

# **Summary of Governor's Recommendations**





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## Introduction

### Tax Receipt Forecasts and Cash Reserve

The Nebraska Economic Forecasting Advisory Board revised its General Fund tax receipt forecast for FY 2012-13 and established its initial forecasts for the 2013-2015 budget biennium at its October 2012 meeting. The revised tax receipt forecast is \$3.8 billion for FY 2012-13. The initial forecast is \$3.9 billion for FY 2013-14 and \$4.1 billion for FY 2014-15. The historical average growth in General Fund revenue is 5.0%. The estimated General Fund revenue growth adjusted for rate and tax base changes is estimated at 4.2% and 4.9% for FY 2013-14, and FY 2014-15, respectively. Nominal growth in General Fund net receipts is estimated at 3.6% in FY 2013-14 and 4% in FY 2014-15, respectively.

FY 2011-12 net General Fund tax receipts exceeded the FY 2011-12 certified forecast by \$104.8 million. This amount was transferred to the State Cash Reserve Fund. The Nebraska Economic Forecasting Advisory Board projects that FY 2012-13 net General Fund tax receipts will exceed the current certified forecast by \$57.9 million. This amount is also shown as transferred to the Cash Reserve Fund. The Cash Reserve Fund ending balance is projected at \$442 million. The Governor does not recommend transfers from the Cash Reserve Fund to support the general operations and aid budget. The Governor recommends a continuing priority to replenish the Cash Reserve Fund to prepare for future adverse economic or other unanticipated special circumstances.

## Spending

The Governor's recommendations for the current FY 2012-13 budget represents a reduction of \$3.6 million in General Fund appropriations and reappropriations. The Governor's recommendations for the 2013-2015 biennium represent a two-year average growth in General Fund spending of 4.9%. The \$185.3 million, or 5.1% annual increase in FY 2013-14 is comprised of \$77.6 million for education (K-12 Aid, University System, State College System, Community College Aid). This is 41.8% of the total additional General Fund appropriations recommended for that year. The amount of additional General Fund appropriations included for health and human services is \$98.7 million. This is 53.3% of the total additional General Fund appropriations recommended for that year. The \$180.8 million, or 4.7% annual increase in FY 2014-15 is comprised of \$81.1 million for education. This is 44.9% of the total additional increase for that year. The amount of additional General Fund appropriations included for health and human services is \$89.1 million. This is 49.3% of the total additional increase for that year.

### K-12 and Higher Education

The Governor has consistently made K-12 education a top priority. His recommendations for the 2013-2015 biennium include an increase of \$125 million in state aid through the state's primary K-12 School Aid funding formula (TEEOSA), which represents a 5% increase each year; and an increase of \$29.6 million in state aid for Special Education, which represents a 5% increase each year.

The Governor also continues to prioritize higher education and has placed special focus in this biennial budget on preventing tuition increases at our public postsecondary institutions. His recommendations for the 2013-15 biennium include an increase of \$62.1 million to the University of Nebraska; \$6.2 million to State Colleges; and \$10.7 million to Community Colleges. These amounts are intended to address reasonable annual cost increases. The Nebraska State College System and the University of Nebraska have both agreed that such an increase in state appropriations would be sufficient to eliminate in-state tuition increases for the next two years. The recommendation for the Community College System should allow for the same commitment by community college governing boards to no tuition increases for its students during the next two-year period.

The Governor recommends an increase of combined state General Fund support to K-12 aid and postsecondary institutions of approximately \$236.2 million. If enacted, General Fund support to education (K-12 aid and postsecondary institutions) will total \$1.77 billion in FY 2013-14 and \$1.86 billion in FY 2014-15, and will comprise 46% of the entire General Fund state budget.

Three key goals of the P-16 initiative are to provide affordable access to higher education, encourage college-going and degree completion. The strategic initiatives adopted by the Nebraska State College System, increasing enrollment and retention, enhancing educational opportunities and improving the learning environment provide the direction for the funding increases recommended by the Governor. The University of Nebraska system continues its efforts to grow enrollment and engage in groundbreaking research.

The recommendation continues a stable base of state support with funding increases that will encourage the educational attainment of our citizens through affordable access and grow Nebraska's competitive economy.

The recommendation includes reaffirmations and reappropriation of capital construction funding. Funding of Innovation Campus projects to renovate the 4-H Building and design and build the Food, Fuel and Water Research Building continues. Funding remains in place for the Nebraska State College System projects at Chadron State College for the Armstrong Gymnasium and at Peru State College for the Oak Bowl. Funding also continues for University of Nebraska System projects including the NCTA – Curtis Education Center, Veterinary Diagnostic Center, UNMC Cancer Research Tower and the College of Nursing and Allied Health - Kearney. The Civic and Community Center Financing Fund provides ongoing funding for the Nebraska State College System sports facilities.

## **Health and Human Services**

The Governor's recommendation includes significant additional General Fund appropriations for health and human services. The 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 matching funds. The recommendation also includes \$72.3 million for new costs to the existing Medicaid program that result from the implementation of the federal Affordable Care Act. These new Medicaid program costs do not include any additional funds for the Medicaid expansion contained in the provisions of the Act. Child Care and service providers for persons with developmental disabilities add another \$35.5 million in additional appropriations.

The Governor's recommendations for the 2013-2015 biennium are further explained in the following narrative and summarized in the financial statements and tables presented elsewhere in this publication.

# General Government

## **03 - Legislative Council**

The Governor's recommendations provide for a continuation level of funding, with changes only for employee salary increases and adjustments for Department of Administrative Services assessments.

## **07 - Governor**

The recommendation includes an agency requested decrease of \$60,700 General Funds for FY 2013-14 due to utilization of reappropriation carryover in-lieu of new appropriations for dues and subscription expense and an increase of \$14,500 General Funds for FY 2014-15 for restoration of the operating expense base; and \$85,288 General Fund increase for FY 2014-15 for Governor-elect transition expense.

**Policy Research Office** – The recommendation includes an agency requested General Funds increase of \$29,995 for FY 2013-14 and \$72,184 for FY 2014-15 to establish a continuation base for health insurance, operating expenses, and travel expenses.

## **08 - Lieutenant Governor**

The Governor's recommendations provide for a continuation level of funding, with changes only for employee salary increases.

## **09 - Secretary of State**

**FY 2012-13 Deficit Request** – The Secretary of State submitted a deficit request of \$1,607 to fully fund health insurance and benefits costs for the Secretary of State. The Governor's recommendation includes an additional \$1,607 General Fund appropriation in FY 2012-13.

**Secretary of State's Salary - Health Insurance and Benefits Costs** – The recommendation includes an agency requested increase of \$1,662 General Funds for FY 2013-14 and FY 2014-15 to fully fund health insurance and benefits costs for the Secretary of State.

**Departmental Administration - Rules and Regulations Filing and Approval Application** – The recommendation includes an agency requested cash funds increase of \$170,800 in FY 2013-14 and \$65,800 in FY 2014-15 to fund an Electronic Content Management (ECM) process to promulgate, maintain, and archive current and proposed rules and regulations which allows citizens the ability to have the stamped official version of the regulations available online.

**Election Administration - Help America Vote Act (HAVA) funding** – In 2005, after passage of the Help America Vote Act the state received approximately \$15.4 million for the development of a central voter registration system and the purchase of vote tabulation equipment. Based on the required State Plan, the state purchased new vote tabulation equipment (optical scanners) for all counties to use and developed an RFP and contract for the central voter registration system. Additional smaller amounts of federal monies were received in 2008 and 2010 that allowed the maintenance to continue for both the vote tabulation equipment and voter registration system through the 2012 election cycle. Federal HAVA funding will no longer be available to fund vote tabulation equipment and voter registration system maintenance beginning in FY 2013-14.

The recommendation includes \$64,387 General Funds increase and \$925,613 cash funds transfer-in (net \$516,108 cash fund reduction) for FY 2013-14 and an agency requested increase of \$990,000 General Funds and a reduction of \$1,441,721 cash funds for FY 2014-15 for the continued maintenance of the voter registration system and vote tabulation equipment.

The cash fund transfer of \$925,613 in FY 2013-14 to the Secretary of State's Election Administration Cash Fund from the Accountability and Disclosure Commission's Campaign Finance Act Cash Fund is to be used for the ongoing maintenance costs of HAVA central voter registration database system and voter tabulation equipment.

The recommendation includes continuation of cash fund transfers in-lieu of General Funds from the Corporation Cash Fund of \$34,954 and Uniform Commercial Code Cash Fund of \$200,000 into the

Elections Administration Cash Fund in FY 2013-14 and FY 2014-15 to fund agency administrative expenses and meet the minimum maintenance of effort (MOE) requirement of the HAVA funding.

**Enforcement of Standards - Collection Agencies** – The recommendation includes an agency requested cash funds increase of \$80,120 in FY 2013-14 and \$12,800 in FY 2014-15 to fund an Electronic Content Management (ECM) process to modernize the record keeping and electronic database system currently being used to operate licensing and registration of the following occupations: Collection Agency, Athlete Agent, Credit Services, Debt Management, Private Detectives, Non-Recourse Civil Litigation Funding Companies, and Truth & Deception Examiners.

**Enforcement of Standards - Records Management** – The recommendation includes an agency requested increase of \$26,342 revolving funds for FY 2013-14 and FY 2014-15 to fund increased lease expense for the K Street facility that the State Records Center manages in storing 76,000 units of state records for all state agencies.

The recommendation includes an agency requested revolving fund increase of \$39,400 in FY 2013-14 and \$21,900 in FY 2014-15 to fund an enhanced state records center web application to establish a more client-oriented program which allows the customer base to take advantage of a “self-service” records management system process for requesting, transferring, accessing, and retrieving records across the state.

## ***10 - Auditor of Public Accounts***

**State Agency and County Post Audits** – The recommendation decreases General Fund appropriation by \$144,669 for FY 2013-14 and FY 2014-15.

**Cooperative Audits** – The recommendation includes a reduction of \$167,000 cash funds for FY 2013-14 and FY 2014-15 related to savings in the 2013-2015 biennium budget for audit services of University of Nebraska and Nebraska State College Systems.

## ***87 - Accountability and Disclosure Commission***

**Restore base following temporary fund shift** – In 2010, during the development of the 2011-2013 biennial budget, a temporary fund shift reducing General Funds and increasing cash fund appropriations was included in the commission’s budget in an effort to reduce an excess cash fund balance. The Governor’s recommendation includes restoring the appropriation base following this temporary fund shift. The recommendation increases the General Fund appropriation by \$46,500 in FY 2014-15 and a corresponding decrease in cash funds by a like amount.

**Campaign Finance Limitation Act** – The Nebraska Supreme Court ruled in August 2012 that Nebraska’s Campaign Finance Limitation Act was unconstitutional. The recommendation includes a reduction of \$915,832 cash funds for FY 2013-14 and FY 2014-15, eliminating appropriations for the program. The recommendation includes a cash fund transfer of \$925,613 in FY 2013-14 from the Accountability and Disclosure Commission’s Campaign Finance Act Cash Fund to Secretary of State’s Election Administration Cash Fund to be used for ongoing maintenance costs of Help America Vote Act (HAVA) central voter registration database system and voter tabulation equipment.

# **Agriculture, Environment and Natural Resources**

## ***18 - Department of Agriculture***

The recommendation includes an increase of \$137,287 General Funds and \$137,287 cash funds in FY 2013-14 and \$68,224 General Funds and \$68,224 cash funds in FY 2014-15 for all field staff to perform electronic paperless inspections, and to convert business functions to an electronic, paperless flow of data.

The recommendation includes an increase of \$300,000 federal funds in FY 2013-14 and FY 2014-15 for base appropriation for a \$1,500,000 five-year grant awarded by the federal Food and

Drug Administration (FDA) on Manufactured Food Regulatory Program Standards. The grant will enhance Nebraska's current food regulatory program with focus on consumer protection and prevention of foodborne outbreaks and bio-terrorism incidents.

The recommendation includes an increase of \$300,000 federal funds in FY 2013-14 and FY 2014-15 for base appropriation for a \$1,500,000 five-year grant awarded by the FDA on the Food Safety Modernization Act – International Standard Organization (ISO) Laboratory Accreditation. The grant will enable the purchase of new data-testing technology and equipment in helping Nebraska food manufacturers to avoid foodborne illness outbreaks with focus on consumer protection and prevention instead of responding to foodborne outbreaks and bio-terrorism incidents.

## **29 - Department of Natural Resources**

The recommendation includes the agency request to reduce cash fund aid appropriation by \$1,400,000 in FY 2013-14 and FY 2014-15. This amount of cash fund authority was provided to the Soil and Water Conservation Program by LB 950A (2012 Session Laws) for FY 2012-13. This amount is not necessary in FY 2013-14 and FY 2014-15.

The recommendation includes the agency request to increase the federal fund operations appropriation by \$222,983 in FY 2013-14 and FY 2014-15. Federal grant funding for the agency's floodplain management and dam safety program from the Federal Emergency Management Administration (FEMA) increased in the last two years and the current funding level is expected to continue. The base appropriation of \$511,923 needs to be increased by \$222,983 in order to fully utilize the federal grant funding for the agency's floodplain management and dam safety programs.

