

STATE OF NEBRASKA

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May 14, 2001

Mike Johanns
Governor

Mr. President, Mr. Speaker,
and Members of the Legislature
State Capitol
Lincoln, NE 68509

Dear Mr. President, Mr. Speaker, and Members of the Legislature:

With this letter, I am returning LB 543 with my signature and with line-item reductions. The General Fund amounts vetoed in LB 543 total 6.1 million dollars for fiscal year 2001-02 and 6.7 million dollars for fiscal year 2002-03. In addition, I have reduced the fiscal year 2002-03 transfer from the Securities Act Cash Fund to the General Fund provided for in LB 543, Section 268, by 14.0 million dollars. A list of the individual vetoes is included as an attachment to this letter.

I again commend the Appropriations Committee and the entire Legislature for the hard work and serious consideration that has been given to the budget bills. You have met obligations created by previous Legislatures and addressed the highest priorities of Nebraska. We are in agreement on the vast majority of budget decisions.

The slowing growth of the national and Nebraska economy requires us to be especially diligent and cautious regarding the State budget. The recent downward revisions in the forecasts of net general fund receipts resulted in your recommendation to eliminate my effort to provide additional property tax relief through the community college aid formula and resulted in your recommendation for additional borrowing from the State cash reserve fund to finance the next biennial budget. Our response must include additional spending restraint and also reduce our reliance on borrowed funds to meet continuing obligations.

I have reduced \$80,000 General Funds in each year of the biennium from the Supreme Court in order to reflect your decision to finance county court audits in the Auditor of Public Accounts (State Auditor) budget. I have also reduced by one-half the amounts above my recommendations added to the Supreme Court budget for special salary adjustments for court reporters, probation staff, and additional probation employees. The remaining amounts are greater than provided to other State agencies. A priority allocation of the remaining amounts that does not create additional obligations in the future can be determined by the Court.

The General Fund appropriation to the Department of Education's Administrative and Support program had been increased to provide funding for a variety of educational leadership, policy setting, technical assistance, and administrative activities. I am reducing the amounts for several items added above my recommendations by one-half and encourage the Commissioner of Education and the State Board of Education to direct the remaining amounts in a manner that satisfies the needs or enhances the

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performance of our current education programs. I have vetoed specific earmarking amounts related to these items to allow this discretion for the Commissioner of Education. I have not reduced the additional appropriations of 2.7 million dollars for each year of the biennium that we have included for the Attracting Excellence to Teaching program.

I have vetoed appropriations to the Department of Health and Human Services that would initiate new programs or expand programs in fiscal year 2001-02. This includes \$100,000 in both fiscal years of the biennium for LB 288 which remains in the Appropriations Committee. I have vetoed the administrative funding added for fiscal years 2001-02 and 2002-03 for managing a proposed Medicaid waiver to provide additional coverage for substance abuse services as envisioned in LB 344 which remains in the Appropriations Committee. I have vetoed the fiscal year 2002-03 direct services funding for the envisioned Medicaid waiver but have not reduced the \$445,187 General Funds or \$667,187 Federal Funds added for fiscal year 2002-03. The administrative funds are not needed to enhance our existing Medicaid program. The necessary analysis, preparation, and federal approval of a Medicaid waiver for substance abuse services cannot be properly completed for implementation beginning with fiscal year 2001-02. We will work closely with the Appropriations Committee and Health and Human Services Committee prior to a final determination to submit this Medicaid waiver for federal approval and implementation in fiscal year 2002-03.

My recommendations to the Legislature for both the 1999-2001 and 2001-2003 budget bienniums have included additional funding for older Nebraskans. My recommendations this biennium included an increase of \$500,000 General Funds for fiscal year 2001-02 and \$750,000 for fiscal year 2002-03 for service coordination, in-home, emergency response, and family caregiver assistance. I have reduced the additional \$244,153 General Funds each year that has been included above my recommendations. I have not reduced the \$732,458 in additional federal expenditure authority included each year to allow Nebraska to obtain federal government funding for family caregiver assistance.

LB 543 includes an additional \$400,000 General Funds each year, a 67 percent increase, for mass transit aid above the amount requested by the Department of Roads and included in my recommendations. My veto reduces this increase by \$200,000 General Funds each year. Also, included in LB 543 is an additional 3.5 million dollars General Funds each year, a 161 percent increase, for the Resources Development Fund. I have reduced this increase by \$1,750,000 General Funds each year of the biennium. The remaining amount will be available to assist in the financing of additional water conservation and development projects.

My line-item reduction to the Game and Parks Commission and the Library Commission is one-half of the amount of General Funds added above my original budget recommendations. My vetoes of General Fund appropriations for the Equal Opportunity Commission, Arts Council, and Foster Care Review Board return those agencies to the amounts included in my original budget recommendations. Additional cash and federal fund expenditure authority added for the Game and Parks Commission, Equal Opportunity Commission, and Foster Care Review Board are not reduced. All of these agencies are adequately financed for the 2001-03 biennium.

