

# Summary of Governor's Recommendations





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## Introduction

The Governor's recommendations to the 100<sup>th</sup> Nebraska Legislature call for growing Nebraska's economy through a reduction in taxes and increased job creation. His recommendations include significant State spending restraint but fully fund state aid to K-12 schools in Nebraska.

## Reducing State Taxes

The Governor's tax reduction proposals include lowering income tax rates and expanding the definition of the middle class to reflect modern earnings, streamlining Nebraska's tax code to three tax brackets, down from four, and includes eliminating the marriage penalty and indexing of the tax brackets beginning in 2011. In addition, the Governor proposes to eliminate the estate tax, eliminate the sales tax on construction labor, increase the college savings plan income tax deduction, and to not implement the business child care credit.

First, the Governor's income tax proposal would expand the tax brackets in which a majority of Nebraskans are taxed. The tables in Figure 1 below show the income tax brackets under current law and the Governor's proposed tax bracket structure. This proposal would reduce the number of brackets from four to three and would widen the tax brackets for low-income and middle-income Nebraskans, putting more income into lower tax brackets.

The Governor also proposes to reduce income tax rates with the focus on middle-income families and individuals. Low-income and middle-income Nebraskans will immediately see their top marginal tax rates reduced. This income tax proposal also sets the state on a path toward lower rates across-the-board by 2010 attempting to eliminate a consistent barrier to economic growth, a top marginal rate of more than 6 percent. The tables in Figure 1 below illustrate the Governor's proposed changes to income tax rates.

In addition, the Governor's income tax proposal would eliminate the marriage penalty through a combination of the bracket restructuring and adoption of the federal standard deduction. Lastly, the Governor proposes to eliminate "bracket creep" by indexing each of the new tax brackets, beginning in 2011, so that Nebraska taxpayers are not penalized as their incomes rise.

**Figure 1.**

Current Brackets

<b>Brackets</b>	<b>Married, Filing Joint</b>	<b>Single</b>	<b>Marginal Tax Rate</b>
<b>1</b>	\$0 - \$4,000	\$0 - \$2,400	2.56%
<b>2</b>	\$4,000 - \$31,000	\$2,400 - \$17,500	3.57%
<b>3</b>	\$31,000 - \$50,000	\$17,500 - \$27,000	5.12%
<b>4</b>	Over \$50,000	Over \$27,000	6.84%

Proposed Brackets

<b>Brackets</b>	<b>Married, Filing Joint</b>	<b>Single</b>	<b>Marginal Tax Rate</b>
<b>1</b>	\$0 - \$32,000	\$0 - \$16,000	3.07%
<b>2</b>	\$32,000 - \$90,000	\$16,000 - \$45,000	5.12%
<b>3</b>	Over \$90,000	Over \$45,000	<b>** See Below</b>

Proposed Top Marginal Tax Rate \*\*

<b>Tax Year</b>	<b>Top Tax Rate</b>
2007	6.84%
2008	6.60%
2009	6.25%
2010	5.95%

In addition to income tax reform, the Governor proposes to eliminate the sales tax on construction labor and to repeal the estate tax.

The Governor's proposal would finish the reforms begun last year by eliminating the sales tax on construction labor. This is a cumbersome tax to administer, a difficult tax for contractors to collect, and the lack of clarity is affecting projects of all sizes.

The Governor also proposes the elimination of the estate tax. The estate tax drives retirees elsewhere, including many of the people who have planned ahead for their golden years. The estate tax penalizes family farmers and small business owners who want to see the next generation go into business for themselves.

Finally, the Governor proposes to increase the maximum college savings plan contribution for which a taxpayer can receive an income tax deduction to \$10,000. This increase will provide additional stimulus for Nebraska families to put in place a plan for a brighter future for their children.

The Governor also recommends not implementing the business child care credit enacted in 2001 by LB 433 and subsequently delayed until 2007. This credit has not been used yet and could not be used by any company that has started a child care facility between 2001 and 2007.

Figure 2 below shows the estimated fiscal impact of the Governor's recommended tax policy legislation.

**Figure 2.**

	<b>FY2007-08</b>	<b>FY2008-09</b>	<b>FY2009-10</b>	<b>FY2010-11</b>
Income Tax reform	(226,147,000)	(205,704,000)	(245,354,000)	(279,380,000)
Estate Tax repeal	(9,720,000)	(20,669,000)	(21,336,000)	(22,001,000)
Construction labor repeal	(5,667,000)	(8,670,000)	(8,840,000)	(9,000,000)
College Savings Plan deduction	(1,283,000)	(1,368,000)	(1,453,000)	(1,541,000)
Bus. child care credit repeal	1,200,000	1,900,000	2,400,000	2,900,000
	(241,617,000)	(234,511,000)	(274,583,000)	(309,022,000)

## **Controlling State Spending**

Actual General Fund tax receipts for FY 2005-06 exceeded the certified forecast by \$260 million and these funds have been deposited in the Cash Reserve Fund. In addition, the Economic Forecasting Board at its October 2006 meeting forecasted an additional \$99 million in General Fund tax receipts in excess of the current FY 2006-07 certified tax receipt forecast. An estimated June 30, 2007, balance in excess of \$500 million will mark the highest ever fiscal year ending balance in the Cash Reserve Fund. The Governor's recommendations provide for maintaining an estimated Cash Reserve balance of \$400 million, or approximately five percent of biennial tax receipts. This is in addition to the required three percent minimum reserve in the General Fund.

The Nebraska Economic Forecasting Advisory Board forecast for fiscal year 2006-07 represents 4.3% growth in tax receipts; the forecast for 2007-08 and 2008-09, the next biennium, represent an average annual increase of 4.0% in tax receipts. It is imperative that Nebraska state government control spending growth at rates less than four percent in order to lower the tax burden on the citizens of Nebraska.

This budget plan limits spending growth to 3.2% in FY 2007-08 and 4.5% in FY 2008-09, an overall average growth for the biennium of 3.8%. The majority of that growth for the biennium is accounted for in three recommendations. The recommendation to fully finance the state aid to schools formula results in additional funding of \$170.9 million, representing 48.9% of the total additional spending for the biennium. And, while the average annual increase in Medicaid spending is restrained at less than 2.5%, the additional funding for the biennium is \$40.4 million, representing 11.5% of the State total. The third largest amount of additional funding for the biennium is \$33.2 million for the Homestead Exemption property tax relief program, representing 9.5% of the total additional funding for the biennium. These three items alone account for 70 percent of the total additional General Funds included for the 2007-2009 biennium. An increasing share, 36.4 percent of the State General Fund budget is for aid to local governments, primarily K-12 school and special education funding which together will represent about one billion dollars, or 30 percent of the State General Fund budget in FY 2008-09.

The Governor's recommendations for the 2007-2009 biennium are further explained in the following narrative and summarized in the financial statements and tables presented elsewhere in this publication.

## General Government

### 07 - Governor

The recommendation includes \$11,514 General Funds in FY 2007-08 and \$11,514 General Funds in FY 2008-09 to annualize the constitutional officer's salary as provided in Laws 2006, LB 817.

### 08 - Lieutenant Governor

The recommendation includes \$8,636 General Funds in FY 2007-08 and \$8,636 General Funds in FY 2008-09 to annualize the constitutional officer's salary as provided in Laws 2006, LB 817.

### 09 - Secretary of State

The recommendation includes \$9,785 General Funds in FY 2007-08 and \$9,785 General Funds in FY 2008-09 to annualize the constitutional officer's salary as provided in Laws 2006, LB 817.

The recommendation includes \$1,197,500 cash funds in FY 2007-08 and \$227,500 cash funds in FY 2008-09 for maintenance of voting equipment and for voter education grants.

### 10 - Auditor of Public Accounts

The recommendation includes \$12,571 General Funds in FY 2007-08 and \$12,571 General Funds in FY 2008-09 to annualize the constitutional officer's salary as provided in Laws 2006, LB 817.

### 87 - Accountability and Disclosure Commission

The recommendation for the Accountability and Disclosure Commission includes a \$39,984 base appropriation shift of funding sources between General Funds and cash funds for FY 2007-08.

The cash fund authority is increased by \$41,868 in FY 2007-08 and \$115,268 in FY 2008-09 for the Campaign Finance Limitation Cash Fund.

## Agriculture, Environment and Natural Resources

### 18 - Department of Agriculture

The recommendation for the Department of Agriculture includes some minor variations from the FY 2007 base appropriation. There is also an additional \$65,000 in cash funds for 2008-09 to publish the Weed Book, as well as some changes to federal authority which reflects the amount the department is expecting to receive in the upcoming biennium. Various cash fund rebasing is also recommended in the following biennium.

### 29 - Department of Natural Resources

The \$2,700,000 one-time appropriation earmarked in Laws 2005, LB 1060 is reduced per legislative intent.

**Water Resources** – In recognition of the challenges the State is currently facing and in acknowledgement of the challenges ahead, the Water Resources Cash Fund is created to aid management actions taken jointly by the Department and natural resources districts to reduce consumptive use of water in basins that are declared to be over appropriated or fully appropriated by the Department of Natural Resources, or are subject to interstate compact, agreement or decree.

The recommendation includes annual transfers from the General Fund to the Water Resources Cash Fund in the amount of \$2,700,000 beginning in FY 2007-08 and continuing through 2018-19. In addition to the General Fund transfers, the Department of Natural Resources will apply for grant funding from the Nebraska Environmental Trust in the amount of \$300,000 per year beginning in FY 2007-08 in order to bring the total state investment in the fund to \$3,000,000 for each year FY 2007-08 through FY 2018-19, totaling \$36,000,000.

The current corn and grain sorghum checkoff of 7/8 cent per bushel is deposited into the Ethanol Production Incentive Cash Fund to finance the credits created in section 66-1344. Legislation is included for this checkoff to remain at its current level through December 2012; to reduce the corn and grain sorghum checkoff to 1/2 cent per bushel beginning in FY 2012-13,

and deposit the proceeds to the Water Resources Cash Fund through FY 2018-19. The projected total revenues for the Water Cash Fund through FY 2019 from the corn and grain sorghum checkoff are estimated at \$44,000,000.

With State contributions as well as the extension and redirection of the corn and grain sorghum checkoff totaling an estimated \$80,000,000, there will be an additional need for regulation during this period. These regulatory efforts will need to equal in monetary value approximately 1/3 of the total solution, or approximately \$3,000,000 per year or \$36,000,000 from FY 2007-08 through FY 2018-19.

This plan provides a relatively equal level of responsibility for Nebraska's water issues. In total, a dollar value of \$128,000,000 is identified and divided equally between the General Fund Transfers and Nebraska Environmental Trust grant awards, checkoff revenues, and quantified regulation. There is an estimated \$1,000,000 annual federal fund revenues (\$12,000,000 total through FY 2018-19) also included.

