CASH RESERVE FUND					
	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Beginning Balance	339,990,065	333,549,124	509,927,302	616,120,302	616,120,302
Excess of certified forecasts (line 3 in Status)	61,995,773	176,378,178	160,893,000	0	0
To/from Gen Fund per current law	(48,000,000)	0	0	0	0
To Nebr Capital Construction Fund (NCCF)	(20,436,714)	0	(54,700,000)	0	0
2020 Session - Transfers to/from General Fund	0	0	0	0	0
2020 Session - Transfers to/from NCCF	0	0	0	0	0
Projected Unobligated Ending Balance	333,549,124	509,927,302	616,120,302	616,120,302	616,120,302

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.

At the end of the 2019 legislative session, the unobligated balance was projected at \$322.4 based on an estimated \$45 million transfer related to the April Nebraska Economic Forecast Advisory Board (NEFAB) forecast for FY2018-19 being above the certified amount. The projected unobligated balance increased to \$455.2 million when FY2018-19 actual receipts were \$131.4 million above the April forecast.

In October 2019, the NEFAB increased the FY2019-20 forecast by \$160.9 million. Because the FY2019-20 forecast had already been "certified", this \$160.9 million is considered as "above certified" and would be credited to the Cash Reserve Fund if receipts come in at the forecast level. This raises the projected unobligated balance to \$616 million

Table 1 Cash Reserve Fund

	Actual FY2018-19	Estimated FY2019-20	Estimated FY2020-21	Estimated FY2021-22	Estimated FY2022-23
Beginning Balance	339,990,065	333,549,124	509,927,302	616,120,302	616,120,302
Excess of certified forecasts (line 3 in Status)	61,995,773	176,378,178	160,893,000	0	0
To/from Gen Fund per current law	(48,000,000)	0	0	0	0
To Nebr Capital Construction Fund (NCCF)	(20,436,714)	0	(54,700,000)	0	0
2020 Session - Transfers to/from Gen Fund	0	0	0	0	0
2020 Session - Transfers to/from NCCF	0	0	0	0	0
Ending Balance	333,549,124	509,927,302	616,120,302	616,120,302	616,120,302

The Governors 2020 recommendation contains transfers to several different funds for several one-time projects as shown below. Total use of the Cash Reserve Fund amounts to \$107.8 million and would leave the CRF with an unobligated balance of \$506.7 million.

Governors Proposed Use of CRF	FY2019-20	FY2020-21	FY2021-22	FY2022-23	4 Yr Total
To NCCF					
DHHS - LRC ligature risk facility changes, CMS accreditation	5,600,000	0	0	0	5,600,000
G & P - Cowboy Trail, flood damage	187,000	0	0	0	187,000
NETC - Replace tower lighting system, KMNE Bassett	270,000	0	0	0	270,000
DAS - Capitol Dome long term repair	1,766,200	0	0	0	1,766,200
DAS - Capitol HVAC Project (shift from General Fund)	0	8,089,861	14,411,172	11,409,040	33,910,073
To Other Funds					
Governors Emergency Program, 2019 flood damage	53,000,000	0	0	0	53,000,000
Governors Emergency Program, 2019 flood damage, county share	9,240,974	0	0	0	9,240,974
Critical Infrastructure Fund (Gering-Ft. Laramie repairs)	3,800,000	0	0	0	3,800,000
Total Use of CRF Transfers, Governors Proposal	73,864,174	8,089,861	14,411,172	11,409,040	107,774,247

The Appropriations Committee preliminary budget does not include use of any Cash Reserve Fund monies. The committee provided funding for the same projects as the Governor but utilized General Funds rather than Cash Reserve Fund transfers. The CRF unobligated balance would remain at the current projection of \$616 million.

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.

Actual receipts for FY2017-18 (\$4,566,995,773) were \$61,995,773 above the certified forecast of \$4,505,000,000 which is the transfer number shown in the FY2018-19 column. Actual receipts for FY2018-19 (\$4,896,378,178) were \$176,378,178 above the certified forecast of \$4,720,000,000 which is the transfer number shown in the FY2019-20 column..

The current forecast for FY2019-20 is \$5,090,000,000 which is \$160,893,000 above the forecast certified last July. Although the actual receipts won't be known until later, at this we assume we will be accurate in our forecast and the amount is shown as transferred to the Cash Reserve Fund in the FY2020-21 column.

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. In the 2017 Session, the Legislature transferred a total of \$173 million to the General Fund to assist in balancing the budget and to help replenish the reserve to the statutory minimum level consisting of \$125 million in FY18 and \$48 million in FY19.

Transfers To & From Other Funds

In the 2015 session, the enacted budget called for a \$28.2 million of transfers to the NCCF for the State Capitol HVAC project. This included \$7,804,292 in FY2015-16, and future transfers of \$7,160,412 in FY2018-19, \$9,492,568 in FY2020-21, and \$3,783,734 in FY2022-23. During the 2017 session the total transfer amount didn't change but the cash flow of the transfers was changed to \$10,005,129 in FY2018-19 and \$10,431,585 in FY2020-21. In the 2018 session, the FY2020-21 transfer was moved to FY2018-19 providing a total of \$20,436,714.

In the 2019 session, the enacted budget transfers \$54.7 million from the Cash Reserve Fund to the Nebraska Capital Construction Fund to cover several construction projects primarily two additional high security housing units (384 beds) for the Dept. of Correctional Services.

Analysis of the Level of Cash Reserve Fund Balance

The initial purpose of the Cash Reserve Fund (CRF) was to set aside money as a "safety net" for the General Fund, sustaining the ability of the General Fund to pay bills when balances would otherwise be insufficient for day to day cash flow. In addition to cash flow another major purpose of the CRF was added later; protection against forecast errors and periods of low year

Table 2 Variance from Revenue Projections

FY	Projected Sine Die **	Actual Receipts	\$ Variance	% Variance	
				Negative	Positive
FY 1986-87	878.0	886.4	8.4		1.0%
FY 1987-88	924.3	1,016.3	92.0		10.0%
FY 1988-89	988.4	1,133.5	145.1		14.7%
FY 1989-90	1,110.9	1,152.7	41.8		3.8%
FY 1990-91	1,334.6	1,367.1	32.5		2.4%
FY 1991-92	1,493.2	1,490.4	(2.8)	-0.2%	
FY 1992-93	1,537.3	1,524.7	(12.6)	-0.8%	
FY 1993-94	1,662.5	1,653.7	(8.8)	-0.5%	
FY 1994-95	1,729.9	1,706.0	(23.9)	-1.4%	
FY 1995-96	1,834.3	1,836.7	2.4		0.1%
FY 1996-97	1,918.0	2,009.6	91.6		4.8%
FY 1997-98	1,993.8	2,105.4	111.6		5.6%
FY 1998-99	2,102.9	2,123.9	21.0		1.0%
FY 1999-00	2,326.3	2,403.9	77.6		3.3%
FY 2000-01	2,484.3	2,456.8	(27.5)	-1.1%	
FY 2001-02	2,646.0	2,365.5	(280.5)	-10.6%	
FY 2002-03	2,725.7	2,456.4	(269.3)	-9.9%	
FY 2003-04	2,732.0	2,718.7	(13.3)	-0.5%	
FY 2004-05	2,775.5	3,037.2	261.7		9.4%
FY 2005-06	3,092.3	3,352.2	259.9		8.4%
FY 2006-07	3,217.0	3,408.3	191.4		5.9%
FY 2007-08	3,389.2	3,506.1	116.9		3.5%
FY 2008-09	3,531.7	3,357.5	(174.3)	-4.9%	
FY 2009-10	3,446.7	3,204.7	(242.0)	-7.0%	
FY 2010-11	3,422.2	3,499.7	77.4		2.3%
FY 2011-12	3,591.1	3,695.9	104.8		2.9%
FY 2012-13	3,767.1	4,052.4	285.3		7.6%
FY 2013-14	4,020.7	4,117.4	96.7		2.4%
FY 2014-15	4,220.5	4,305.1	84.6		2.0%
FY 2015-16	4,481.9	4,308.0	(173.9)	-3.9%	
FY 2016-17	4,578.4	4,265.8	(312.6)	-6.8%	
FY 2017-18	4,605.4	4,567.0	(38.4)	-0.8%	
FY 2018-19	4,739.7	4,896.4	156.6		3.3%
FY2019-20 NEFAB	4,929.1	5,090.0	160.9		3.3%
FY2020-21 NEFAB	5,044.9	5,150.0	105.1		2.1%

over year revenue growth. Monies are accumulated in the CRF when receipts exceed certified forecast levels and are then available to offset instances when receipts are below forecasts.

