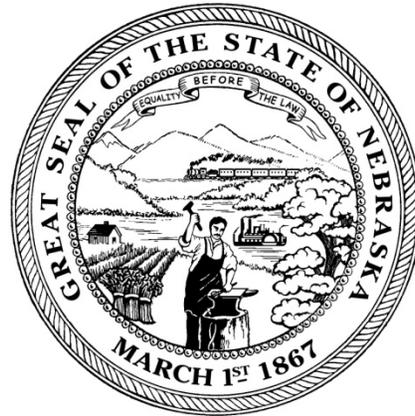


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State of Nebraska  
**Executive Budget Briefing**

2009 – 2011 Biennium

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Dave Heineman

Governor

*January 15, 2009*



We are preparing Nebraska  
to compete in a 21<sup>st</sup> century,  
knowledge-based,  
technology-driven economy.

We have changed Nebraska for the better.

Modernized our economic incentives

Created jobs

Lowered taxes

Controlled spending

# The Nebraska Advantage

185 companies

\$5.3 billion investment

15,120 new jobs

## 4 Consecutive Years, Lower Taxes

- Eliminated marriage penalty
- Repealed estate tax
- Repealed sales tax on construction labor
- Expanded Earned Income Tax Credit
- Lowered agriculture land valuations from 80% to 75%

# Controlled Spending

4.6% (2007-2009 Biennium)

vs.

7% (last two decades)

# 2007 Tax Relief

- Largest tax relief package in the history of our state.
- Important for middle class families, farmers, ranchers, & small business owners.

## Challenges facing other states provide a picture of what could lie ahead

<b>Kansas</b>	<b>Minnesota</b>	<b>Iowa</b>
Lacks cash to fully fund their monthly state aid to education obligation	Cut \$271 million from their current budget	1.5% across-the-board cut to current state budget, including \$33 million cut in school foundation aid funding



Nebraska made the tough budget  
decisions two years ago  
necessary to control spending.

# Our Approach to Agency Budgets

**SAVE IT & KEEP IT**  
rather than  
**SPEND IT or LOSE IT**



State government must  
tighten its belt just like  
Nebraska families & businesses.

# Different assumption for this budget

## October forecast no longer realistic

Current Forecast – Annual Revenue Growth	Different Assumption
FY 2010 \$ 49 million	Zero revenue growth for FY 2010
FY 2011 \$117 million	

# Key Principles

- No tax increases
- Education is a priority
- Continued funding of programs for vulnerable children and families
- Maintain strong cash reserve

# No Tax Increases

- Fully fund \$230 million property tax credit
  - Failure to fund this program would be a property tax increase on every home owner in Nebraska.
  - Increasing property taxes on middle class families, seniors, businesses & farmers/ranchers is unacceptable.

# No Tax Increases

- \$745 million for roads infrastructure projects during the biennium
  - Reallocation of resources at Department of Roads
  - No gas tax increases

# Education is a Priority

- An additional \$100 million for state aid
- Increase special education \$16.8 million
- \$25.6 million increase for the University of Nebraska
- \$4 million more for state & community colleges

# Education is a Priority

Record \$1.7 billion annually for  
K-12 & higher education

# Education is a Priority

85% of new spending is for the  
education of our children

# Education is a Priority

Education as a % of Biennium Total Appropriations Change  
General Fund Only

	<b>Biennium Total Approp. Change</b>	
K-12 Education	118,230,774	
	<b>% of Biennium Total</b>	<b>68%</b>
University	25,637,391	
State Colleges	1,366,335	
Community Colleges	2,626,721	
	<b>Higher Education</b>	<b>29,630,447</b>
	<b>% of Biennium Total</b>	<b>17%</b>
	<b>Education Total</b>	<b>147,861,221</b>
	<b>% of Biennium Total</b>	<b>85%</b>
	<b>TOTAL STATE CHANGE</b>	<b>173,043,126</b>

# Needs of Vulnerable Children & Families

Children's health insurance

Medical assistance for seniors & disabled

Public assistance for children & families

Developmentally disabled

Behavioral health

Veterans' homes

**\$1.2 billion annually**

# Education & HHS

Education and HHS as a % of Biennium Total Appropriations Change  
General Fund Only

