



Dave Heineman
Governor

STATE OF NEBRASKA

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

Dear Mr. President and Members of the Legislature:

With this letter, I am returning LB 195 with my signature and with line-item reductions. My vetoes of appropriations in LB 195 total \$40.2 million in General, federal, and cash funds over the next two years.

It is evident from the mainline budget bills presented to me for the 2013-2015 biennium that you share my priority for education. I appreciate your final funding decisions regarding K-12 education, special education, early childhood education and higher education, especially the tuition freeze for students attending the University of Nebraska and our State colleges for the next two years. We share a commitment to enact a biennial budget without need for a tax increase and to rebuild our cash reserve for tax relief and tax reform in the next legislative session. I also appreciate the funding necessary for a new Central Nebraska Veterans Home.

I have made some line-item reductions to temper your decisions to 1) reinstate previous budget reductions; 2) replace one-time funds or depleted federal funding with ongoing state general fund support; 3) provide special or oversized increases to certain programs and employees; or 4) initiate new programs. We should not lessen the fiscal discipline we have demonstrated to Nebraska taxpayers over the past several years.

I have vetoed \$2,840,000 cash funds and \$25,560,000 federal funds for FY 2013-14 for the replacement of the state's Medicaid Management Information System (MMIS). The Department of Health and Human Services simply does not have resources at its disposal to implement the federal requirements of the Affordable Care Act (ACA), provide better support services for ACCESSNebraska and pursue the replacement of the state's MMIS system concurrently. I have not vetoed FY 2014-15 funding for the project. My veto represents a delay of one year in the MMIS replacement project to allow the agency to devote needed attention to the ACA implementation and ACCESSNebraska. The veto does not eliminate the project from the biennial budget.

I have vetoed the \$2,000,000, which is a 70% increase, added to the Department of Roads for mass transit aid in FY 2013-14 and FY 2014-15. This \$4,000,000 should be used for road construction, a higher priority use of gas tax dollars.

I have vetoed \$102,683 General Funds and \$46,125 Salary Limit in FY 2013-14 and \$82,998 General Funds and \$47,256 Salary Limit in FY 2014-15 provided to the Public Service Commission for the state Railroad Track Inspection Program. The state does not need to supplement railroad inspections being conducted by the Federal Railroad Administration and railroad companies.

I have vetoed \$30,000 General Funds in FY 2013-14 and \$15,000 General Funds in FY 2014-15 from the Legislative Council that has been appropriated to re-establish Nebraska as an annual dues paying member of the Midwest Interstate Passenger Rail Compact. This expenditure is no more justified than when it was eliminated in 2010. It is difficult to justify the allocation of state resources for this purpose when there are many other worthy priorities.

I have vetoed \$200,000 General Funds in both FY 2013-14 and FY 2014-15 provided to the Supreme Court for the Court Appointed Special Advocate (CASA) aid program. This aid program was established in the current budget with cash funds. The amounts for FY 2013-14 and FY 2014-15 reflect a shift in funding for this program from cash fund sources to General Funds. The Supreme Court did not request General Funds to continue this program. There are other priority funding needs to address for juvenile services in this budget.

I have vetoed \$125,000 General Funds, along with \$109,000 of new Salary Limit in FY 2013-14 and \$250,000 General Funds, along with \$218,000 of new Salary Limit in FY 2014-15, provided to the Supreme Court, for an extra salary increase for County Court employees, beyond the annual salary increase included in the budget for other state employees. The Supreme Court did not submit a budget request for this special salary increase for County Court employees and it was not part of my budget recommendations.

I have vetoed a total of \$182,001 General Funds, along with \$182,001 of new Salary Limit in FY 2013-14 and \$187,000 General Funds, along with \$187,000 of new Salary Limit in FY 2014-15 provided to the Supreme Court for reclassification of probation officer positions, which will provide an extra salary increase in addition to the annual wage increase provided for other state employees. Funding for the extra salary increases that will result from this reclassification of probation officers was not included in my budget recommendations.

I have vetoed \$144,669 General Funds in FY 2013-14 and \$144,669 General Funds in FY 2014-15 from the Auditor of Public Accounts to restore that budget to my original General Fund recommendation.

I have vetoed \$32,000 General Funds and \$20,000 Salary Limit in both FY 2013-14 and FY 2014-15 provided to the State Auditor for extra salary increases above the amount provided for other state employees. The need and justification for this special consideration above that of other state employees is not apparent.