The level of “protection” or in other words the level of funds to retain in the Cash Reserve fund, can be derived by looking at historical variances derived by comparing forecasts at Sine Die of the legislative session when the budget was enacted and actual receipts which are known anywhere from 13 to 15 months later (see Table 8).

Over the 33 year period the average negative variance is - 4.5% clustered in groups of 3 to 4 years. For simplicity, a 4% negative variance would require a balance equal to about 16%

of annual net receipts using a four consecutive year cluster or 12% with a three consecutive year cluster. Applied to the average forecast from FY19 to FY21 the target balance would range from \$605 million (12%) to \$805 million (16%) depending on a three or four year cluster.

Table 3 Cash Reserve Fund – Historical Balances

Fiscal Yr	Direct					Cash Flow	Ending Balance	Balance as % of revenue
	Beginning Balance	Deposit and Interest	Automatic Transfers	Legislative Transfers				
FY1983-84	0	37,046,760	na	0	0	37,046,760	4.7%	
FY1984-85	37,046,760	(1,472,551)	na	0	0	35,574,209	4.5%	
FY1985-86	35,574,209	227,855	na	(13,500,000)	0	22,302,064	2.7%	
FY1986-87	22,302,064	1,428,021	na	0	0	23,730,085	2.7%	
FY1987-88	23,730,085	1,654,844	na	(7,700,000)	0	17,684,929	1.7%	
FY1988-89	17,684,929	139,000	na	32,600,000	0	50,423,929	4.4%	
FY1989-90	50,423,929	113,114	na	(10,500,000)	0	40,037,043	3.5%	
FY1990-91	40,037,043	0	na	(8,100,000)	0	31,937,043	2.3%	
FY1991-92	31,937,043	0	na	(5,000,000)	0	26,937,043	1.8%	
FY1992-93	26,937,043	0	na	(9,500,000)	0	17,437,043	1.1%	
FY1993-94	17,437,043	0	3,063,462	7,250,000	0	27,750,505	1.7%	
FY1994-95	27,750,505	0	(8,518,701)	1,250,000	0	20,481,804	1.2%	
FY1995-96	20,481,804	0	(20,481,804)	18,189,565	0	18,189,565	1.0%	
FY1996-97	18,189,565	0	19,740,786	3,032,333	0	40,962,684	2.0%	
FY1997-98	40,962,684	0	91,621,018	0	0	132,583,702	6.3%	
FY1998-99	132,583,702	0	111,616,422	(98,500,000)	0	145,700,124	6.9%	
FY1999-00	145,700,124	0	20,959,305	(24,500,000)	0	142,159,429	5.9%	
FY2000-01	142,159,429	0	77,576,670	(49,500,000)	0	170,236,099	6.9%	
FY2001-02	170,236,099	0	0	(60,170,000)	0	110,066,099	4.7%	
FY2002-03	110,066,099	66,476,446	0	(87,400,000)	(30,000,000)	59,142,545	2.4%	
FY2003-04	59,142,545	59,463,461	0	(61,577,669)	30,000,000	87,028,337	3.2%	
FY2004-05	87,028,337	8,170,556	108,727,007	(26,758,180)	0	177,167,720	5.8%	
FY2005-06	177,167,720	0	261,715,297	(165,266,227)	0	273,616,790	8.2%	
FY2006-07	273,616,790	0	259,929,524	(17,458,523)	0	516,087,791	15.1%	
FY2007-08	516,087,791	0	191,436,773	(161,978,767)	0	545,545,797	15.6%	
FY2008-09	545,545,797	0	116,976,571	(84,330,505)	0	578,191,863	17.2%	
FY2009-10	578,191,863	0	0	(110,990,237)	0	467,201,626	14.6%	
FY2010-11	467,201,626	0	0	(154,000,000)	0	313,201,626	8.9%	
FY2011-12	313,201,626	8,422,528	145,155,092	(33,439,198)	(4,461,676)	428,878,372	11.6%	
FY2012-13	428,878,372	0	104,789,781	(154,008,427)	4,461,676	384,121,402	9.5%	
FY2013-14	384,121,402	0	285,292,610	49,651,294	0	719,065,306	17.5%	
FY2014-15	719,065,306	0	96,721,232	(87,951,112)	0	727,835,426	16.9%	
FY2015-16	727,835,426	0	84,599,532	(81,779,850)	0	730,655,108	17.0%	
FY2016-17	730,655,108	0	0	(50,000,000)	0	680,655,108	16.0%	
FY2017-18	680,655,108	150,000	0	(340,930,772)	0	339,874,336	7.4%	
FY2018-19	339,990,065	0	61,995,773	(68,436,714)	0	333,549,124	6.8%	
FY2019-20 Est	333,549,124	0	176,378,521	0	0	509,927,645	10.0%	
FY2020-21 Est	509,927,645	0	160,893,000	(54,700,000)	0	616,120,645	12.0%	
FY2021-22 Est	616,120,645	0	0	0	0	616,120,645	11.5%	
FY2022-23 Est	616,120,645	0	0	0	0	616,120,645	11.1%	

General Fund Revenues

Revenue Forecasts

Revenue estimates for FY2019-20 and FY2020-21 are the October 2019 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). These forecasts yield a projected adjusted revenue growth of 2.8% in FY19-20 and 2.0% in FY20-21, an average growth of 2.4%. While this two year growth is significantly below the historical average, the high FY2018-19 growth of 8.7% brings the three year average growth to 4.5%

For the following biennium or what's commonly referred to as the "out years", the preliminary estimates for FY2021-22 and FY2022-23 are prepared by the Legislative Fiscal Office (LFO) using the "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 (FY19 to FY23) roughly equal to the 38 year historical average (4.9%) less .25% which is the projected impact of indexing the tax brackets as enacted in LB987 (2014). Under this method, revenue growth for the two years would average 4.0%.

Table 4 - General Fund Revenue Forecasts

Revenue Estimates October 2019 Forecast	Actual FY2018-19	NEFAB FY2019-20	NEFAB FY2020-21	LFO Prelim FY2021-22	LFO Prelim FY2022-23
Actual/Forecast					
Sales and Use Tax	1,658,107,134	1,780,000,000	1,820,000,000	1,895,000,000	1,957,000,000
Individual Income Tax	2,545,680,039	2,675,000,000	2,750,000,000	2,900,000,000	3,058,000,000
Corporate Income Tax	423,737,571	405,000,000	360,000,000	357,000,000	354,000,000
Miscellaneous receipts	268,853,434	230,000,000	220,000,000	187,000,000	179,098,000
Total General Fund Revenues	4,896,378,178	5,090,000,000	5,150,000,000	5,339,000,000	5,548,098,000
Adjusted Growth					
Sales and Use Tax	4.5%	4.4%	2.8%	3.0%	3.1%
Individual Income Tax	9.0%	3.6%	3.4%	5.4%	5.4%
Corporate Income Tax	30.2%	-6.5%	-9.8%	-0.8%	-0.8%
Miscellaneous receipts	3.9%	-0.1%	0.3%	2.9%	2.7%
Total General Fund Revenues	8.7%	2.8%	2.0%	4.0%	4.0%
Two Yr Average	6.6%	--	2.4%	--	4.0%
Five Yr Average	4.0%	--	3.7%	--	4.3%