### **33 - Nebraska Game and Parks Commission**

**Nebraska Environmental Trust** – The recommendation includes the requested aid increase of \$1,900,000 for FY 2007-08 and FY 2008-09. The recommendation also includes additional cash fund base adjustments identified by the Trust. There are \$10,000 cash funds in each of FY 2007-08 and FY 2008-09 to accommodate the Trust's request for HVAC improvements and carpeting.

**Habitat Development** – The recommendation includes funding associated with in-lieu-of tax payments as well as funding in the amount of \$100,000 in each of FY 2007-08 and FY 2008-09 in cash funds for the Commission's CRP Map Program.

**Wildlife Conservation** – The recommendation includes \$200,000 in each of FY 2007-08 and FY 2008-09 in cash funds for additional veterinary and contractual services in order to provide increased testing for chronic wasting disease and avian influenza.

**Administration** – The recommendation includes \$10,000 cash funds in each of FY 2007-08 and FY 2008-09 for the Commission's participation in the Missouri River Corridor Alliance as well as the \$323,118 cash funds requested for both FY 2007-08 and FY 2008-09 for IT consulting and application expenses related to the Commission's next generation of electronic permitting operations.

### **Administration & Operation of Parks**

–The recommendation includes \$400,000 in cash funds for each of FY 2007-08 and FY 2008-09 for the Commission to accommodate a new electronic reservation system provider.

**Engineering, Area Maintenance & Snowmobile** –The recommendation includes \$10,000 in cash funds for FY 2007-08 and FY 2008-09 for snowmobile trail enhancement.

**Credit Card Discount Sales** – The recommendation includes \$84,900 in cash funds for FY 2007-08 and \$104,900 in cash funds for FY 2008-09 for merchant fees associated with credit card sales.

**Nebraska Public Safety Communication System** – The recommendation includes additional funding of \$60,435 General Funds and \$408,317 cash funds for FY 2008-09 to pay agency operations costs related to the Nebraska Public Safety Communication System.

The recommendation includes a reduction of \$4,625 General Funds and \$34,575 cash funds in FY 2008-09 to make necessary budget offsets to avoid duplication of costs related to the Nebraska Public Safety Communication System.

### **52 - State Fair Board**

The recommendation for the State Fair Board is consistent with their request. Lottery proceeds are appropriated at a \$2,500,000 level for both FY 2007-08 and FY 2008-09 mirroring the FY 2006-07 base year appropriation.

### **57 - Nebraska Oil and Gas Commission**

The recommendation includes cash fund increases of \$30,000 for both FY 2007-08 and FY 2008-09 in order for the Commission to address the plugging and abandonment of wells.

### **84 - Department of Environmental Quality**

The recommendation includes General Funds of \$1,755,000 for FY 2007-08 and \$1,773,000 for FY 2008-09 for the state portion of the Superfund Cost Share in addition to cash fund offset reductions from previous funding levels of \$1,427,634 in FY 2007-08 and \$1,427,634 in FY 2008-09.

Laws 2006, LB 872A, is annualized in the cash fund amounts of \$82,482 for FY 2007-08 and \$158,458 in FY 2008-09.

There are also included cash funds in the amount of \$1,200,000 in both FY 2007-08 and FY 2008-09 for supplementing Waste Re-

duction/Recycling grants, as well as cash funds in the amount of \$400,000 in each of FY 2007-08 and FY 2008-09 to supplement Litter Aid Payments.

An increase of cash funds and a subsequent decrease of General Funds in the amounts of \$112,054 for FY 2007-08 and \$112,054 in FY 2008-09 are recommended for the Onsite Wastewater Program.

There are multiple federal fund adjustments included in the recommendation as the Department requested which reflect anticipated federal funding.

### **86 - Dry Bean Commission**

The recommendation for the Dry Bean Commission remains consistent with the FY 2006-07 base year appropriation.

### **Other Cash Funded Agencies**

The recommendation for the following agencies and boards includes rebasing of cash authority reflecting estimated revenue projections as well as historically consistent underspending of cash appropriation authority.

**39 - Nebraska Brand Committee**

**56 - Nebraska Wheat Board**

**60 - Nebraska Ethanol Board**

**61 - Nebraska Dairy Industry Development Board**

**74 - Nebraska Power Review Board**

**88 - Nebraska Corn Board**

**92 - Nebraska Grain Sorghum Board**

**Ethanol Production Incentive Cash**

**Fund** – Current law provides for transfers from the General Fund to the Ethanol Production Incentive Cash (EPIC) Fund of \$5,500,000 in FY 2007-08 and \$2,500,000 in FY 2008-09. These intended transfers are included in the Governor's recommendation. The Governor recommends the transfer of an additional \$15,500,000 of General Funds in FY 2007-08 to the EPIC fund.

## **Economic Development**

### **14 - Nebraska Public Service Commission**

**Manufactured Homes** – The Public Service Commission conducts inspections on Recreational Vehicles and Manufactured homes produced in Nebraska. Due to a continuing de-

cline in the related cash fund balance supporting this program, the recommendation includes specific reductions to the cash appropriations for FY 2007-08 and FY 2008-09 over FY 2006-07 of \$115,410 and \$197,185, respectively.

**Nebraska Telephone Relay System** – is designed to assist persons with hearing or speech impairments to communicate over traditional telephone systems. The increase in cellular phone usage and other personal communications devices has reduced the demand for this service. Consequently, the agency budget request reflects a reduction in contract service costs of \$540,263 in FY 2007-08 and of \$375,798 in FY 2008-09. The recommendation reflects these reductions to the program cash fund appropriations.

**Nebraska Internet Enhancement Fund** – provides financial assistance to counties and municipalities for the installation and delivery of broadband and other advanced telecommunications services. Due to the low level of revenue and decreasing demand for this assistance, the agency request reflects reductions in aid to local governments of \$315,798 in both FY 2007-08 and in FY 2008-09 for this program. The recommendation supports these reductions to the program cash fund appropriations.

**Enhanced Wireless E-911** – Laws 2006, LB 1222, requires each Nebraska county to implement enhanced 911 services by July 1, 2010. The recommendation supports the agency request to increase county aid for implementation of these services by \$4,954,593 cash funds in FY 2007-08 and by \$4,954,593 cash funds in FY 2008-09.

**Universal Service Fund** – The balance in the Universal Service Fund (USF) cash fund has been declining over the past 3 fiscal years. The agency requests for the upcoming biennium relative to expenditures from this fund for provider remittances would create negative cash balances for both fiscal years. Consequently, the recommendation provides reductions compared to FY 2006-07 cash appropriations of \$19,779,131 in FY 2007-08 and of \$20,280,678 in FY 2008-09. The Public Service Commission has opened a docket for January 2007 to review and further refine the USF rates and expenditure levels.

### **19 - Department of Banking & Finance Additional Bank Examination Staff**

The Department of Banking and Finance has proposed the comprehensive overview of the Examiner hiring and training process to address the difficulty in hiring and the need for maintain-

ing a highly trained Bank Examination staff. The biennial budget request seeks to continue, in FY 2007-08 and FY 2008-09, three new Bank Examiner trainees, one new Bank Examiner Trainer, and the shift of an administrative staff position from part time to full time, initially proposed as a FY 2006-07 supplemental appropriation request. In addition, the Department would add one new Bank Examiner trainee in FY 2007-08 and two new Bank Examiner trainees in FY 2008-09. The net result over current staffing levels would be a total of 5.6 additional FTE positions and \$343,162 cash funds reflected in FY 2007-08 and 7.6 additional FTE positions and \$465,632 operating costs reflected in FY 2008-09. The Department would also increase contract examination costs in each of the two fiscal years by \$100,000 cash funds to reflect training development timing. The recommendation supports this overall course of action and levels of cash appropriation.

**Transfers to General Fund** – The recommendation includes transfers of \$15,000,000 in both FY 2007-08 and FY 2008-09 from the Securities Act Cash Fund to the General Fund.

## 22 - Department of Insurance

**Medical Professional Liability** – The Department request reflects the increase in claims processing costs due to higher numbers of malpractice claims and higher investigatory costs relative to those claims. The recommendation includes a net increase of \$44,450 cash funds in both FY 2007-08 and FY 2008-09 to accommodate these changes.

**Additional Financial Examination Staff** – The Department has increasing examination demands relative to the title company industry, as new companies domicile in Nebraska. The recommendation approves an increase of \$97,801 in cash funds for both FY 2007-08 and FY 2008-09 to accommodate the addition of two examiners for this industry.

**Contract Financial Examinations** – Financial examinations of insurance carriers domiciled in Nebraska are conducted on a 3-year cycle. The last major examination period was in FY 2005-06. The next series of examinations is scheduled to begin in FY 2008-09. The recommendation reflects increased contract examination costs relative to this process of \$1,578,816 cash funds in FY 2008-09. The recommendation also reflects a decrease in Department travel costs relative to examinations, as a result of higher contract activity in FY 2008-09 of \$458,795 cash funds.

**Transfers to General Fund** – The recommendation includes transfers of \$2,000,000 in both FY 2007-08 and FY 2008-09 from the Insurance Cash Fund to the General Fund.

## 23 - Department of Labor

**Federal WIA Funding** – The federal Workforce Investment Act (WIA) provides funding to states for workforce development, based on specific distribution formulas. The WIA allocations to Nebraska for FY 2007-08 and FY 2008-09 will be lower than in FY 2006-07 by \$1,149,214 federal funds in each year. The recommendation includes reductions in federal appropriations for the Nebraska Department of Labor to reflect these changes in federal funding.

**Boiler Inspections** – The Governor supports agency proposed legislation that would repeal the Boiler Inspection Act, removing this requirement from the Nebraska Department of Labor. Eliminating this requirement would save the Department approximately \$384,000 cash funds per year in inspection and operating costs.

## 35 - Liquor Control Commission

**Additional Revenue Auditor** – The Commission seeks to add one additional Revenue Auditor position in FY 2007-08 to help manage the backlog of audits to be performed on retail licensed premises, out-of-state shipping license holders, and brewpub licensees, all of which have been growing in numbers over the past several years. The recommendation includes General Fund appropriation increases of \$48,722 in both FY 2007-08 and FY 2008-09 for Auditor salary & benefits, as well as \$24,500 in both years for related travel and operating costs.

## 36 - Nebraska State Racing Commission

The recommendation establishes the base cash fund authority for FY 2007-08 and FY 2008-09 at \$860,000, of which \$705,000 is for Operations and \$155,000 is for Government Aid. Over the last three years, the Racing Commission has not fully utilized their appropriation by an average of 16.3% or \$157,413. The principle reason for this underutilization is due to declining revenues, and therefore a lack of cash funds, to fully exploit their spending authority. The base level recommended allows the Commission to operate within an appropriation more closely related to their available cash funds.

#### **41 - Nebraska State Real Estate Commission**

The recommendation establishes the base cash fund authority for FY 2007-08 and FY 2008-09 at \$985,907. Over the last three years, the Real Estate Commission has not fully utilized their appropriation by an average of 9.4% or \$94,056. The base level recommended allows the Commission a reasonable level of growth but with an appropriation more closely related to their historical expenditures.

