State of Nebraska

Executive Budget Presentation
2019 – 2021 Biennium

Pete Ricketts
Governor
January 15, 2019
2019 - 2021 Biennium Budget Overview

• No tax increases

• Prepared 2019-2021 biennial budget within the tax receipt forecasts provided by the Nebraska Economic Forecasting Advisory Board

• Two-year average increase of 3.1% in General Fund appropriations for the 2019-2021 biennium over FY 2018-19 appropriations

• Structural balance (tax receipts versus spending)

• Restored General Fund minimum reserve to 3%. The Legislature had previously lowered this reserve to 2.5% for the current 2017-2019 biennium
2019 - 2021 Budget - Tax Relief

• Increased direct property tax relief
  o Property Tax Credit Relief Fund: $550 Million--$102 Million in additional State support, $51 Million each fiscal year or an increase of 23% annually

  o Homestead Exemption: $92 Million--$7.9 Million in State Aid, a 9.4% increase for the biennium; 4.6% two-year average increase

• Veteran-Friendly Nebraska
  o Covering over 13,000 military veterans, we will exempt 50% of military retirement pay from Nebraska income tax

  o $15 Million in annual support for our veterans when fully implemented

  o $9.5 Million total funds for construction of additional housing capacity at the Eastern Nebraska Veterans’ Home to meet long-term care needs of Nebraska veterans
2019 - 2021 Budget - Education Funding

- **Fully Funding TEEOSA School Aid**
  - Record $1.1 Billion—a 10.65% increase (or $103.8 Million), for the biennium in additional State support for K-12 schools; 5.19% two-year average increase

- **Special Education**: Funding increased $4.6 Million, a 2% increase over the biennium

- **Jobs and Opportunities**
  - Provides $6.8 Million in Nebraska Talent Scholarships for students in targeted programs at our higher education institutions
  - Additional $2.5 Million for Developing Youth Talent Initiative over the current $500,000 for the biennium
2019 - 2021 Budget - Higher Ed Funding

Higher Education (General Fund Operations)

• University of Nebraska
  o $609.2 Million FY 2020-21 Recommendation
  o $15 Million, or 2.6% annual increase in FY 2019-20
  o $34.5 Million, or 6.0% increase FY 2020-21 over FY 2018-19

• State Colleges
  o $54.8 Million FY 2020-21 Recommendation
  o $1.6 Million, or 3.1% annual increase in FY 2019-20
  o $3.2 Million, or 6.2% increase FY 2020-21 over FY 2018-19

*Fully funded with General Funds the University & State Colleges’ request for salary and health costs*

• Community College System
  o $102.6 Million FY 2020-21 Recommendation
  o $2 Million, or 2.0% annual increase in FY 2019-20
  o $4 Million, or 4.0% increase FY 2020-21 over FY 2018-19
2019 - 2021 Budget - Other Priorities

• Investing in Corrections
  o $49 Million investment adding two high security housing units with capacity up to 384 new beds at the Lincoln Correctional Center to address security and capacity issues
  
  o Staffing and Programming increase of $6.6 Million total General Fund investment
  
  o Improving Information Technology support with a $3.9 Million total General Fund investment

• Fitting Medicaid Expansion in the Budget
  o Voter-approved Initiative 427 expanded Medicaid coverage to Nebraska residents
  
  o Requires an increase of $63.1 Million of General Funds including offsetting budget savings and $526.2 Million of federal fund increase over the biennium
2019 - 2021 Budget – HHS Funding

Department of Health and Human Services

• Operations (General Funds)
  o $240.9 Million FY 2020-21 Recommendation
  o -$573,731, or -0.2%, annual decrease in FY 2019-20
  o $4.2 Million, or 1.8%, increase in FY 2020-21 over FY 2018-19

• State Aid (General Funds)
  o $1.5 Billion FY 2020-21 Recommendation
  o $17.9 Million, or 1.3%, annual increase in FY 2019-20
  o $79.3 Million, or 5.7%, increase in FY 2020-21 over FY 2018-19

• Operations & Aid (All Funds)
  o $4.2 Billion FY 2020-21 Recommendation
  o $231.8 Million, or 6.4%, annual increase in FY 2019-20
  o $570.1 Million, or 15.7%, increase in FY 2020-21 over FY 2018-19
Other Specific 2019 - 2021 Recommendations (Cont.)

Department of Natural Resources

• Water Sustainability Fund
  o Restore transfer amount to $11 Million, an increase of $5 Million each year
    o Provide cost-shared financial assistance to programs, projects, or activities addressing water quantity/quality, flood mitigation, and other water-related issues

• Water Resources Cash Fund
  o Continues funding at $3.3 Million annually
    o Necessary for the state to meet its commitments with interstate compacts and agreements in fully and overappropriated river basins

Election Equipment Replacement
  o Utilize $6 Million cash funds for replacement of voter counting machines and allowance for a 10% county match
2019 - 2021 Appropriation Summary

• FY 2019-20 compared to the FY 2018-19 base
  o $143 Million increase
    o $68.5 Million increase – TEEOSA School Aid
    o $18.4 Million increase – Medicaid Expansion
  o 3.2% increase