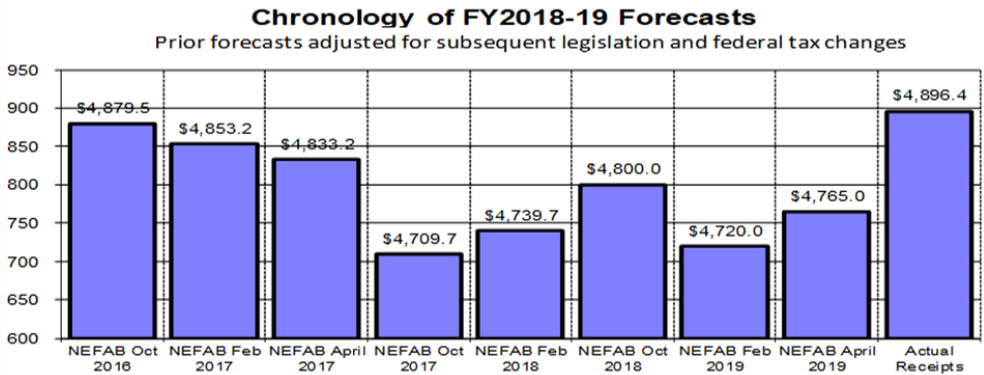
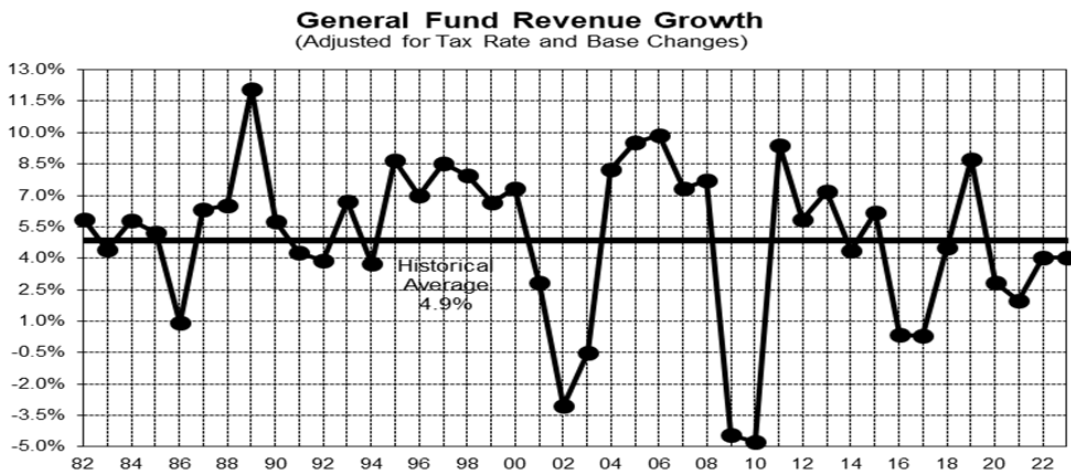


Table 5 Actual and Projected General Fund Revenues

Fiscal Year	Sales and Use Tax	Individual Income Tax	Corporate Income Tax	Miscellaneous Taxes and	Total Net Receipts	Adjusted Growth
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	7.7%
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	1,436,909,373	1,822,884,254	234,266,237	201,828,916	3,695,888,780	5.9%
FY 2012-13	1,474,942,641	2,101,912,041	275,562,990	199,940,938	4,052,358,610	7.2%
FY 2013-14	1,524,793,763	2,060,758,896	306,591,027	225,264,546	4,117,408,232	4.4%
FY 2014-15	1,535,419,516	2,205,463,903	346,477,378	217,738,529	4,305,099,326	6.2%
FY 2015-16	1,528,023,310	2,221,088,817	307,669,694	251,199,454	4,307,981,275	0.3%
FY 2016-17	1,548,388,848	2,224,840,053	264,439,713	228,103,331	4,265,771,945	0.3%
FY 2017-18	1,602,737,358	2,360,595,935	313,689,521	289,972,959	4,566,995,773	4.5%
FY 2018-19	1,658,107,133	2,545,680,039	423,737,571	268,853,778	4,896,378,521	8.7%
FY 2019-20 NEFAB*	1,780,000,000	2,675,000,000	405,000,000	230,000,000	5,090,000,000	2.8%
FY 2020-21 NEFAB*	1,820,000,000	2,750,000,000	360,000,000	220,000,000	5,150,000,000	2.0%
FY 2021-22 LFO Prelim	1,895,000,000	2,900,000,000	357,000,000	187,000,000	5,339,000,000	4.0%
FY 2022-23 LFO Prelim	1,957,000,000	3,058,000,000	354,000,000	179,098,000	5,548,098,000	4.0%
Avg Growth (adjusted)						
5 Yr Financial Status	4.0%	5.3%	2.3%	2.0%	4.5%	
Above Avg Years (24)	5.5%	9.1%	12.5%	3.5%	7.4%	
Below Avg Years (14)	1.5%	2.2%	-4.6%	0.0%	1.2%	
Hist Average (38 yrs)	4.1%	6.4%	5.1%	0.9%	4.9%	



General Fund Transfers-Out

General Fund Transfers-Out accounts for funds that are transferred from the General Fund to another fund within the state treasury. These items have the same effect as an appropriation but are not expended from the General Fund as such and therefore are shown under the revenue category as transfers-out from the General Fund and subsequently expended from the receiving fund.

The Appropriations Committee preliminary budget includes one change. The committee included a \$3.8 million transfer to the Critical Infrastructure Facilities Cash Fund to provide financial assistance to the Gering - Fort Laramie Irrigation District related to temporary repair costs for two tunnels and related canal infrastructure. The funding is intended to reimburse the irrigation district for their portion of temporary repairs.

Table 6 General Fund Transfers-Out

Excludes CRF Transfers	Actual	Current Biennial Budget		Following Biennium	
	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Property Tax Credit Fund	(221,000,000)	(272,000,000)	(272,000,000)	(272,000,000)	(272,000,000)
Water Resources Cash Fund	(3,300,000)	(3,300,000)	(3,300,000)	(3,300,000)	(3,300,000)
Cultural Preservation Endowment Fund	0	(500,000)	(500,000)	(500,000)	(500,000)
Water Sustainability Fund	(6,000,000)	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)
<i>General Fund Transfers-Out (current law)</i>	<i>(230,300,000)</i>	<i>(286,800,000)</i>	<i>(286,800,000)</i>	<i>(286,800,000)</i>	<i>(286,800,000)</i>
2020 Session Transfers-Out to Critical Infrastructure Fund (Gering-Ft. Laramie repairs)	0	3,800,000	0	0	0
<i>Total-General Fund Transfers-Out</i>	<i>(230,300,000)</i>	<i>(290,600,000)</i>	<i>(286,800,000)</i>	<i>(286,800,000)</i>	<i>(286,800,000)</i>

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 biennial budget are shown in Table 7 along with amounts that were transferred in FY18-19 which were enacted in the 2017 and 2018 legislative sessions and are already included in FY18-19 actual receipts.

Historically there have been transfers from three main sources; Securities Act Cash Fund, Tobacco Products Admin Cash Fund, and the Dept. of Insurance Cash Fund. In the 2017 and 2018 session's transfers from these traditional sources amounted \$54.2 million in FY18-19. Because of the significant budget shortfall, cash funds from non-traditional sources were also transferred to the General Fund. Overall, in FY18-19 the non-traditional transfers from 47 different funds amounted to \$44.8 million. This included \$7.5 million from the Roads Operations Fund, \$10 million from the Medicaid Intergovernmental Transfer Trust Fund (related to the

Health Care Cash Fund), and \$8.5 million from the Game & Parks Capital Maintenance Fund. These transfers are included in the FY2018-19 actual General Fund receipts..

In the 2019 session, enacted transfers returned to more normal levels and mostly from the traditional three main sources; Securities Act Cash Fund, Tobacco Products Admin Cash Fund, and the Dept. of Insurance Cash Fund. Total transfers amount to \$48.8 million in FY2019-20 and \$50.8 million in FY2020-21 and are already incorporated into the “Net Receipts” figures of the NEFAB forecasts.

The Appropriations Committee 2020 preliminary budget includes no changes to the transfers enacted in the 2019 session.