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

The recommendation does not contain nor does it imply fee increases by the Nebraska Game and Parks Commission (NGPC). The Governor's recommendation includes all agency requests except the General Fund request of \$164,370 in FY 2013-14 and \$139,315 in FY 2014-15 for inflation and deferred expense items. These amounts are recommended as increases in cash fund operations appropriation.

The agency request expresses these strategies: financing activities from available cash funds, implementation of an agency-wide efficiency review and reorganization, providing operational funding for completed construction projects and wildlife conservation.

Personal Service Limitation (PSL) for temporary employees associated with these strategies increases \$242,703 in FY 2013-14 and \$416,440 in FY 2014-15.

**Financing Activities from Available Cash Funds** – Lottery proceeds to the Nebraska Environmental Trust program have increased in recent years. In addition, \$900,000 in annual interest earnings and \$800,000 was returned to the Nebraska Environmental Trust per the grant agreement from the sale of the Horse Creek Fen Ranch. The agency request to increase cash fund aid appropriation \$2,500,000 in FY 2013-14 and FY 2014-15 is recommended.

Due to the possibility of reduced federal grant awards, the agency request to increase cash fund operations appropriation \$539,073 in FY 2013-14 and \$789,073 in FY 2014-15 for the Habitat Development and Wildlife Conservation programs is recommended.

The agency request includes cash fund operations appropriation increase of \$1,123,925 in FY 2013-14 and \$878,407 in FY 2014-15 for previously deferred expenditures. The General Fund portion of the request is not recommended but is provided as an increase in cash fund operations appropriation of \$164,370 in FY 2013-14 and \$139,315 in FY 2014-15. Initiatives planned are vehicle fleet upgrades, conservation officers, public information technology upgrades and temporary employees for 309 Task Force projects.

**Agency-Wide Efficiency Review and Reorganization** – The agency continues to consolidate similar activities and focus efforts resulting in an overall reduction in cash fund operations appropriation of \$54,600 in FY 2013-14 and FY 2014-15. Consolidations in Administration and Wildlife Conservation are implemented along with a marketing effort focused on local partnerships and promotion of game and parks activities.

**Providing Operational Funding for Completed Construction Projects** – The Park Operations request of \$34,426 General Fund and \$80,327 cash fund appropriation in FY 2013-14 and \$62,598 General Fund and \$146,061 cash fund appropriation in FY 2014-15 is recommended. The 30% General

Fund and 70% cash fund guideline for Park Operations funding is maintained in this request. Eleven state recreation areas now have additional electrical camper sites, enclosed porches are completed at Mahoney State Park and the officer quarters at Fort Robinson State Park are reconstructed.

The Youth Outdoors Skills Camp Facility capital program is developing several outdoor skills/shooting centers in Lincoln at Boosalis Park and at Wildcat Hills, Two Rivers and Buffalo Bill's Scouts Rest Ranch state recreation areas. The recommendation includes the agency request for cash fund operations appropriation of \$303,601 in FY 2013-14 and \$509,894 in FY 2014-15.

**Wildlife Conservation** – The recommendation includes the agency request to increase cash fund operations appropriation \$483,000 in FY 2013-14 and \$539,500 in FY 2014-15 for managing both public and private lands for wildlife habitat, public access opportunities and research needs. Bighorn sheep management, species development water issues, forestry management for habitat and hunter sight-in ranges are planned projects.

**Other Operational Recommendations** – The recommendation increases federal fund operations and aid appropriation by \$2,500,000 in FY 2013-14 and FY 2014-15 in the Habitat Development program as a result of additional federal grants available over the last two years.

### ***39 - Nebraska Brand Committee***

The recommendation includes the agency request to increase cash fund operations appropriation by \$26,610 in FY 2013-14 and FY 2014-15 for the increase in the mileage reimbursement rate. The recommendation also includes an increase in cash fund operations authority of \$2,753 in FY 2013-14 and FY 2014-15 for changes in the accounting, motor vehicle liability, purchasing and workers compensation expenses.

The agency requested an increase in cash fund operations appropriation for printing of the 2015 Nebraska Brand Book, vehicle purchases, computer hardware and software updates, desktop computers, employee moving and relocation expense, headquarters maintenance, law enforcement equipment and inspection form printing. This recommendation does not include increased cash fund operations appropriation for these agency requested items as the current base appropriation is sufficient, as it has been in the past, for the purchase of these items.

### ***52 - Nebraska State Board of Agriculture***

**State Fair Board** – The recommendation remains consistent with their request. Lottery proceeds are appropriated at a \$2,500,000 level for both FY 2013-14 and FY 2014-15, mirroring the FY 2012-13 appropriation level.

### ***56 - Nebraska Wheat Board***

The Governor's recommendations provide for a continuation level of funding, with changes only for employee salary increases and adjustments for Department of Administrative Services assessments.

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

The recommendation includes the agency request to increase cash fund operations appropriation by \$7,095 in FY 2013-14 and \$7,595 in FY 2014-15. The federal fund operations appropriation is decreased by the same amounts in each fiscal year. The federal grant funding to the Underground Injection Control Program (UIC) for Enhanced Oil Recovery and Salt Water Disposal Wells has decreased in recent years. The UIC program is required by the federal Safe Drinking Water Act. The program was delegated to the agency in 1984.

### ***60 - Ethanol Board***

The recommendation includes two agency requests to promote the ethanol industry in Nebraska through an increase in cash fund operations appropriation. For efforts to attract new producers and bring new products to the existing ethanol industry, the recommendation increases cash fund operations appropriation by \$42,750 in FY 2013-14 and FY 2014-15. To promote the growth of higher ethanol blend

markets, the recommendation increases cash fund operations appropriation \$53,000 in FY 2013-14 and FY 2014-15.

The Ethanol Production Incentive Credit program is now complete. The December 31, 2012 fund transfers of \$26,746 to the Nebraska Corn Development, Utilization, and Marketing Fund, \$415 to the Grain Sorghum Development, Utilization, and Marketing Fund and \$27,161 to the General Fund is the final activity directed by Neb. Rev. Statute 66-1345.

### **61 - Nebraska Dairy Industry Development Board**

The recommendation includes the agency's request of a decrease of \$1,001 cash funds for FY 2013-14 and FY 2014-15 for contractual services in the promotion of the dairy industry.

### **71 - State Energy Office**

The recommendation includes the agency request to reduce cash fund aid appropriation by \$250,000 in FY 2013-14 and FY 2014-15 due to decreased demand for an existing consumer loan program. Also recommended is the agency request to reduce cash fund and federal fund appropriation for a rent decrease due to relocation of the office and the agency request to increase cash fund and federal fund appropriation for the change in the workers compensation expense. These two recommendations impact FY 2013-14 and FY 2014-15 and taken together have a net impact of zero.

### **74 - Power Review Board**

The recommendation includes the agency requested increase in the cash fund operations appropriation of \$35,000 in FY 2013-14 and \$5,000 in FY 2014-15 for the online digital mapping project. This project will move the agency's maps to their website allowing easy access. Power companies will have access to boundary request and generation/transmission facility site selection decision making information.

The recommendation includes a decrease in cash fund operations appropriation of \$1,027 in FY 2013-14 and FY 2014-15 for changes in the accounting, purchasing and workers compensation expenses. The requested decrease in cash fund operations appropriation of \$81,404 in FY 2013-14 and FY 2014-15 for reduced engineering contractor expense, operating expense and salary and benefit expense is recommended.

The agency request for increased cash fund operations appropriation for the contingency of employee selection of the higher cost health plan is not recommended.

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

LB 4A (2011 1st Special Session Laws) appropriated \$2,000,000 General Fund in FY 2011-12 for an oil pipeline route study. LB 1161 (2012 Session Laws) subsequently appropriated \$2,000,000 cash funds in FY 2012-13 for the same purpose. The recommendation includes a \$1,746,613 reduction of FY 2012-13 General Fund appropriation, the unexpended amount of the LB 4a appropriation.

The recommendation includes the agency request to decrease General Fund aid appropriation by \$369,650 in FY 2013-14 and \$305,650 in FY 2014-15 due to reduced Superfund non-federal cost share.

The agency requested rent increase is recommended with the following operations fund increase in FY 2013-14: General Fund \$3,646, cash fund \$356 and federal fund \$26,772; FY 2014-15: General Fund \$7,429, cash fund \$723 and federal fund \$54,547.

The agency requested reduction in cash fund operations appropriation of \$2,000,000 in FY 2013-14 and FY 2014-15 for the pipeline study is recommended. LB 1161 (2012 Session Laws) increased cash fund appropriation in the base year FY 2012-13 to allow the agency to complete an oil pipeline study. This appropriation does not need to be built into the base appropriation for the biennium. The agency advises that this pipeline study costs are in the \$4,000,000 to \$6,000,000 range and the agency has sufficient carry-over cash fund appropriation to address this cost.

The recommendation includes an increase in cash fund operations appropriation of \$4,699 and federal fund operations appropriation of \$34,455 in FY 2013-14 and FY 2014-15 for Microsoft software upgrade and record storage expenses.

The recommendation includes the following appropriation changes in FY 2013-14 and FY 2014-15 for the accounting and workers compensation expenses: General Fund appropriation increase of \$3,088, cash fund appropriation increase of \$4,216 and federal fund appropriation increase of \$25,456.

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

The Governor's recommendations provide for a continuation level of funding, with changes only for employee salary increases and adjustments for Department of Administrative Services assessments.

### **88 - Nebraska Corn Board**

The recommendation includes the agency's request of a decrease of \$27,143 cash funds and \$260,581 federal funds for FY 2013-14 and FY 2014-15 for contractual services in the promotion of corn marketing, education and research projects.

### **92 - Nebraska Grain Sorghum Board**

The recommendation includes the agency's request of a decrease of \$266 for FY 2013-14 and FY 2014-15 for contractual services in the promotion of grain sorghum marketing, education and research projects.

## **Economic Development**

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

The recommendation increases the General Fund appropriation by \$1,267 for FY 2013-14 and decreases General Fund appropriation by \$4,779 for FY 2014-15. These amounts include changes requested by the agency for Commissioners expenses and benefits, a requested increase for computer and office equipment, savings identified by the agency due to a retirement, and other operational savings identified by the agency. The recommendation does not support the agency request to provide General Fund appropriation to replace lost federal funds from the Broadband Mapping and Planning Grant or a replacement of federal funds for a railroad track inspector. The agency request for additional General Funds for a new vehicle in FY 2013-14 is not recommended as the agency has sufficient existing appropriation and reappropriation to use for this purpose.

The recommendation increases the cash fund appropriation by \$5,912,653 for FY 2013-14 and \$1,972,759 for FY 2014-15. Included in these amounts is \$6,200,000 for FY 2013-14 and \$2,200,000 for FY 2014-15 for the Major Oil Pipeline Siting program. The agency submitted a revision to their budget request that increased the cash fund appropriation by \$4,000,000 for each year. The recommendation only includes the additional amount in FY 2013-14. The recommendation includes the requested reduction of \$158,222 for two positions in the Natural Gas Regulation program for Public Advocates. The agency indicates that this function is being provided by outside consultants and not by state employees. Not included in the recommendation is a request to increase cash fund appropriation in the Universal Service Fund program for a new grant program for dedicated wireless carriers developed by the agency. An analysis of historical expenditures indicates the agency has not fully utilized the existing appropriation by a significant amount. Therefore, there exists a sufficient level of appropriation for the agency to implement this new grant program and not impact the other grants programs in the Universal Service Fund program.

The recommendation decreases the federal fund appropriation by \$310,741 for FY 2013-14 and \$926,903 for FY 2014-15. These decreases are requested by the agency due to the ending of a one-time Broadband Mapping and Planning Grant.

The recommendation increases agency Personal Service Limitation (PSL) by \$32,557 for FY 2013-14 and \$16,910 for FY 2014-15. Included in this overall PSL change is an increase of \$150,000 for each year for the Major Oil Pipeline Siting program and a decrease of \$121,041 for each year due to the ending of a one-time Broadband Mapping and Planning Grant.

## **19 - Department of Banking & Finance**

The recommendation increases the cash fund appropriation by \$498,741 for FY 2013-14 and \$248,741 for FY 2014-15. These amounts recognize savings in accounting charges and provide needed appropriation to continue the administration of the multi-state mortgage servicer settlement.

**Transfers to General Fund** – The Governor recommends transferring \$24,000,000 a year to the General Fund from the Securities Act Cash Fund.

## **22 - Department of Insurance**

The recommendation decreases cash fund appropriations by \$4,757 for FY 2013-14 and FY 2014-15. These amounts recognize administrative saving for accounting, motor vehicle liability and purchasing.

**Federally Funded Exchange Implementation Costs** – The recommendation for FY 2013-14 increases federal fund appropriation by \$1,520,938 and Personal Service Limitation by \$759,375. The recommendation for FY 2014-15 increases General Fund appropriation by \$776,605, federal fund appropriation by \$776,606, and Personal Service Limitation by \$778,359. The increase in Personal Service Limitation supports additional positions that will be necessary to review insurance company's rate and review filings, additional examinations of insurance companies to ensure compliance with state and federal law, and to answer consumer questions on health insurance policies.