#### **45 - Nebraska Board of Barber Examiners**

The recommendation is to grant the cash fund authority as requested by the agency.

#### **53 - Nebraska Real Property Appraiser Board**

The recommendation is to keep the cash fund authority unchanged from FY 2006-07, excluding enterprise issues, but to provide additional personal services limitation authority of \$7,379 due to a higher starting salary of the Director and staff.

#### **58 - Board of Engineers & Architects**

The recommendation is to reduce overall cash fund authority for FY 2007 by \$44,161 and for FY 2007-08 by \$36,962. Increased cash fund authority is provided for Inspector travel, Board publication of documents, enforcement outreach programs, and the utilization of new office space. Not included in the recommendation is the Board's request for database updates and incremental salary increases. Additionally, the Governor supports the agency's request to lower personal services limitation authority by \$26,481 each year.

Over the last three years, the Board of Engineers and Architects has not fully utilized their appropriation by an average of 12.8% or \$81,945. The base level recommended allows the Board a reasonable level of growth but with an appropriation more closely related to their historical expenditures.

#### **59 - Nebraska Board of Geologists**

The recommendation is to keep the cash fund authority unchanged from FY 2006-07, excluding enterprise issues. Over the last three years, the Board of Geologists has not

fully utilized their appropriation by an average of 39.6% or \$12,140.

#### **62 - Nebraska Board of Examiners for Land Surveyors**

The recommendation is to keep the cash fund authority unchanged from FY 2006-07, excluding enterprise issues. Over the last three years, the Board of Examiners for Land Surveyors has not fully utilized their appropriation by an average of 33.9% or \$11,353.

#### **63 - Nebraska State Board of Public Accountancy**

The recommendation is to reduce cash fund authority for FY 2006-07 by \$27,755 and for FY 2007-08 by \$26,987. Over the last three years, the Board of Public Accountancy has not fully utilized their appropriation by an average of 25.2% or \$11,859. The base level recommended allows the Board a reasonable level of growth but with an appropriation more closely related to their historical expenditures.

#### **66 - Nebraska Board of Examiners - Abstracters**

The recommendation is to keep the cash fund authority unchanged from FY 2006-07, excluding enterprise issues, but to increase personal services limitation for Director salary by \$1,025 for FY 2007-08 and \$1,800 for FY 2008-09. Over the last three years, the Board of Examiners - Abstracters has not fully utilized their appropriation by an average of 10.0% or \$3,619.

#### **72 - Department of Economic Development**

**Affordable Housing Funding** – The federal Community Development Block Grants (CDBG) allocation to Nebraska for housing projects will be decreasing by \$2,249,695 each year, beginning in FY 2007-08. The Agency will also be losing approximately \$189,000 each year in federal Rural Community Development Initiative (RCDI) aid beginning in FY 2007-08. The recommendation recognizes these reductions in federal appropriations for FY 2007-08 and FY 2008-09 and includes an additional \$3,000,000 in cash fund appropriations in both FY 2007-08 and FY 2008-09 for Affordable Housing aid by the Department.

**Nebraska Advantage Job Training Aid** – Laws 2005, LB 427, transferred

\$15,000,000 from the Cash Reserve Fund to the Job Training Cash Fund, to be used by the Department of Economic Development for job training grants. The agency has been utilizing the related \$15,000,000 in cash fund appropriation in FY 2005-06 and the carryover into FY 2006-07, to provide Job Training Assistance grants to Nebraska businesses. The agency requests continuation of Job Training assistance funding in the upcoming biennium. The recommendation is to transfer \$5,000,000 from the Cash Reserve Fund to the Job Training Cash Fund in FY 2007-08 and FY 2008-09 and to appropriate \$5,000,000 cash funds in both FY 2007-08 and FY 2008-09 for the Job Training Assistance Program.

### **73 - Nebraska State Board of Landscape Architects**

The recommendation is to increase cash fund authority by \$6,666 for FY 2007-08 and \$7,236 for FY 2008-09. The board has increasing expenses for administrative support provided by the Board of Engineers and Architects. Over the last three years, the State Board of Landscape Architects has not fully utilized their appropriation by an average of 10.0% or \$3,619.

## **Human Resources Development**

### **13 - Department of Education**

**Educational Administration and Support** – The recommendation includes \$9,549,756 million General Funds for FY 2007-08 and \$9,763,157 million General Funds for FY 2008-09 for educational administration and support. The Governor's recommendation includes a budget modification reducing General Fund support for departmental operations by \$650,000 and reducing personal service limitation authority by \$253,855 in both FY 2007-08 and FY 2008-09. The recommendation includes funding related to Laws 2006, LB 1024 but, depending on related judicial and legislative action, may be unnecessary. The recommendation also reduces cash fund authority by \$500,000, eliminating authority for unplanned cash grants—this situation is provided for in the *gifts, bequests and devises* section of the budget bill.

**Education Aid** – The recommendation for the Tax Equity and Educational Opportunities Support Act (TEEOSA School Aid) provides additional state funding consistent with statutory requirements and the November 14, 2006 estimate issued by the Department of Education. The recommendation does not include the unintended and duplicative impact of early childhood fall membership on the aid formula's enrollment. The budget recommendation increases State aid to schools under TEEOSA by \$40,166,040 in FY 2007-08 and \$130,741,429 in FY 2008-09 above the FY 2006-07 appropriation, representing annual increases of 5.7% and 12.2% respectively. However, the fiscal requirements of TEEOSA continue to limit the state's ability to provide increases to other education aid programs. Therefore, the Governor recommends an increase in General Fund aid for Special Education of 3% for both years (i.e., increases of \$5,228,405 for FY 2007-08 and \$10,613,663 for FY 2008-09 above the FY 2006-07 appropriation). While the recommendation includes funding for Laws 2006, LB 1024, it provides that General Fund aid for all other aid programs (e.g., the Educational Service Units Core Services, Educational Service Units Technology Infrastructure, High Ability Learners and Early Childhood programs) remain at FY 2006-07 levels.

**Vocational Rehabilitation** – The recommendation includes increases of \$68,744 in General Funds for FY 2007-08 and \$147,726 in General Funds for FY 2008-09 to provide additional state match for anticipated Federal Fund increases. In addition, the recommendation reduces the cash fund appropriation \$400,000 to a level reflecting actual expenditures.

**Disability Determination** – The recommendation reduces federal fund appropriation \$750,000 in both FY 2007-08 and FY 2008-09 to a level closer to actual expenditures.

**Services for the Blind and Visually Impaired** – The recommendation includes increases of \$157,027 in General Funds for FY 2007-08 and \$178,048 in General Funds for FY 2008-09—providing roof replacement in FY 2007-08 and a 5.5% increase each year for costs related to this 24-hour residential facility.

**Services for the Deaf and Hard of Hearing** – The recommendation includes increases of \$56,180 in General Funds for FY 2007-08 and \$113,946 in General Funds for FY 2008-09—providing a 3% increase each year for regional programs.

## **20 - Health and Human Services – Regulation and Licensure**

The recommendation includes a \$500,000 cash fund authority reduction in each of FY 2007-08 and FY 2008-09 in the Tobacco Prevention and Control Program to equate the program appropriation level with the annual revenue available to the program.

The recommendation includes budget modifications reducing General Fund support of agency operations by \$293,943 in each of FY 2007-08 and FY 2008-09.

The recommendation includes \$658,000 from unallocated and unobligated Nebraska Health Care Cash Fund balances in FY 2007-08 for the optional state purchase of pandemic flu antivirals. This recommendation does not increase the \$52,000,000 allocation from the Health Care Endowment Fund to the Health Care Cash Fund in FY 2007-08.

## **25 - Health and Human Services**

The recommendation includes \$204,091 General Funds in FY 2007-08 and \$272,121 General Funds in FY 2008-09 to offset reduced federal funds due to a decreased federal match rate in the child support program.

The recommendation includes \$1,370,000 General Funds in FY 2007-08 and \$1,826,932 General Funds in FY 2008-09 to replace federal child support funding no longer available to the program. The loss of federal funds results from a prohibition contained in the federal Deficit Reduction Act of 2005 that precludes the program from claiming federal matching funds for reimbursable activities paid with performance funds.

The recommendation includes the use of \$1,000,000 federal food stamp program bonus funds to offset the need for additional General Funds in FY 2007-08.

The recommendation includes a \$2,054,000 General Fund reduction in FY 2007-08 and a \$2,054,000 General Fund reduction in FY 2008-09 that represents anticipated vacancy savings within the administration program of HHS-Services.

The recommendation includes the use of \$300,000 cash funds in FY 2007-08 derived from the sale of excess licensed bed capacity to offset the need for General Fund appropriations at the veterans' homes.

The recommendation includes \$2,035,602 General Funds and \$6,000,000 from the unallocated and unobligated Nebraska Health Care Cash Fund balance in FY 2007-08, and \$8,220,729 General Funds in FY 2008-09 to

staff and operate a 120-bed sex offender treatment facility in Norfolk. This recommendation does not increase the \$52,000,000 allocation from the Health Care Endowment Fund to the Health Care Cash Fund in FY 2007-08.

The recommendations for FY 2007-08 and FY 2008-09 for the 24-hour care facilities; the regional mental health centers, the Beatrice State Developmental Center, the youth rehabilitation centers, and the veterans' homes, include increases for food, medical costs, facility maintenance, and necessary travel costs.

## **26 - Health and Human Services – Finance and Support**

The recommendation includes the reduction of \$114,000 General Funds and \$114,000 federal funds in each of FY 2007-08 and FY 2008-09 from Program 136 – Legal Proceedings for Termination and increasing General Funds and federal funds by the same respective amounts in Program 341 – Administration. The increased department resources in Program 341– Administration will be used to facilitate processing of parental rights termination cases.

The recommendation includes reductions of \$300,000 General Funds in FY 2007-08 and \$300,000 General Funds in FY 2008-09 in the medical student loan program. The decreases in General Funds are offset with cash fund increases in like amounts for each fiscal year.

The recommendation includes \$150,000 cash funds in FY 2007-08 and \$150,000 cash funds in FY 2008-09 for the Nursing Assistance Aid Program.

The recommendation includes a \$566,000 General Fund reduction in FY 2007-08 and a \$566,000 General Fund reduction in FY 2008-09 that represents anticipated vacancy savings, reduced overtime use, and reduced temporary salary expenses during the period within the administration program of HHS-Finance and Support.

The recommendation includes \$696,900 General Funds, \$250,000 cash funds, and \$1,643,300 federal funds in FY 2007-08, as well as \$1,669,825 General Funds and \$3,021,475 federal funds in FY 2008-09 for increased administrative costs associated with continued Medicaid reform efforts. The cash funds contained in the FY 2007-08 recommendation are from the unallocated and unobligated Nebraska Health Care Cash Fund balance. This recommendation does not increase the \$52,000,000 allocation from the Health Care Endowment

Fund to the Health Care Cash Fund in FY 2007-08.