Table 7 General Fund Transfers-In

	Actual	Current Biennial Budget		Following Biennium	
	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Securities Act Cash Fund	32,000,000	27,000,000	28,000,000	0	0
Dept of Insurance Cash Fund	12,250,000	12,500,000	13,500,000	0	0
Tobacco Products Admin Cash Fund	10,000,000	9,000,000	9,000,000	0	0
Medicaid Intergovernmental Transfer Trust Fund	10,000,000	0	0	0	0
Game & Parks Capital Maintenance Fund	8,500,000	0	0	0	0
Roads Operations Cash Fund	7,500,000	0	0	0	0
State Building Renewal Assessment Fund	2,900,000	0	0	0	0
DHHS Cash Fund	2,570,000	0	0	0	0
Affordable Housing Trust Fund	2,250,000	0	0	0	0
State Visitors Promotion Fund	1,000,000	0	0	0	0
State Settlement Fund	1,756,639	295,957	295,957	0	0
Other cash funds (18 different funds)	6,863,294	0	0	0	0
<i>Transfers-In already in revenue forecast</i>	97,589,933	48,795,957	50,795,957	0	0
	0	0	0	0	0
<i>General Fund Transfers-In – 2020 Session</i>	0	0	0	0	0
Total General Fund Transfers-In	97,589,933	48,795,957	50,795,957	0	0

General Fund Appropriations - Current Biennium

The financial status shown includes the Appropriations Committee preliminary recommendation for current year deficits (FY2019-20) and adjustments for FY2020-21, the second year of the biennial budget.

Committee Preliminary Adjustments – General Funds	FY2019-20	FY2020-21	2 Yr Total
Military Dept-Governors Emergency Program, 2019 flood damage	55,240,974	0	55,240,974
DHHS-Increased costs, need to utilize staffing agencies (Lincoln & Norfolk)	5,000,000	5,000,000	10,000,000
Revenue-Adjust Homestead Exemption to actual under current law	4,100,000	5,000,000	9,100,000
Corrections-New salary contract	2,300,000	5,700,000	8,000,000
Corrections-Workforce development partnership with PSC	488,166	523,465	1,011,631
Construction-DHHS - LRC, ligature risk facility changes, CMS accreditation	5,600,000	0	5,600,000
DHHS-Completed ICAP assessments, DD waiver services	0	4,943,181	4,943,181
NU+Colleges+DED - Nebraska Career Scholarships	0	4,000,000	4,000,000
DHHS-Higher DD waiver Sec 83-1216 priority 1 individuals	0	3,689,017	3,689,017
DHHS-LRC, temporary staffing for ligature risk mitigation, CMS accreditation	3,200,000	0	3,200,000
Construction-DAS - Capitol Dome long term repair	1,766,200	0	1,766,200
Retirement-Defined benefit retirement plans	0	130,932	130,932
DHHS-Child Welfare savings, new eastern service area contract	(6,000,000)	(27,000,000)	(33,000,000)
Education-TEEOSA state aid, to NDE calculated per current law	(319,400)	(20,300,839)	(20,620,239)
DHHS-Public Assistance, realign the appropriation level with current spend rates	(4,000,000)	(4,000,000)	(8,000,000)
DHHS-SCHIP, realign the appropriation level with current spend rates	(2,000,000)	(2,000,000)	(4,000,000)
DHHS-DHHS Operations, realign the appropriation level with current spend rates	(1,600,000)	(1,600,000)	(3,200,000)
DHHS-BSDC, realign the appropriation level with current spend rates	(1,000,000)	(1,000,000)	(2,000,000)
All Other (net)	596,989	195,962	792,951
General Funds - New Appropriations	63,372,929	(26,718,282)	36,654,647
Total Lapsed Reappropriations	(10,701,601)	0	(10,701,601)

Homestead Exemption (Revenue)

Total certificates for the current fiscal year and amended request for the Homestead Exemption in 2019 is \$92,730,285 while the current appropriation for FY19-20 was \$88.7 million. Since the counties may amend their requests for reimbursement of tax loss up to the May 30th statutory deadline, the Department of Revenue requested an amended appropriation of \$92.8 million for the current fiscal year, an increase of \$4.1 million from the current appropriation.

With a higher FY2019-20 baseline amount, the FY2020-21 appropriation is increased by \$5.0 million from \$92.0 million to \$97.0 million.

Child Welfare savings, eastern service area contract (DHHS)

The child welfare case management and service contract for the Eastern Service Area was competitively bid. St. Francis Ministries was awarded the five-year contract with the option for two additional years over the existing contractor PromiseShip.

The original bid by St. Francis of \$196.4 million was 36% percent below the PromiseShip bid of \$305.3 million. Since the original contract was signed there have been three amendments. The amendments are due to the transition of cases being accelerated resulting in a total current contract of \$207.9 million.

With this lower bid, DHHS request reflects savings of \$6 million in FY2019-20 and \$27 million in FY2020-21 and thereafter. Cost savings the first year are lower as the ESA is not scheduled to be fully transitioned over to the new vendor until January 1, 2020.

There are still some questions and concerns as to the long term nature of these savings. The St. Francis bid assumed a case ratio of 25:1 while state law requires the case ratio to be between 12:1 and 17:1. After the bid award was announced, St. Francis requested a \$15 million increase in the contract amount to comply with state statute but was refused.

Realign appropriation with current spend rates (DHHS)

The DHHS request for midbiennium adjustments includes four programs where year-to-date spending levels under current law indicates excess appropriations and allow for reductions in the current appropriation levels. Total General Fund savings amount to \$8.6 million each year.

Program	Type	FY2019-20	FY2020-21
33 Agency operations	Oper	(1,600,000)	(1,600,000)
344 Childrens Health Insurance (SCHIP)	Aid	(2,000,000)	(2,000,000)
347 Public Assistance	Oper	(4,000,000)	(4,000,000)
421 Beatrice State Develop Center (BSDC)	Oper	(1,000,000)	(1,000,000)
Total GF impact of FMAP change		(8,600,000)	(8,600,000)

Utilization of staffing agencies (DHHS)

The committee preliminary budget includes \$5 million General Funds in both FY2019-20 and FY2020-21 to cover higher costs at the Lincoln Regional Center (LRC) and Norfolk Sex Offender Program (NRC) due to the need to utilize staffing agencies, particularly Registered Nurses (RN) and Mental Health Security Specialists (MHSS), in order to meet minimum staffing levels until qualified individuals can be recruited, hired, and trained. These staff positions are responsible for providing 24/7 care and treatment at the facilities. Hourly charges from these staffing agencies are significantly higher than state employee wages and benefits. For example in FY19 approximately 10.5 FTE RN and 49 FTE MHSS were contracted from staffing agencies. For RN's, the contracted hourly rate is \$57.81 versus the average state hourly wage and benefits of \$41.84. The differential for MHSS is virtually the same, \$36/hour contracted rate versus \$21.36/hour average salary and benefits for similar state position. Most of the contracted staff were being utilized at the LRC but the need for contracted staff in Norfolk is increasing in FY19-20.

Failure to ensure adequate staffing and services places patient safety and health at risk, the State in jeopardy of lawsuits and a potential loss of federal funding from the Centers for Medicare and Medicaid Services (CMS) for failure to meet licensing guidelines. Compounding the issue, Mental Health Operations Program has seen an increase in general fund spending due to a reduction in cash and federal revenues due to fluctuations of the payer mix. In state fiscal year 2019, cash and federal fund reserves were utilized to cover these increased costs. It is not feasible, however, to sustain this as the federal fund revenues have dropped and cannot meet the spending authority given. For example, there are limitations on the number of days of hospital care that are eligible to be covered by Medicare with general funds covering any remaining days. Also the state must bear 100% of the cost of care for individuals who are placed at the LRC for competency restoration regardless of the individuals insurance coverage.