I have vetoed \$225,000 General Funds for Learning Community Aid for both FY 2013-14 and FY 2014-15, which will reduce state aid to my original recommendation. The Learning Community Coordinating Council receives approximately \$1,300,000 in total state aid annually and, on average, maintains nearly half of this amount in annual reserve. This veto will reduce the current level of over-funding while still affording for a more reasonable annual cash reserve.

I have vetoed \$150,000 General Funds for FY 2013-14 and \$150,000 General Funds for FY 2014-15 to finance the addition of a Dental Health Director in the Department of Health and Human Services. The Department of Health and Human Services is actively pursuing grant funding for this position through the Health Resources and Services Administration (HRSA) and the Center for Disease Control (CDC). Announcement of grant awards from both organizations is expected by end of August 2013. Success in obtaining grant funding for the position will eliminate the need for General Fund support. Financing the position with state funds can be revisited next year if the agency is not successful in obtaining grant funding.

I have vetoed the increase of \$50,000 General Funds for FY 2013-14 and \$50,000 General Funds for FY 2014-15 earmarked for each of the state's six Federally Qualified Health Centers (FQHC's). The overall annual \$300,000 increase represents a nearly 17% increase in FQHC funding from FY 2012-13 and is designated solely for dental services. Each FQHC is encouraged to set priorities for the expenditure of funds received from the \$1,800,000 currently earmarked for the FQHC's. The FQHC's should be allowed to prioritize services for the clients each center serves and are encouraged to allocate funding received from the state accordingly.

I have vetoed \$250,000 cash fund appropriations for FY 2013-14 and FY 2014-15 from the Department of Health and Human Services, \$1,250,000 cash fund appropriations for FY 2013-14 and FY 2014-15 from the Department of Economic Development, and \$500,000 cash fund appropriations for FY 2013-14 and FY 2014-15 from the Commission on Public Advocacy made possible by direct transfers from the state Securities Act Cash Fund to special cash fund accounts in these three state agencies. LB 199 transfers \$4,000,000 from the Securities Act Cash Fund to other cash funds and LB 195 earmarks their use for purposes proposed in LB 286: \$500,000 for additional homeless shelter assistance, \$2,500,000 additional affordable housing assistance, and \$1,000,000 additional state aid for legal aid services.

The Securities Act Cash Fund is used to finance the administration and enforcement costs of the Securities Act of Nebraska and to provide miscellaneous receipts to the General Fund to support all requests and legislation requiring appropriations from the General Fund. I do not support these special transfers and earmarks of monies from the Securities Act Cash Fund contained in LB 199 and LB 195. My vetoes will reserve this \$4,000,000 for budget stabilization and further tax relief considerations.

I have reduced the General Funds appropriation to the Coordinating Commission for Postsecondary Education by \$70,034 for each of FY 2013-14 and FY 2014-15. I have also reduced the Salary Limit by \$38,500 for each of FY 2013-14 and FY 2014-15. This removes the funding and Salary Limit for a data analyst position. Funding for this position was previously eliminated as a result of budget reductions. Restoration of this expense is not necessary at this time as no significant additional duties are being added to the Commission's responsibilities.

I have line-item vetoed the extra earmarked \$100,000 General Funds appropriation to the University of Nebraska for FY 2013-14 to conduct research related to the rate of recidivism of persons convicted of driving under the influence. LB 114 (2013) proposed to directly appropriate \$228,706 General Funds for this research without creating a duty for the University to provide this research. The University of Nebraska participated in the Judiciary Committee's LR 249 (2011) study with no additional appropriation at that time. The University has sufficient state aid appropriations to continue this research.

I have vetoed \$48,580 General Funds and \$16,193 federal funds for FY 2013-14 and \$47,830 General Funds and \$15,944 federal funds for FY 2014-15 for increased staffing at the Foster Care Review Office. Ongoing efforts to reduce the number of children in out-of-home foster care will reduce the need for additional staff in the Foster Care Review Office.

I have vetoed \$45,440 cash funds and \$30,635 Salary Limit in FY 2013-14 and FY 2014-15 from the Public Employees Retirement Board for an additional retirement specialist. Efficient use of the Board's current eighteen retirement specialists will meet the needs of plan members.

I have vetoed \$150,000 cash funds and \$133,500 Salary Limit in FY 2013-14 and FY 2014-15 from the Nebraska Tourism Commission for three additional staff positions. LB 1053 (2012 Session Laws) created the Nebraska Tourism Commission as a separate agency effective July 1, 2012. The Legislature and the Governor were advised by proponents of LB 1053 that creating the Nebraska Tourism Commission and operating it as a separate agency would require only twelve positions. My veto recognizes that promise.