The recommendation includes \$1,000,000 cash funds and \$750,000 federal funds in FY 2007-08, and \$2,000,000 cash funds and \$1,250,000 federal funds in FY 2008-09 to continue development of a Medicaid Management Information System (MMIS) to replace the State's 27-year-old system that no longer meets a growing number of current and anticipated future business requirements. The additional funding contained in the FY 2007-08 and FY 2008-09 recommendation increases the state and federal commitment to the MMIS replacement project to \$50,000,000.

**Public Assistance** – The recommendation includes \$230,575,955 General Funds for FY 2007-08 and \$237,071,308 General Funds for FY 2008-09. This represents a decrease of \$1,312,662, or (.57%) for FY 2007-08 and an increase of \$5,182,691, or 2.23% for FY 2008-09 to address program utilization changes and provider rate adjustments.

The recommendation includes the use of \$5,000,000 in Federal TANF block grant balances in FY 2007-08 and \$5,000,000 in Federal TANF block grant balances in FY 2008-09 to offset the need for General Funds.

Legislation is proposed that eliminates the state only food stamp program that serves non-citizens legally living in the United States, but who don't qualify for the federally funded food stamp program. It is estimated that this action would save \$220,566 General Funds in FY 2007-08 and \$220,566 in FY 2008-09. These estimated General Fund savings are included in the General Fund totals referenced above.

The recommendation includes \$1,934,276 General Funds in FY 2007-08 and \$1,934,276 in FY 2008-09 for child care provider market rate increases. Legislation is proposed that allows for the recommended increased amounts.

The recommendation includes increases in the Education Assistance to State Wards of \$773,045 General Funds in FY 2007-08 and \$1,577,012 General Funds in FY 2008-09.

**Medicaid** – The recommendation includes \$573,278,056 General Funds for FY 2007-08 and \$586,118,672 General Funds for FY 2008-09. This represents an increase of \$14,389,551, or 2.57% for FY 2007-08 and \$27,230,167, or 4.87% for FY 2008-09.

The recommendation includes \$4,156,601 General Funds in FY 2007-08 and \$8,435,958 General Funds in FY 2008-09 for state contributions to the federal government as

required by the federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003. These payments are generally referenced as the federal "clawback" payments.

The recommendation includes General Fund reductions of \$7,584,800 in FY 2007-08 and \$19,871,600 in FY 2008-09 to reflect anticipated program savings from the administrative implementation of recommendations contained in the "Nebraska Medicaid Reform Plan" that was prepared under the authority of Laws 2005, LB 709.

Legislation is proposed that would eliminate General Fund coverage for Legal Permanent Resident Aliens who entered the United States after August 1996 and haven't been in the country for a minimum of five years. Federal coverage of this group was eliminated by federal legislation that passed in 1996. In 1997, the Nebraska Legislature enacted legislation that covered these persons with General Funds. Elimination of eligibility would save an estimated \$2,741,000 General Funds in FY 2007-08 and \$2,741,000 General Funds in FY 2008-09. These savings are included in the General Fund program totals referenced above.

**Developmental Disability Aid** – The recommendation includes \$709,452 General Funds in FY 2007-08 and \$1,166,958 General Funds in FY 2008-09 for individuals transitioning from children's developmental disability services to adult services for the developmentally disabled.

The recommendation includes a \$950,000 General Fund reduction in FY 2007-08 and a \$950,000 General Fund reduction in FY 2008-09 to reflect savings from curtailing the practice of paying providers with 100% General Funds for days a client is not provided services. The reduction could involve either reducing the number of paid client leave days or receiving federal Medicaid match for client leave days through a waiver.

## 28 - Veterans' Affairs

The recommendation includes \$55,659 General Funds in FY 2007-08 and \$112,747 General Funds in FY 2008-09 for staff and operating costs associated with the establishment of a state veterans' cemetery in Box Butte County. The recommendation also includes an increase of \$3,400,000 federal funds in FY 2007-08 for the cemetery construction project, increasing the project cost to an estimated \$4,900,000.

### **34 - Nebraska Library Commission**

The recommendation includes an additional \$49,048 federal funds in both FY 2007-08 and FY 2008-09 to fund an additional librarian focused on technology innovation.

### **47 - Nebraska Telecommunications Commission**

The recommendation includes an increase of \$211,784 in General Funds for FY 2007-2008 and an increase of \$381,030 for FY 2008-2009 above the FY 2006-07 appropriation, representing annual increases of 2.2% and 1.7% respectively.

Increases are included for salaries, health insurance, radio programming, information technology and phone maintenance expenses, and Public Broadcasting System membership. Funding is included for depreciation assessments. A few smaller increases and decreases in various charges are also included.

Cash funds are used to offset General Funds in a number of instances. Adjustments have been made for vacancy savings.

### **48 - Coordinating Commission for Postsecondary Education**

Including lottery funds designated for student financial aid, the recommendation for the Coordinating Commission for Postsecondary Education provides an all funds increase of \$2.4 million or 18.4% for the biennium. The recommendation includes an increase of \$1,015,497 in General Funds for FY 2007-08 and \$1,051,803 in FY 2008-2009 above the FY 2006-07 appropriation, representing annual increases of 14.5% and .5% respectively.

In addition to the Governor's recommended General Fund increase of \$1.0 million for need based student financial aid in each fiscal year, and totaling \$2.0 million for the biennium, General Fund increases are included for salaries, health insurance, Midwest Higher Education Consortium dues and for a few smaller items.

Small amounts of cash and federal funds have been used to offset the General Fund. Federal administrative funds and federal grant funds are also increased. Adjustments have been made for vacancy savings.

### **50 - Nebraska State Colleges**

The recommendation includes General Funds of \$41,731,179 for FY 2007-08 and

\$42,676,966 for FY 2008-09. This is an increase of \$863,248 for FY 2007-08 and \$1,809,035 for FY 2008-09 above the FY 2006-07 appropriation, representing annual increases of 2.1% and 2.3% respectively.

General Fund increases are included for salaries, health insurance, and phone system costs. Depreciation assessment increases and operating and maintenance expense increases for buildings are included. Also included are smaller increases and decreases in various charges. Adjustments have been made for vacancy savings.

### **51 - University of Nebraska**

The recommendation includes General Funds of \$459,579,288 for FY 2007-08 and \$469,884,980 for FY 2008-09. This is an increase of \$5,093,247 for FY 2007-08 and \$15,398,939 for FY 2008-09 above the FY 2006-07 appropriation, representing annual increases of 1.1% and 2.2% respectively.

General Fund increases are included for salaries, health insurance, student optometry contracts, and for smaller increases and decreases in various charges. Depreciation assessment increases and operating and maintenance expense increases for buildings with primarily instructional or administrative space are also included. Adjustments have been made for vacancy savings.

### **54 - State Historical Society**

The recommendation includes a budget modification reducing General Fund support for the purpose of carrying out the Unmarked Human Burial Sites and Skeletal Remains Protection Act by \$5,000 and is consistent with lower actual expenditures.

### **69 - Nebraska Arts Council**

The recommendation reduces the cash fund appropriation level of the Cultural Endowment \$750,000 to a more realistic endowment earning level.

### **76 - Indian Affairs Commission**

The recommendation accepts the agency's request to eliminate cash funding authority, used recently to give the agency the authority to accept grants.

### 81 - Commission for the Blind and Visually Impaired

The recommendation includes an additional \$14,456 General Funds in FY 2007-08 and \$29,201 General Funds in FY 2008-09 to provide state matching funds for the additional federal funds anticipated.

### 82 - Commission for the Deaf and Hard of Hearing

The recommendation increases cash fund authority by \$73,917 and personal service limitation authority by \$22,337 for FY 2007-08 to carry out the grant-funded mentor program providing training and development for interpreters.

### 83 - Nebraska Community Colleges

The recommendation includes General Funds of \$69,436,461 for FY 2007-08 and \$71,004,636 for FY 2008-09. This is an increase of \$869,985 for FY 2007-08 and \$2,438,160 for FY 2008-09 above the FY 2006-07 appropriation, representing annual increases of 1.3% and 2.3% respectively.

Increases are included in the recommendation for forty percent of the equivalent increases for salaries, health insurance and smaller various charges. Adjustments have been made for vacancy savings.

## Public Finance

### 12 - State Treasurer

**Treasurer's Salary** – The recommendation increases the General Fund appropriation \$14,398 for both FY 2007-08 and FY 2008-09 to annualize the cost of the State Treasurer's salary authorized by Laws 2006, LB 817.

**Child Support Payment Center (State Disbursement Unit)** – The Child Support Payment Center and the Department of Health and Human Services are exploring options for increasing the electronic payment of child support to custodial parents. The recommendation includes a reduction to the General Fund appropriation of \$39,500 in FY 2007-08 and \$69,125 in FY 2008-09 due to the anticipated postage and printing savings.

The recommendation reduces the federal fund appropriation \$307,183 in FY 2007-08 and \$306,246 in FY 2008-09 to set the appropriation at a level consistent with the federal

match rate for this program and eliminates the \$50,000 cash fund appropriation that has not been utilized in any of the last three years.

**Treasury Management** – The recommendation increases the cash fund appropriation \$10,000 for both FY 2007-08 and FY 2008-09 for the maintenance costs of a new NIS accounting system module designed to facilitate the daily bank reconciliation function.

**Educational Savings Plan** – The recommendation increases the cash fund appropriation \$47,029 in FY 2007-08 and \$59,529 in FY 2008-09 for the estimated increase in the asset management assessment charged to the Educational Savings Plan Unit by the Nebraska Investment Council.

**Unclaimed Property** – The Treasurer's Office has underutilized its appropriation for Unclaimed Property by an average of about \$75,000, or 13.2%, over the last three years. The recommended cash fund base reduction of \$15,000 allows the Treasurer's Office a reasonable level of growth within an appropriation more closely related to historical expenditures.

**Long-Term Care Savings Plan** – The recommendation reduces the General Fund appropriation \$20,000 for both FY 2007-08 and FY 2008-09 to eliminate a one-time appropriation included in the FY 2006-07 base appropriation pursuant to Laws 2006, LB 965A.

### 16 - Department of Revenue

**Tax Commissioner's Salary** – The recommendation increases the General Fund appropriation \$44,000 for both FY 2007-08 and FY 2008-09 in the Tax Commissioner's Salary program to fund an increased salary and the additional employer cost related to health insurance plan selection.

**Tobacco Master Settlement Agreement Enforcement** – The recommendation includes an \$18,442 increase in the Health Care Cash Fund earmark to the Department of Revenue for enforcement of the tobacco Master Settlement Agreement.

