

THE NEBRASKA LEGISLATURE'S
WEEKLY PUBLICATION

Stories published online daily at
www.NebraskaLegislature.gov.

UPDATE

Budget adjustment plan passed

Lawmakers gave final approval Nov. 20 to legislation intended to balance the state's budget in light of declining revenues.

Revenue projections for the current budget biennium were lowered by \$297 million during an Oct. 27 meeting of the Nebraska Economic Forecasting Advisory Board. The result was a projected \$334 million shortfall in the state's \$6.9 billion, two-year budget passed during the 2009 regular session.

Gov. Dave Heineman issued the call for a special budget-cutting session on Nov. 2 and the 101st Legislature, first special session, began Nov. 4.

LB1, LB2 and LB3, introduced by Norfolk Sen. Mike Flood at the request of the governor, outlined Heineman's proposal for addressing the shortfall, which included \$279.8 million in reduced appropriations or reappropriations and \$56.3 million in fund transfers.

LB1, which makes changes to the mainline budget bill, reduces and eliminates various appropriations, reappropriates unexpended funds, increases and creates certain transfers to the general fund and makes across-the-board reductions in agency appropriations of 2.5 percent in fiscal year 2009-10 and 5 percent in FY2010-11.

In crafting a response to the governor's plan, the Appropriations



Sen. Lavon Heidemann, chairperson of the Appropriations Committee, led four days of state agency hearings on the potential impact of proposed budget cuts.

Committee heard testimony from all state agencies on the potential impact of the proposed budget cuts during four days of public hearings.

The resulting committee amendment, which was adopted 45-0 during general file debate Nov. 17 and became the bill, left most of the governor's recommendations intact. Chairperson Lavon Heidemann of Elk Creek said the bulk of the committee's work focused on LB1.

"This is where all the pain was felt," he said.

Exceptions

The committee's proposal carves out exceptions to the across-the-board agency reductions for the troubled Beatrice State Developmental Center,

24-hour care facilities, protection and safety programs, Medicaid and funding for services for individuals on the state's developmental disabilities waiting list, among others.

In some cases, however, specific reductions were applied, Heidemann said. For example, a \$10 million increase in appropriations for the developmental disabilities waiting list, added during the 2009 regular session, was protected. However, a \$500,000 reduction to the waiting list's FY2009-10 general fund appropriation was authorized by the committee amendment to release unexpended funds.

Changes also were made to the budgets of the Legislature and the Courts.

continued on page 3

A CLOSER LOOK.....

Senators approve changes to state aid to schools formula

Senators passed a bill Nov. 20 that makes adjustments to the state aid to schools formula in order to hold expenditures flat over the next two years.

York Sen. Greg Adams, chairperson of the Education Committee, estimated the proposed adjustments would result in a savings of \$31.5 million.

LB5, introduced by the committee, originally would have reduced the base limitation rate from 1.5 percent to 0.5 percent for the 2010-11 school year, thereby lowering the overall cost growth for school districts' allowed operating expenses. A committee amendment, adopted 43-2, further lowered that rate to 0.25 percent. This number is used in the calculation of

budget authority for school districts and in the cost growth factor, which is an inflationary component used to bring two-year-old spending data to a more current level.

LB5 also reduces the allocated income tax funds by \$20 million for 2010-11 and clarifies qualifications for the elementary site allowance. Allocated income tax funds are distributed to non-equalized school districts.

"This allows us to spread the pain out," Adams said.

The bill originally would have removed the formula's instructional time allowance, but the committee amendment wrote the allowance back into the formula. The instructional allowance allocates additional money to school

districts that increase instructional time by measures like increasing the number of days in the school year or the duration of a school day.