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I have reduced the Securities Act Cash Fund transfers to the General Fund by \$3,794,502 in FY 2013-14 and \$4,027,590 in FY 2014-15 in amounts that match my veto of appropriations from the General Fund. This \$7,822,092 will remain in reserve for tax relief and tax reform in the next legislative session. My veto of appropriations and transfers does not impact the level of funds available for your final consideration of legislation during this 2013 legislative session.

I urge you to sustain my line-item reductions and veto of these transfers to continue to demonstrate our commitment to spending restraint and for further tax relief for Nebraska citizens in the 2014 legislative session.

Thank you.

Sincerely,

Dave Heineman
Governor

Attachment

103rd LEGISLATURE, FIRST SESSION (2013)
LB 195 - Mainline 2013-2015 Biennial Budget Bill

Governor's Line-Item Vetoes

Agency Name	Item	Fund Type	FY 2013-14 Veto	FY 2014-15 Veto	Biennium Total
<u>LB 195 Appropriations</u>					
Economic Development	Affordable Housing Trust Fund appropriation - use of Securities Act Cash Fund	Cash	1,250,000	1,250,000	2,500,000
Education	Learning Community aid	General	225,000	225,000	450,000
Foster Care Review	Eliminate restoration of one Review Specialist position	General Federal	48,580 16,193	47,830 15,944	96,410 32,137
Health and Human Services	Dental services aid (LB 157)	General	300,000	300,000	600,000
	DHHS Dental Health Director (LB 187)	General	150,000	150,000	300,000
	MMIS replacement	Cash Federal	2,840,000 25,560,000	0 0	2,840,000 25,560,000
	Homeless Shelter Assistance Fund appropriation - use of Securities Act Cash Fund	Cash	250,000	250,000	500,000
Legislative Council	Midwest Interstate Passenger Rail Compact dues (LB 486)	General	30,000	15,000	45,000
Postsecondary Coord. Comm.	Eliminate restoration of Data Analyst position and operating expense	General Salary Limit	70,034 38,500	70,034 38,500	140,068 77,000
Public Advocacy	Legal Aid and Services Fund appropriation - use of Securities Act Cash Fund	Cash	500,000	500,000	1,000,000

**103rd LEGISLATURE, FIRST SESSION (2013)
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Governor's Line-Item Vetoes

Agency Name	Item	Fund Type	FY 2013-14		FY 2014-15		Biennium	
			Veto		Veto		Total	Total
Public Service Commission	Eliminate restoration of state Railroad Track Inspection Program	General	102,683		82,998		185,681	
		Salary Limit	46,125		47,256		93,381	
Retirement Board	Retirement Specialist position	Cash	45,440		45,440		90,880	
		Salary Limit	30,635		30,635		61,270	
Roads	Public transit aid	Cash	2,000,000		2,000,000		4,000,000	
State Auditor	Base funding level	General	144,669		144,669		289,338	
		Extra salary increases for Auditor's Office employees	32,000		32,000		64,000	
		Salary Limit	20,000		20,000		40,000	
Supreme Court	Court Appointed Special Advocate aid (LB 126)	General	200,000		200,000		400,000	
		Extra salary increases for county court employees (LB 569)	125,000		250,000		375,000	
		Salary Limit	109,000		218,000		327,000	
	Extra salary increases for Probation Officers	General	182,001		187,000		369,001	
		Salary Limit	182,001		187,000		369,001	
Tourism Commission	25% increased staffing	Cash	150,000		150,000		300,000	
		Salary Limit	133,500		133,500		267,000	

**103rd LEGISLATURE, FIRST SESSION (2013)
LB 195 - Mainline 2013-2015 Biennial Budget Bill**

Governor's Line-Item Vetoes

Agency Name	Item	Fund Type	FY 2013-14 Veto	FY 2014-15 Veto	Biennium Total
University of Nebraska	Earmarked funding for DUI recidivism research (LB 114)	General	100,000	0	100,000
TOTAL LB 195 APPROPRIATIONS VETOES					
	General		1,709,967	1,704,531	3,414,498
	Cash		7,035,440	4,195,440	11,230,880
	Federal		25,576,193	15,944	25,592,137
	Total		34,321,600	5,915,915	40,237,515
	Salary Limit		559,761	674,891	1,234,652
<u>LB 195 Transfers to General Fund</u>					
Banking	Reduce Securities Act Cash Fund Transfers	General	3,794,502	4,027,590	7,822,092