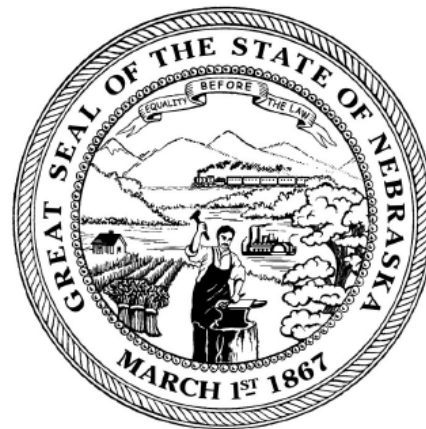


State of Nebraska



Executive Budget Presentation 2017 – 2019 Biennium



Pete Ricketts
Governor

January 12, 2017

State of the State Address

- Budget Recommendations for the Upcoming 2017-2019 Budget Biennium
 - On January 5th, made recommendations for adjustments to FY 2016-17 state budget
- Policy Initiatives for Consideration by the 105th Legislature

Budget Building Process

- Started working on the budget in June.
- Asked agencies to provide 8% in recommended modifications.
- This was an iterative process with my agencies.
- Budget Office worked closely with my agencies to ensure they can manage adjustments.

Brief Review of January 5 Recommendations

FY 2016-17 General Fund Budget Adjustments by Type

Adjustment Type	Amount
<u>Appropriations</u>	
FY 2016-17 Reappropriation Reductions	77,454,598
FY 2016-17 New Appropriation Reductions	93,763,944
- Across-the-Board Reductions	42,369,058
- Specific Reductions	51,394,886
- less FY 2016-17 Agency Deficit Appropriations	(20,054,965)
Total Net Appropriation Reductions	151,163,577
 <u>Revenues</u>	
Specific Fund Transfers to the General Fund	21,509,103
Cash Reserve Fund Transfer to the General Fund	92,000,000
Additional revenue	11,201,000
Total Transfers In/Revenues	124,710,103
Total FY 2016-17 Adjustments	275,873,680

FY 2016-17 Budget Recommendations

- Restored the 3% General Fund Budget Reserve
 - Essential starting point for building the 2017-2019 biennial budget
- Maintained an unobligated Cash Reserve Fund balance at \$500 Million
- Important to first address proposed FY 2016-17 changes
 - Affirm fiscal restraint and budget certainty regarding FY 2016-17
 - Establish the foundation for enacting the 2017-2019 biennial budget

2017 - 2019 Budget Recommendations

- No tax increases
- Prepare 2017-2019 biennial budget within the tax receipt forecasts provided by the Nebraska Economic Forecasting Advisory Board
- Two year average increase of 1.7% in appropriations for the 2017-2019 biennium over adjusted FY 2016-17 appropriations
- Structural balance (tax receipts versus spending) regained in the state budget
- 3% General Fund budget reserve of \$267 Million included in budget proposal
 - State Cash Reserve Fund balance maintained at \$500 Million

2017 - 2019 Biennium Budget Priorities

- Additional direct property tax relief
 - Property Tax Credit Fund \$440 Million--\$40 Million in additional State support, \$20 Million each fiscal year
 - Anticipated by LB 958 (2016 Legislative Session)
 - Homestead Exemption--\$159.2 Million--\$14.2 Million, an 11.7% increase for the biennium; 5.7% two year average increase
- State Support for TEEOSA School Aid
 - \$2.05 Billion--\$90.3 Million, a 5.4% increase, for the biennium in additional State support for K-12 schools; 2.7% two year average increase
- Special Education Aid
 - \$454.2 Million--\$10 million, a 3% increase, for the biennium; 1.5% two year average increase

2017 - 2019 Biennium Budget Priorities

Department of Corrections

- Fully funded budget request.
- Workforce and programming
 - \$435.5 Million--\$20.1 Million, a 6.8% increase, additional appropriation for the biennium; 3.3% two year average
- Capital facility operational improvements
 - \$75.2 Million--Reception and Treatment Center project
 - Critical healthcare improvements for operational support infrastructure at the Diagnostic & Evaluation Center and the Lincoln Correctional Center
 - \$1.1 Million for security system upgrades

Reductions in State Agency Appropriations

- 2017-2019 agency requests included proposals for possible General Fund budget reductions of 8%
- Recommendations for FY 2017-18 appropriations compared to the unadjusted FY 2016-17 base
 - Flat 0.13% decrease
- FY 2018-19 compared to FY 2017-18
 - 1.9% annual increase
- Two year average increase
 - 0.9% over the unadjusted FY 2016-17 base