**Revenue Administration** – The recommendation provides the following changes to annualize appropriations made to implement tax policy changes enacted during the 2005 and 2006 legislative sessions:

<u>Legislative Bill</u>	<u>Fund</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Laws 2005, LB 312A	General	\$72,577	\$72,577
Laws 2006, LB 872A	General	-\$38,552	-\$38,552
Laws 2006, LB 968A	General	\$26,092	\$26,092
Laws 2006, LB 968A	Cash	-\$33,150	-\$33,150
Laws 2006, LB 1189A	General	\$620	\$620

**Homestead Exemption Reimbursement** – During the 2006 session, LB 968 pro-

vided that the Homestead Exemption program was to be expanded to allow additional elderly and disabled homeowners to be eligible for exemption from payment of the property tax on their home. The recommendation increases the General Fund appropriation \$6,894,000 in FY 2007-08 and \$7,068,000 in FY 2008-09 to annualize the cost of this program expansion contained in LB 968. The recommendation further increases the General Fund appropriation \$6,689,960 in FY 2007-08 and \$12,579,104 in FY 2008-09 to fund the annual estimated increases in the cost to compensate counties for the anticipated loss of property tax revenue associated with growth in the homestead exemption program.

**Lottery Administration** – The recommendation increases the cash fund appropriation \$228,000 in FY 2007-08 and \$232,000 in FY 2008-09 for problem gambling prevention, education, and awareness advertising pursuant to Laws 2006, LB 1039. The recommendation includes \$440,000 cash funds in FY 2007-08 and \$520,000 cash funds in FY 2008-09 for lottery promotion and advertising activities. The recommendation provides \$607,964 cash funds in FY 2007-08 and \$1,783,441 cash funds in FY 2008-09 for increases in lottery vendor contract costs.

**Charitable Gaming Operations** – The Department has underutilized its appropriation for Charitable Gaming Operations by an average of about \$597,000, or 23.8%, over the last three years. This is primarily the result of declining charitable gaming activity and the associated charitable gaming tax revenue and licensing fees. The recommended cash fund base reduction of \$400,000 allows the Department a reasonable level of growth within an appropriation more closely related to the available cash funds and historical expenditures.

**Tobacco Products Administration Cash Fund** – Section 77-4025, Nebraska Revised Statutes, provides that specific language be included in the biennial budget bill to lapse excess funds from the Tobacco Products Administration Cash Fund to the General Fund. The recommendation includes a transfer of \$6,000,000 each year from the Tobacco Products Administration Cash Fund to the General Fund to operationalize the lapse of excess funds during the 2007-2009 biennium.

## **32 - Board of Educational Lands & Funds**

**Land Surveys** – The recommendation includes reductions in General Funds identified

by the Agency as well as the reduction of funding and personal services limitation in relation to a vacant Surveyor position.

**Disputed Surveys** – The recommendation includes a reduction of funding for activities involving disputed surveys. Due to inactivity in the program intent language has been inserted which allows the State Budget Administrator to verify a disputed survey claim, and increase cash fund appropriation for each instance up to \$25,000.

## **65 - Department of Administrative Services**

**Director's Office Staffing Reorganization** – The Department of Administrative Services (DAS) Director's Office reorganized various Division positions and functions and consolidated these efforts under the DAS Director's office, Program 49. The reorganization moves a total of 7.5 FTE costs from other DAS Divisions to the Director's office as follows: 2 discretionary positions from the Office of the CIO – IM Services, Program 172; 4.5 positions from State Personnel, Program 605 for Central Human Resources functions; 1 position from Materiel Division – Program 171, for Central Legal functions. The changes add a total of \$581,730 in revolving fund appropriation to Program 49 for both FY 2007-08 and FY 2008-09. There is no overall increase to the DAS budget as a whole as a result of these changes, as the increases in the Director's office are offset by similar decreases in each of the corresponding DAS Division programs. The recommendation supports the appropriation adjustments incorporated into the DAS request reflecting this organizational change.

**Fund Shifts** – Both the DAS Director's Office (Program 49) and the State Insurance Program (Program 594) operate primarily from revolving funds, with some minor level of General Funds remaining from transition functions. The recommendation changes the remaining \$32,495 of General Funds in the Director's office program and the remaining \$170,940 of General Funds in the State Insurance Fund program to revolving funds in both programs for both FY 2007-08 and FY 2008-09.

**NIS Staffing** – The recommendation includes the addition of 2 FTE's (One Business Systems Analyst and one Administrative Assistant) to DAS Accounting/NIS, Program 567, to provide support for ongoing operations as well as new modules like Capital Asset Management and Sales Order Management. The additional staffing adds \$120,514 in salary and benefits to

the revolving fund appropriations in Program 567 for both FY 2007-08 and FY 2008-09.

**NIS Debt Service Schedule** – The final year of the NIS debt service schedule is FY 2008-09. The final payment on the debt will be made June 30, 2009. The total payments for FY 2008-09 will be lower than in the current base year FY 2006-07. The recommendation reflects the lower total debt service payout in FY 2008-09, with General Fund reductions of \$484,430, cash fund reductions of \$1,791,064, and revolving fund reductions of \$66,736 to Program 625.

**Energy Costs** – Gasoline and natural gas prices continue to be volatile. The recommendation allows for increases due to fuel costs in DAS Transportation Services Bureau (TSB - Program 180) and increases in utility costs in DAS Building Division (Program 560). The fuel cost increase over FY 2006-07 in TSB revolving funds is \$330,029 in FY 2007-08 and \$728,311 in FY 2008-09. The utility increase over FY 2006-07 in Building Division revolving funds is \$371,417 in FY 2007-08 and \$1,244,312 in FY 2008-09.

**Building Maintenance and Repair** – In an effort to keep rent rates low to State agencies in State-owned facilities managed by DAS, certain repair and maintenance projects were deferred. The recommendation recognizes the desire to keep rental rates low but also the need to maintain facilities. The DAS Building Division (Program 560) revolving fund appropriations reflect an increase over FY 2006-07 of \$1,835,833 in FY 2007-08 and \$2,148,335 in FY 2008-09 to recognize the scheduling of these costs.

**State Employee Health Insurance Funding** – The State of Nebraska offers a selection of group health insurance plans to all state employees as part of their benefit package. In 1999, the State moved to self-insure the group health plans while contracting with providers for administrative services. The plans are funded by premium payments, shared by the State and participating employees. A trend has emerged since 2004, where premiums paid by both the employees and the State have been insufficient to meet the total level of submitted claims. Reserves in the State Employee Insurance - Health History Fund have been utilized to finance these shortfalls. Strategic changes to the State Employee Health Plan funding are needed to reverse this trend. The recommendation includes the authority to transfer up to \$12 million from FY 2006-07 through FY 2010-11 from the Cash Reserve Fund to the State Employees Health Insurance Fund, to aid the correction of this financing problem. Amounts transferred

from the Cash Reserve Fund during this period would be repaid by June 30, 2011.

**Office of the Capitol Commission** – The Office is set up as a separate Division within DAS (Program 685). The recommendation includes General Fund appropriation increases of \$203,093 in FY 2007-08 and of \$436,650 in FY 2008-09 for increased utility costs for the Capitol.

**Office of the CIO** – The Office of the Chief Information Officer (CIO) is set up as a separate Division within DAS. This Division includes Program 101 – CIO, Program 170 – Intergovernmental Data Services (IDS), Program 172 – Information Management Services (IMS), Program 173 – Division of Communications (DOC), and a new program, Program 245 – Public Safety Communication System. While the CIO will be affecting a reorganization involving several transfers and combinations of staffing among the various programs within the Division during FY 2006-07, the budget impact, by program, will be reflected in FY 2007-08 and FY 2008-09.

**CIO Division Reorganization** – The Budget request reflects several changes in FTE's and related personal services limitation between and among the programs within the CIO's Division. The recommendation provides for offsetting reductions in FTE's and personal services limitation in the programs shifting staff to other programs which are reflecting the corresponding increases in FTE's and personal services limitation, so the net overall impact for the Division is zero change in these areas.

**Public Safety Communication System** – The recommendation for this new program separates the budget request into Operating (Program 245) and Capital (Program 935) components. On the Operating side, the recommendation reflects 3 FTE transfers from DOC - Program 173. The increase in Program 245 General Funds in FY 2007-08 and in revolving funds in FY 2008-09 is offset by matching reductions in revolving funds in Program 173. The recommendation also reflects the addition of 2 FTE's in FY 2007-08 (General Funds) and 1 additional FTE in FY 2008-09 (total of all 3 FTE in FY 2008-09 is revolving fund increase). Overall, the changes from FY 2006-07 for Program 245 are as follows: General Fund increase of \$265,271 and federal fund decrease of \$804,525 in FY 2007-08, and General Fund decrease of \$850,000, federal fund decrease of \$1,350,000, and revolving fund increase of \$1,201,623 in FY 2008-09. The State Fire Marshal, State Patrol, and Game and Parks De-

partment will also incur costs relative to this program.

### **75 - Nebraska Investment Council**

The recommendation is to increase cash fund authority by \$407,805 for FY 2007-08 and \$384,558 for FY 2008-09. The recommendation includes an additional \$30,000 in FY 2007-08 for an Asset Liability Study, recognizing expenditures previously paid by recaptured commissions to the base appropriation, professional development for staff members, and outside legal counsel for the Investment Council.

### **85 - Nebraska Public Employee's Retirement Systems**

**Administration** – Over the last 3 years, the agency has not fully utilized the appropriations by an average of 10.8% or \$784,586. The recommendation begins by lowering the cash fund base appropriation level by \$125,000 for each year. The recommendation provides \$25,000 cash funds each year for staff training, \$10,000 cash funds each year for increasing costs of plan audits conducted by the State Auditor, and \$11,000 cash funds each year due to an expected increase in the actuarial contract.

The recommendation includes a reduction in General Funds of \$700 for each year to program 515 to eliminate funding no longer needed for the original purpose.

**PIONEER Migration Project** – The Governor supports the Public Employees' Retirement System request for a net increase of \$5.6 million in cash fund authority to migrate the programming language of the PIONEER system from Forte to Java. Additionally, the Master Lease payment related to the PIONEER project has a decreasing payment amount of \$207,415 in FY 2008-09.

**Board Member Expenses** – Over the last 3 years, the agency has not fully utilized the appropriations by an average of 56.4% or \$22,797. The recommendation is to reduce cash fund authority to \$24,100 for both years. This provides the agency with a reasonable level of growth but with an appropriation more closely related to their historical expenditures.

**Defined Benefit Plans Estimated Unfunded Liability** – The recommendation includes a General Fund reduction of \$13,133,364 for FY 2007-08 and FY 2008-09. The Retirement System's consulting actuary has estimated that only the Patrol retirement plan will require an additional contribution related to unfunded liability in FY 2007-08. This reduction includes

the lowering of the base for the School Employee plan by \$12,847,537. The additional contribution required for the Patrol is less than the contribution required for FY 2006-07 by \$266,891. An additional reduction is requested by the Retirement System for the declining costs of a COLA for the Patrol plan in the amount of \$18,936 for each year.

#### **School Employee's Retirement Plan**

**Match** – The recommendation includes a General Fund base increase of \$364,822 in FY 2007-08 and \$992,974 in FY 2008-09 to finance the State's "7/10 of 1%" match under the School Employees Retirement System and for the Class V (Omaha) School Employees Retirement plan. The recommendation is an increase over the agency's revised request for FY 2007-08 by \$340,790. The increase is due to the estimate used by the Retirement System's consulting actuary to estimate the contribution required on July 1, 2007 at a higher salary base than used by the Retirement System. Additionally, estimated school employee salaries for both the School Plan and the Omaha Plan are expected to increase in FY 2008-09 and thus results in an increase in the appropriations for FY 2008-09.