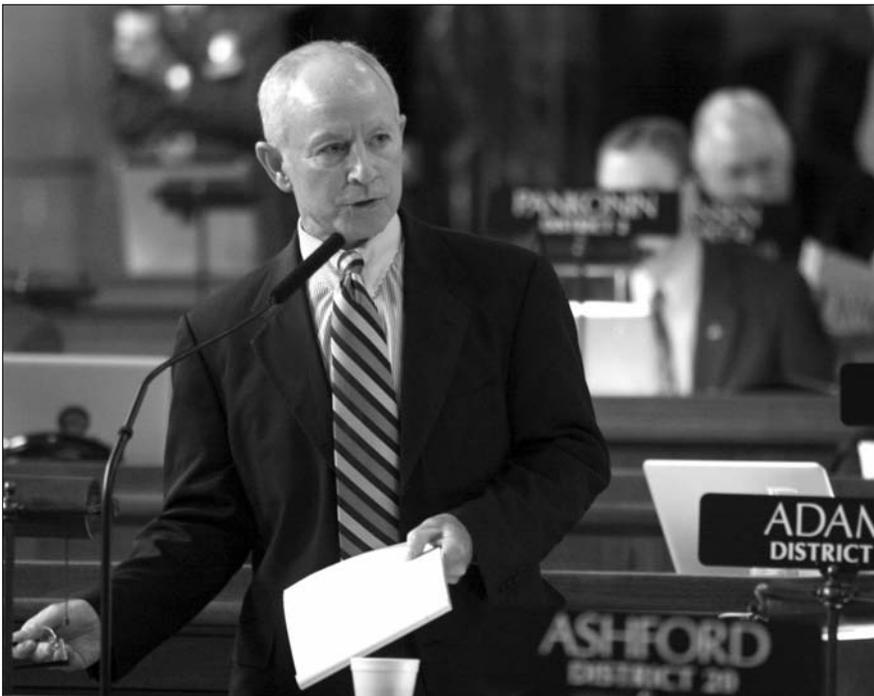
Currently, instructional time is defined by individual school districts. Adams said the state Department of Education would be able to provide more information about instructional time in the future so the committee could clarify the definition statewide.

LB5 also replaces the teacher education adjustment with a teacher education allowance. The teacher education adjustment allows additional money to school districts that hire teachers with advanced degrees. As an adjustment, it is averaged into per-student spending, while an allowance is figured on a school-by-school basis. The change more accurately compensates only those schools that hire teachers with advanced degrees, Adams said.

Discussion during select file debate centered on an amendment offered by Lincoln Sen. Amanda McGill, which she later withdrew. The amendment would have required school districts to make cuts to areas like administration, non-student transportation and legal and service contracts before cutting classroom-related funding. Under the amendment, districts that did not follow the guidelines outlined in the amendment would have lost half of their funds awarded through the state aid formula.

"We should do more than just encourage school districts [to preserve classroom-related funding]. We should require it," McGill said.

continued on page 4



Sen. Greg Adams, chairperson of the Education Committee, estimated the passage of LB5 would result in a savings of \$31.5 million.

A CLOSER LOOK.....

Budget adjustment plan passed

continued from front page

Sen. John Wightman of Lexington said budgets for branches of state government are not comparable to those of state agencies and, therefore, were examined separately by the Appropriations Committee.

As a result, under the amended bill, the Legislature retains approximately \$1 million in unexpended funds that were to be reappropriated to the general fund under the governor's plan. Wightman said wage increases for legislative employees likely will be rolled back, as will scheduled per diem increases for senators.

In addition, the bill allows a 1.5 percent reduction in FY2009-10 and a 3 percent reduction in FY2010-11 to the state Supreme Court budget, rather than the 2.5 percent and 5 percent reductions called for in the governor's proposal.

Omaha Sen. Steve Lathrop relayed Chief Justice Mike Heavican's testimony that the governor's proposed reductions would result in reduced hours or closures in more than 20 county courts.

"This was a big deal, particularly in rural communities," Lathrop said.

Sen. Deb Fischer of Valentine agreed, citing a rural area in her district in which one court employee serves a four-county area.

"Many of these counties and the courts that serve the people who live there have already consolidated," she said.

Fund transfers

The committee amendment also removed a provision from LB1 to authorize transfers from commodity check-off funds to the general fund. The governor's proposal, which called

for \$1.2 million in transfers from eight commodity funds, drew intense opposition during public hearings.

LB2 provides for and eliminates certain fund transfers. Among the transfers are:

- \$10 million from the Education Innovation Fund to the University Cash Fund;
- \$1.3 million from the Tobacco Prevention and Control Cash Fund to the Health and Human Services Cash Fund; and
- \$1 million from the Nebraska Capital Construction Fund to the general fund.

LB3 authorizes transfers outlined in LB1 by adding language to the statutes governing each fund authorizing transfers to the general fund at the direction of the Legislature.

The bill was amended on general file to reduce a proposed transfer from the state's E-911 Fund from \$5 million to \$3.4 million.