Lincoln Regional Center, ligature risk facility changes, CMS accreditation (DHHS)

The committee preliminary budget includes \$8.8 million General Funds in FY2019-20 to address the issue of ligature mitigation at the Lincoln Regional Center. In September 2019 the Joint Commission (JC) which is the accreditation body for Centers for Medicare and Medicaid Services (CMS) conducted a survey of the Lincoln Regional Center (LRC) and found deficiencies in the physical structure of the LRC that may pose as ligature risks. Ligature risks are those that may allow individuals to harm themselves or others in hospitals designated for behavioral health treatment. . Total costs include \$5.6 million to make the structural and physical plant changes and \$3.2 million for temporary staffing until structural changes can be made to the facility.

Failure to address identified ligature risks increases liability to the State if a utilizer of the service would harm themselves or others and may result in a loss of all Medicaid billing privileges if accreditation is not retained. The loss in Medicaid billing would shift the federal cost of care to general funds. The expected completion date for the structural changes is June 30, 2021.

In order to retain accreditation, the JC required DHHS to create a risk mitigation plan to address the deficiencies in the physical structure. Examples of some of the needed changes to the LRC include substituting door hardware (lever handles and door closers) with those that are ligature resistant, replacing wall mounted accessories such as grab bars and soap holders to breakaway fixtures, covering exposed pipes, replacing acoustical ceiling tile with drywall and replacing furniture with that designated for behavioral health settings.

Also the mitigation plan outlines the use of temporary staff to address the risks until the physical building modifications can be completed. The additional staff will be utilized to enhance one-on-one monitoring of patients in areas of the building where ligature risks are present

Developmental Disability Aid (DHHS)

The committee preliminary budget includes an additional \$8,632,198 General Funds in FY2020-21 for developmental disability aid related to Medicaid Home and Community-Based Waivers for the Developmentally Disabled (DD Waivers).

The Division of Developmental Disabilities (DDD) makes offers to individuals for Medicaid Home and Community-Based Waiver Services for the developmentally disabled based on the priorities in Nebraska Revised Statute 83-1216. In SFY19, DDD began serving 56 additional individuals

with the comprehensive (4154) waiver that met the priority one category which serves as an emergency capacity for those that are in immediate crisis. The additional number served under priority one was greater than in previous years (16 in SFY17 and 32 in SFY18) and the upward trend is expected to continue in the current biennium. The estimate for the mid-biennium issues is based on an estimate of 90 priority one waiver entrants in both SFY 20 and SFY 21. The cost to serve these individuals on the comprehensive waiver exceeds the funds that have become available through attrition from the waiver. Without the additional funding, DDD would not be able to make additional funding offers to individuals that are eligible for services for the priority one comprehensive waiver. Cost for this provision amounts to \$3,689,017 Gen Funds.

The DDD uses the Inventory for Client and Agency Planning (ICAP) assessment to determine funding levels for individuals served on Medicaid Home and Community-Based Waivers for the Developmentally Disabled (DD Waivers). Currently, DDD is in the process of standardizing the frequency for administration of the ICAP assessment to every two years to ensure that assessments are current and funding appropriately reflects the needs of individuals on DD Waivers. Between January 2019 and September 2019, DDD completed approximately 2,400 ICAP assessments for individuals on DD Waivers. It was determined that the updated assessments requires an average of 4% more funding to continue to provide services for current individuals on DD waivers at the funding levels and rates indicated by their ICAP assessments. The General fund portion of this cost, \$4,943,181.

Governors Emergency Program (Military Dept)

The Nebraska Emergency Management Agency (NEMA) had submitted a deficit request in the amount of \$53 million for FY20 for the Governors Emergency Program (GEP).

This request has two intended purposes. The first is to replenish the GEP to a balance of \$5 million in order to assure funding availability for immediate response to any disaster or emergency event(s). This balance amount is what has historically been maintained. The second purpose is to provide adequate funding (based on current total damage estimates) for the state's portion of the non-federal share of cost (12.5 percent of total eligible costs or \$50 million) associated with the Federal Emergency Management Agency's (FEMA) Public Assistance (PA) program. FEMA will reimburse 75 percent of eligible costs while local jurisdictions will be responsible for the remaining 12.5 percent. Types of work to be completed, or in the process of being completed, include restoration of roads/bridges, water control facilities, buildings/equipment, utilities, and parks/recreational and other facilities.

The Appropriations Committee included \$46 million in their preliminary budget. This is \$7 million lower than the Governor based on a review of the listing of FEMA Public Assistance projects and identification of projects that have historically not been eligible for assistance through the Governor's Emergency Program.

In addition to the \$46 million, the Committee included an additional \$9.2 million per the Governors Recommendation, to assist certain counties with their portion of the non-federal share of cost related to the Federal Emergency Management Agency (FEMA) Public Assistance (PA) program. In order to be eligible for assistance, a county's cost share (12.5%) of the projects related to the March 2019 disaster that are eligible under the FEMA PA program must total 20 percent or more of the county's 2018 taxes levied. The amount of assistance provided to a county is the difference between 20 percent of the 2018 taxes levied and the total amount of the counties cost share.

Pay Increases for Protective Services Staff (Corrections)

The Department of Correctional Services (DCS) reached an agreement to provide additional pay increases for DCS Protective Services Staff: Corrections Officers, Corporals, Corrections Unit Caseworkers, and Sergeants. Corrections officers will be reclassified as corporals. Corporals, unit caseworkers, and sergeants will receive wage increases and be placed on a new seven-step pay plan.

Corrections corporals, Unit Caseworkers, and Sergeants will get wage increases on January 20, 2020. Minimum pay for Corporals and Unit Caseworkers will increase to \$20 per hour, and \$24 per hour for sergeants. Current staff's pay will increase to the new minimum rate or by the same amount that the minimum has been raised, whichever is higher.

For example, the minimum rate of pay for the Corrections Corporal on January 19, 2020 is \$18.44 per hour. The new minimum rate of pay for that classification on January 20, 2020 is \$20.00 per hour. Accordingly, as of January 20, 2020 each employee in that classification shall receive an increase to the new minimum rate of pay of \$20.00 per hour, or shall receive a raise of \$1.56 per hour, whichever results in a higher rate of pay. Corporals, Unit Caseworkers and Sergeants can receive step increases on July 1 following satisfactory performance reviews. Each step will add \$1 to the employees' hourly pay. Employees can move up a step each year for seven years.

Costs to implement this pay agreement are \$2.3 million for the remainder of FY2019-20 and \$5.7 million for FY2020-21. Cost in the following biennium will be \$8.7 million and then \$11.7 million as the additional \$1 per hour on the step plan will cost approximately \$3 million each year.

Nebraska Career Scholarships (University, State Colleges, DED)

The Governor's budget recommendation included funding and distribution language for the Nebraska Career Scholarship Program through the University of Nebraska, State Colleges, and Community Colleges (through Dept of Economic Development). Funding for the current biennium amounts to a total of \$4 million with intent language that the program would increase to \$16 million in the fourth year.

Program	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
University of Nebraska	0	2,000,000	4,000,000	6,000,000	8,000,000
State Colleges	0	1,000,000	2,000,000	3,000,000	4,000,000
Dept of Economic Development (DED)	0	1,000,000	2,000,000	3,000,000	4,000,000
Total GF impact of FMAP change	0	4,000,000	8,000,000	12,000,000	16,000,000

University of Nebraska: The Governor indicates intent that the funding support 170 scholarships for eligible student each year for each \$2,000,000 appropriated and further provides that scholarship awards not exceed \$25,000 annually to students who achieve an ACT score of 28 or higher and \$10,000 annually to students who achieve an ACT score of 20 to 27 or are qualified transfer students. No student is to receive a scholarship after four years of participation in the program. Scholarships are to be limited to students who enroll in a program of study of math, engineering, health care, or computer information systems. The Board of Regents, in collaboration with the Department of Economic Development, is directed to evaluate programs of study needed to meet Nebraska workforce needs every four years.

State Colleges: Language indicates intent that the funding support 200 scholarships not to exceed \$10,000 per eligible student each year for each \$1,000,000 appropriated. Intent language accompanying the appropriation provides that to be eligible for the related financial aid, a student would be required to achieve a minimum ACT score of 18 and enroll in a program of study in rangeland management, industrial technology, criminal justice or computer information systems. No student is to receive a scholarship after four years of participation in the program. The Board of Trustees, in collaboration with the Department of Economic Development, is directed to evaluate programs of study needed to meet Nebraska workforce needs every four years.