**Transfers to General Fund** – The Governor recommends transferring \$6,000,000 a year to the General Fund from the Insurance Cash Fund.

## **23 - Department of Labor**

The recommendation for the Division of Employment increases federal fund appropriations by \$2,268,800 and Personal Service Limitation by \$245,200 for FY 2013-14 to support two agency requested information technology projects and a one-time addition of funding in the Unemployment Insurance program. The recommendation includes a decrease of federal fund appropriation by \$32,813 for each year to recognize savings from a reduction in accounting costs.

The agency requested an increase in federal fund appropriation and Personal Service Limitation to shift how the agency records temporary employees. Unemployment seasonal and recessionary workloads require temporary employees to be employed by the agency. The agency does not have sufficient Personal Service Limitation to record temporary employees as working for the agency. The recommendation supports the shift in accounting methodology for temporary employees by increasing the Personal Service Limitation by \$718,046 for each year. An increase in federal fund appropriation is not necessary because the request is a shift in current procedure and sufficient appropriation already exists.

The recommendation for the Division of Public Protection increases cash fund appropriations by \$196,618 and Personal Service Limitation by \$38,057 for each year. These amounts support the agency requested addition of a new boiler inspector position and an increase for the Professional Employment Organizations program. The recommendation includes a decrease of cash fund appropriation by \$1,046 for each year to recognize savings from a reduction in accounting costs.

The recommendation does not include the transfer of management of two buildings owned by the Department of Labor to the State Building Division. Additional information is needed by the two agencies before this action can be undertaken.

### **35 - Liquor Control Commission**

The recommendation decreases the General Fund appropriation by \$1,149 for each year. These amounts recognize savings in accounting charges. The recommendation increases cash fund appropriation and Personal Service Limitation by \$27,618 for each year. These increases will allow the Commission the flexibility to hire an additional staff position and utilize existing cash funds to fund the additional position.

### **36 - Nebraska State Racing Commission**

The recommendation includes the agency request to reduce cash fund aid appropriation to race tracks by \$20,000 in FY 2013-14 and FY 2014-15. The source of funds is a percentage of gross exotic daily receipts and the aid is used to supplement purses at the track. Because of the decline in the pari-mutuel handle, available funds have decreased to a level below the current cash fund appropriation base. A \$20,000 decrease of this cash fund aid was made in the previous biennium.

The agency's request for \$100,000 General Fund to support Commission operations for race horse testing is not recommended.

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

The recommendation increases the cash fund appropriation by \$18,571 for FY 2013-14 and decreases the cash fund appropriation by \$1,429 for FY 2014-15. The recommendation supports the commission's request to develop a pre-license education program at a cost of \$20,000 in FY 2013-14. The recommendation recognizes savings to the commission of \$1,429 each year for accounting charges.

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

The recommendation increases cash fund appropriations by \$34,924 and Personal Service Limitation (PSL) by \$29,295 for FY 2013-14 and decrease of cash fund appropriation by \$1,614 for FY 2014-15. In FY 2013-14 the recommendation provides for the payout of accumulated sick and vacation leave for the director who is expected to retire at the beginning of FY 2013-14, additional PSL to provide short-term support for a new director, an increase in contractual services, and a recognition of savings to the board for accounting expenses.

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

The recommendation increases cash fund appropriations by \$76,607 for FY 2013-14 and decreases the cash fund appropriation by \$3,493 for FY 2014-15. For FY 2013-14, the additional cash fund appropriation includes the board's request to improve their database, develop the ability to accept credential applications on the internet, \$5,825 in board identified operational savings, and \$1,568 in savings for administrative costs. For FY 2014-15, cash fund appropriation of \$3,900 is included for office relocation, \$5,825 in board identified operational savings, and \$1,568 in savings from administrative costs.

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

The Governor's recommendations provide for a continuation level of funding, with changes only for employee salary increases and adjustments for Department of Administrative Services assessments.

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

The recommendation decreases cash fund appropriations by \$16,947 for FY 2013-14 and \$16,512 for FY 2014-15 as requested by the board and to recognize savings in administrative costs.

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

The recommendation maintains the FY 2012-13 level of cash fund appropriation for FY 2013-14 and FY 2014-15 as requested by the board.

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

The Governor's recommendations provide for a continuation level of funding, with changes only for employee salary increases and adjustments for Department of Administrative Services assessments.

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

The Governor's recommendations provide for a continuation level of funding, with changes only for employee salary increases and adjustments for Department of Administrative Services assessments.

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

**Administrative Division** – The recommendation decreases General Fund appropriation by \$828, and decreases cash fund appropriation by \$195 for each year to recognize savings to the agency due to changes in administrative costs.

**Industrial Recruitment Division** – The recommendation increases General Fund appropriation by \$250,000 for FY 2013-14 and \$300,000 for FY 2014-15 to support funding an international trade office in China and the continuation of the successful Entrepreneur Acceleration System program.

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

The recommendation decreases cash fund appropriations by \$10,560 for FY 2013-14 and \$10,125 for FY 2014-15 as requested by the board.

### **91 - Nebraska Tourism Commission**

The recommendation increases cash fund appropriations by \$545,485 for each year to increase the resources available for tourism activities. The recommendation does not include increases to the Personal Service Limitation as requested by the commission. The staffing needs for the commission were provided by LB1053 (2012 Session Laws).

The recommendation decreases federal fund appropriation by \$959,815 for each year as requested by the commission.

## **Human Resources Development**

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

**Education Administration and Support** – The recommendation includes an increase of \$398,536 General Funds for FY 2013-14 and \$398,536 General Funds for FY 2014-15 to fund Student Information Systems, which was previously funded by cash funds, and to fund Statewide Assessment and Reporting in accordance with the fiscal note for LB 1157 (2008 Session Laws).

#### **Education Aid:**

**TEEOSA** – The recommendation for the Tax Equity and Educational Opportunities Support Act (i.e., TEEOSA School Aid) includes \$894,684,045 in total state support (General Funds and Insurance

Premium Tax distributions) for FY 2013-14 and \$939,418,247 for FY 2014-15, representing a 5% annual increase. This includes a General Fund increase of \$41,816,960 for FY 2013-14 and \$83,151,162 for FY 2014-15. The recommendation also includes an increase of \$1,464,531 General Funds for FY 2012-13 to adjust for the lower-than-estimated allocation of Insurance Premium Taxes used as partial funding for TEEOSA School Aid.

**TEEOSA School Aid**

<b>Governor's Recommendation (January 2013)</b>	<b>FY 2012-13</b> <i>Certified</i>	<b>FY 2013-14</b> <i>Governor's Rec</i>	<b>FY 2014-15</b> <i>Governor's Rec</i>
State Support			
General Fund	836,867,085	878,684,045	920,018,247
General Fund offset for reduced Insurance Tax	1,464,531	0	0
Insurance Premium Tax	13,535,469	16,000,000	19,400,000
Cash Fund Reorganization Incentives	212,958		
<b>Total State Support</b>	<b>852,080,043</b>	<b>894,684,045</b>	<b>939,418,247</b>
State Support Annual Change	30,273,332	42,604,002	44,734,202
State Support Annual % Change	3.7%	5.0%	5.0%

**Special Education Aid** – The recommendation includes an increase of \$9,694,692 General Funds for FY 2013-14 and \$19,874,119 General Funds for FY 2014-15 to reflect the maximum 5% annual increase allowed pursuant to Neb. Rev. Stat. 79-1145.

**Early Childhood Aid** – The recommendation includes an increase of \$1,665,962 General Funds for FY 2013-14 and \$1,665,962 General Funds for FY 2014-15 to reflect a partial shift fund sources from the Education Innovation Cash Fund to General Funds.

**Reorganization Incentive Aid** – The recommendation includes a decrease of \$212,958 cash funds for FY 2013-14 and \$212,958 cash funds for FY 2014-15 to reduce the base appropriation temporarily increased by an aid payment made in FY 2012-13.

**Learning Community Aid** – The recommendation includes a decrease of \$382,275 General Funds for FY 2013-14 and \$382,275 General Funds for FY 2014-15 to limit total aid to \$500,000 annually.

**Education Innovation** – The recommendation for this program includes a net increase of \$261,702 cash funds for FY 2013-14 and \$101,702 cash funds for FY 2014-15 and a decrease of \$10,200 Personal Service Limitation for FY 2013-14 and \$10,200 for FY 2014-15 to fund the estimated costs to the Education Innovation Cash Fund. This recommendation assumes a decrease in the cash fund's expenditures by \$1,801,298 for FY 2013-14 and \$1,931,298 for FY 2014-15, as the ACT Pilot program expires in FY 2014-15 pursuant to LB 637 (2011 Session Laws), funding for the Interstate Compact on Educational Opportunity for Military Children expires pursuant to LB 575A (2011 Session Laws), and the Student Information Systems earmark and a portion of the earmark for early childhood education are funded with General Funds.

**Vocational Rehabilitation** – The recommendation for this program includes an increase for operations of \$63,187 General Funds for FY 2013-14 and \$127,955 General Funds for FY 2014-15, a decrease of \$16,203 cash funds for FY 2013-14 and \$13,160 cash funds for FY 2014-15, and an increase of \$402,430 federal funds for FY 2013-14 and \$814,921 federal funds for FY 2014-15 in response to the Department's request to accept estimated federal funding increases and to provide necessary state match. This recommendation also includes an increase for aid of \$50,000 General Funds for FY 2013-14 and \$101,250 General Funds for FY 2014-15, and an increase of \$107,070 federal funds for FY 2013-14 and \$216,817 in federal funds for FY 2014-15.

**Services for the Blind and Visually Impaired** – The recommendation for this program includes an increase of \$36,291 General Funds for FY 2013-14 and \$73,308 General Funds for FY 2014-15 to fund a 2% increase in the annual payment to Educational Service Unit #4 for operating the Nebraska Center for Education of Children who are Blind or Visually Impaired (NCECBVI).

**Services for the Deaf and Hard of Hearing** – The recommendation for this program is the same as the FY 2012-13 appropriation.

**Professional Practices Commission** – The recommendation for this program includes an increase of \$43,000 cash funds and \$34,345 Personal Service Limitation for FY 2012-13 to accept the Department's request to meet the payroll obligation of this program's one employee.

## 25 - Health and Human Services

The recommendation for the General Fund operations and aid budgets for the Department of Health and Human Services for FY 2013-14 and FY 2014-15, along with dollar and percentage changes from FY 2012-13 base year are shown in the following table:

DHHS	FY 2012-13	FY 2013-14	\$ chg	% chg	FY 2014-15	\$ chg From FY 2012-13	% chg From FY 2012-13
Operations	236,425,259	246,298,167	9,872,908	4.2%	249,454,585	13,029,326	5.5%
Aid	1,114,177,099	1,202,638,046	88,460,947	7.9%	1,285,640,204	171,463,105	15.4%
Total	1,350,602,358	1,448,936,213	98,333,855	7.3%	1,535,094,789	184,492,431	13.7%

The recommendation includes \$24,122,748 federal funds for FY 2013-14 and \$16,510,728 federal funds for FY 2014-15 for the Electronic Health Record (EHR) Incentive program, which was federally funded under the Health Information Technology for Economic and Clinical Health (HITECH) provisions of the American Recovery and Reinvestment Act (ARRA) of 2009. The program provides federal incentive payments to providers and hospitals who acquire and become meaningful users of certified EHR technology.

The current biennial budget base includes \$2,000,000 cash funds and \$1,250,000 federal funds originally appropriated several years ago to finance the replacement of the Medicaid Management Information System (MMIS). This replacement project was not completed and the recommendation eliminates the funding for the MMIS replacement project from the base budget.

The recommendation includes \$275,000 General Funds and \$825,000 federal funds for FY 2013-14 and \$150,000 General Funds and \$450,000 federal funds for FY 2014-15 to continue enhancements to the current MMIS to accommodate continued expansion into the managed care model for delivery of Medicaid services.

The recommendation includes a reduction of \$127,941 General Funds and \$127,941 federal funds for FY 2013-14 and \$255,882 General Funds and \$255,882 federal funds for FY 2014-15 to account for the reduced need of temporary staff to process Medicaid claims. The reduction in claims processing is due to the implementation of statewide Medicaid managed care in July 2012.

The Nebraska Advocacy Services contract has been administered out of an aid program for several years. The recommendation provides for the \$399,750 contract, financed with General Funds, be moved to an administrative program for FY 2013-14 and FY 2014-15 to properly account for the item of expenditure. There is no reduction in the amount of the contract recommended for the 2013-2015 biennium.

The recommendation includes \$500,000 General Funds for FY 2013-14 and \$500,000 General Funds for FY 2014-15 for the support of the Nebraska Health Information Initiative (NeHII).

The recommendation includes moving \$642,079 cash fund authority for FY 2013-14 and FY 2014-15 from Public Health Administration to Professional Licensure to correctly align work and funding with the budget program structure.