The reduction was based on an attorney general's opinion that accessing the fund's principal for any purpose unrelated to emergency services may jeopardize the state's future federal funding, Heidemann explained. Accessing only interest accrued on the fund accounts for the reduced transfer, he said, and the resulting \$1 million shortfall is covered by a transfer from a securities cash fund.

Omaha Sen. Tanya Cook offered an amendment during general file debate to prevent a proposed job-training fund transfer authorized in LB3. The idea was initially introduced by Omaha Sen. Brenda Council as LB8.

The governor had proposed a \$3 million transfer from the state Department of Economic Development's

job-training fund to the general fund. The Appropriations Committee increased the amount to \$5 million.

Cook said the fund's \$26 million balance "caught the eye" of the governor, but that the fund needs to maintain a considerable balance in order to be ready for projects on an as-needed basis.

Over \$13 million of the fund's balance is committed to proposed projects that will create over 4,000 jobs in Nebraska, she said.

"The committee's proposal dramatically affects the feasibility of the program," Cook said.

Heidemann responded that the transfer would not jeopardize job-training funds for rural and high-poverty areas, noting that the fund historically contracts out approximately \$2 million per year. At that rate, the fund has nearly seven years of reserve cash, he said, adding that proposed projects often fall through.

Cook's amendment failed on a 4-31 vote.

Other provisions

The Legislature partially restored a scheduled increase in HHS provider rates, authorized in the budget package passed during the 2009 regular session.

The legislation called for a 1.5 percent increase for all providers in each year of the next two fiscal years, in addition to a 2.5 percent per year increase for community-based developmental disability providers and 3 percent per year for Area Agency on Aging providers. The governor's original proposal would have eliminated the FY2010-11

continued on page 4

A CLOSER LOOK.....

State aid formula changes approved

continued from page 2

While most senators agreed that cuts should be made as far from the classroom as possible, others said the amendment would limit local control.

“This is micromanagement,” Grand Island Sen. Mike Gloor said. “It’s well-intentioned, but it’s micromanagement.”

While she opposed McGill’s amendment, Omaha Sen. Brenda Council took the argument one step beyond protecting classroom-related costs.

“Any reductions in the budget should be made as far away from education as possible,” she said.

Other senators agreed, questioning whether the cuts to education were necessary at all.

Omaha Sen. Jeremy Nordquist opposed the bill.

“I am not convinced that we need to make these cuts,” he said, noting that property taxes likely would be raised locally to make up for state cuts to schools. “The last thing we need is an additional tax burden.”

Lincoln Sen. Danielle Conrad agreed.

“If, in fact, our economic ship is sinking ... why are we not finding a lifeboat for these programs?” she asked. “All LB5 does is rearrange the deck chairs.”

But Adams said the bill responsibly addresses the need to cut state expenditures.

“We have taken on a task and it was the obligation of the Education Committee to try to find the savings within the formula,” he said. “We’ve given you what I believe is the fairest and ... simplest solution.”

Senators passed LB5 on a 40-7 vote. ■

Budget adjustment plan passed

continued from page 3

increases.

As amended, LB1 restores some funding, providing for a 0.5 percent general rate increase and a 1 percent increase for developmental disability and aging providers in FY2010-11.

During general file debate, Wightman said the Legislature has consistently rolled back pay increases for those who care for the state’s most vulnerable citizens. Nebraska will lose providers if the trend continues, he warned.

“For many years we have balanced the budget on the back of providers,” he said.

LB1 also contains intent language that state agencies may, at their discretion, use furloughs as a short-term means of addressing budgetary shortfalls. The language originated in LR4, introduced by Lincoln Sen. Bill Avery, and was included in the committee amendment to LB1.

Furloughs allow state employees to remain consumers and fuel the state’s economy, Avery said.

“Furloughs save jobs,” he said. “They also preserve benefits.”

Grand Island Sen. Mike Gloor said across-the-board furloughs will cause discontent among state employees and suggested that state agencies be encouraged not to delay staff cuts if layoffs are warranted.

“Please do not let agencies make comfortable decisions in lieu of difficult management decisions,” he said.

Finally, LB4, also introduced by Flood on behalf of the governor, appropriates funds to pay for the special session. Senators approved \$110,651 for the 12-day session by passing LB4 on a 47-0 vote Nov. 20.

LB1, LB2 and LB3 also passed Nov. 20 on 47-0 votes.