DED: The recommendation notes that there would be 200 scholarships given for each \$1,000,000 appropriated. The Department of Economic Development would work in conjunction with the six Community Colleges to award scholarships to freshman students pursuing careers in high-demand areas.

TEEOSA School Aid (Education)

The Appropriations Committee preliminary adjustments modifies the budgeted TEEOSA aid amount to the level called for under the existing law as calculated and released by the Dept of Education January 13, 2020.

In total this is \$19.7 million lower than estimate at Sine Die last year and was included in the budget enacted at that time. Taking into consideration changes in the Insurance Premium funds the overall changes in General Funds are a reduction of \$20,300,839 in FY2020-21.

The following table shows the total amounts for TEEOSA aid (under current law), the key data elements important in determining the total, and the dollar and percent changes.

	Actual FY2018-19	Actual FY2019-20	Current Law FY2020-21	Estimated FY2021-22	Estimated FY2022-23
<u>Key Assumptions</u>					
School Disbursements	3.4%	4.2%	2.8%	2.8%	4.0%
Gen Fund Operating Expenditures (GFOE)	3.1%	4.3%	1.4%	2.8%	4.0%
Property Valuations (assessed)	2.9%	1.7%	2.1%	2.8%	2.2%
Property Valuations (used in formula)	4.0%	4.5%	3.9%	4.3%	3.7%
Cost Growth Factor	3.00%	3.50%	4.50%	5.00%	5.00%
Local Effort Rate	\$1.0203	\$1.0000	\$1.0000	\$1.0000	\$1.0000
General Funds	972,606,679	1,036,237,765	1,022,555,858	1,046,016,482	1,112,501,108
Insurance Premium Tax	26,901,296	29,675,083	30,300,000	30,750,001	31,210,000
Lottery funds, reorg incentives	906,222	--	--	--	--
Total TEEOSA state aid	1,000,414,197	1,065,912,848	1,052,855,858	1,076,766,483	1,143,711,108
<u>General Funds - Change over Prior Year</u>					
General Funds: \$ Change	2,595,102	63,631,087	(13,681,908)	23,460,624	66,484,626
General Funds: % Change	0.3%	6.5%	-1.3%	2.3%	6.4%
<u>All Funds - Change over Prior Year</u>					
Total TEEOSA Aid - \$ Change	1,672,443	65,498,651	(13,056,990)	23,910,624	66,944,625
Total TEEOSA Aid - % Change	0.2%	6.5%	-1.2%	2.3%	6.2%
Two Yr Avg % Change	1.1%		2.7%		4.2%

The following table shows the chronology of the TEEOSA estimates since Sine Die 2019. The amounts shown are total TEEOSA aid including amounts financed with General Funds and Insurance Premium Tax. Since Sine Die 2019 the estimates for the formula data elements and subsequent aid amount, have now been replaced with actual data that is utilized to certify the FY2020-21 TEEOSA state aid. This includes calculation of formula students, actual Annual Financial Report data which is the basis for calculating NEEDS and other receipts, and property valuations which is the basis for calculating yield from local effort rate.

There were two revisions in the TEEOSA number. The first revision was made at the statutory joint meeting where the Department of Education (NDE), the Property Tax Administrator, the Legislative Fiscal Analyst, and the budget division of DAS are to provide an estimate for the upcoming year. This was the estimate used in the Governors recommendation.

The second changes occurred with the development of the NDE calculation of aid under the current law in January 2020.

	All Funds FY2019-20	All Funds FY2020-21	All Funds FY2021-22	All Funds FY2022-23
Sine Die 2019 (with May 2019 certification)	1,065,912,849	1,072,531,781	1,157,086,073	1,229,814,521
Calculation changes when updating new data years	0	(403,471)	(6,518,281)	(6,779,012)
Averaging Adjustment (error in my FY21 NEEDS calc formula)	0	4,287,206	4,588,591	4,772,135
Valuation, 2019 from 2.16% DPAT Est to 2.13% DPAT certified	0	4,976,414	4,916,443	5,113,101
Valuation; 2020 (1.71% est to 2.78% DPAD est)	0	0	(19,547,421)	(20,451,705)
Valuation; 2021 (1.84% LFO est to 2.17% LFO est)	0	0	0	(7,557,794)
Spending growth: FY21 from 4.0% to 2.83% (first budget to budget)	0	0	(26,605,584)	(27,669,807)
Student Growth Adjustment (est to NDE)	0	488,680	414,172	481,869
New School Adjustment (est to NDE)	0	2,981,373	3,148,903	3,663,594
Income tax (TY2018 +7.95%, TY2019 +5% versus 6.0% and 4%)	0	170,355	262,922	268,821
Total Change - Oct 2019 Joint Meeting	0	12,500,557	(39,340,255)	(48,158,798)
October 2019 Joint Meeting	1,065,912,849	1,085,032,338	1,117,745,818	1,181,655,723
Adjust to dist by dist	0	0	12,382	(9,820,790)
Actual FY19 AFR, lower GFOE	0	(48,345,183)	(49,268,270)	(51,239,001)
Change in NEEDS gained or lost in basic funding calculation	0	(4,239,149)	(13,573,876)	4,194,462
Averaging Adjustment	0	(1,074,358)	1,672,982	(749,987)
Formula NEEDS Stabilization	0	9,684,462	3,216,231	1,853,948
Actual FY19 AFR, lower Other Receipts	0	10,233,610	10,557,534	10,891,575
Lower effective Yield from Local Effort Rate	0	4,669,892	7,463,847	8,547,515
Poverty / LEP Corrections	0	(1,808,827)	0	0
All Other Items	0	(1,296,927)	(1,060,165)	(1,622,337)
Total Change - NDE Jan 2020	0	(32,176,480)	(40,979,335)	(37,944,615)
NDE January 2020	1,065,912,849	1,052,855,858	1,076,766,483	1,143,711,108

Appendix A

General Fund Mid-Biennium Budget Adjustments

Agency	Item	Governor	Governor	Committee	Committee	Difference from Governor		
		FY2019-20	FY2020-21	FY2019-20	FY2020-21	FY2019-20	FY2020-21	
Education	25	Increased costs, DAS Accounting charges	172,683	139,962	172,683	139,962	0	0
Education	158	TEEOSA state aid, to NDE calculated per current law	(319,400)	12,843,302	(319,400)	(20,300,839)	0	(33,144,141)
Revenue	108	Adjust Homestead Exemption to actual under current law	4,100,000	5,000,000	4,100,000	5,000,000	0	0
DHHS	33	DHHS Opers, realign the appropriation level with current spend rates	(1,600,000)	(1,600,000)	(1,600,000)	(1,600,000)	0	0
DHHS	344	SCHIP, realign the appropriation level with current spend rates	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	0	0
DHHS	347	Public Assistance, realign the appropriation level with current spend rates	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	0	0
DHHS	354	Eastern Service Area Contract Rebasing, Child Welfare	(6,000,000)	(27,000,000)	(6,000,000)	(27,000,000)	0	0
DHHS	365	LRCntr, temporary staffing for ligature risk mitigation, CMS accreditation	3,200,000	0	3,200,000	0	0	0
DHHS	365	Increased costs, need to utilize staffing agencies (Lincoln & Norfolk)	5,000,000	5,000,000	5,000,000	5,000,000	0	0
DHHS	421	BSDC, realign the appropriation level with current spend rates	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	0	0
DHHS	424	Completed ICAP assessments, DD waiver services	0	4,943,181	0	4,943,181	0	0
DHHS	424	Higher DD waiver Sec 83-1216 priority 1 individuals	0	3,689,017	0	3,689,017	0	0
DHHS	365	Increased costs, need to utilize staffing agencies (Lincoln & Norfolk)	5,000,000	5,000,000	5,000,000	5,000,000	0	0
Military Dept	192	Governors Emergency Program, 2019 flood damage	CRF	0	46,000,000	0	46,000,000	0
Military Dept	192	Governors Emergency Program, 2019 flood damage, county share	CRF	0	9,240,974	0	9,240,974	0
Game & Parks	336	Additional conservation officers	135,560	340,102	135,560	340,102	0	0
Game & Parks	617	Reallocate funds to Prog 336 for additional conservation officers	(322,560)	(340,102)	(322,560)	(340,102)	0	0
Corrections	200	New salary contract	2,300,000	5,700,000	2,300,000	5,700,000	0	0
Corrections	200	Workforce development partnership	488,166	523,465	488,166	523,465	0	0
State Colleges	48	Nebraska Career Scholarships	0	1,000,000	0	1,000,000	0	0
University	515	Nebraska Career Scholarships	0	2,000,000	0	2,000,000	0	0
Hist Society	648	Retiree leave payout	0	0	92,306	0	92,306	0
DED	603	Nebraska Career Scholarships	0	1,000,000	0	1,000,000	0	0
Retirement	515	Statutory Contribution - School 2%	0	162,137	0	162,137	0	0
Retirement	515	Statutory Contribution - OPS service annuity	0	216,131	0	216,131	0	0
Retirement	515	Actuarially required contribution - Judges plan	0	(160,206)	0	(160,206)	0	0
Retirement	515	Actuarially required contribution - State Patrol plan	0	(87,130)	0	(87,130)	0	0