The recommendation includes \$690,000 cash funds for FY 2013-14 and FY 2014-15 for increased operating costs and security upgrades in the vital statistics program. The agency requested an increase in fees charged for vital records to finance the increased costs. In lieu of an increase in fees, the recommendation proposes to finance the increased costs associated with the program out of available balances in the Health and Human Services Cash Fund.

The recommendation includes transferring \$645,000 federal funds for FY 2013-14 and FY 2014-15 from Public Health and \$7,549,000 federal funds for FY 2013-14 and FY 2014-15 from Public Health Administration to Health Aid. The HHS Legal Section has determined that the \$8,194,000 annual grant funds should be categorized as subrecipient aid payments instead of being recorded in operating programs. The recommendation changes the handling of the federal grants as requested by the agency.

The recommendation includes \$442,556 cash funds in FY 2013-14 and \$442,556 cash funds in FY 2014-15 to finance increases in indirect program costs in Professional Licensure.

The recommendation includes the transfer of \$850,000 General Funds for FY 2013-14 and FY 2014-15 from Child Welfare Aid to Health Aid to place the management of home visitation programs under the Public Health Division as requested by the agency.

The General Funds allocated for Children's Commission activities are reduced in the recommendation by \$99,000 General Funds and \$100,000 federal funds for FY 2013-14. The recommendation for

the Children's Commission is \$102,400 General Funds for FY 2013-14. The recommendation for FY 2014-15 contains no funding for the continuation of the commission.

**ACA Implementation** – The recommendation includes \$23,777,499 General Funds, \$63,244,066 federal funds, and \$4,898,546 Personal Service Limitation (PSL) for FY 2013-14 and \$48,530,912 General Funds, \$90,997,480 federal funds, and \$5,435,806 PSL for FY 2014-15 to implement provisions of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (Affordable Care Act, or ACA). The table below summarizes the recommended amounts by Aid program and Operations, for each year of the biennium:

Impact of ACA Implementation – FY 2013-FY 2015	FY 2013-14 Gov Recommend	FY 2014-15 Gov Recommend
<b>Operations</b>		
Administration	10,496,565	10,603,392
General Funds	4,964,999	5,018,412
Federal Funds	5,531,566	5,584,980
Information Technology	23,125,000	23,125,000
General Funds	2,312,500	2,312,500
Federal Funds	20,812,500	20,812,500
<b>Aid</b>		
Children's Health Insurance Program	9,100,000	23,300,000
General	2,900,000	7,400,000
Federal	6,200,000	15,900,000
Medicaid	44,300,000	82,500,000
General	13,600,000	33,800,000
Federal	30,700,000	48,700,000
<b>Total</b>	<b>87,021,565</b>	<b>139,528,392</b>
General	23,777,499	48,530,912
Federal	63,244,066	90,997,480

**Twenty-Four Hour Care Facilities** – The recommendation includes \$389,753 General Funds, \$53,806 cash funds, and \$147,105 federal funds for FY 2013-14 and \$760,123 General Funds, \$101,841 cash funds, and \$284,422 federal funds for FY 2014-15 for inflationary increases requested for food, drugs, medical supplies and services, and an increase for laundry services. The inflationary increases for food, drugs, and medical costs affect all DHHS 24-hour care facilities. The Department of Corrections increased charge of \$0.04/lb. for laundry services impacts the Hastings Regional Center, Lincoln Regional Center, Grand Island Veterans' Home, Eastern Nebraska Veterans' Home, and the Beatrice State Developmental Center.

Beatrice State Developmental Center (BSDC) – The recommendation includes a General Fund reduction of \$325,000 and a federal fund reduction of \$325,000 in each of FY 2013-14 and FY 2014-15 to reflect savings from reduced need for contracted services for training, as well as oversight and consultation services to ensure ongoing certification standards are met. BSDC has sufficient onsite expertise to reduce contracted services as requested by the department. The recommendation also includes an \$800,000 General Fund reduction for FY 2013-14 and FY 2014-15, along with a \$800,000 federal fund increase in each of the two years to account for Medicaid funding being available to finance a portion of the operating costs of the Bridges program.

Veterans' Homes – The recommendation includes a \$1,000,000 General Fund reduction, a \$1,500,000 cash fund reduction, and a \$2,500,000 federal fund increase in each of FY 2013-14 and FY 2014-15 for the veterans' homes. The availability of additional federal funds allows for the reduction of General Fund support without reducing the overall operating budgets of the four veterans' homes.

Norfolk Sex Offender Treatment Facility – The recommendation includes General Fund reductions of \$250,000 for each of FY 2013-14 and FY 2014-15 for the sex offender program operated at Norfolk. The Governor recommends reducing the program budget to more closely align appropriations with program budget requirements.

**Provider Rates** – The recommendation includes \$14,623,557 General Funds and \$16,288,349 federal funds for FY 2013-14 and \$29,728,637 General Funds and \$32,790,692 federal funds for FY 2014-15 for a 2.25% annual increase available for provider rates. Programs included in the adjustment are Medicaid, Children’s Health Insurance Program, Behavioral Health Aid, and Aging programs. Rates for primary care codes are addressed separately in the Affordable Care Act (ACA).

**Child Care Rates** – The recommendation includes \$4,278,874 General Funds and \$52,378 federal funds for FY 2013-14 and \$4,279,121 General Funds and \$52,131 federal funds for FY 2014-15 to finance child care rates indicated by preliminary results of the child care market basket survey and requested by the agency.

**Federal Medical Assistance Percentage (FMAP)** – The General Fund increase for the Medicaid Federal Medical Assistance Percentage (FMAP) reduction for state fiscal years FY 2013-14 and FY 2014-15 is detailed by program in the following table:

General Fund Impact of FMAP Reduction - by Program	FY 2013-14 Gov Recommend	FY 2014-15 Gov Recommend
Behavioral Health Aid	236,537	312,860
Developmental Disabilities Service Coordination	118,268	156,430
Children's Health Insurance	462,796	606,927
Public Assistance	339,064	427,505
Medicaid	14,849,840	19,540,515
Child Welfare Aid	277,446	351,054
Mental Health Operations	59,134	78,215
Beatrice State Developmental Center	236,537	312,860
Developmental Disabilities Aid	2,306,233	3,050,387
Total	18,885,855	24,836,753

**Medicaid** – The table below details the \$74,150,486 General Fund increase recommended for FY 2013-14 and the \$140,026,104 General Fund increase recommended for FY 2014-15 for the Medicaid program. The increases result from projected increases in the program utilization, the recommended 2.25% General Fund increase available for provider rates, a reduced federal match rate, and the increased costs to the program due to the implementation of the federal Affordable Care Act (ACA). The recommendation includes a \$1,607,500 General Fund reduction in FY 2013-14 and a General Fund reduction of \$1,616,788 in FY 2014-15 representing anticipated savings from the implementation of behavioral health managed care. The recommendation also includes the transfer of \$6,000,000 General Funds for each of FY 2013-14 and FY 2014-15 from the Behavioral Health Aid program to the Medicaid program. This transfer will place General Funds used to match federal funding for behavioral health services in the Medicaid budget. This change will streamline reporting and processing as the state moves toward capitated managed care for behavioral health services.

Medicaid - General Fund Only	FY 2013-14 Gov Recommend	FY 2014-15 Gov Recommend
FY 2012-13 Appropriation	644,573,194	644,573,194
Medicaid utilization	28,605,056	56,461,936
Affordable Care Act implementation	13,600,000	33,800,000
Provider rates +2.25%/yr.	12,703,090	25,840,441
Federal match rate change (FMAP)	14,849,840	19,540,515
Move Medicaid Rehab Option funds from Behavioral Health	6,000,000	6,000,000
Behavioral Health managed care savings	(1,607,500)	(1,616,788)
Total	718,723,680	784,599,298
\$ change from FY 2012-13 Base	74,150,486	140,026,104
% change from FY2012-13 Base	11.5%	21.7%

**Children’s Health Insurance Program (CHIP)** – The table below details the \$4,045,277 General Fund increase recommended for FY 2013-14 and the \$9,663,171 General Fund increase recommended for FY 2014-15 for the Children’s Health Insurance Program (CHIP). The increases result from projected increases in program utilization, the recommended 2.25% increase in General Funds available for provider rates, a decrease in the federal match rate for CHIP, and the implementation of the Affordable Care

Act (ACA). The recommendation also includes a reduction of \$785,910 General Funds for FY 2013-14 and a reduction of \$785,910 General Funds for FY 2014-15, representing the savings from the repeal of LB 599, Laws 2012, that created a stand-alone CHIP program to provide eligibility for the unborn children of otherwise ineligible pregnant women.

Children's Health Insurance - General Funds Only	FY 2013-14 Gov Recommend	FY 2014-15 Gov Recommend
FY 2012-13 Appropriation	13,107,750	13,107,750
Affordable Care Act implementation	2,900,000	7,400,000
CHIP program utilization	1,117,821	1,729,074
Federal match rate change (FMAP)	462,796	606,927
Provider rates +2.25%/yr.	350,570	713,080
Eliminate 599 CHIP	(785,910)	(785,910)
Total	17,153,027	22,770,921
\$ change from FY 2012-13 Base	4,045,277	9,663,171
% change from FY2012-13 Base	30.9%	73.7%

**Public Assistance** –The table below details the \$4,575,083 General Fund increase recommended for FY 2013-14 and the \$4,663,524 General Fund increase recommended for FY 2014-15 for the Public Assistance program. The increases in General Funds to finance child care rates, as indicated by the child care market basket survey, and a reduction in the federal match rate account for the increases in the 2013-2015 biennium.

Public Assistance - General Fund Only	FY 2013-14 Gov Recommend	FY 2014-15 Gov Recommend
FY 2012-13 Appropriation	108,524,785	108,524,785
Child care rates	4,236,019	4,236,019
Federal match rate change (FMAP)	339,064	427,505
Total	113,099,868	113,188,309
\$ change from FY 2012-13 Base	4,575,083	4,663,524
% change from FY 2012-13 Base	4.2%	4.3%

The recommendation includes moving \$246,794 federal funds for FY 2013-14 and FY 2014-15 from Public Assistance to Child Welfare Aid, the new aid program created with the passage of LB 949 during the 2012 session of the Legislature. These federal funds were overlooked and not included in the appropriation to Child Welfare Aid where the appropriation properly belongs.

**Developmental Disabilities Aid** – The recommendation includes \$1,400,000 General Funds for FY 2013-14 and \$2,800,000 for FY 2014-15 for individuals transitioning from K-12 school programs to community-based developmental disabilities programs. The recommendation includes \$106,684 General Funds, \$135,779 federal funds, and \$126,414 Personal Service Limitation (PSL) for FY 2013-14 and \$247,496 General Funds, \$314,995 federal funds, and \$293,269 PSL for FY 2014-15 to provide service coordination for the transitioning clients.

The recommendation includes \$7,441,508 General Funds and \$9,095,177 federal funds for FY 2013-14 and \$14,969,007 General Funds and \$18,104,362 federal funds to update the methodology used to calculate rates paid to specialized providers of services to people with developmental disabilities and to fully implement the Objective Assessment Process that was initiated in 1999. The recommendation includes funding to implement the new rates on or about January 1, 2014. The General Funds associated with this recommendation are located in the Developmental Disabilities Aid program while the federal matching funds are located in the Medicaid program.

The recommendation includes General Fund reductions of \$1,184,625 for FY 2013-14 and \$1,191,470 for FY 2014-15, along with corresponding reductions in federal funds in the Medicaid program of \$1,447,875 for FY 2013-14 and \$1,441,030 for FY 2014-15, based on an Internal Revenue Service (IRS) ruling that payments to Extended Family Home providers are not taxable. The ruling will translate into a decrease in rates paid to providers of these services.

## **28 - Veterans' Affairs**

The recommendation includes an increase of \$4,000 cash funds for FY 2013-14 and \$4,000 cash funds for FY 2014-15 available for the operation of the state veterans' cemetery. The cash funds are recommended to offset the need for General Funds for the operation of the state veterans' cemetery.

## **34 - Nebraska Library Commission**

**Library Operations** – The recommendation for this program includes an increase of \$101,045 General Funds for FY 2013-14 and \$134,305 in FY 2014-15, and an increase of \$53,183 Personal Service Limitation for FY 2013-14 and \$53,183 for FY 2014-15 to fund a planned rent increase for office space and to account more effectively for operations currently expended in the Commission's aid program.

**Library Development** – The recommendation includes a decrease of \$69,669 General Funds for FY 2013-14 and \$69,669 for FY 2014-15, and a decrease of \$53,183 Personal Service Limitation for FY 2013-14 and \$53,183 for FY 2014-15 to account more effectively for operations currently expended in this aid program.

## **47 - Nebraska Educational Telecommunications Commission (NETC)**

The Governor's recommendations provide for a continuation level of funding, with changes only for employee salary increases and adjustments for Department of Administrative Services assessments.

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

**Administration** – The recommendation includes the agency request to increase cash fund operations appropriation \$10,000 in FY 2013-14 and FY 2014-15 for hearing expenditures including travel to Omaha to evaluate out-of-state requests to offer courses and programs in Nebraska.

**Nebraska Opportunity Grant** – The recommendation includes the agency request to increase cash fund aid appropriation \$1,000,000 in FY 2013-14 and FY 2014-15 in order to provide additional financial assistance to low income postsecondary students.