Budget Adjustments: Major Categories

General Fund Only

Type	FY 2017-18 over FY 2016-17	FY 2017-18 Annual % Chg	FY 2018-19 over FY 2017-18	FY 2018-19 Annual % Chg	FY 2018-19 over FY 2016-17	FY 2018-19 % Chg over FY 2016-17
Agency Operations	(5,826,745)	-0.38%	29,407,909	1.93%	23,581,164	1.54%
State Aid	523,666	0.02%	41,296,824	1.45%	41,820,490	1.46%
Aid to Local Governments	35,114,934	2.41%	22,385,174	1.50%	57,500,108	3.95%
Aid to Individuals	(33,946,994)	-2.47%	18,911,650	1.41%	(15,035,344)	-1.09%
Aid to Other	(644,274)	-2.32%	0	0.00%	(644,274)	-2.32%
Capital Construction	(500,000)	-2.25%	11,062,790	50.89%	10,562,790	47.50%
Total Appropriation Changes	(5,803,079)	-0.13%	81,767,523	1.86%	75,964,444	1.72%

Notes:

FY 2016-17 base appropriation prior to 2017 session.

Other Specific 2017-2019 Recommendations

Higher Education

- University of Nebraska
 - \$1.15 Billion
 - \$12.2 Million, or 2.1%, annual decrease in FY 2017-18
 - \$5.4 Million, or 0.9%, decrease in FY 2018-19 over FY 2016-17

- State Colleges
 - \$104.2 Million
 - \$749,369, or 1.4%, annual decrease in FY 2017-18
 - \$99,064, or 0.2%, increase in FY 2018-19 over FY 2016-17

- Community College System
 - \$195.6 Million
 - \$3.0 Million, or 3%, annual decrease in FY 2017-18
 - \$3.0 Million, or 3%, decrease in FY 2018-19 over FY 2016-17

Other Specific 2017-2019 Recommendations

Department of Health and Human Services

- Operations
 - \$533.6 Million
 - \$2.1 Million, or 0.8%, annual increase in FY 2017-18
 - \$7.2 Million, or 2.8%, increase in FY 2018-19 over FY 2016-17

- State Aid
 - \$2.7 Billion
 - \$33.6 Million, or 2.4%, annual decrease in FY 2017-18
 - \$17.1 Million, or 1.2%, decrease in FY 2018-19 over FY 2016-17

Other Specific 2017-2019 Recommendations

Department of Environmental Quality

- Storm Water Management Grants
 - Eliminate \$1.8 Million annual grants

Department of Agriculture

- Riparian Vegetation Aid
 - Reduce \$487,500, or 50%, of annual grants

Budget Summary

- No tax increases
- Increased direct property tax relief
- Increase investment in K-12 TEEOSA School Aid and Special Education Aid
- Critical improvements in Department of Corrections workforce, programming and infrastructure
- Two year budget growth of 1.7% over adjusted FY 2016-17
- Structural balance in State budget
- 3% General Fund budget reserve
- Maintain State Cash Reserve Fund balance at \$500 Million

Tax Relief the Nebraska Way

- Setting the stage for tax relief:
 - Constrain spending
 - Allow revenues to grow
- Tax relief will kick in as economy improves
- Initiatives allow time for planning
- No sudden changes in tax code
- Tax relief is the difference between spending, allowing revenue to grow

Legislative Initiatives

Agricultural Valuation Fairness Act

- Increasing agricultural land valuation calls for a change in the way agricultural land is valued for tax purposes
- Change valuation method from the current market value rate to an income potential model with a capitalization rate
- Increases TEEOSA School Aid in FY 2020-21
- Starts in January 2019

Legislative Initiatives

Income Tax Relief

- Supported by cutting the burdensome top income tax rate to provide tax relief to Nebraskans
- Propose to reduce the top income tax rate from 6.84% down to 5.99% over an eight-year period of time
- Beginning in FY 2019-20 the tax rate is reduced only if net General Fund revenue growth is projected to exceed 3.5% for the upcoming fiscal year
- Starts in January 2020

Legislative Initiatives

More efficient, more effective and more customer focused State government

- Veterans Homes Merger with Veterans Affairs
 - Provide Nebraska's veterans and their dependents with one place to receive benefits for their service
 - More efficient and effective service model with one agency responsible for veteran assistance throughout the veteran's life
- Aeronautics Merger with the Department of Roads
 - Partnership that will lead to a more effective and efficient service model to ensure a 21st century transportation infrastructure
 - Department of Transportation responsible for both modes of transportation
 - Reduce the size of State government while delivering the most uniform transportation policy possible to continue to Grow Nebraska

Legislative Initiatives

Regulatory Relief

- Support occupational licensing reforms to help reduce regulatory burdens for prospective job seekers
- Give businesses the ability to grow and expand by reducing barriers that are necessary to ensure a healthy economy
- Allow Nebraska to be more competitive in attracting and retaining talent