Agency	Item	Governor	Governor	Committee	Committee	Difference from Governor		
		FY2019-20	FY2020-21	FY2019-20	FY2020-21	FY2019-20	FY2020-21	
Accountability	94	Increased costs, support of database and electronic filing system	62,000	56,000	62,000	56,000	0	0
Construction	936	DHHS - LRC, ligature risk facility changes, CMS accreditation	CRF	0	5,600,000	0	5,600,000	0
Construction	979	G & P - Cowboy Trail, flood damage	CRF	0	187,000	0	187,000	0
Construction	908	NETC - Replace tower lighting system, KMNE Bassett	CRF	0	270,000	0	270,000	0
Construction	922	DAS - Capitol Dome long term repair	CRF	0	1,766,200	0	1,766,200	0
Construction	922	DAS - Capitol HVAC Project (shift from GF to CRF transfer)	0	(8,089,861)	0	0	0	8,089,861
Total General Funds –New Appropriations			216,449	(1,664,002)	63,372,929	(26,718,282)	63,156,480	(25,054,280)

Courts	435	Reduce reappropriations, Prog 435 Community Corrections	(2,850,000)	0	(2,850,000)	0	0	0
Courts	437	Reduce reappropriations, Prog 437 Juvenile Justice	(7,150,000)	0	(7,150,000)	0	0	0
DAS	685	Reduce reappropriations, Prog 685 Capital Commission	(701,601)	0	(701,601)	0	0	0
Total General Funds – Reappropriations			(10,701,601)	0	(10,701,601)	0	0	0

Appendix B

Summary of the FY20 / FY21 General Fund Budget with Preliminary Adjustment

	2020 Committee Preliminary			2020 Committee Preliminary			Change vs Prior Yr		Change vs Prior Yr		
	2019 Session	Deficits	with deficits	2019 Session	Midbiennium	Adjusted Total	FY19-20 (w/o deficits)		FY20-21 (w/o deficits)		
	FY2019-20	FY2019-20	FY2019-20	FY2020-21	FY2020-21	FY2020-21	\$	%	\$	%	
Agency Operations											
University & State /Colleges	645,653,500	0	645,653,500	669,462,990	3,000,000	672,462,990	19,286,822	3.1%	26,809,490	4.2%	
Health & Human Services	243,004,720	5,600,000	248,604,720	247,444,292	2,400,000	249,844,292	6,316,915	2.7%	6,839,572	2.8%	
Correctional Services	219,851,700	2,788,166	222,639,866	227,927,994	6,223,465	234,151,459	7,931,460	3.7%	14,299,759	6.5%	
Courts	195,447,322	0	195,447,322	199,189,998	0	199,189,998	8,403,802	4.5%	3,742,676	1.9%	
State Patrol	62,871,629	0	62,871,629	64,198,023	0	64,198,023	2,562,335	4.2%	1,326,394	2.1%	
Retirement Board	53,638,505	0	53,638,505	54,709,000	130,932	54,839,932	940,334	1.8%	1,201,427	2.2%	
Revenue	27,417,676	0	27,417,676	27,674,896	0	27,674,896	689,232	2.6%	257,220	0.9%	
Other 38 Agencies	191,280,786	139,989	191,420,775	190,111,424	195,962	190,307,386	9,576,075	5.3%	(973,400)	-0.5%	
Total-GF Operations	1,639,165,838	8,528,155	1,647,693,993	1,680,718,617	11,950,359	1,692,668,976	55,706,975	3.5%	53,503,138	3.3%	
State Aid to Individuals/Others											
Medicaid	860,304,131	0	860,304,131	917,144,136	0	917,144,136	10,675,947	1.3%	56,840,005	6.6%	
Child Welfare Aid	197,032,479	(6,000,000)	191,032,479	198,924,830	(27,000,000)	171,924,830	(38,909)	0.0%	(25,107,649)	-12.7%	
Public Assistance	91,609,328	(4,000,000)	87,609,328	90,756,257	(4,000,000)	86,756,257	(3,384,715)	-3.6%	(4,853,071)	-5.3%	
Developmental disabilities aid	150,880,903	0	150,880,903	144,893,404	8,632,198	153,525,602	601,460	0.4%	2,644,699	1.8%	
Behavioral Health aid	75,388,670	0	75,388,670	71,995,541	0	71,995,541	3,516,099	4.9%	(3,393,129)	-4.5%	
Childrens Health Insurance (SCHIP)	14,317,097	(2,000,000)	12,317,097	25,527,244	(2,000,000)	23,527,244	8,139,024	131.7%	9,210,147	64.3%	
Aging Programs	9,845,789	0	9,845,789	10,459,701	0	10,459,701	0	0.0%	613,912	6.2%	
Higher Ed Student Aid programs	7,693,430	0	7,693,430	7,693,430	0	7,693,430	154,400	2.0%	0	0.0%	
Public Health Aid	6,114,407	0	6,114,407	6,114,407	0	6,114,407	(37,500)	-0.6%	0	0.0%	
Business Innovation Act	6,020,352	0	6,020,352	6,020,352	0	6,020,352	0	0.0%	0	0.0%	
Community health centers	5,783,060	0	5,783,060	5,783,060	0	5,783,060	0	0.0%	0	0.0%	
All Other Aid to Individuals/Other	12,141,284	0	12,141,284	12,005,268	1,000,000	13,005,268	1,924,631	18.8%	863,984	7.1%	
Total-GF Aid to Individuals/Other	1,437,130,930	(12,000,000)	1,425,130,930	1,497,317,630	(23,367,802)	1,473,949,828	21,550,437	1.5%	36,818,898	2.6%	
State Aid to Local Govts											
State Aid to Schools (TEEOSA)	1,036,237,766	(319,400)	1,035,918,366	1,042,856,698	(20,300,839)	1,022,555,859	61,729,791	6.3%	(13,681,907)	-1.3%	
Property Tax Credit		Transfer	Transfer		Transfer	Transfer	--	--	--	--	
Special Education	228,791,851	0	228,791,851	231,079,770	0	231,079,770	2,265,266	1.0%	2,287,919	1.0%	
Aid to Community Colleges	100,547,391	0	100,547,391	102,558,339	0	102,558,339	1,971,517	2.0%	2,010,948	2.0%	
Homestead Exemption	88,700,000	4,100,000	92,800,000	92,000,000	5,000,000	97,000,000	4,600,000	5.5%	8,300,000	9.4%	
Personal Property Tax Relief Act	14,400,000	0	14,400,000	14,800,000	0	14,800,000	200,000	--	400,000	100.0%	
Aid to ESU's	13,352,558	0	13,352,558	13,613,976	0	13,613,976	267,558	2.0%	261,418	2.0%	
High ability learner programs	2,342,962	0	2,342,962	2,342,962	0	2,342,962	140,578	6.4%	0	0.0%	
Early Childhood programs	8,619,357	0	8,619,357	8,619,357	0	8,619,357	344,774	4.2%	0	0.0%	
Community Based Juvenile Services	6,048,000	0	6,048,000	6,048,000	0	6,048,000	0	0.0%	0	0.0%	
Resources Development Fund	0	0	0	0	0	0	(3,014,712)	-100.0%	0	0.0%	
Other Aid to Local Govt	11,069,394	55,240,974	66,310,368	10,069,394	0	10,069,394	6,099,248	122.7%	(1,000,000)	-9.0%	
Total-GF Aid to Local Govt	1,510,109,279	59,021,574	1,569,130,853	1,523,988,496	(15,300,839)	1,508,687,657	74,604,020	5.2%	(1,421,622)	-0.1%	
Capital Construction	38,265,811	7,823,200	46,089,011	27,489,461	0	27,489,461	16,526,811	76.0%	(10,776,350)	-28.2%	
Total Appropriations	4,624,671,858	63,372,929	4,688,044,787	4,729,514,204	(26,718,282)	4,702,795,922	168,388,243	3.8%	78,124,064	1.7%	