Federal funding of two grants ended in June 2011 and the recommendation includes the agency request to reduce federal fund aid appropriation \$591,731 in FY 2013-14 and FY 2014-15.

**Access College Early Scholarship Program** – The recommendation includes the agency request to increase General Fund aid appropriation \$65,000 in FY 2013-14 and \$110,000 in FY 2014-15 to fund high school student scholarships to enroll in college courses and earn college credit.

The agency request to increase federal fund aid appropriation of \$300,000 in FY 2013-14 and FY 2014-15 is recommended. The source of funds is the federal College Access Challenge grant currently administered by the agency.

## **50 - Nebraska State Colleges**

The recommendation includes an increase in General Fund operations appropriation of \$2,050,000 for FY 2013-14 and \$4,150,000 in FY 2014-15. This represents a 4.5% increase in FY 2013-14 and 9.1% increase in FY 2014-15, compared to the FY 2012-13 base appropriation.

The State College System has agreed that the Governor's recommended level of state support will eliminate the need for in-state tuition increases for the next two years.

## **51 - University System**

The recommendation includes an increase in General Fund operations appropriation of \$19,100,000 for FY 2013-14 and \$43,000,000 in FY 2014-15. This represents a 3.8% increase in FY 2013-14 and 8.6% increase in FY 2014-15, compared to the FY 2012-13 base appropriation.

The University of Nebraska system has agreed that the Governor's recommended level of state support will eliminate the need for in-state tuition increases the next two years.

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

The recommendation includes an increase of \$18,999 General Funds for FY 2012-13, \$25,388 General Funds for FY 2013-14, and \$34,925 General Funds for FY 2014-15 to fund utility service fees, which have increased by over 50% since 2011 on the agency's headquarters building and the Nebraska History Museum. The recommendation also includes an increase of \$368,977 cash funds for FY 2013-14 and \$273,402 cash funds for FY 2014-15, to conduct historical marker repair, the highway archaeology program, and other transportation enhancement projects, with all funds provided through the Department of Roads.

### **68 - Latino-American Commission**

The Governor's recommendations provide for a continuation level of funding, with changes only for employee salary increases.

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

**Promotion of the Arts** – The recommendation includes a decrease of \$2,155 federal funds for FY 2013-14 and \$2,155 federal funds for FY 2014-15 to accept the Council's request for planned reductions in grants from the National Endowment for the Arts.

**Aid to the Arts** – The recommendation includes a decrease of \$123,300 federal funds for FY 2013-14 and \$123,300 federal funds for FY 2014-15 to accept the Council's request for planned reductions in grants from the National Endowment for the Arts.

**Cultural Preservation Endowment** – The recommendation does not include a \$500,000 transfer of General Funds to the Nebraska Cultural Preservation Endowment Fund in FY 2013-14 and FY 2014-15.

### **70 - State Foster Care Review Office**

The Governor's recommendations provide for a continuation level of funding, with changes only for employee salary increases.

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

The recommendation includes a decrease of \$82,922 cash funds for FY 2013-14 and \$82,922 cash funds for FY 2014-15, and an increase of \$100,000 federal funds for FY 2013-14 and \$100,000 federal funds for FY 2014-15 to adjust for the estimated gifts and federal grants to this agency.

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

The recommendation includes an increase of \$480,943 federal funds for FY 2013-14 and \$480,943 federal funds for FY 2014-15, and an increase of \$4,450 cash funds for FY 2013-14 and \$4,450 cash funds for FY 2014-15 to adjust for the agency's planned increase of federal grants and program income.

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

The recommendation includes a decrease of \$3,400 cash funds for FY 2014-15 to accept the agency's request to reduce funding to end its use of the Kansas Quality Assurance Test for sign language interpreters.

### **83 - Nebraska Community Colleges**

**Aid to Community Colleges** – The recommendation includes an increase in aid of \$3,500,000 General Funds for FY 2013-14 and \$3,700,000 General Funds for FY 2014-15. This represents a year-over-year increase of approximately 4% and should allow for the same commitment by the Community

College Boards as has been made by the University of Nebraska and the State College System not to raise in-state tuition rates for the next two years.

## Public Finance

### **12 - State Treasurer**

The recommendation for the State Treasurer's Office provides for an overall reduction of 1.83% in FY 2013-14 and a 1.5% reduction in FY 2014-15 compared to the current FY 2012-13 base appropriation. The General Fund recommendation for operations represents a 6.6% reduction in FY 2013-14 and a 6.3% reduction in FY 2014-15 relative to the FY 2012-13 base appropriation.

**Reduce Excess Budgeted Personal Services Expense** – By taking advantage of new technology the State Treasurer's Office has been able to reduce the required level of staffing in the State Disbursement Unit (SDU). The Treasurer's Office has indicated that the appropriation related to these vacant budgeted positions can now be reduced with no impact to the services provided by the agency. The Governor recommends reducing the appropriation to the State Disbursement Unit by \$69,083 General Funds and \$103,624 federal funds in each of FY 2013-14 and FY 2014-15 to account for this savings.

**Postage and Printing Expense** – The Treasurer's Office has made efforts in enrolling custodial parents to receive their child support statements and payments electronically, instead of printing and mailing statements and warrants. This provides cost savings for the State Disbursement Unit, both in postage and printing expenses. The agency requested a reduction in the appropriation for the SDU as a result of this expected savings. Consistent with the agency request, the Governor's recommendation includes a reduction of \$10,020 General Funds and \$15,030 federal funds in FY 2013-14 and a reduction of \$19,038 General Funds and \$28,557 federal funds in FY 2014-15.

**Redirect Resources to Transparency Website Expense** – In 2008, the State Treasurer's Office launched the Nebraska state spending transparency website. The website subsequently became a Legislative mandate following the passage of the Taxpayer Transparency Act. To date, all expenses related to maintaining this website have been covered by grants and budget savings within other programs in the Treasurer's Office. This has caused an increased strain on the budgets of these other programs. As an alternative, the Treasurer's Office requested to apply \$25,000 each year of excess General Fund appropriation in the Long-Term Care Savings Program to a new budget program dedicated specifically to transparency website expenses. Section 84-602, R.R.S, provides that development and maintenance of the transparency website is within the Treasurer's treasury management duties. The Governor's recommendation includes increasing the cash fund appropriation of the Treasury Management program by \$25,000 in each of FY 2013-14 and FY 2014-15 and offsetting this increased appropriation by accepting the Treasurer's request to reduce the General Fund appropriation to the Long-Term Care Savings Program by \$25,000 each year.

**Long-Term Care Savings Program** – The identification of \$25,000 of excess General Fund appropriation in the program also allows for a reduction of that amount in the current FY 2012-13, which the Governor recommends.

### **16 - Department of Revenue**

The recommendation for Department of Revenue operations provides for a total funds reduction of 0.7% in FY 2013-14 and an increase of 1.4% in FY 2014-15 compared to the current FY 2012-13 base appropriation. The General Fund recommendation represents a 1.1% reduction in FY 2013-14 and an increase of 0.8% reduction in FY 2014-15, relative to the FY 2012-13 base appropriation for agency operations.

Highlights of the Governor's recommendations for Department of Revenue operations include:

**Annualize the Appropriation for Various Legislative Bills** – The Legislature has enacted a number of bills during the past two years that included A-Bills indicating an impact on the Department of Revenue's Revenue Administration program during the upcoming biennium. The Governor recommends a net reduction of \$21,830 General Funds in FY 2013-14 and a net increase of \$72,760 General Funds in

FY 2014-15 and a net increase of \$41,430 cash funds each year to annualize the appropriation for the following bills:

- LB 590 (2011) – Tobacco Tax Enforcement
- LB 209 (2012) – Local Option Sales Tax
- LB 872 (2012) – Corporate Apportionment
- LB 1091 (2012) – Prepaid Wireless
- LB 1128 (2012) – New Markets Job Growth

**Re-assumption of Property Assessment Function** – LB 121 (2009) provided that beginning in FY 2010-11 the Property Tax Administrator should bill each county for which the Property Tax Administrator has assumed the property assessment function each year until July 2013 at which time the State will no longer serve the counties in this capacity. The Governor's recommendation, consistent with the agency request reduces the appropriation to the Property Assessment Division by \$616,540 General Funds and \$1,849,620 cash funds in each of FY 2013-14 and FY 2014-15 to reflect the completion of the shift of the property assessment function back to counties in each case where the Department of Revenue has been performing that function.

**Lottery Contracts** – The Lottery Division of the Department of Revenue is a state-operated business enterprise generating proceeds for K-12 education, higher education scholarships, environmental grants, the Nebraska State Fair, and for the Compulsive Gamblers Assistance Fund. The Lottery's promotional and advertising budgets as well as the scratch game and online lottery vendor contracts are based on a percentage of lottery sales. The recommendation includes \$611,400 cash funds in FY 2013-14 and \$808,800 cash funds in FY 2014-15 for lottery promotion and advertising activities, including a portion dedicated to problem gambling prevention, education, and awareness advertising. Finally, the recommendation provides \$1,210,525 cash funds in FY 2013-14 and \$1,514,718 cash funds in FY 2014-15 for increases in lottery vendor contract costs.

**Rebase Motor Fuels Tax Administration Appropriation** – The Department of Revenue identified a \$200,000 unneeded, excess appropriation in the Motor Fuels Tax Administration program. The Governor recommends reducing the cash fund appropriation by \$200,000 each year.

**Tobacco Products Administration Cash Fund** – Section 77-4025, R.R.S., provides that any excess receipts in the Tobacco Products Administration Cash Fund may be transferred to the General Fund at the direction of the Legislature. The recommendation includes a transfer of \$10,000,000 each year from the Tobacco Products Administration Cash Fund to the General Fund to operationalize the lapse of excess funds during the 2013-2015 biennium.

The Department of Revenue also distributes aid under three programs. They are the Home Energy Conservation Improvement Program, the Homestead Exemption Program, and the Property Tax Credit Program. The Governor's recommendations for the department's aid programs include:

**Home Energy Conservation Improvement Program** – The Home Energy Conservation Improvement Program pairs matching dollars remitted by entities producing, distributing, or transmitting electricity with state General Funds to provide energy conservation grants to eligible low-income persons for installing an energy conservation improvement in their residence. The program was suspended by the Legislature during the past two fiscal years and is scheduled to resume beginning in FY 2014-15, the second year of the upcoming biennium. Section 66-1015, R.R.S, provides that no later than September 1, 2012, eligible entities planning on administering an energy conservation improvement program shall notify the Department of Revenue of the amount the entity plans to remit for the upcoming biennium. No eligible entities notified the department of any plans to remit matching funds to participate in the program. Consequently, the Governor's recommendation does not include funding for the program.

**Homestead Exemption Reimbursement to Political Subdivisions** – The Homestead Exemption program provides direct relief from property taxes to eligible persons by exempting all or a portion of the valuation of the homestead from taxation. The State reimburses local government for the taxes lost due to homestead exemptions. The department has indicated that the homestead exemption tax loss experienced by local governments to be reimbursed by the State during FY 2012-13 is approximately \$67,500,000, which is \$5,000,000 less than was appropriated. The department estimates that the program will require \$71,600,000 General Funds in FY 2013-14 and \$74,900,000 General Funds in FY 2014-15. The Governor recommends appropriations consistent with the department's estimates.

**Property Tax Credit Program** – The recommendation includes the appropriation of \$115 million in FY 2013-14 and FY 2014-15 to continue to provide property tax relief via the Property Tax Credit Act originally enacted in 2007. The Property Tax Credit Act provides a real property tax credit based upon the valuation of each parcel of real property compared to the valuation of all real property in the state. The property tax credit is shown on tax statements as a credit after the full taxes levied. For example, in 2012 the total amount of credit available for statewide distribution was also \$115 million. This \$115 million appropriation to the property tax credit program for 2012 provided a credit of \$72 per \$100,000 of valuation.

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

**Land Surveys** – The Governor’s recommendations provide for a continuation level of funding, with changes only for employee salary increases.

**Disputed Surveys** – The recommendation for the program remains consistent with the FY 2012-13 base year appropriation.

**School Land Trust** – The recommendation for this program includes an increase of \$2,444,318 cash funds for FY 2013-14 and \$3,178,337 for FY 2014-15 to accept the Board’s request to increase its base appropriation to parity with its current and estimated operating budgets.

## **65 - Administrative Services**

**Administrative Services** – The recommendation includes an increase of General Fund appropriation by \$1,200, a decrease of cash fund appropriation by \$1,102, and a decrease of revolving fund appropriation of \$202,236 in each year to recognize savings in accounting and motor vehicle liability costs.

The recommendation includes agency requested increases to General Fund appropriation of \$5,435 for FY 2013-14 and \$5,935 for FY 2014-15 for changes in administrative costs and to provide additional resources to the Employee Relations Division.

The recommendation includes an agency requested increase of cash fund appropriation of \$362,500 for FY 2013-14 and \$112,500 for FY 2014-15. These amounts support \$250,000 in FY 2013-14 for a claims audit, \$100,000 for each year for additional recycling projects, and \$12,500 in each year for the Benefits Administration Program.