Legislative Initiatives Summary

- Agricultural Valuation Fairness Act
- Income Tax Relief
- More efficient, more effective and more customer focused State government
- Regulatory Relief

General Fund Financial Status

	Current FY2016-17	Next Biennium FY2017-18 FY2018-19		Following Biennium FY2019-20 FY2020-21	
1 Beginning Balance					
2 Beginning Cash Balance	\$531,652,199	\$263,176,405	\$203,882,544	\$272,688,263	\$421,182,182
3 Cash Reserve Fund transfer-Automatic		(32,710,103)			
4 FY2015-16 carryover obligations/reappropriations	(310,603,783)				
4a Reduce FY2015-16 reappropriations	77,454,598				
5 Allocation for potential deficits		(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
6 Unobligated Beginning Balance	298,503,014	225,466,302	198,882,544	267,688,263	416,182,182
7 Revenues					
8 Net Receipts (October 2016 NEFAB; Following-LFO Hist. Avg.)	4,395,000,000	4,538,000,000	4,730,000,000	5,010,215,000	5,237,047,000
9 General Fund transfers - out	(216,660,000)	(234,970,000)	(234,970,000)	(235,970,000)	(235,970,000)
10 General Fund transfers - in (usual and customary)		48,250,000	48,250,000		
11 Additional revenue	11,201,000	28,218,000	31,344,000	34,479,000	37,927,000
12 General Fund transfers - in (Transfers/Lapses)	21,509,103	3,406,000	2,937,000		
13 Cash Reserve Fund transfers	92,000,000		(17,500,000)		
14 Income Tax Relief with revenue-based annual trigger				(11,955,800)	(41,593,200)
15 General Fund Net Revenues	4,303,050,103	4,382,904,000	4,560,061,000	4,796,768,200	4,997,410,800
16 Appropriations					
17 Appropriations (2016 Session)	4,411,690,837	4,411,690,837	4,411,690,837	4,411,690,837	4,411,690,837
18 2017 Claims Bill	394,854				
19 FY2016-17 Base Appropriation Across-the-Board Reductions	(42,369,058)				
20 FY2016-17 Base Appropriation Specific Reductions	(51,394,886)				
21 FY2016-17 Agency Deficits	20,054,965				
22 2017-2019 Biennium		(5,803,079)	75,964,444	75,964,444	75,964,444
23 Legislation - Veterans Homes/Veterans Affairs Merger		(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)
24 Legislation - Agricultural Valuation Fairness Act					19,800,000
25 Following Biennium - 3.5% Growth in Appropriations				157,019,000	299,734,000
26 General Fund Appropriations	4,338,376,712	4,404,487,758	4,486,255,281	4,643,274,281	4,805,789,281
27 Ending Balance					
28 Dollar ending balance	263,176,405	203,882,544	272,688,263	421,182,182	607,803,701
29 Minimum Biennial Reserve Requirement	263,019,963		267,187,319		293,209,726
30 Variance from Minimum Reserve	156,442		5,500,943		314,593,975
31 Biennial Reserve (%)	3.0%		3.1%		6.4%
32 Annual % Change - Appropriations	1.7%	1.5%	1.9%	3.5%	3.5%
33 Two Year Average	2.7%	--	1.7%	--	3.5%
34 Annual % Change - Revenues (Nominal)	2.9%	4.3%	4.3%	4.6%	4.0%
35 Two Year Average	1.4%	--	4.3%	--	4.4%
36 Structural Receipts v. Expend./Approps.	(127,326,609)	(21,583,758)	91,305,719	153,493,919	191,621,519

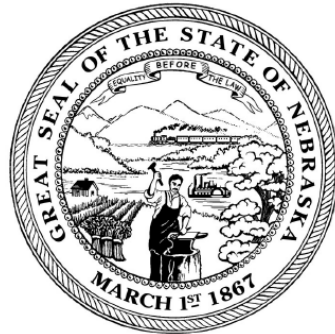
Cash Reserve Fund Status

	Current	Next Biennium		Following Biennium	
	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
1 Beginning Balance	730,655,108	545,639,649	503,134,439	510,629,310	510,629,310
2 Transfer Amounts Above Forecasts		32,710,103			
3 To/From General Fund	(92,000,000)		17,500,000		
4 To NCCF for Central NE Veterans Home	(43,015,459)				
5 To Transportation Infrastructure Bank	(50,000,000)				
6 To NCCF for DCS for Reception and Treatment Center		(75,215,313)			
7 To NCCF for Capitol HVAC			(10,005,129)		(10,431,585)
8 Ending Balance	545,639,649	503,134,439	510,629,310	510,629,310	500,197,725

State of Nebraska



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Questions and Answers?