• FY 2020-21 compared to FY 2019-20
  o $137.5 Million increase
    o $35.3 Million increase – TEEOSA School Aid
    o $26.3 Million increase – Medicaid Expansion
  o 3% annual increase

• FY 2019-21 Biennium increase
  o $280.5 Million over the unadjusted FY 2018-19 base
    o $103.8 Million increase – TEEOSA School Aid
    o $63.1 Million increase – Medicaid Expansion
  o 2 Year Average: 3.1% Annual Growth
2019 - 2021 Budget Summary

• No tax increases

• Increased direct property tax relief

• Veteran’s Tax Relief

• Nebraska Talent Scholarships

• Developing Youth Talent Initiative

• Fully financed investment in K-12 TEEOSA School Aid and increased special education by 2% for the biennium

• Investing in Corrections

• Fitting Medicaid Expansion within the budget

• Two-year average budget growth of 3.1% over FY 2018-19

• Structural balance
Legislative Initiatives – Tax Relief

Direct Property Tax Relief
• Provides for a floor of financing for the Property Tax Credit Relief Fund of $275 Million in statute

Reduce Spending, Lower Property Taxes
• Provide a Constitutional Amendment to limit revenue increases by political subdivisions
  • Limiting property tax revenue increases by locals is critical for any long-term property tax relief
Legislative Initiatives – Tax Relief

Tax Relief for Military and National Guard Retirees

• Exempts 50% of retirement pay for over 13,000 military and Guard veterans from Nebraska income taxes

• Allows Nebraska to remain competitive regionally and nationally when 29 states have already exempted retirement benefits from veterans

• Current tax break for veterans is outdated and unjust. This legislation will allow for a more equitable tax code for our veterans and their families
Legislative Initiatives – Customer Focus

More efficient, more effective and more customer focused State government

• Energy Office Merger with Environmental Quality
  o Enhance the functions of both agencies by combining their efforts to work on environmental quality and energy policies
  o More efficient and more effective service model with one agency to handle these efforts

• Boiler and Conveyance Merger with State Fire Marshal
  o Better aligns scope of work allowing for a more effective and more efficient service model
Legislative Initiatives Summary

• Direct Property Tax Relief

• Limit Property Tax Revenue Increases by Political Subdivisions

• Tax Relief for Our Veterans

• More efficient, more effective and more customer focused state government
## General Fund Financial Status