The recommendation increases the revolving fund appropriation by \$2,543,553 for FY 2013-14 and by \$3,047,463 for FY 2014-15. These amounts support an additional position in the State Building Division, hardware and software upgrades to the state accounting system, projected increases in workers compensation claims, and increased utilization by state agencies of the Talent Management system for training. An analysis of historical expenditures in the State Insurance program indicates the current level of revolving fund appropriation is not necessary. Therefore, the recommendation includes a reduction of the revolving fund appropriation by \$1,500,000 each year.

The recommendation increases the Personal Service Limitation by \$44,864 for each year. These amounts include an agency requested new position in the State Building Division and additional resources in the Benefit Administration and Employee Relations Divisions.

The recommendation includes an agency deficit request to provide additional General Fund appropriation of \$1,677 and cash fund appropriation of \$12,500 for FY 2012-13 within the Benefits and Employee Relations Division. An increase in the Personal Service Limitation is also included. This recommendation provides the division needed resources to meet personnel costs.

**State Share of Defined Benefit Plans Additional Contribution** – The recommendation includes a General Fund appropriation of \$2,276,340 for FY 2013-14 and \$3,447,000 for FY 2014-15 for the state’s proportional share of the additional contribution to the State Patrol retirement plan as determined by the state’s actuary. Additional information can be found in the Nebraska Public Employee’s Retirement Systems recommendations.

**Office of the Chief Information Officer** – The recommendation includes a decrease of General Fund appropriation by \$122 and a decrease of revolving fund appropriation of \$18,644 in each year to recognize savings in administrative costs.

The recommendation includes an agency request to increase revolving fund appropriation by \$5,787,465 for FY 2013-14 and \$5,778,341 for FY 2014-15. This increased revolving fund appropriation

will allow the agency to respond to state agencies, boards, and commissions increasing demands for information technology services and support.

The recommendation increases federal fund appropriation by \$53,517 for FY 2013-14 and decreases federal fund appropriation by \$207,084 for FY 2014-15 due to the ending of the federal Health Information Technology Grant.

The recommendation increases Personal Service Limitation by \$224,570 in each year as requested by the agency.

**Office of the Capitol Commission** – The recommendation increases cash fund appropriation by \$35,387 for FY 2013-14 to allow the commission to utilize available cash funds for updates to the dining area of the Capitol.

## 75 - Nebraska Investment Council

The recommendation decreases cash fund appropriation by \$1,447 for each year to recognize savings to the council due to changes in administrative costs. The recommendation increases Personal Service Limitation by \$16,706 for each year as request by the council to make an internal auditor a full-time position.

## 85 - Nebraska Public Employee's Retirement Systems

**Administration** – The recommendation includes a cash fund appropriations increase of \$44,418 for FY 2013-14 and \$34,418 for FY 2014-15. The recommendation includes support for agency requested increases in administrative costs. An increase of \$10,000 in cash fund appropriation in FY 2013-14 is provided to the agency for office relocation costs.

A historical analysis of appropriations over the last three years shows the agency has unused appropriations in excess of \$100,000 each year. Therefore, other increases requested by the agency for conference registration, IT Manager rate increase, and for dues and subscriptions are not included.

An analysis of the Personal Service Limitation for the agency shows there is an excess of \$25,000. The recommendation includes a reduction in both years for this excess.

**Board Member Expenses** – The recommendation maintains the FY 2012-13 level of cash fund appropriations for FY 2013-14 and FY 2014-15 as requested by the agency.

**Retirement Plans of the State** – The agency administers five separate retirement systems for public employees.

Plan	Comments
State Employee Plan	Two different plans are administered for state and county employees; a defined contribution and cash balance plan. The employee contributes 4.8% of their salary to their respective plans. The state matches 156% of state employee contributions and the county matches 150% of the county employee contributions. The defined contribution plan is closed to new employees. All new employees enter the cash balance plan, a hybrid defined benefit plan that guarantees a fixed return and allows for dividends to be paid. Members are not guaranteed a fixed month payment upon retirement.
County Employee Plan	
Judges Retirement Plan	A defined benefit plan that guarantees a member a fixed monthly payment that is based upon salary and years of service. The maximum amount of salary that can be received upon retirement is 70%. Active members contribute 1% to 9% of pay, based upon years of service, into the plan. On July 1, 2014, the contribution rate for active members will decrease by 1%. Contributions are provided by a \$6 per case in court fees. This amount is set to decrease to \$5 on July 1, 2014. The contribution provided by court fees is equal to 244% of what is contributed by the active members.
Nebraska State Patrol Plan	A defined benefit plan that guarantees a member a fixed monthly payment that is based upon salary and years of service. The maximum amount of salary that can be received upon retirement is 75%. Active members contribute 19% of their salary into the plan and the State matches this amount. The contribution rate for active members is schedule to return to 16% on July 1, 2013. Active members do not pay into Social Security. Also, an active member must retire at age 60.
School Employee Plan	A defined benefit plan that guarantees a member a fixed monthly payment that is based upon salary and years of service. The maximum amount of salary that can be received upon retirement is 60%. Active members contribute 9.78% of their salary into the plan. The school district matches 101% of the active members contribution.

**Level Dollar Payment Sunset** – Current law provided for a fixed level dollar payment to the defined benefits plans. For all plans except for an Omaha Class V School Retirement plan, the fixed amount set by statute sunsets on June 30, 2013. For an Omaha Class V School Retirement Plan, the fixed amount set by statute sunsets on June 30, 2014. Therefore, the recommendation recognizes these sunsets and does not include a General Fund appropriation of \$5,921,699 in FY 2013-14 and \$6,895,000 in FY 2014-15.

**Defined Benefit Plans Estimated Unfunded Liability** – The Retirement System’s consulting actuary has estimated additional contributions are required for the School Employee Plan, the Nebraska State Patrol Plan, and the Judges Plan.

**School Employee Plan** – For the School Employee Plan, the recommendation does not include an increase in General Funds for the additional contribution estimated by the consulting actuary.

The recommendation includes a General Fund increase of \$313,508 in FY 2013-14 and \$883,685 in FY 2014-15 to finance the State’s 1% match of salary under the School Employees Retirement System and the Class V School Employees Retirement plan; and the Class V Service Annuity.

**State Patrol Plan** – The consulting actuary indicates an increasing need of contributions to the plan. The active member’s contribution rate is scheduled to decrease by 3% on July 1, 2013. There is pending litigation against the State regarding the member contribution rates.

For the State Patrol Plan, the recommendation includes a General Fund appropriation of \$2,276,340 for FY 2013-14 and \$3,447,000 for FY 2014-15. This appropriation has been placed in reserve in the Department of Administrative Services.

**Judges Retirement Plan** – The recommendation includes no General Fund appropriation to the Judges Plan for the estimated additional contribution. Contributions to this plan are made by the active members and by court fees paid by the users of the court system.

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

The Tax Equality and Review Commission has three primary duties: hearing and deciding valuation appeals; the equalization of real property assessments for purposes of taxation within each county; and hearing and deciding petitions from the county boards of equalization. With respect to valuation appeals, the number of appeals filed during 2012 represents a 37% increase over the number of appeals filed in 2011. This increase will have a significant impact on the operations of the agency.

The recommendation for the Tax Equalization and Review Commission provides for a total funds increase of 4.0% in FY 2013-14 and a 5.8% increase in FY 2014-15 compared to the current FY 2012-13 base appropriation. The General Fund recommendation represents an increase of 6.9% in FY 2013-14 and an 8.9% increase in FY 2014-15.

**Health Insurance expenses** – The commission requested \$10,000 General Funds in each of FY 2013-14 and FY 2014-15 to cover the increased cost of providing employee health insurance due to a number of employees selecting higher cost family coverage who previously waived coverage or opted for lower cost plans. The Governor recommends this General Fund increase in order to not have the increased cost of health insurance negatively impact the ability of the commission to resolve valuation appeals in a timely manner

**Restore base following temporary fund shift** – In 2010, during the development of the 2011-2013 biennial budget, a temporary fund shift reducing General Funds and increasing cash fund appropriations was included in the commission’s budget in an effort to reduce an excess cash fund balance. The Governor’s recommendation includes restoring the appropriation base following this temporary fund shift. The recommendation increases the General Fund appropriation by \$15,000 in each of FY 2013-14 and FY 2014-15 and reduces the cash fund appropriation by a like amount.

**Valuation appeal hearing costs** – The agency requested an increase in appropriation due to travel and operating expense increases that will occur as a result of the significant increase in valuation appeals. The Governor recommends increasing the commission’s appropriation by \$8,500 General Funds in each of FY 2013-14 and FY 2014-15 to cover these increased costs and assist the commission in the timely resolution of valuation appeals.

# Public Safety

## **05 - Supreme Court**

**FY 2012-13 Deficit Request** – The Supreme Court submitted a deficit request to increase Personal Service Limitation (PSL) only by \$168,243 in FY 2012-13 in Probation Community Corrections, in order to allow faster implementation of the Office of Probation plan regarding Reporting Centers expansion. The Governor's recommendations include an increase in PSL for the program of \$168,243 in FY 2012-13.

**Judges' Salaries - FICA Costs** – The recommendations provide for increases in the various State Judges' salary programs to accommodate higher costs related to FICA. The agency request is based on a FICA maximum wage rate increase from \$114,900 in FY 2012-13 to \$120,000 in FY 2013-14 and to \$125,400 in FY 2014-15. The total combined increase in General Fund appropriations among all of the State Judges' salary programs within the Supreme Court will be \$43,637 in FY 2013-14 and \$89,838 in FY 2014-15.

**CASA Cash Fund Appropriation Reduction** – The Supreme Court budget request includes a reduction in Court Administration Cash Fund Aid appropriation of \$200,000 in both FY 2013-14 and FY 2014-15. Laws 2011, LB 463, created the Court Appointed Special Advocate (CASA) Cash Fund and provided transfers of \$200,000 per year into this fund from the Public Advocacy Operations Cash Fund. The transfers only run through FY 2012-13 and there is no continuing revenue source for the CASA Fund. The recommendations affirm the agency request to reduce the cash fund appropriation by \$200,000 per year to reflect the loss of funding.

**County Court Collection Positions** – The Supreme Court has received a federal grant of \$135,000 annually since FY 2007-08 to fund two positions, one each in Douglas and Lancaster County Court, to aid in increasing the collection of fines and court costs. This grant expired September 30, 2012. The Supreme Court seeks to shift the funding of these two positions from federal to General Funds in FY 2013-14 and FY 2014-15. The recommendations recognize the reduction of \$135,000 in federal fund appropriation from the discontinuation of this grant, but do not increase the General Fund appropriations in County Court System, to replace the lost federal funds.

**Parenting Act Aid** – Aid from the Parenting Act Cash Fund is currently distributed to six court-approved non-profit, mediation centers and Douglas County District Court Conciliation and Mediation Services that serve citizens state-wide. These mediation centers report increased numbers of indigent or low-income clients that are required by the courts to seek mediation, per the Parenting Act. The cost to provide services to these clients continues to increase. The recommendations include increasing the cash fund aid appropriation for these centers in Court Administration, from \$500,000 to \$550,000 per fiscal year, a \$50,000 increase for both FY 2013-14 and FY 2014-15.

**Probation Officer Safety Equipment** – In an effort to improve safety conditions for Probation Officers supervising high-risk probationers, the recommendation includes increasing the cash fund appropriation in Intensive Probation, by \$25,000 in both FY 2013-14 and FY 2014-15, to provide for additional safety equipment.

**Problem-Solving Court Positions** – Problem-Solving Courts provide an option for handling offenders with issues involving substance abuse and other behavioral health issues. The Supreme Court budget request seeks approximately three additional positions and \$235,000 per year in staffing costs, as well as \$120,000 per year in additional funding for contracted treatment services for offenders. The recommendations provide for the portion of the request related to the increased treatment costs of \$120,000 in General Fund appropriations for both FY 2013-14 and FY 2014-15.

**Project Safe Start Federal Funding** – The Supreme Court's Specialized Court Operations is receiving a federal grant titled "Project Safe Start", aimed at high-risk teens. The Supreme Court budget request seeks to increase the base federal fund appropriation level to reflect the actual Safe Start grant amounts for the upcoming biennium. The recommendations include increasing the federal fund appropriation by \$367,339 in FY 2013-14 and by \$368,878 in FY 2014-15.

**Juvenile Service Delivery Pilot Project** – Laws 2012, LB 985 established the Nebraska Juvenile Service Delivery Project as a pilot program to be administered by the Office of Probation Administration within the Supreme Court. LB 985A appropriated \$8,408,817 General Funds (including \$895,612 of PSL) in FY 2012-13 to the Supreme Court – Community Corrections, to provide base funding for the Pro-

ject. The A-Bill also reduced the Department of Health and Human Services – Juvenile Services Operations, by the same amount. Fiscal year-to-date through November 30, 2012, the Office of Probation Administration had only expended \$1,035,266 General Funds for the Juvenile Service Pilot Project and had only encumbered treatment services totaling an additional \$890,651. The Supreme Court budget request seeks additional General Fund appropriations of \$1,177,322 (including \$510,630 of PSL) in FY 2013-14 and of \$1,437,020 (including \$523,395 of PSL) in FY 2014-15 to expand the Pilot Project. The request also includes a cash fund appropriation reduction of \$640,000 per year as a result of ending a contract with the Department of Health and Human Services.