Looking ahead

When combined with the projected \$31.5 million in savings from the passage of LB5, the Education Committee’s bill that adjusts the state aid to schools formula, the Legislature’s budget package effectively closes the projected budget gap for the current biennium.

The Appropriations Committee proposal will result in \$337 million of budget actions over the next two fiscal years, of which \$270.2 million is from reduced appropriations or reappropriations and \$66.8 million is from fund transfers. The committee’s plan does not utilize any additional cash reserve funds.

But concerns about the future remain.

Heidemann said that in spite of lawmakers’ actions during the special session, the projected shortfall at the end of the next budget biennium is \$638 million.

“We’re headed in the right direction,” he said, “But it’s important that we start to address the problem.”

Omaha Sen. Heath Mello agreed.

“We have declining revenues and our spending is still growing,” he said. “We’ll have to shrink the size of government. Right now there is no long-term plan, there is no long-term vision. Our state is at a fiscal crossroads.”

Sen. Annette Dubas of Fullerton joined other senators in suggesting that the special session was but the beginning of a long and painful process of examining Nebraska’s budget priorities.

“This is simply a running start on the work we have before us in January,” she said.

The Legislature adjourned sine die Nov. 20 and is scheduled to convene for the second regular session Jan. 6. ■

MEET THE SENATOR.....

Sen. Krist ready to soar to new heights



Omaha Sen. Bob Krist, a retired U. S. Air Force lieutenant colonel, once piloted a civilian flight to Disney World with his daughter.

A commander in both Desert Shield and Desert Storm in Saudi Arabia, Krist's civilian flights have taken him on joy rides around Nebraska as well as to Disney World with his daughter, Courtney.

"My daughter is my best co-pilot," he said.

Krist and his wife, Peggy, also enjoy spending time with their 15-month-old grandson, Lucas, and their son and daughter-in-law,

Justin and Aura.

Appointed Sept. 11 by Gov. Dave Heineman, Krist is a contract manager and the chief pilot for the northwest division of the U.S. Army Corps of Engineers. He replaces former senator Mike Friend, who resigned from the Legislature Aug. 16 to be-

come the first director of the state's Office of Violence Prevention.

Family has always been an important part of Krist's life. He credits his parents for instilling in him a strong appreciation for education by encouraging him to make his studies a priority. Although he did study hard, Krist admitted he was often motivated by a desire to be academically eligible to play football and baseball.

"That was always a spark to get me to study," he said with a laugh.

Krist is a graduate of Omaha's Creighton Prep and the University of St. Thomas in Minnesota, where he played wide receiver for the Tomcats. Regardless of his initial motivation, Krist now counts his education as one of the most valuable things in his life.

"I don't intend to squander it," he said, noting that the experience especially impressed on him the importance of public service.

"If you line up your priorities with God, family and then everything else, it will all fall into place," he said. ■

When Sen. Bob Krist, a retired U.S. Air Force lieutenant colonel, needs to relax, he heads for the sky.

"When the day is beautiful and the sky is blue..." he trailed off and started again. "Some people fish or play golf to relax. My thing just happens to be flying – it gets in your blood."

McGill elected Urban Affairs chairperson



Sen. Amanda McGill

Senators elected Lincoln Sen. Amanda McGill chairperson of the Urban Affairs Committee Nov. 19.

She has served as the interim chairperson since the departure of former senator Mike Friend of Omaha.

Friend resigned from the Legislature Aug. 16 to become the first director of the state's Office of Violence Prevention.

McGill said her three years as vice-chairperson of the committee would serve her well in her new position.

Bellevue Sen. Scott Price also ran for the position. McGill was elected on a 27-21 vote.

Senator Nantkes weds, changes name



Sen. Danielle Conrad

Lincoln Sen. Danielle Nantkes has changed her last name. Having married Thomas Conrad Aug. 15, the senator now uses the name Sen. Danielle Conrad.

The Legislature's bill search feature will continue to display past legislation sponsored by the senator under her previous name. Legislation she introduces in future sessions can be found under her married name. The same applies to archived stories in the Unicameral Update online.

The senator's updated e-mail address is dconrad@leg.ne.gov.

A CLOSER LOOK.....

Bills not passed during special session

Of the 16 legislative bills introduced during the special session, 11 did not receive final reading approval. Some bills influenced changes to the special session budget, while others were indefinitely postponed immediately after their committee hearings.