The recommendation is to increase General Fund authority by \$41,147 for both years for the School Employee service annuity increase identified by the actuary.

### **93 – Tax Equalization and Review Commission**

**Agency Operations** – The recommendation increases the cash fund appropriation \$20,000 for both FY 2007-08 and FY 2008-09 to expand the use of mediation as an alternative to the formal hearings held by the Commission.

The Commission has underutilized its appropriation by an average of about \$48,000, or 6.6%, over the last three years. The recommended General Fund base reduction of \$15,000 allows the Commission a reasonable level of growth within an appropriation more closely related to historical expenditures.

### **96 – Department of Property Assessment and Taxation**

**Agency Operations** – The Department has underutilized its appropriation by an average of about \$371,000, or 7.9%, over the last three years. The recommended General Fund base reduction of \$200,000 allows the Department a reasonable level of growth within an appropriation more closely related to historical expenditures.

# Public Safety

## 05 - Supreme Court

The recommendation sets aside sufficient funding within the variance from the statutory State General Fund reserve to allow for \$324,098 General Funds for FY 2007-08 and \$654,675 General Funds for FY 2008-09 to provide financing for salary increases for State judges in an amount similar to State employees for the 2007-2009 biennium.

The recommendation includes additional funding of \$193,820 General Funds for FY 2007-08 and \$11,000 General Funds for FY 2008-09 to microfilm essential court records and eliminate the backlog.

The recommendation includes additional funding of \$2,000,000 cash funds for FY 2007-08 and \$2,000,000 cash funds for FY 2008-09 to free up General Fund resources to provide one-time transitional funding for substance abuse evaluation and treatment services for Drug Court participants.

The recommendation includes additional funding of \$401,125 cash funds for FY 2007-08 to replace all remaining county court tape recorders with digital equipment. The replacement and installation of the new equipment will likely be phased in over the biennium.

The recommendation includes additional funding of \$12,857 cash funds and \$27,191 personal services limitation for FY 2007-08 and \$13,178 cash funds and \$39,488 personal services limitation for FY 2008-09 to cover anticipated Probation Contractual Services pass-through costs.

The recommendation annualizes the cost of Civil Legal Services Aid provided by Laws 2006, LB 746A, Section 2 by including additional funding of \$145,000 cash funds for FY 2007-08 and \$145,000 cash funds for FY 2008-09. The recommendation also annualizes the cost of Civil Legal Services Aid provided by Laws 2006, LB 746A, Section 1 by reducing funding by \$55,000 General Funds in FY 2007-08 and by reducing funding by \$55,000 General Funds in FY 2008-09.

The recommendation includes a reduction of \$105,710 General Funds in FY 2007-08 and a reduction of \$105,710 General Funds in FY 2008-09 for over-financed district court judges' benefits.

The recommendation includes a reduction of \$32,185 General Funds in FY 2007-08 and a reduction of \$32,185 General Funds in FY 2008-09 for over-financed county court judges' benefits.

The recommendation includes a reduction of \$77,500 General Funds in FY 2007-08 and a reduction of \$77,500 General Funds in FY 2008-09 for one-time funding allocated for the judicial workload study.

The recommendation includes a reduction of \$63,149 General Funds in FY 2007-08 and a reduction of \$63,149 General Funds in FY 2008-09 from Program 52—Court Operations, plus an increase of \$63,149 cash funds in FY 2007-08 and an increase of \$63,149 cash funds in FY 2008-09 to Program 570—Court Automation, to transfer and consolidate agency data processing costs.

The recommendation includes a reduction of \$12,014 General Funds in FY 2007-08 and a reduction of \$12,014 General Funds in FY 2008-09 from Program 67—Probation Services, plus an increase of \$12,014 cash funds in FY 2007-08 and an increase of \$12,014 cash funds in FY 2008-09 to Program 570—Court Automation, to transfer and consolidate agency data processing costs.

The recommendation includes a transfer of \$155,114 General Funds and \$117,669 personal services limitation in FY 2007-08 and a transfer of \$155,114 General Funds and \$117,669 personal services limitation in FY 2008-09 from Program 67—Probation Services to Program 435—Probation Community Corrections, to transfer and consolidate funding for all of the Specialized Substance Abuse Supervision (SSAS) probation officers.

The recommendation includes a reduction of \$83,681 General Funds in FY 2007-08 and a reduction of \$83,681 General Funds in FY 2008-09 from Program 435—Probation Community Corrections, for excess program appropriations identified by the agency. Out of these identified savings, the recommendation reallocates additional funding of \$77,688 General Funds for FY 2007-08 and \$77,688 General Funds for FY 2008-09 to cover the transportation services costs for the 13 Specialized Substance Abuse Supervision (SSAS) probation officers.

The recommendation includes a transfer of \$982,725 cash funds and \$658,148 personal services limitation in FY 2007-08 and a transfer of \$1,014,020 cash funds and \$671,311 personal services limitation in FY 2008-09 from Program 420—State Specialized Court Operations to Program 435—Probation Community Corrections, to only transfer and consolidate all the budgeted Probation personal services costs involved in specialized courts to streamline payroll management and the accountability of such resources.

The recommendation includes spending authority reductions of \$1,438,122 cash funds for FY 2007-08 and \$1,438,122 cash funds for FY 2008-09 to adjust the appropriation level to match the sustainable revenue stream projected for Probation Community Corrections services.

The recommendation includes a reduction of \$55,000 cash funds in FY 2007-08 and a reduction of \$55,000 cash funds in FY 2008-09 for one-time use of subscription fees to begin replacing county court tape recording equipment.

The recommendation includes a transfer of \$45,000 federal funds in FY 2007-08 and a transfer of \$45,000 federal funds in FY 2008-09 from Program 52—Court Operations to Program 420—State Specialized Court Operations, to transfer available federal funding to the appropriate budget program. The Program 420 cash fund appropriation is correspondingly offset by this federal revenue and reduced by \$45,000 cash funds in FY 2007-08 and \$45,000 cash funds in FY 2008-09.

The recommendation includes a reduction of \$24,724 federal funds in FY 2007-08 and a reduction of \$24,724 federal funds in FY 2008-09 for one-time Court Improvement Project costs.

## **11 - Attorney General**

The recommendation includes additional funding of \$3,458,333 General Funds for FY 2007-08 to pay for legal expenses associated with school finance litigation.

The recommendation includes additional funding of \$11,515 General Funds and \$10,000 personal services limitation in FY 2007-08 and \$11,515 General Funds and \$10,000 personal services limitation in FY 2008-09 to annualize the cost of Laws 2006, LB 817A, Section 5, for the previously approved constitutional officer salary pay increase.

The recommendation includes additional funding of \$700,000 cash funds from the State Settlement Cash Fund for FY 2007-08 for the Attorney General to contract with the Nebraska State Patrol for internet safety enforcement costs allowed under the settlement agreement between the State of Nebraska and Yahoo.

The recommendation includes additional funding of \$150,000 cash funds from the State Settlement Cash Fund for FY 2007-08 and \$150,000 cash funds from the State Settlement Cash Fund for FY 2008-09 to pay for Attorney General's Office internet safety enforcement expenses and training costs.

The recommendation includes additional funding of \$100,000 cash funds from the State Settlement Cash Fund for FY 2007-08 and \$100,000 cash funds from the State Settlement Cash Fund for FY 2008-09 to pay for Attorney General's Office internet safety public service announcements.

The recommendation includes a reduction of \$234,313 cash funds in FY 2007-08 and a reduction of \$234,313 cash funds in FY 2008-09, plus an increase of \$234,313 revolving funds in FY 2007-08 and an increase of \$234,313 revolving funds in FY 2008-09, to allow the Department of Motor Vehicles to pay for the continuing cost of the administrative license revocation program with a contract through the Department of Justice Revolving Fund.

The recommendation includes a reduction of \$150,000 General Funds in FY 2007-08 and a reduction of \$100,000 General Funds in FY 2008-09 to rebase the funding levels for child autopsy expenses. The recommendation also includes language to reappropriate the unexpended General Fund balance existing on June 30, 2007, from funds appropriated pursuant to Laws 2006, LB 1113A, Section 4.

The recommendation includes net agency requested reductions of \$110,300 cash funds, \$71,122 federal funds, and \$3,018 revolving funds in FY 2007-08 and net agency requested reductions of \$107,695 cash funds, \$68,480 federal funds, and \$4,752 revolving funds in FY 2008-09.

## **21 - State Fire Marshal**

The recommendation includes additional funding of \$214,553 General Funds and \$47,098 cash funds for FY 2008-09 to pay agency operations costs related to the Nebraska Public Safety Communication System.

The recommendation includes a transfer of \$58,159 General Funds in FY 2007-08 and a transfer of \$84,653 General Funds in FY 2008-09 from Program 193—Public Protection to Program 340—Training Division, to transfer funding for prioritized needs within the Training Division. The recommendation also includes additional funding of \$11,747 personal services limitation in FY 2007-08 and \$11,747 personal services limitation in FY 2008-09 for related costs.

The recommendation for FY 2007-08 includes a General Fund reduction of \$470,000 and a cash fund increase of \$470,000 to reduce a one-time excess balance in the State Fire Marshal Cash Fund.

The recommendation includes a General Fund reduction of \$3,505 and a cash fund

increase of \$3,505 for FY 2007-08 and a General Fund reduction of \$3,505 and a cash fund increase of \$3,505 for FY 2008-09 to provide structural balance in the Training Division Cash Fund, as requested by the agency.

The recommendation includes a reduction of \$19,086 General Funds and \$1,750 cash funds for FY 2008-09 to make necessary budget offsets to avoid duplication of costs related to the Nebraska Public Safety Communication System.

### **30 - State Electrical Board**

The recommendation includes a reduction of \$101,888 cash funds for FY 2007-08 and \$100,881 cash funds for FY 2008-09 to reflect agency requested operations reductions.

The recommendation includes a reduction of \$4,511 cash funds for FY 2007-08 and \$4,511 cash funds for FY 2008-09 to reflect agency requested net travel reductions.

The recommendation includes a reduction of \$12,776 cash funds for FY 2007-08 and \$12,776 cash funds for FY 2008-09 to correct an agency base budget calculation error using an incorrect OASDI rate.

The recommendation includes a reduction of \$9,863 cash funds for FY 2007-08 and \$9,863 cash funds for FY 2008-09 to correct an agency base budget calculation error using an incorrect retirement rate.

The recommendation includes a reduction of \$8,856 cash funds and \$8,856 personal services limitation for FY 2007-08 and \$8,856 cash funds and \$8,856 personal services limitation for FY 2008-09 to make a supplemental base pay adjustment.