The recommendations include reducing the FY 2012-13 General Fund appropriations by \$2,000,000 because of the slower-than-budgeted ramp up of the Juvenile Pilot Project in FY 2012-13. This appropriation is considerably underspent and the full amount will not be needed in FY 2012-13. The recommendations also include reducing the cash fund appropriation in Community Corrections by \$640,000, as requested, in FY 2013-14 and FY 2014-15, but not providing increases in General Fund appropriations in the upcoming biennium to expand the Pilot Project. There is insufficient experience and justification at this time to expand the Project.

**Probation Community-Based Programs** – Reporting Centers are community-based facilities blending offender supervision with intensive on-site delivery of treatment services and they have an important role in reducing reliance on incarceration while improving public safety. Currently there are only three complete reporting centers in Douglas, Lancaster and Dakota counties. Buffalo and Dawson counties share the resources of one full Reporting Center between the two counties. The Supreme Court budget request would expand the Buffalo and Dawson County Centers to full-time (not shared) and establish a new Reporting Center in Scottsbluff. The recommendations support the expansion of the Reporting Centers and provide for appropriation increases to Community Corrections, as follows: \$303,499 General Funds and \$509,073 cash funds (with \$375,108 of PSL) in FY 2013-14; and \$314,295 General Funds and \$509,073 cash funds (with 384,484 of PSL) in FY 2014-15.

## **11 - Attorney General**

**Interstate Water Litigation** – The Attorney General's Office continues an ongoing defense of the State of Nebraska against allegations by the State of Kansas of non-compliance on the Republican River Compact. In May 2010, the State of Kansas filed a Motion for Leave to File Petition in the United States Supreme Court alleging that Nebraska overused its share of the Republican River water in 2005 and 2006. These actions have required the hiring of multiple experts and substantial travel in the basin and between the states. In FY 2011-12, \$2,000,000 General Funds were appropriated to the Attorney General for Interstate Water Litigation. The recommendations include an additional \$250,000 General Fund appropriation in FY 2013-14 to continue the defense against Kansas' claims. At the time of release of the Governor's recommendations, no final decision had been issued in the pending litigation. A decision is expected prior to adjournment of the 2013 legislative session.

## **15 - Nebraska Board of Parole/Board of Pardons**

The Governor's recommendations provide for a continuation level of funding, with changes only for employee salary increases and adjustments for Department of Administrative Services assessments.

## **21 - State Fire Marshal**

**Natural Gas Pipeline Safety Inspector** – Over the past three years, natural gas pipelines in Nebraska were damaged by excavators an average of over 600 times per year. In January 2012, Congress enacted the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011. This Act increases the funding available to state programs to assist in reducing excavation damage. The recommendations include the agency's request to add a Pipeline Safety Inspector, with an increase of \$32,074 cash funds and \$48,110 federal funds (including \$40,868 of PSL) in FY 2013-14; and an increase of \$29,850 cash funds and \$44,775 federal funds (including \$42,362 of PSL) in FY 2014-15.

**Update NFPA Life Safety Code Books** – The Fire Marshal is currently using the 2000 edition of the National Fire Protection Association (NFPA) Life Safety Code 101 and associated pamphlets. The latest revised edition is the 2012 edition. The recommendations include a \$55,000 General Fund appropriation in FY 2013-14 to purchase new edition sets of the NFPA Life Safety Codes.

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

**General Operating Increases** – The Governor’s recommendations include a number of cash fund appropriation increases for issues such as desktop computer replacements, State-owned transportation costs, and fees on credit card transaction processing, as well as cash fund appropriation reductions for agency savings on the use of online services, utility and rent expense, and division meetings and office expenses. The overall net impact of these items for the agency is a cash fund appropriation increase of \$8,360 in both FY 2013-14 and FY 2014-15.

### **31 - Military Department**

**FY 2012-13 Deficit Request in Governor’s Emergency Program** – In FY 2008-09, the Nebraska Emergency Management Agency (as part of the Nebraska Military Department) submitted a deficit budget request in the amount of \$5,000,000 for obligations related to federal disaster declarations. NEMA again submitted a deficit request for FY 2010-11, in the amount of \$5,860,000.

For FY 2012-13, the General Fund and cash fund appropriations in the Governor’s Emergency Program, total \$22,899,606. Expenditures through December 30, 2012 total \$3,780,039. Current obligations on declared federal and state disasters total \$18,559,852. Estimated potential costs for disasters which might arise during the remainder of FY 2012-13 are conservatively, \$600,000 to \$1,000,000. In order to meet current obligations, anticipated future costs and re-establish the \$5,000,000 reserve for this program enacted by the Legislature in the 2011 Session, the Military Department is requesting a supplemental General Fund budget appropriation for FY 2012-13 of \$5,500,000. The Governor’s recommendations include funding this deficit request of \$5,500,000 in General Funds.

**Family Readiness Support Function** – Currently the Nebraska Military Department performs the functions for family contact and support for deployed National Guard members from Nebraska. Under the direction of the Army National Guard Human Resource Officer, this function will be handled on a national basis by the National Guard Bureau by the end of FY 2012-13. Consequently, the federal funding provided the Nebraska Military Department, through their National Guard Bureau Military Cooperative Agreement, will be reduced in FY 2013-14 and beyond. The recommendations recognize this reduction in function and corresponding reduction in federal fund appropriation of \$545,000 in both FY 2013-14 and FY 2014-15.

**Facility Maintenance Backlog** – The Nebraska Military Department, Army National Guard has facilities located in 24 communities across the state. Due to the growing age and continued high use of the facilities, the backlog of facility maintenance and repair needs continues to grow. The recommendations include General Fund appropriation increases of \$100,000 in FY 2013-14 and of \$200,000 in FY 2014-15 to help address these items.

**Additional FTE for Radiological Program** – The Nebraska Emergency Management Agency (NEMA) Technological Hazards/Radiological Emergency Preparedness Section currently has a total of four positions assigned to the section to support the off-site planning, training and exercising responsibilities associated with the state’s two nuclear power plants. As of October 2012, the Nuclear Regulatory Commission (NRC) and Federal Emergency Management Agency are instituting new planning requirements for off-site planning, expanding the zone from a 10 mile emergency planning zone to a 50 mile emergency planning zone. This will mean an expanded role for the section. The Governor’s recommendations include authorizing an additional FTE to assist with the increased responsibilities and duties associated with supporting the off-site planning. The cost for this new position will be split between federal funds and cash funds. The recommendations increase FY 2013-14 cash fund appropriations by \$28,365 and federal fund appropriations by \$28,365 (with a PSL increase of \$38,488). FY 2014-15 cash fund appropriations increase by \$28,919 and federal fund appropriations increase by \$28,919 (with a PSL increase of \$39,450).

### **37 - Workers’ Compensation Court**

The Governor’s recommendations provide for a continuation level of funding, with changes only for employee salary increases and adjustments for Department of Administrative Services assessments.

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

**FY 2012-13 Deficit Request** – The agency budget plan for FY 2011-12 and FY 2012-13 included enacted budget modifications that provided for the agency to close certain housing units at the Omaha Correctional Center (OCC) and the Nebraska State Penitentiary (NSP), as inmate counts declined due to increased numbers of paroles. While the parole figures have increased for FY 2011-12 and FY 2012-13, and one housing unit at OCC was closed, the number of admissions has also increased and the agency has not realized the reductions in inmate population necessary to continue to allow the OCC unit to remain closed, nor can it close the NSP units. Consequently, the agency has not realized the level of savings in reduced inmate per diem costs and reduced staffing costs originally projected in its FY 2012-13 budget.

The agency has submitted a supplemental General Fund appropriation request of \$5,113,211 for FY 2012-13, which includes re-establishing pro-rated base staffing levels for the housing units which will not be closed, as well as increased per diem costs for food and medical expenses. The Governor's recommendations provide for this \$5,113,211 General Fund increase in FY 2012-13.

**Adult Operations** – Excluding employee salary adjustments, the recommendations for the Department of Correctional Services, Adult Operations programs, include an overall General Fund increase over the FY 2012-13 base year of \$7,821,306 in FY 2013-14 and of \$9,046,783 in FY 2014-15; no overall cash fund change for FY 2013-14 or FY 2014-15; no overall federal fund change in FY 2013-14 or FY 2014-15; and an overall revolving fund increase of \$82,441 in FY 2013-14 and of \$82,441 in FY 2014-15.

The recommendations include the following:

- Increase in General Funds for the inmate costs for food of \$1,497,694 in FY 2013-14 and of \$1,903,318 in FY 2014-15;
- Increase in General Funds for inmate costs for medical care of \$3,322,802 in FY 2013-14 and of \$4,133,004 in FY 2014-15;
- Increase in General Funds for the cost of coal of \$189,200 in both FY 2013-14 and FY 2014-15;
- Increase in General Funds for the cost of the State Public Safety Communications System utilization of \$115,628 for both FY 2013-14 and FY 2014-15;
- Increase in General Funds for the effect of full year restoration of staffing and inmate costs relative to not closing housing units originally budgeted to close in FY 2012-13, increase of \$2,814,939 in FY 2013-14 and of \$2,824,590 in FY 2014-15;
- Decrease in General Funds as a result of converting one IT Infra-structure Support Analyst and one Registered Nurse from contract service to in-house FTE's, saves \$52,245 in both FY 2013-14 and FY 2014-15;
- Increase in revolving funds for an additional Correctional Services Industries Wood Shop Operator and an additional Automotive Mechanic II in Surplus Property, increase of \$82,441 in both FY 2013-14 and FY 2014-15.

**Community-Based Services** – The recommendations include increased cash fund appropriations for parole services of \$143,000 in both FY 2013-14 and FY 2014-15.

## **64 - Nebraska State Patrol**

**Communications Center Consolidation** – The State Patrol currently utilizes one communication (or dispatch) center per troop area, for a total of six. The agency proposes to consolidate these six centers down to three by the end of FY 2014-15 and create a statewide Communications Director position to re-structure the Communications division to be more efficient. The result will be an initial decrease of six FTE in FY 2013-14, with General Fund savings of \$203,912 and an overall decrease of eight FTE by FY 2014-15, with General Fund savings of \$247,938. The Governor's recommendations incorporate this consolidation and budgeted cost savings.

**Deferred Retirement Option Plan (DROP) Retirement Contributions** – State Patrol Troopers who enter the DROP program do not continue to contribute to the retirement plan. The agency also ceases making contributions to the plan at that time, although they must pay out any accumulated Comp Time and Holiday Comp Time. Due to the number of employees eligible for the DROP program and the estimated number expected to enter the program in the upcoming biennium, the Governor's recommendations include a General Fund increase of \$53,262 in FY 2013-14 and a General Fund decrease of

\$201,372 in FY 2014-15 to reflect savings for agency contributions. The recommendations also recognize a cash fund increase of \$7,432 in FY 2013-14 and a cash fund decrease of \$32,952 in FY 2014-15.

**Fleet Vehicle Purchases** – The Governor’s recommendations include an increase of \$250,000 General Funds in FY 2013-14 to provide additional funding for fleet vehicle purchases.

**Gasoline Prices** – The State Patrol’s FY 2012-13 budget for gasoline used an average price of \$2.86 per gallon. With current prices around \$3.00 per gallon and the likelihood of higher prices over the next two fiscal years, the Governor’s recommendations recognize a General Fund increase of \$322,956 and a cash fund increase of \$28,083 for both FY 2013-14 and FY 2014-15 to accommodate changing gas prices.

**Crime Lab Facility Lease Costs** – The current lease for the State Patrol’s Crime Lab facility expires February 28, 2014. The State Patrol anticipates increased lease costs for the property in FY 2013-14 and FY 2014-15 if a new lease can be negotiated. The current space is 13,022 square feet and costs \$10.65 per sq. ft. The recommendations include a General Fund increase of \$46,264 in both FY 2013-14 and FY 2014-15 to accommodate an increase in the lease rate.

**Information Technology Costs** – The Governor’s recommendations include \$100,000 cash fund appropriation in FY 2013-14 for the State Patrol to purchase a new Time Sheet/Time Management System, and \$500,000 cash fund appropriation in FY 2014-15 to begin implementation of a 5-year laptop replacement schedule.

**Public Safety Communication System** – The Nebraska State Patrol is a primary user of the Public Safety Communication System for the state, now in operation statewide. As a result of completing one master lease for equipment and reducing the costs for another master lease, the Governor’s recommendations include recognizing the reduced cash fund costs to the State Patrol operations. The recommendations provide for a decrease of \$1,088,234 cash fund appropriations in both FY 2013-14 and FY 2014-15 for the Public Safety Communications System.