	<b>Biennium Total Approp. Change</b>
<b>Education Total</b>	<b>147,861,221</b>
<b>% of Biennium Total</b>	<b>85%</b>
<b>Health and Human Services</b>	<b>21,754,884</b>
<b>% of Biennium Total</b>	<b>13%</b>
<b>Education and HHS Total</b>	<b>169,616,105</b>
<b>% of Biennium Total</b>	<b>98%</b>
All Other	3,427,021
% of Biennium Total	2%
<b>TOTAL STATE CHANGE</b>	<b>173,043,126</b>

# Children & Families Support Bill

- 1) 24/7 hotline
- 2) Peer program for parents
- 3) Post adoption/post guardianship case management system

# Maintain Strong Cash Reserve

- The cash reserve is our rainy day fund, but it is only beginning to rain
- \$40 million to the General Fund each fiscal year
- \$200 million contingent liabilities
- \$300 million cash reserve at the end of FY 2011

# Contingent Liabilities

Water litigation

Loss of federal funding for BSDC

Pension liabilities

# General Fund Financial Status

	General Fund Financial Status	Current		Next Biennium		Following Biennium	
		FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	
1	<b>Beginning Balance</b>						
2	Beginning Cash Balance	\$584,106,356	\$288,839,623	\$227,768,225	\$219,051,301	\$251,978,109	
3	Cash Reserve Fund transfer-Automatic	(116,976,571)	(14,254,000)				
4	Carryover obligations from FY2007-08	(243,194,320)					
5	Allocation for potential deficits		(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	
6	Unobligated Beginning Balance	223,935,465	269,585,623	222,768,225	214,051,301	246,978,109	
7	<b>Receipts</b>						
8	Net Receipts (Certified; NEFAB; LFO Hist. Avg. Following	3,546,000,000	3,595,000,000	3,712,000,000	4,020,000,000	4,323,000,000	
9	Possible Additional Forecast Revisions		(49,000,000)	(50,000,000)	(50,000,000)	(50,000,000)	
10	General Fund transfers - out	(120,200,000)	(132,550,000)	(132,650,000)	(127,400,000)	(124,900,000)	
11	General Fund transfers - in	In Receipts	33,250,000	33,250,000			
12	Cash Reserve Fund transfers - legislative	54,990,505	40,000,000	40,000,000			
13	Agency Legislation		160,680	160,680	160,680	160,680	
14	General Fund Net Revenues	3,480,790,505	3,486,860,680	3,602,760,680	3,842,760,680	4,148,260,680	
15	<b>Appropriations</b>						
16	Appropriations per 2008 Session	3,481,591,981	3,481,591,981	3,481,591,981	3,481,591,981	3,481,591,981	
17	Special Session Appropriation	68,761					
18	Budget Recommendations		47,621,425	125,421,701	323,778,719	533,044,582	
19	Agency Legislation		(535,328)	(536,078)	(536,828)	(536,828)	
20	Deficit Recommendations	(65,861,782)					
21	Claims Bill	87,387					
22	General Fund Appropriations	3,415,886,347	3,528,678,078	3,606,477,604	3,804,833,872	4,014,099,735	
23	<b>Ending Balance</b>						
24	Dollar ending balance	288,839,623	227,768,225	219,051,301	251,978,109	381,139,054	
25	Minimum Biennial Reserve Requirement	209,743,450	--	214,491,466	--	239,128,330	
26	Variance from Minimum Reserve	79,096,173	--	4,559,835	--	142,010,724	
27	Biennial Reserve (%)	4.3%	--	3.1%	--	4.9%	
28	Annual % Change - Appropriations (excl. deficits)	2.9%	1.4%	2.2%	5.5%	5.5%	
29	Two Year Average	3.6%	--	1.8%	--	5.5%	
30	Annual % Change - Net Receipts (Nominal)	1.1%	0.0%	3.3%	8.4%	7.6%	
31	Two Year Average	2.1%	--	1.6%	--	8.0%	
32	Structural Balance/(Imbalance) - Receipts v. Approps.	9,913,653	(81,817,398)	(43,716,924)	37,926,808	134,160,945	