### **31 - Military Department**

The recommendation includes additional funding of \$34,000 General Funds and \$102,000 federal funds for FY 2007-08 and \$39,000 General Funds and \$117,000 federal funds for FY 2008-09 to fully fund the Federal Operations and Maintenance Agreement (FOMA) for the Nebraska Air National Guard.

The recommendation includes a reduction of \$353,000 General Funds for FY 2007-08 and \$303,000 General Funds for FY 2008-09 to reflect agency requested aid reductions in the National Guard Tuition Assistance Program. These state funding reductions are a direct result of a new federal tuition assistance program created for eligible members of the Army National Guard.

The recommendation includes a reduction of \$500,000 General Funds for FY 2008-09 to rebase the funding level for the Governor's Emergency Program.

The recommendation includes miscellaneous budget adjustments of \$1,741 for FY 2007-08 and \$3,424 for FY 2008-09.

### **37 - Workers' Compensation Court**

The recommendation sets aside sufficient funding to allow for \$16,666 cash funds for FY 2007-08 and \$33,665 cash funds for FY 2008-09 to provide financing for salary increases for Workers' Compensation Court Judges in an amount similar to State employees for the 2007-2009 biennium.

The recommendation includes additional funding of \$178,350 cash funds for FY 2007-08 and \$98,658 cash funds for FY 2008-09 to finance three expanded information technology projects. The recommendation also includes language to reappropriate the unexpended cash fund balance existing on June 30, 2007 (within Program 530—Court Administration), but not to exceed \$174,000, in order to cash flow the completion of prior information technology projects previously approved by the Legislature.

The recommendation includes agency requested reductions of \$606,064 cash funds in FY 2007-08 and \$606,064 cash funds in FY 2008-09 for one-time FY 2006-07 information technology programming costs and the cost reduction related to annualizing Laws 2006, LB 489A, Section 1.

The recommendation includes a reduction of \$150,000 cash funds for FY 2007-08 and a reduction of \$150,000 cash funds for FY 2008-09 to rebase the funding level for Court Administration.

### **46 - Department of Correctional Services**

The recommendation includes additional funding of \$911,402 General Funds and \$26,006 revolving funds for FY 2007-08 and \$955,082 General Funds and \$26,006 revolving funds for FY 2008-09 to cover the statutory increase from 1% to 2% for LB 1100 capital building depreciation expenses.

The recommendation includes additional funding of \$600,000 General Funds for FY 2007-08 and \$600,000 General Funds for FY 2008-09 to cover inmate medical costs.

The recommendation includes additional funding of \$450,000 General Funds for FY 2007-08 and \$450,000 General Funds for FY 2008-09 to cover inmate per diem costs.

The recommendation includes additional net funding of \$100,820 General Funds and \$92,791 personal services limitation for FY 2007-08 and \$100,820 General Funds and \$92,791 personal services limitation for FY 2008-09 to cover the remaining net amount required to hire a psychiatrist.

The recommendation includes additional funding of \$84,000 General Funds for FY 2007-08 and \$164,000 General Funds for FY 2008-09 to cover anticipated costs associated with the Metro Tech education contract.

The recommendation includes additional funding of \$77,516 General Funds for FY 2007-08 and \$159,165 General Funds for FY 2008-09 to cover utility costs.

The recommendation includes additional funding of \$95,020 General Funds and \$70,816 personal services limitation for FY 2007-08 and \$95,020 General Funds and \$70,816 personal services limitation for FY 2008-09 for two essential staffing positions.

The recommendation includes additional funding of \$188,538 General Funds and \$115,970 personal services limitation in FY 2007-08 and \$383,502 General Funds and \$258,991 personal services limitation in FY 2008-09 to annualize the cost of Laws 2006, LB 1199A, Section 1, for the previously approved sex offender legislation.

The recommendation includes funding reductions of \$29,056 General Funds and \$29,056 personal services limitation in FY 2007-08 and funding reductions of \$29,056 General Funds and \$29,056 personal services limitation in FY 2008-09 to annualize the cost of Laws 2006, LB 385A, Section 2, for the DNA Detection of Sexual and Violent Offenders Act legislation.

The recommendation includes a funding reduction of \$2,000 General Funds in FY 2007-08 and a funding reduction of \$2,000 General Funds in FY 2008-09 to annualize the cost of Laws 2006, LB 1113A, Section 1, for the multi-subject criminal justice bill.

The recommendation includes a funding reduction of \$30,000 General Funds in FY 2007-08 and a funding reduction of \$30,000 General Funds in FY 2008-09 to reduce the contractual psychiatrist.

The recommendation includes a funding reduction of \$29,500 General Funds in FY 2007-08 and a funding reduction of \$29,500 General Funds in FY 2008-09 to reduce discretionary travel expenses by 20%.

The recommendation includes agency requested funding reductions of \$329,151 Federal Funds and \$198,931 personal services limi-

tation in FY 2007-08 and agency requested funding reductions of \$329,151 federal funds and \$198,931 personal services limitation in FY 2008-09 for one-time federal fund grants.

#### **64 - Nebraska State Patrol**

The recommendation includes additional funding of \$2,307,097 General Funds, \$1,980,967 cash funds, and \$125,800 personal services limitation for FY 2008-09 to pay agency operations costs related to the Nebraska Public Safety Communication System.

The recommendation includes additional funding of \$177,755 General Funds for FY 2007-08 and \$119,575 General Funds for FY 2008-09 for identified communication switcher costs related to the sharing of federal and state criminal history information.

The recommendation includes additional funding of \$700,000 cash funds for FY 2007-08 for a contractual agreement with the Attorney General's Office to help pay for Internet Crimes Against Children costs.

The recommendation includes additional pass-through funding of \$10,000 cash funds for FY 2007-08 and \$10,000 cash funds for FY 2008-09 to facilitate a contractual agreement with the Department of Correctional Services for interstate prisoner transport.

The recommendation includes a cash fund reduction of \$749,360 and a revolving fund increase of \$749,360 for FY 2007-08 and a cash fund reduction of \$749,360 and a revolving fund increase of \$749,360 for FY 2008-09 to make a cost allocation correction for State Capitol Security operations.

The recommendation includes a funding reduction of \$428,822 General Funds in FY 2007-08 to provide one-time General Fund savings at the Nebraska State Patrol. These General Fund savings will be offset by additional cash fund revenues received by the Nebraska State Patrol.

The recommendation for FY 2007-08 includes a General Fund reduction of \$300,000 and a cash fund increase of \$300,000 to reduce a one-time excess balance in the Nebraska State Patrol Vehicle Replacement Cash Fund.

The recommendation includes funding reductions of \$443,022 General Funds and \$66,060 cash funds in FY 2007-08 and funding reductions of \$443,022 General Funds and \$66,060 cash funds in FY 2008-09 to annualize the cost of Laws 2005, LB 503, which provides for temporary increases in the employer and employee retirement contribution rates for mem-

bers of the Nebraska State Patrol Retirement System.

The recommendation includes funding reductions of \$21,805 General Funds in FY 2007-08 and funding reductions of \$21,805 General Funds in FY 2008-09 to annualize the cost of Laws 2006, LB 385A, Section 1, for the DNA Detection of Sexual and Violent Offenders Act legislation.

The recommendation includes funding reductions of \$556,000 cash funds and \$159,520 personal services limitation in FY 2007-08 and funding reductions of \$556,000 cash funds and \$159,520 personal services limitation in FY 2008-09 to annualize the cost of Laws 2006, LB 454A, Section 1, for the concealed weapons legislation.

### **67 - Equal Opportunity Commission**

The recommendation includes agency requested funding reductions of \$15,000 General Funds and \$240,550 federal funds in FY 2007-08 and agency requested funding reductions of \$15,000 General Funds and \$240,550 federal funds in FY 2008-09.

### **78 - Nebraska Commission on Law Enforcement and Criminal Justice**

The recommendation includes additional funding of \$199,700 General Funds for FY 2007-08 and \$199,700 General Funds for FY 2008-09 to cover the statutory increase from 1% to 2% for LB 1100 capital building depreciation expenses.

The recommendation includes a General Fund increase of \$290,000 and a cash fund reduction of \$290,000 for FY 2007-08 and a General Fund increase of \$290,000 and a cash fund reduction of \$290,000 for FY 2008-09 to annualize Laws 2006, LB 1060, Section 226 to provide a cost allocation adjustment related to statutory revenue changes for the Law Enforcement Improvement Fund.

The recommendation includes a General Fund increase of \$63,500 and a cash fund reduction of \$63,500 for FY 2007-08 and a General Fund increase of \$63,500 and a cash fund reduction of \$63,500 for FY 2008-09 to annualize Laws 2006, LB 746A, Sections 3 and 4, to provide a cost allocation adjustment related to statutory tuition revenue changes for the Nebraska Law Enforcement Training Center Cash Fund.

The recommendation includes an increase of \$3,000 General Funds and \$12,000 Federal Funds for FY 2007-08 and an increase

of \$3,000 General Funds and \$12,000 federal funds for FY 2008-09 to pay for estimated costs of maintaining and operating the State Victim Notification System.

The recommendation includes an increase of \$15,000 federal funds for FY 2007-08 and an increase of \$15,000 federal funds for FY 2008-09 to provide for Crime Victims' Reparations aid.

The recommendation includes a General Fund reduction of \$428,000 and a federal fund increase of \$428,000 for FY 2007-08 and a General Fund reduction of \$428,000 and a federal fund increase of \$428,000 for FY 2008-09 to annualize the cost of providing one-time State assistance in FY 2006-07 for local Byrne grant recipients.

The recommendation includes a General Fund reduction of \$3,625 for FY 2007-08 and a General Fund reduction of \$3,625 for FY 2008-09 to return to the practice of paying all operations expenses of the Victim-Witness Assistance Program from federal funds.

The recommendation includes agency requested General Fund reductions of \$3,000 for FY 2007-08 and \$3,000 for FY 2008-09 for lower anticipated contractual costs.

The recommendation includes agency requested federal fund reductions of \$2,383,939 for FY 2007-08 and \$2,383,939 for FY 2008-09 to adjust the appropriation levels for the anticipated cash flow of federal aid distribution.

## **Transportation**

### **17 - Department of Aeronautics**

The recommendation includes both specific agency requested reductions and increases that total to an overall net reduction of \$1,448,893 cash funds in FY 2007-08 and an overall net reduction of \$1,709,954 cash funds in FY 2008-09.

### **24 - Department of Motor Vehicles**

The recommendation includes additional funding of \$234,313 cash funds for FY 2007-08 and \$234,313 cash funds for FY 2008-09 to allow the Department of Motor Vehicles to pay for the continuing cost of the administrative license revocation program with a contract through the Department of Justice Revolving Fund.

The recommendation includes a funding reduction of \$30,000 cash funds in FY 2007-08

and a funding reduction of \$30,000 cash funds in FY 2008-09 to annualize the cost of Laws 2006, LB 454A, Section 2, for the concealed weapons legislation.