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

**Reduce General Fund Operating Costs** – The Equal Opportunity Commission included in their FY 2012-13 budget, General Fund costs for office furniture replacement and security changes for their Omaha office, which will not be needed again in FY 2013-14 or FY 2014-15. They also budgeted for increased rental costs for their Scottsbluff office, which will not be realized as they are moving to a new lower-cost facility in Scottsbluff. The Governor’s recommendations recognize the agency’s identification of cost reductions for the upcoming biennium and decreases the General Fund appropriations by \$24,652 in both FY 2013-14 and FY 2014-15.

## ***77 - Commission of Industrial Relations***

The recommendation includes \$957 Personal Service Limitation (PSL) in each of FY 2013-14 and FY 2014-15 to allow for the annualization of FY 2012-13 salary adjustments requested by the agency.

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

**Human Trafficking Taskforce Funding** – Laws 2012, LB 1145 created a Taskforce within the Nebraska Commission on Law Enforcement and Criminal Justice (Crime Commission), relating to human trafficking. LB 1145A appropriated \$58,690 General Funds in FY 2012-13 to the Crime Commission to provide funding for the new Taskforce, but only appropriated \$12,460 General Funds to the Crime Commission in FY 2013-14. The Governor’s recommendations recognize the Legislative intent for a \$46,230 decrease from the FY 2012-13 base in General Fund appropriation for FY 2013-14 and FY 2014-15.

**Law Enforcement Officer Continuing Education** – Laws 2012, LB 817 requires all law enforcement officers to receive 20 hours of continuing education each year, effective in calendar year 2014. The effective date of this section of LB 817 is January 1, 2014. The Law Enforcement Training Center is required to create a central registry for these officers and track the hours of training received each year. LB 817A appropriated \$74,659 cash funds to the Crime Commission Law Enforcement Training Center in FY 2013-14 (including \$15,960 of PSL). The recommendations recognize the legislative intent to provide \$74,659 General Funds in FY 2013-14. The recommendations also recognize that part of the cost for FY 2013-14 will be one-time in nature, so provides \$49,318 cash funds in FY 2014-15 for ongoing operating costs.

**Law Enforcement Training Center Depreciation Charges** – The Governor's recommendations include a \$12,970 General Fund appropriation increase for both FY 2013-14 and FY 2014-15 to absorb increases in Administrative Services depreciation charges on the Law Enforcement Training Center.

**Victim-Witness Assistance Grant Administration** – The Governor's recommendations include increasing the Victim-Witness Assistance Federal Fund appropriation by \$29,649 in both FY 2013-14 and FY 2014-15 to allow the agency to utilize the full grant amount and provide appropriate administration.

**Funding for the Office of Violence Prevention** – The Office of Violence Prevention was established within the Crime Commission in FY 2009-10. The original funding for the cash fund aid provided by the Program was derived from a one-time transfer from the Probation Program Cash Fund of \$350,000 for FY 2010-11. Separate transfers of \$200,000 each from the Uniform Data Analysis Fund were made July 1, 2011 and July 1, 2012 to cover the cash fund appropriations in the Program for FY 2011-12 and FY 2012-13, respectively. For FY 2011-12 and FY 2012-13, the General Fund appropriation was increased to \$250,000. This provided a total of \$100,000 for operations and \$350,000 for aid per fiscal year (mix of General Funds and cash). There is no ongoing revenue source for cash funds available to support a \$200,000 cash fund appropriation in FY 2013-14 or FY 2014-15. The Governor's recommendations shift this \$200,000 in cash fund appropriations to General Fund appropriations in both FY 2013-14 and FY 2014-15.

**Byrne Federal Grant Cash Match Funding** – The Crime Commission was informed by the U.S. Department of Justice that federal Byrne grants will no longer require matching state funds. The Governor's recommendations recognize this change in requirements and decrease the Crime Commission's cash fund appropriation by \$421,151 in both FY 2013-14 and FY 2014-15.

## ***94 - Commission on Public Advocacy***

The Governor's recommendations provide for a continuation level of funding, with changes only for employee salary increases and adjustments for Department of Administrative Services assessments.

# **Transportation**

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

**FY 2012-13 Deficit Request** – The Department of Aeronautics has been notified that the University of Nebraska Foundation has made a decision to sell their Beechcraft Super King Air B200. The Department of Aeronautics entered into a lease-purchase agreement with the Foundation which included an exclusive option to purchase the aircraft at any time during the lease term expiring June 30, 2013. The Department submitted a deficit request for \$2,164,760 General Funds to acquire this aircraft. The Governor's recommendation includes \$2,164,760 General Fund appropriation increase for the State Owned Aircraft program in FY 2012-13.

**Operations of Department of Aeronautics (Development & Enforcement)** – The recommendation includes an agency requested increase of \$1,641,354 cash funds for FY 2013-14 to cover drainage repair issues, milling the existing concrete, and adding an overlay to the runway at the Scribner State Airfield.

**Public Airports** – The recommendation includes an agency requested increase of \$3,245,000 cash funds in FY 2013-14 and \$10,110,000 cash funds in FY 2014-15 for Federal Aviation Administration and state-administered grants for airport improvements; and state-funded revolving fund loans for hangar and fuel storage projects.

**State-Owned Aircraft** – The recommendation includes an agency requested increase of \$283,373 cash funds for FY 2013-14 for an avionics system upgrade of the Beechcraft Super King Air B200 aircraft. This upgrade will result in the aircraft being maintained to the highest standards of safety and operational efficiency.

The recommendation includes an agency requested increase of \$7,373 cash funds for FY 2014-15 to maintain base insurance coverage (hull and liability) for the Beechcraft Super King Air B200 aircraft.

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

**Enforcement of Standards - Motor Vehicles** – The recommendation includes an agency requested federal fund decrease of \$686,539 in FY 2013-14 and \$821,968 in FY 2014-15 for four federal grants that are expected to end in the biennium. Three of the grants are from the Department of Homeland Security relating to the Driver License Security Grant Program to facilitate the Nebraska DMV in improving the security and integrity of the driver license and identification card process. The fourth grant is from the Federal Motor Carrier Safety Administration used primarily to study the feasibility of using radio frequency identification license plates for commercial vehicles.

The recommendation includes an agency requested cash funds decrease of \$451,405 in FY 2013-14 and FY 2014-15 to annualize the cost of LB 667, Laws 2011, which resulted in reductions in petitions for hearings and District Court appeals relating to the Administrative License Revocation (ALR) program. The recommendation also includes a reduction of \$143,690 Personal Service Limitation in FY 2013-14 and FY 2014-15 to reflect savings resulting from elimination of three positions due to the legal division operational work load reduction.

The recommendation includes an agency requested cash fund increase of \$91,366 for FY 2013-14 and FY 2014-15 to recognize increases for the cost of a driver license database verification ran through the United States Post Office Address Verification Program. The verification process will create a savings in the number of invalid addresses, cost of producing change of address notices, and postage expense for mailing out of notices.

**License Plate issuance** – The recommendation includes an increase of \$70,853 cash funds for FY 2013-14 and FY 2014-15 for the 2011 plates and stickers issuance entering its third through fifth year of the six-year cycle. The manufacturing process for the new plates began during FY 2009-10 and the agency will experience increased costs in the 2013-2015 biennium to maintain an appropriate level of license plate and sticker inventories available at the county treasurer issuing sites throughout the State.

**Motorcycle Safety** – LB 170, Laws 2011, eliminated the Motorcycle Training Education Fund and transferred the responsibility for administering the Motorcycle Safety Program to Enforcement of Standards – Motor Vehicles. The recommendation transfers the remaining appropriation to Enforcement of Standards with an increase of \$13,290 cash funds for FY 2013-14 and FY 2014-15 and a reduction of \$13,290 cash funds for FY 2013-14 and FY 2014-15 to the Motorcycle Safety budget program, allowing the program to be eliminated.

## **27 - Department of Roads**

The total cash fund recommendation for the Nebraska Department of Roads over the 2013-2015 biennium, including operations, government aid, highway construction, and capital facilities construction is based on an estimated motor fuel tax level of 26.4 cents per gallon, with the Nebraska Department of Roads receiving 70% of the fuel tax revenues, and the remaining balance of 30% being shared 50/50 between the cities and the counties of Nebraska. Federal funds are based on a continuation level, assuming Congress provides full funding for federal fiscal year 2013, at approximately \$271 million.

The recommendation includes an estimated Surface Transportation Program size, including the Build Nebraska Act, of \$421 million in FY 2013-14 and \$433.75 million in FY 2014-15 based on a state Highway Cash Fund appropriation of \$375 million per year. In order for Department of Roads to continue completion of road construction and maintenance projects, the recommendation includes agency requests of: \$5 million increase for FY 2013-14 and FY 2014-15 in purchasing of heavy road equipment, pickups, vans, and cars; \$7 million increase for FY 2013-14 and FY 2014-15 in new building construction projects; \$2.5 million increase for FY 2013-14 and FY 2014-15 in purchasing of highway maintenance materials (gas, oil, sand and gravel, salt); \$1.2 million increase for FY 2013-14 and FY 2014-15 in repair maintenance of property and equipment; and \$400,000 for FY 2013-14 and FY 2014-15 to replace nuclear deflectometers with lightweight non-nuclear deflectometers used for testing soils for proper compaction.

LB 84, Laws 2011, the Build Nebraska Act, will result in 1/4 of 1 percent of General Fund sales tax revenue becoming available to the Nebraska Department of Roads effective July 1, 2013. The recommendation includes an increase of \$51 million in FY 2013-14 and \$63.75 million in FY 2014-15 available to the agency to be used for construction of the expressway system, federally designated high priority corridors, and surface transportation projects of the highest priority as determined by the Department.

The recommendation includes an agency requested cash fund authority increase of \$69 million in FY 2013-14 and \$54 million in FY 2014-15 in the Highway Construction program for increased expendi-

tures associated with the payment of previous years highway construction projects let to construction from increased federal funds received by Nebraska.

LB 98, Laws 2011, provides authority to the Department of Roads to purchase federal-aid transportation funds from Nebraska counties and cities. The recommendation includes an agency requested increase of \$13 million cash funds for FY 2013-14 and FY 2014-15 in the Highway Construction program for the payment of funds to Nebraska counties and cities for their federal funds.

The recommendation includes an agency requested cash fund authority increase of \$5 million in FY 2013-14 in the Highway Construction program for increased expenditures associated with payout of federal highway grants awarded to Nebraska in previous years. The payout includes \$3.5 million for Roadside Safety Grant and \$1.5 million for two new van profilers.

**Public Transportation Aid** – The recommendation for cash fund authority to Transit Aid for Mass Transit and Transit Aid for Intercity Bus Service remains consistent with the FY 2012-13 level.

#### ***40 - Nebraska Motor Vehicle Industry Licensing Board***

The recommendation includes the agency requested increase of \$8,616 cash funds for FY 2013-14 and FY 2014-15 related to travel expenses.

The amount supports increased costs in lodging of board members and investigative staff, rental costs of state-owned vehicles for five investigators, and personal vehicle mileage due to extra board meetings to handle administrative franchise matters.

# Enterprise Issues

## ***State Employee Salary and Health Benefit Costs***

The Governor's budget recommendations include funding for state employee salaries based upon the provision of a 2.25% salary increase in both FY 2013-14 and FY 2014-15. This is consistent with the agreement reached with the Nebraska Association of Public Employees Local 61 of the American Federation of State, County, and Municipal Employees (NAPE/AFSCME) for the 2013-2015 biennium.

The recommendations include funding for an increase of 3.4% and 3.3% for certain state law enforcement officers in FY 2013-14 and FY 2014-15 consistent with the agreement reached for state employees covered by the contract with the State Law Enforcement Bargaining Council (SLEBC). These officers are employed by the State Patrol, State Fire Marshal, and the Game and Parks Commission.

The bargaining process was not completed with the State Code Agency Teacher's Association (SCATA) in time for the impact of the contract on individual employees to be included with this publication. The Governor's recommendations include funding for these employees at the same rate as provided for employees represented by NAPE/ASCME.

Current law does not provide a salary increase for constitutional officers and judges during FY 2013-14 and FY 2014-15. No additional funding has been included in the Governor's recommendation.

The Governor's recommendations include \$9.3 million General Funds, \$4.8 million cash funds, \$3.6 million federal funds, and \$0.8 million revolving funds in FY 2013-14 and \$18.1 million General Funds, \$9.7 million cash funds, \$7.2 million federal funds, and \$1.7 million revolving funds in FY 2014-15, or \$18.5 million and \$36.7 million total funds each fiscal year, respectively, to finance the recommendations noted for non-higher education employees.

State agency (employer) and individual state employee health benefit premiums were not charged during two months of FY 2012-13. The Governor's recommendation reduces state agency (employer) appropriations in FY 2012-13 by \$18.5 million as a result of the elimination of this budgeted cost in the current fiscal year. No reduction is made in the base appropriation for FY 2013-14 and FY 2014-15 in order to allow this funding to continue for health benefits in the 2013-2015 biennium. No funding in addition to this amount is included in the recommendations for the state agency (employer) share of state employee health insurance benefits during the 2013-2015 biennium.

The Governor's budget recommendations for the University of Nebraska system, State College system, and the community colleges provide adequate funding for reasonable salary decisions and the financing of health benefit costs as are determined by their individual governing boards. The Governor's budget recommendations for these systems are shown elsewhere in this publication.