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I have vetoed \$60,000 General Funds in the Commission on Law Enforcement and Criminal Justice designated for a Substance Abuse Task Force provided for in LB 228 which remains in the Appropriations Committee.

For the University of Nebraska I have allowed for additional General Fund appropriations above my original recommendation by \$662,793 in fiscal year 2001-02 and \$1,926,163 in fiscal year 2002-03 to provide for increased employee corresponding benefits and rural health residencies. My line-item reductions have reduced the General Fund appropriations by \$228,000 in fiscal year 2001-02 and \$1,056,000 in fiscal year 2002-03. The University increases 6.4 percent or 24.9 million General Fund dollars in fiscal year 2001-02 and increases 6.7 percent or 27.8 million General Fund dollars in fiscal year 2002-03 after these reductions.

My veto reductions at the Nebraska State Colleges allow for General Fund increases of 9.2 percent in fiscal year 2001-02 and 9.1 percent in fiscal year 2002-03. This represents an increase of \$621,876 in fiscal year 2001-02 and \$1,124,707 in fiscal year 2002-03 above my original recommendations. This additional funding is primarily related to additional salary costs from collective bargaining, employee benefit costs, and instructional equipment replacement. The line-item reductions amount to \$621,000 General Funds in fiscal year 2001-02 and \$1,124,000 in fiscal year 2002-03.

The line-item reductions to the student financial aid programs administered by the Coordinating Commission for Postsecondary Education allow for a combined total increase of \$1,275,000 General Funds for fiscal year 2001-02 and a total of \$1,432,500 General Funds in fiscal year 2002-03. Student financial aid programs administered by the Commission will increase by 25.2 percent over the biennium. My reductions are \$975,000 General Funds in fiscal year 2001-02 and \$817,500 General Funds in fiscal year 2002-03.

The additional spending restraint represented by my line-item reductions in LB 543 is needed as we work to fashion a final budget for the next biennium. In addition, we must be prepared to reduce our reliance on borrowed funds to meet our continuing obligations. Therefore, I have reduced the fiscal year 2002-03 15.5 million dollar transfer from the Securities Act Cash Fund to the General Fund by 14 million dollars.

I appreciate your hard work. I urge you to sustain these reductions in LB 543.

Sincerely,



Mike Johanns
Governor

Attachment

Veto Amounts by Legislative Bill, Agency and Program

Agency #	Agency Name	Program #	Fund	FY 01/02 Veto Amount	FY 02/03 Veto Amount
<u>Legislative Bill 543</u>					
05	Supreme Court	052	General	214,000	217,000
05	Supreme Court	067	General	640,000	640,000
13	Education	025	General	219,500	238,000
25	HHS - Services	033	General	100,000	100,000
26	HHS - Finance	341	General	54,813	54,813
26	HHS - Finance	341	Federal	54,813	54,813
26	HHS - Finance	348	General	445,187	0
26	HHS - Finance	348	Federal	667,187	0
26	HHS - Finance	571	General	244,153	244,153
27	Roads	305	General	200,000	200,000
29	Natural Resources	307	General	1,750,000	1,750,000
33	Game and Parks	336	General	17,000	15,000
33	Game and Parks	617	General	90,000	92,000
34	Library Commission	302	General	87,000	99,000
48	Coordinating Commission	499	General	325,000	272,500
48	Coordinating Commission	500	General	325,000	272,500
48	Coordinating Commission	650	General	325,000	272,500
50	State Colleges	048	General	621,000	1,124,000
51	University	781	General	228,000	1,056,000
67	Equal Opportunity	059	General	11,552	2,499
69	Arts Council	326	General	41,710	24,095
69	Arts Council	328	General	37,110	37,110
70	Foster Care Review Board	116	General	16,082	0
78	Crime Commission	198	General	60,000	0
		Subtotal	General	6,052,107	6,711,170
			Federal	722,000	54,813
				<u>6,774,107</u>	<u>6,765,983</u>
<u>Legislative Bill 542</u>					
25	HHS - Services	942	General	2,050,000	0
51	University	996	General	500,000	2,500,000
54	Historical Society	958	General	150,000	500,000
		Subtotal	General	2,700,000	3,000,000
		Total	General	8,752,107	9,711,170
			Federal	722,000	54,813
		GRAND TOTAL		<u>9,474,107</u>	<u>9,765,983</u>

In addition, the FY 2002-03 \$15.5 million transfer from the Securities Act Cash Fund to the General Fund provided for in LB 543, Section 268, is reduced by \$14,000,000.