The recommendation includes a funding reduction of \$19,500 cash funds in FY 2007-08 and a funding reduction of \$19,500 cash funds in FY 2008-09 to annualize the cost of Laws 2006, LB 1008A, Section 1, for costs associated with motor vehicle operator's licenses.

The recommendation includes both specific agency requested reductions and increases that total to overall net reductions of \$934,816 cash funds and \$94,089 federal funds in FY 2007-08 and overall net reductions of \$922,006 cash funds and \$94,089 federal funds in FY 2008-09.

## **27 - Department of Roads**

The total cash fund recommendation for the Department of Roads over the 2007-2009 biennium, including operations, government aid, highway construction, and facility construction, is based on the current gas tax level.

The recommendation includes a funding increase of \$2,217,831 revolving funds for FY 2007-08 and a funding reduction of \$500,000 revolving funds for FY 2008-09 for Rail Line Assistance Aid.

The recommendation includes both specific agency requested reductions and increases that total to an overall net reduction of \$40,467,653 cash funds in FY 2007-08 and an overall net reduction of \$40,909,510 cash funds in FY 2008-09.

The recommendation includes a reduction of \$1,589,007 cash funds in FY 2007-08 and a reduction of \$1,581,691 cash funds in FY 2008-09 for mass transit aid. These reductions include a base cut of \$1,500,000 each year for supplemental aid funds added by Laws 2006, LB 1060. The balance of the mass transit aid reduction applies the same budget percentage cuts to mass transit aid as was reduced in the agency operations budget request by the Department of Roads.

# **Enterprise Issues**

## **State Labor and Health Contracts**

The Governor has included funding for salary and health insurance adjustments in the upcoming biennium. The funding package in-

cludes adjustments for employees covered by the Nebraska Association of Public Employees Local 61 of the American Federation of State, County, and Municipal Employees (NAPE/AFSCME), the State Code Agency Teacher's Association (SCATA), the State Law Enforcement Bargaining Council (SLEBC), and non-contract State employees. The bargaining process was not completed in time for the details of any agreement or the impact of the contracts on individual employees to be included in this publication. The Governor's recommendation includes approximately \$40.4 million General Funds in the 2007-2009 biennium to finance the wage and benefit cost of the NAPE/AFSCME contract, the SCATA contract, the SLEBC contract, and non-contract employee costs. In addition, \$2.2 million General Funds were included in the 2007-2009 biennium to finance increased retirement contributions by the State for State employees.

## **DAS Assessments to State Agencies**

### ***State Accounting Assessment –***

Overall, excluding the University of Nebraska and State Colleges, the DAS Accounting Division will assess State agencies a total of \$496,969 more in FY 2007-08 than in FY 2006-07 and a total of \$956,105 more in FY 2008-09 than in FY 2006-07. The Accounting/NIS rates are based on the DAS Accounting Division request for additional resources to support the Nebraska Information System (NIS) and corresponding functional accounting areas. Of the total increases in assessments for FY 2007-08 and FY 2008-09 noted above, agency General Fund appropriations to cover these assessments will increase by \$187,628 and \$338,905, respectively. The recommendation supports providing State agencies with the appropriations to cover the increased level of Accounting assessments.

### ***State Materiel Purchasing Assessment –***

Overall, excluding the University of Nebraska and State Colleges, the DAS Materiel Division will assess State agencies a total of \$25,695 more in FY 2007-08 than in FY 2006-07 and a total of \$53,071 more in FY 2008-09 than in FY 2006-07. The Purchasing assessments for FY 2007-08 and FY 2008-09 are based on the DAS Materiel Division's request for additional resources to meet the demands relative to processing service contracts. Of the total increases in assessments for FY 2007-08 and FY 2008-09 noted above, agency General Fund appropriations to cover these assessments will decrease by \$2,415 and increase by \$5,017, respectively. The recommendation supports

providing State agencies with the appropriations to cover the increased level of Purchasing assessments.

#### **Workers' Compensation Assessment**

– The DAS Risk Management Division assessments for workers' compensation premiums for FY 2007-08 and FY 2008-09, reflect adjustments due to an actuarial study, which identified actual claims and loss history for each State agency. Consequently, excluding the University of Nebraska and State Colleges, the overall workers' compensation assessment totals for FY 2007-08 increased by \$712,963 over the FY 2006-07 amounts and by the same figure for FY 2008-09 over FY 2006-07. Due to these actuarial adjustments for loss history, certain agencies will experience higher assessments, while others experience lower assessments for workers' compensation premiums. Of the total increases in assessments for FY 2007-08 and FY 2008-09 noted above, agency General Fund appropriations to cover these assessments will increase by \$323,215 in both years. The recommendation supports funding State agencies at the appropriate level to cover the respective increases or decreases in workers' compensation assessments.

**Rent Charges** – Excluding the University of Nebraska and State Colleges, the recommendation includes provisions for increases in monthly rent and depreciation charges in both State-owned facilities and outside leases in the coming biennium. The increases reflect higher maintenance costs, higher overall building assessed values, and built-in lease increases. The overall increase for all agencies over FY 2006-07 is \$3,386,293 in FY 2007-08 and \$4,919,480 in FY 2008-09. Of these amounts, the General Fund impact for the two years is estimated to be \$1,372,563 and \$1,790,367, respectively.

## **Capital Construction**

### **Reaffirmations**

The recommendation provides total reaffirmations of \$77.7 million in FY 2007-08 and \$71.1 million in FY 2008-09. Included in these total amounts are \$40.8 million General Funds in FY 2007-08 and \$22.3 million General Funds in FY 2008-09. The remaining funds are composed of primarily cash funds, with \$31.6 million in the first year of the biennium and \$46.7 million in the second, federal funds of \$3.4 million in FY 2007-08, and revolving funds totaling \$1.9 million in

FY 2007-08 and \$2.1 million in FY 2008-09. In addition, \$339.3 million is scheduled to be reaffirmed from all fund types in future biennia.

The projects reaffirmed include: the Veteran's Cemetery in Alliance, NEB\*SAT Replacement Equipment, Satellite Bandwidth Replacement and Digitization, Carpenter Building Renovation, University of Nebraska Agricultural Field Laboratory Fund, University of Nebraska Agricultural Research Land Fund, State Capitol Improvements, State Capitol Masonry project, State Capitol Parking Expansion, Executive Building and Parking Facility, LB309 Task Force, Peru State College Library/Old Gym Renovation and Wayne State College New Power Plant, LB1100 University of Nebraska and Nebraska State Colleges Facilities Fee Program Funds, and the LB 605 University of Nebraska and Nebraska State Colleges Facilities Program Funds.

Included in the LB 1100 University of Nebraska and Nebraska State Colleges Facility Fee Funds is a \$5.9 million per year General Fund stream of funding for the fire/life safety and renovation projects at the University of Nebraska and the Nebraska State Colleges. This stream of funding continues through FY 2008-09. Also, included in the LB 605 University of Nebraska and Nebraska State Colleges Facilities Program Funds is a \$6.6 million General Fund stream of funding for deferred maintenance, repair, renovation, and facility replacement projects at the University of Nebraska and the Nebraska State Colleges. This stream of funding continues through FY 2019-20. Included also, is the funding stream to the LB 309 Task Force Cash Fund, which is recommended at cash fund appropriation levels of \$22.2 million in FY 2007-08 and \$28.2 million in FY 2008-09.

### **New Capital Construction**

The recommendation for new capital construction includes \$16.4 million in total funding in FY 2007-08 and \$22.1 million in FY 2008-09. Included in these totals is \$1.5 million in Nebraska Capital Construction Funds in FY 2007-08. Also, included is \$1.2 million in revolving funds in FY 2007-08 and \$2.6 million in FY 2008-09, \$2.7 million in General Funds in FY 2007-08 and \$8.2 million in FY 2008-09. The remaining funding sources are cash funds at \$10.8 million for FY 2007-08 and \$11.3 million in FY 2008-09, and federal funds at \$116,150 for FY 2007-08. Future biennia are scheduled for \$36.6 million in reaffirmations for these new projects.

There are nine major capital construction projects that are funded, along with several

programs that contain funding for groups of smaller projects. The first major project is the Substance Abuse Treatment Facility with \$200,000 of General Fund in FY 2007-08 for planning through the design development phase. Funding over the life of the project will total \$16.5 million. The location of this facility will be determined from the information provided in the project's program statement.

The second project includes flood improvements to be made to the State Penitentiary in Lincoln. Funding includes \$900,000 of General Funds in FY 2007-08 and \$1.2 million of General Funds in FY 2008-09, with another \$1.2 million of General Funds being necessary to complete the project in the third year. The funds are to be used as cooperative funding with the City of Lincoln and the Lower Platte South Natural Resources District. These improvements will remove the State Penitentiary from the 100 year flood plain and flood proof the Penitentiary's Central Utility Plant.

The third project is a series of additions to Cornhusker State Industries' facilities at Tecumseh, York and Omaha. These additions will be made with \$1.2 million of revolving funds in FY 2007-08 and \$2.6 million of revolving funds in FY 2008-09.

The fourth project is the final DTV Transmitter conversion for the Nebraska Educational Telecommunications Commission with \$31,500 of cash funds in FY 2007-08 and \$1.2 million of cash funds in FY 2008-09. Federal funds of \$116,150 are included for the project in FY 2007-08. In addition \$250,000 of General Funds is required in FY 2008-09 and \$900,000 General Funds in the third year in order to complete the project.

The fifth project involves the upgrade of NET equipment at the University of Nebraska at Omaha and includes \$20,000 of General Funds in FY 2007-08.

Fire/Life Safety and ADA upgrades to the Nebraska State Historical Society's Headquarters Building are included in the sixth project. Funding provided includes \$100,000 of General Funds in FY 2007-08, \$2.2 million of General Funds in FY 2008-09 and \$1.3 million of General Funds in the third year. The Society is encouraged to procure match of \$2,000,000 in FY 2007-08 and \$1,263,050 in the third year. This match from private or federal sources is necessary; otherwise, General Funds may not be available to complete the project beyond the planning documents to be completed in the first year.

The Grand Island Veteran's Home Parking Lot and Street improvements is the seventh

project. It includes \$300,000 of Nebraska Capital Construction Funds for FY 2007-08.

The eighth project includes the construction of the Public Safety Tower, which will enhance interoperability among the various emergency and crises response teams at all levels of State and local government in Nebraska. Funding includes \$1.5 million from the General Fund for FY 2007-08 and \$1.5 million from the General Fund for FY 2008-09. Future biennia will require an additional \$7.6 million in funding.

The ninth project is the purchase of property within the Capitol Environs for a total of \$12 million. The initial down payment is \$1.2 million from the Nebraska Capital Construction Fund in FY 2007-08. Future costs will total a little under \$11.0 million in funding.

The remainder of the recommended new construction projects includes \$10 million of cash funds for the biennium for various projects at the Department of Roads, and over \$8.8 million of cash funds for the biennium for many smaller projects at the Game and Parks Commission.

These projects are summarized in the Capital Construction section in this publication.