# General Fund Transfers

## General Fund Transfers Out

Description	FY2009-10	FY2010-11	FY2011-12	FY2012-13
To Property Tax Credit Cash Fund	(112,000,000)	(112,000,000)	(115,000,000)	(115,000,000)
<b>To Roads Operation Cash Fund for Carrier Enforcement</b>	<b>(7,100,000)</b>	<b>(7,200,000)</b>	<b>(7,200,000)</b>	<b>(7,200,000)</b>
To Water Resources Cash Fund	(2,700,000)	(2,700,000)	(2,700,000)	(2,700,000)
To Ethanol Production Incentive Cash Fund	(2,500,000)	(2,500,000)	(2,500,000)	0
<b>Additional transfer to Ethanol Production Incentive Cash Fund</b>	<b>(8,250,000)</b>	<b>(8,250,000)</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>(132,550,000)</b>	<b>(132,650,000)</b>	<b>(127,400,000)</b>	<b>(124,900,000)</b>

## General Fund Transfers In

Description	FY2009-10	FY2010-11	FY2011-12	FY2012-13
From Tobacco Products Administration Cash to General Fund	7,000,000	7,000,000	0	0
From Charitable Gaming Operations Fund to General Fund	250,000	250,000	0	0
From Securities Act Cash Fund to General Fund	20,000,000	20,000,000	0	0
From Insurance Cash Fund to General Fund	6,000,000	6,000,000	0	0
<b>Total</b>	<b>33,250,000</b>	<b>33,250,000</b>	<b>0</b>	<b>0</b>

## Cash Reserve Fund Transfers to General Fund

Description	FY2009-10	FY2010-11	FY2011-12	FY2012-13
From Cash Reserve Fund to General Fund	40,000,000	40,000,000	0	0

# Cash Reserve Fund Status

	Current FY2008-09	Next Biennium		Following Biennium	
		FY2009-10	FY2010-11	FY2011-12	FY2012-13
1 <b>Beginning Balance</b>	545,545,797	563,691,863	331,945,863	307,496,863	302,496,863
2 Transfer Amounts Above Forecasts	116,976,571	14,254,000			
3 <b>To/From General Fund</b>	(54,990,505)	<b>(40,000,000)</b>	<b>(40,000,000)</b>		
4 To Nebraska Capital Construction Fund	(9,590,000)				
5 To Nebraska Job Training Fund	(5,000,000)				
6 To Microenterprise Development Program	(1,000,000)				
7 To Building Entrepreneurial Communities Act	(250,000)				
8 To/From State Employees Insurance Fund	(12,000,000)		12,000,000		
9 To Cultural Endowment Fund	(1,000,000)				
10 To State Fair relocation	(5,000,000)				
11 From Water Contingency Cash Fund			8,551,000		
12 To Roads Operations Cash Fund		(5,000,000)	(5,000,000)	(5,000,000)	
13 <b>To Governor's Emergency Fund</b>	<b>(10,000,000)</b>				
14 <b>To Visitors Promotion Cash, Special Olympics</b>		<b>(1,000,000)</b>			
15 <b>Contingent Budget Liabilities</b>		<b>(200,000,000)</b>			
16 <b>Ending Balance</b>	563,691,863	331,945,863	307,496,863	302,496,863	302,496,863

# Key Principles

- No tax increases
- Education is a priority
- Continued funding of programs for vulnerable children & families
- Maintain strong cash reserve

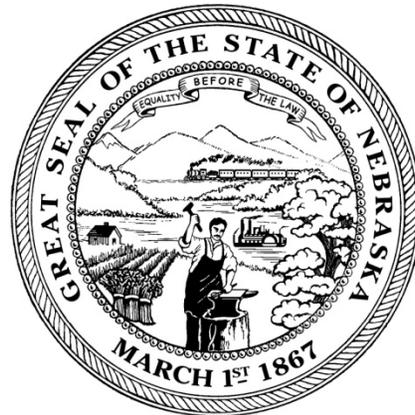
Making difficult but wise decisions today will position our state to emerge stronger when the national economy improves.

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