Appendix C

General Fund Spending Assumptions - Following Biennium

For the “following biennium” (FY2021-22 and FY2022-23), the budget numbers reflect the annualized impact of the 2019 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. It is an estimate based on “current law”, i.e. an estimate of future obligations with no change to the underlying law.

Amounts shown in this section do not reflect budget actions that might take place during the 2020 session including revised TEEOSA school aid estimates. The on-going impact of the 2020 items into FY22 and FY23 are shown with those individual items.

Table 8 Projected Budget Increases-Following Biennium
(includes on-going impact of 2019 budget actions, excludes impact of any potential 2020 changes)

<i>Dollar Changes from FY19 Base Year</i>	Annual % Change			Projected Increases	
	FY22	FY23	2 Yr Avg	FY2021-22	FY2022-23
Aid to K-12 Schools (TEEOSA GF only)	8.1%	6.4%	7.2%	84,109,166	156,084,608
Special Education	2.5%	2.5%	2.5%	5,776,994	11,698,413
Community Colleges	3.5%	3.5%	3.5%	3,589,542	7,304,718
Homestead Exemption	3.0%	3.0%	3.0%	2,760,000	5,602,800
Personal Property Tax Relief Act	3.0%	3.0%	3.0%	444,000	901,320
Aid to ESU's	2.5%	2.5%	2.5%	353,980	716,809
Medicaid	4.5%	4.5%	4.5%	39,297,637	80,363,668
Medicaid Expansion	42.3%	3.9%	23.1%	18,553,208	20,970,007
Public Assistance	3.5%	3.5%	3.5%	3,176,469	6,464,114
Child Welfare Aid	4.5%	4.5%	4.5%	8,951,617	18,306,057
Developmental Disability aid	4.0%	4.0%	4.0%	5,795,736	11,823,302
Behavioral Health aid	2.5%	2.5%	2.5%	1,799,889	3,644,774
Children's Health Insurance (SCHIP)	5.4%	5.3%	5.4%	1,373,726	2,809,270
Business Innovation Act (LB334 intent)	--	--	--	4,000,000	4,000,000
All Other (Aid-Ind)	0.0%	0.0%	0.0%	261,493	529,522
Employee Salaries - State Agencies	2.5%	2.5%	2.5%	13,890,292	28,127,842
Employee Health Insurance - State Agencies	6.0%	6.0%	6.0%	5,676,415	11,693,416
University/Colleges increased funding	3.7%	3.7%	3.7%	24,933,908	50,671,214
Operations increase - State Agencies	2.0%	2.0%	2.0%	3,043,448	6,147,765
Juvenile Services - Courts	2.5%	2.5%	2.5%	1,363,365	2,760,815
Inmate per diem costs (Corrections)	3.0%	3.0%	3.0%	1,384,455	2,810,443
Staffing / costs, new facilities (Corrections)	--	--	specific	0	3,722,530
Retirement (defined benefit plans)	--	--	specific	1,000,000	2,100,000
All Other (Oper)			specific	1,163,045	1,074,379
Construction	21.2%	-13.8%	3.7%	5,814,467	1,202,794
Total General Fund Increases (Biennial Basis)	5.0%	4.1%	4.6%	238,512,852	441,530,580
Impact of 2020 Committee Preliminary budget				(80,141,824)	(78,407,642)
General Fund Increases with 2020	3.9%	4.2%	4.1%	158,371,028	363,122,938

Aid to Local Governments

State Aid to Schools (TEEOSA) The estimates for FY22 and FY23 are Legislative Fiscal Office estimates used at Sine Die 2019. The estimates reflect a growth in overall school aid of 6.7% in FY22 and 6.4% in FY23. The above average growth reflects a 4% per year estimate in school spending but low valuation growth of under 2% per year assuming a continued decline in agricultural land valuations.

The previous paragraph describes the estimates at Sine Die 2019. Impacts of the January 2020 preliminary certified TEEOSA amounts are shown separately on the Financial Status and are more fully described on page 20.

Special Education Increases for FY22 and FY23 reflect a 2.5% per year increase. Although statute allows for a growth up to 5% the 2.5% is equal to the basic allowable growth rate under the K-12 school spending limitation and TEEOSA calculations.

Aid to Community Colleges For the following biennium, a 3.5% per year annual increase is included reflecting increased state aid to support operations budget increases. This increase amounts to about a \$3.6 million per year increase.

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, the average growth is 4.5% per year. This reflects projected growth of 2.0% per year for population client eligibility and utilization and 2.5% per year for provider rates. This estimate also assumes no change in the federal match rate.

Medicaid Expansion The large growth in FY21-22 reflects annualizing to a full 12 months plus a continued ramp up of the expansion program.

Public Assistance A basic growth rate of 3.5% per year is utilized for the various Public Assistance programs for the following biennium. This reflects no growth for population client eligibility and utilization and 2.5% per year for provider rates and 5% for child care rates.

Child Welfare A basic growth rate of 4.5% per year is utilized for the various Child Welfare programs for the following biennium. This reflects a 2% per year growth for population client eligibility and utilization and 2.5% per year for provider rates.

Children's Health Insurance (CHIP) For the following biennium, a 4.5% per year increase is used which is the same as Medicaid.

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 2.5% increase to reflect some annual increase in provider rates.

Business Innovation Act LB334 passed in the 2019 Session repealed Angel Investment Tax Credit Act and provided intent for the reallocation of the \$4 million per year which was saved due to repeal of the credits. For the first year funds are available, FY2020-21, the \$4 million was allocated to the Governors Emergency program to assist in covering flood damage costs. And then starting in FY2021-22, the bill provided intent language that the \$4,000,000 previously allocated to the Angel Investment Tax Credit Act be allocated the Business Innovation Act in the Department of Economic Development.

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 6% per year increase in health insurance is included for the following biennium, similar to the prior biennium.

University and State Colleges Funding Although shown as a separate item, the calculated amounts are based on applying the same salary and health insurance increases as noted for state employees planning purposes, and applying them to both the University and State Colleges.

Operations Inflation Included in the projected status is a general 2% increase in agency non-personnel operating costs. Although not provided as an across the board increase, this amount historically covers increases in utility costs at state and higher education facilities as well as food and other inflationary cost increases at 24/7 state facilities such as veterans homes, BSDC, etc...

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.

DCS Staffing and Operations The amount shown in FY22-23 is the projected operating costs for the two new high security housing units at the Reception and Treatment Center in Lincoln. Completion of construction is estimated for November 2021 with projected operating costs estimated at \$3,722,530 per year.

Defined Benefit Retirement Plans The increase in for the defined benefit retirement plans for FY22 and FY23 reflects about a 2.5% increase in the 2% of pay contribution in the school plan.

Capital Construction General Fund dollars included in the projected budget for the following biennium for capital construction reflect reaffirmations only based on the proposed FY20/FY21 biennial budget. These are dollar amounts needed to complete funding of previously approved projects.