LB6, introduced by Holdrege Sen. Tom Carlson, would have repealed a requirement that the state Department of Agriculture conduct inspections of animal breeding facilities at least once in a two-year period as part of the Commercial Dog and Cat Operator Inspection Act. The bill was projected to save the department approximately \$180,000, although it was indefinitely postponed by the Agriculture Committee.

LB7, also introduced by Carlson, would have reformulated the distribution of pesticide registration fees to increase funds to the Noxious Weed Cash Fund by \$5, while decreasing the share to the Buffer Strip Incentive Fund by \$5. The bill would have provided an additional \$55,000 annually for the Noxious Weed Cash Fund and a corresponding decrease for the Buffer Strip Incentive Fund. Following an attorney general's opinion that the bill was outside the governor's call, it was held in committee.

LB8, introduced by Omaha Sen. Brenda Council, would have protected transfers from the Job Training Cash Fund to the general fund. **LB1**, as amended, provides for transfers totaling approximately \$5 million from the fund. Omaha Sen. Tanya Cook offered language from **LB8** as an amendment to **LB3**. The amendment was defeated on a 4-31 vote, and **LB8** was passed over.

LB9, introduced by Schuyler Sen. Chris Langemeier, would have eliminated a scheduled transfer of revenues collected from a corn and grain sorghum excise tax from the Ethanol Production Incentive Cash Fund to the Water Resources Cash Fund on Jan. 1, 2013. The cash fund would lose approximately \$7.5 million annually if the excise tax were no longer deposited. After receiving an attorney general's opinion that the bill fell outside the call of the special session, **LB9** was held in committee.

LB10, introduced by Lincoln Sen. Colby Coash, would have eliminated funding for additional surveyors of community-based facilities serving persons with developmental disabilities. Projected to save approximately \$470,000 over a two-year period, the bill was held in committee.

LB11, introduced by Fullerton Sen. Annette Dubas, would have prohibited transfers to the general fund from checkoff-supported cash funds for producers of potatoes, wheat, corn, dry beans, dairy, sorghum, grapes, and poultry and eggs. **LB1**

originally would have authorized transfers from these funds totaling approximately \$845,000 in fiscal year 2009-10 and \$335,000 in FY2010-11. The proposed checkoff transfers were later eliminated from the budget adjustment.

LB12, introduced by Platte Center Sen. Arnie Stuthamn, would have modified community-based energy development provisions added during the 2009 regular session to save approximately \$3.75 million over the biennium. The bill was indefinitely postponed by the Natural Resources Committee.

LB13, introduced by Omaha Sen. Rich Pahls, would have repealed sales tax exemptions for one year and lowered the state sales tax rate from 5.5 percent to 0.65 percent. The bill was estimated to provide an additional \$300 million in revenue. It was indefinitely postponed by the Revenue Committee.

LB14, introduced by Ellsworth Sen. LeRoy Loudon, would have prohibited transfers from the Nebraska Brand Inspection and Theft Prevention Fund to the general fund. As introduced, **LB1** included approximately \$335,000 in general fund transfers from the fund. Language from **LB14** was incorporated into the budget package.

LB15, introduced by Omaha Sen. Tom White, would have restructured the state property tax credit program to apply to residences only. The bill would have allocated \$90 million of the \$112 million currently appropriated for the program, and the remaining \$22 million would have been used to mitigate cuts to state aid for education. It was indefinitely postponed by the Revenue Committee.

LB16, introduced by Malcolm Sen. Ken Haar, would have prevented funding reductions to the Microenterprise Development Act, Building Entrepreneurial Communities Act and the Ag Opportunities and Value Partnerships Act. The governor's budget proposal included cuts to the programs amounting to approximately \$100,000. The bill was held in committee.

