



**Dave Heineman**  
*Governor*

## STATE OF NEBRASKA

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

Dear Mr. President and Members of the Legislature:

I am presenting my budget recommendations for your consideration for the 2013-2015 biennium. The resilience of the Nebraska economy during our most recent national recession and now its steady improvement will allow us to address important needs and interests of our citizens.

As we prepared the past two biennial budgets, it was necessary to use our cash reserve funds to craft a budget to support the general operations and aid programs of state government. In addition we made many difficult and strategic decisions to restrain and prioritize spending by state government. We did not increase taxes to avoid the difficult decisions required to prioritize the use of our limited resources and balance the state budget. It is especially important as our economy improves that we demonstrate the same discipline in the development of the state budget for the 2013-2015 biennium.

The Nebraska Economic Forecasting Advisory Board estimates tax receipt growth of 4.5 percent for this upcoming budget biennium. The historical average growth in General Fund revenue is 5.0 percent. It is not necessary to increase taxes to enact a state budget for the 2013-2015 biennium. Our cash reserve fund should be replenished to address any future adverse economic or special circumstances.

Education must continue to be a top priority. My budget recommendations include an increase of \$125 million in state aid through the state's primary K-12 school aid funding formula which represents a 5 percent increase each year. I am also recommending an additional \$29.6 million, or 5 percent each year for special education aid to local school districts.

My recommendations for higher education place a special focus on the importance of accessing and obtaining a college education to continue to grow Nebraska's economy. I am recommending an increase of \$62.1 million to the University of Nebraska, \$6.2 million to the Nebraska State College system, and \$10.7 million to the community college system. At my recommended funding level the University of Nebraska and the State Colleges have committed to a freeze of resident student tuition rates for the next two years. I encourage the governing boards of our community colleges to do the same.

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The most significant challenge in enacting a biennial budget for 2013-2015 will be the financing of the Medicaid program in Nebraska. I have placed the highest priority on financing education, but the requirements presented by the current Medicaid program and the implications of new federal mandates cause an explosive demand for state resources. My recommendation includes \$176.0 million additional General Fund appropriations for Medicaid, Children's Health, and other medical providers to address increases in service utilization, provider rates, and federal requirements for increased state funds (versus federal funds) to finance services. In addition, another \$72.3 million is added to the budget for new costs to our existing Medicaid program that result from the implementation of the federal Affordable Care Act. I am specifically recommending \$22.4 million to finance improved assessment and payments for services to people with developmental disabilities served throughout our communities in Nebraska.

Nebraska can be proud of the life-time priority it places on services to veterans. We have recently constructed new Veterans Homes in northeast and eastern Nebraska. It is now time to build a new home in central Nebraska to replace our largest and oldest home for veterans which is located in Grand Island. This \$121 million project will require a \$47 million commitment of state resources. I am especially proud to offer this recommendation as part of my budget proposal and encourage you to join me in seeking federal approval for the remaining funds needed for this very important service for our veterans.

As you undertake your responsibility to enact biennial appropriations for our state government, I once again ask that you recognize the inextricable link between economic success and education success. This is critically important for the Nebraska economy to service the remaining needs of our citizens.

Thank you.

Sincerely,

Dave Heineman  
Governor