Finally, **LR4**, introduced by Lincoln Sen. Bill Avery, encouraged state agencies to employ limited furloughs instead of layoffs to meet budget limits. Similar language was incorporated into the final version of **LB1**. ■

2009 Special Session calendar

Sun	Mon	Tues	Wed	Thur	Fri	Sat
November						
1	2	3	4 DAY 1	5 DAY 2	6 DAY 3	7
8	9 DAY 4	10 DAY 5	11 HOLIDAY	12 DAY 6	13 DAY 7	14
15	16 DAY 8	17 DAY 9	18 DAY 10	19 DAY 11	20 DAY 12	21
22	23	24	25	26	27	28
29	30					

Day 1 - Legislature convenes; Introduction of new bills

Day 2 - Introduction of new bills; Committee hearings

Day 3 - Introduction of new bills; Committee hearings

Day 4 - Committee hearings

Day 5 - Committee hearings

Day 6 - Layover day

Day 7 - General File: LB5

Day 8 - General File: LB4

Day 9 - General File: LB1, LB2, LB3, LB8, LB11, LB14;
Select File: LB5

Day 10 - Layover day

Day 11 - Select File: LB1, LB2, LB3, LB4

Day 12 - Final Reading; Legislature adjourns sine die

Federal & State Holidays

November 11 – Veterans Day

Historical Society to run gift shop

The Landmark Store opened in the State Capitol Building Nov. 19. Operated by the Nebraska State Historical Society, the store will carry books, gifts, cards, children's items and products created by Native American and Nebraska artists.

The new store replaces the Capitol Gift Shop that had been operated by the University of Nebraska-Lincoln's Nebraska

Center for Entrepreneurship. That store was closed in February.

The gift shop is located on the first floor. It will be open Monday through Friday from 10 a.m. to 4:30 p.m. and during special events on the weekends. For more information, call (402) 471-2062.

UNICAMERAL UPDATE

The Unicameral Update is a free, weekly newsletter offered during the legislative session covering actions taken in committees and on the floor of the Legislature.

The Unicameral Update is produced by the Clerk of the Legislature's Office through the Unicameral Information Office.

To subscribe, contact the Unicameral Information Office, P.O. Box 94604, Lincoln, NE 68509, (402) 471-2788.

You can also subscribe by e-mailing:
uio@leg.ne.gov

Clerk of the Legislature
Patrick J. O'Donnell

Editor
Heidi Uhing

Contributors
Lauren Adams
Bess Ghormley
Kate Heltzel
Kyle Petersen

Assistance provided by:

Clerk of the Legislature's Office
Legislative Bill Room
Legislative committee clerks
Legislative committee legal counsels
Legislative journal clerks
Legislative Mail Room
Legislative pages
Legislative Technology Center
Legislative Transcribers
Nebraska State Print Shop

Unicameral Information Office
Nebraska State Legislature
P.O. Box 94604
Lincoln, NE 68509
03-23-05

PRESRT STD
U.S. POSTAGE PAID
LINCOLN, NE
PERMIT NO. 212

Contact Information

UNICAMERAL UPDATE:

Subscriptions: uio@leg.ne.gov or (402) 471-2788
<http://unicameralupdate.blogspot.com>

STATUS OF BILLS OR RESOLUTIONS:

Legislative Hot Line - Lincoln: (402) 471-2709
Legislative Hot Line - Nebraska, outside Lincoln: (800) 742-7456
www.nebraskalegislature.gov/bills

BILLS, RESOLUTIONS OR LEGISLATIVE JOURNALS:

Subscriptions: State Capitol Room 2018 or (402) 471-2271
Individual copies: 24-Hour Request Line at (402) 471-2877
www.nebraskalegislature.gov/bills

UNICAMERAL WEB SITE:

www.nebraskalegislature.gov
Technical assistance: webmaster@leg.ne.gov

UNICAM LIVE! VIDEO COVERAGE:

www.nebraskalegislature.gov

NEBRASKA BLUE BOOK:

Nebraska Blue Book Office: (402) 471-2220
www.nebraskalegislature.gov/about/blue-book.php

WARNER INSTITUTE FOR EDUCATION IN DEMOCRACY:

Unicameral Information Office: (402) 471-2788
www.nebraskalegislature.gov/education/student_programs.php

UNICAMERAL UPDATE

CLERK OF THE LEGISLATURE
Patrick J. O'Donnell
State Capitol Room 2018
Lincoln, NE 68509-4604

Legislative Hot Line
Voice/Telephone Text - (V/TTY)
Lincoln... (402) 471-2709
Nebraska (outside Lincoln)... (800) 742-7456

24-Hour Automated Request Line
(402) 471-2877

Web Site
www.nebraskalegislature.gov

Unicameral Update Online
<http://unicameralupdate.blogspot.com>

Use the address below to
contact your senator. Include your senator's
name and district number in the address.

SENATOR
DISTRICT #
STATE CAPITOL
P.O. BOX 94604
LINCOLN, NE 68509-4604