<table>
<thead>
<tr>
<th>Current Year FY2018-19</th>
<th>Upcoming Biennium FY2019-20</th>
<th>FY2020-21</th>
<th>Following Biennium FY2021-22</th>
<th>FY2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Beginning Balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2</strong> Beginning Cash Balance</td>
<td>$453,601,627</td>
<td>$312,443,933</td>
<td>$285,956,165</td>
<td>$293,805,801</td>
</tr>
<tr>
<td>3 Cash Reserve Fund transfer-Automatic</td>
<td>(61,995,773)</td>
<td>(69,266,000)</td>
<td>(50,000,000)</td>
<td>(50,000,000)</td>
</tr>
<tr>
<td><strong>4</strong> FY 2017-18 Carryover Obligations/Reappropriations</td>
<td>(252,544,467)</td>
<td>(252,544,467)</td>
<td>(252,544,467)</td>
<td>(252,544,467)</td>
</tr>
<tr>
<td>5 Reduce FY 2017-18 reappropriations</td>
<td>13,000,000</td>
<td>13,000,000</td>
<td>13,000,000</td>
<td>13,000,000</td>
</tr>
<tr>
<td><strong>5</strong> Allocation for potential deficits</td>
<td>(5,000,000)</td>
<td>(5,000,000)</td>
<td>(5,000,000)</td>
<td>(5,000,000)</td>
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<tr>
<td><strong>6</strong> Unobligated Beginning Balance</td>
<td>152,061,387</td>
<td>238,177,933</td>
<td>280,956,165</td>
<td>288,805,801</td>
</tr>
<tr>
<td><strong>7</strong> Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Net Receipts (Oct 2018 NEFAB; Following-LFO Hist. Avg)</td>
<td>4,800,000,000</td>
<td>4,890,000,000</td>
<td>5,000,000,000</td>
<td>5,286,000,000</td>
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<tr>
<td>9 General Fund transfers - out (current)</td>
<td>(230,300,000)</td>
<td>(227,000,000)</td>
<td>(227,000,000)</td>
<td>(227,000,000)</td>
</tr>
<tr>
<td>9a Continue Transfer to Water Resources Cash Fund</td>
<td>(3,300,000)</td>
<td>(3,300,000)</td>
<td>(3,300,000)</td>
<td>(3,300,000)</td>
</tr>
<tr>
<td>9b Restore Transfer Amount to Water Sustain. Fund</td>
<td>(5,000,000)</td>
<td>(5,000,000)</td>
<td>(5,000,000)</td>
<td>(5,000,000)</td>
</tr>
<tr>
<td>10 General Fund transfers - in (usual and customary)</td>
<td>in forecast</td>
<td>48,500,000</td>
<td>48,500,000</td>
<td>48,500,000</td>
</tr>
<tr>
<td>11 General Fund transfers - in (adjustment)</td>
<td>(1,500,000)</td>
<td>(1,500,000)</td>
<td>(1,500,000)</td>
<td>(1,500,000)</td>
</tr>
<tr>
<td>12 Cash Reserve Fund transfers (current)</td>
<td>48,000,000</td>
<td>48,000,000</td>
<td>48,000,000</td>
<td>48,000,000</td>
</tr>
<tr>
<td>13 Legislation - Military Retirement Tax Benefit</td>
<td>(5,077,000)</td>
<td>(12,471,000)</td>
<td>(13,171,000)</td>
<td>(13,908,000)</td>
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<tr>
<td>14 Legislation - National Guard Retirement Tax Benefit</td>
<td>(28,000)</td>
<td>(74,000)</td>
<td>(89,000)</td>
<td>(103,000)</td>
</tr>
<tr>
<td>15 Property Tax Credit Fund transfer increase</td>
<td>(51,000,000)</td>
<td>(51,000,000)</td>
<td>(51,000,000)</td>
<td>(51,000,000)</td>
</tr>
<tr>
<td>16 General Fund Net Revenues</td>
<td>4,616,172,000</td>
<td>4,647,049,000</td>
<td>4,749,640,000</td>
<td>4,986,426,000</td>
</tr>
<tr>
<td><strong>8</strong> Appropriations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19 2019 Claims Bill</td>
<td>107,133</td>
<td>107,133</td>
<td>107,133</td>
<td>107,133</td>
</tr>
<tr>
<td>20 FY 2019-21 Governor's Recommendation</td>
<td>(601,294)</td>
<td>143,536,649</td>
<td>281,605,742</td>
<td>281,605,742</td>
</tr>
<tr>
<td>21 Legislation - Medicaid Drug Rebates</td>
<td>(549,497)</td>
<td>(1,098,993)</td>
<td>(1,098,993)</td>
<td>(1,098,993)</td>
</tr>
<tr>
<td>22 Following Biennium - 3.5% Growth in Appropriations</td>
<td>447,393,405</td>
<td>618,983,636</td>
<td>618,983,636</td>
<td>618,983,636</td>
</tr>
<tr>
<td><strong>24</strong> Ending Balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25 Dollar ending balance</td>
<td>312,443,933</td>
<td>285,956,165</td>
<td>293,805,801</td>
<td>372,653,774</td>
</tr>
<tr>
<td>26 Minimum Biennial Reserve Requirement</td>
<td>226,377,516</td>
<td>280,772,823</td>
<td>306,521,674</td>
<td>306,521,674</td>
</tr>
<tr>
<td>27 Variance from Minimum Reserve</td>
<td>86,066,416</td>
<td>13,032,978</td>
<td>230,642,842</td>
<td>230,642,842</td>
</tr>
<tr>
<td>28 Biennial Reserve (%)</td>
<td>4.4%</td>
<td>3.1%</td>
<td>5.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td>29 Annual % Change - Appropriations (w/o Deficits)</td>
<td>1.3%</td>
<td>3.2%</td>
<td>3.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>30 Two Year Average (w/o Deficits)</td>
<td>0.5%</td>
<td>--</td>
<td>3.1%</td>
<td>--</td>
</tr>
<tr>
<td>31 Annual % Change - Net Receipts Forecast (Nominal)</td>
<td>6.0%</td>
<td>2.9%</td>
<td>2.2%</td>
<td>4.7%</td>
</tr>
<tr>
<td>32 Two Year Average</td>
<td>6.1%</td>
<td>--</td>
<td>2.6%</td>
<td>--</td>
</tr>
<tr>
<td>33 Structural Receipts v. Expend./Approps.</td>
<td>112,382,546</td>
<td>47,778,233</td>
<td>12,849,636</td>
<td>83,847,973</td>
</tr>
</tbody>
</table>
## Cash Reserve Fund Status

<table>
<thead>
<tr>
<th></th>
<th>Current Year FY2018-19</th>
<th>Next Biennium FY2019-20</th>
<th>Next Biennium FY2020-21</th>
<th>Following Biennium FY2021-22</th>
<th>Following Biennium FY2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Beginning Balance</td>
<td>339,990,065</td>
<td>333,549,124</td>
<td>402,815,124</td>
<td>348,115,124</td>
<td>348,115,124</td>
</tr>
<tr>
<td>2 Transfer Amounts Above Forecasts</td>
<td>61,995,773</td>
<td>69,266,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 To/From General Fund (current)</td>
<td>(48,000,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 To Nebr Capital Construction Fund (NCCF)</td>
<td>(20,436,714)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 To NCCF for Capital</td>
<td></td>
<td></td>
<td></td>
<td>(54,700,000)</td>
<td></td>
</tr>
<tr>
<td>Type</td>
<td>FY 2019-20 over FY 2018-19</td>
<td>FY 2019-20 Annual % Chg</td>
<td>FY 2020-21 over FY 2019-20</td>
<td>FY 2020-21 Annual % Chg</td>
<td>FY 2020-21 over FY 2018-19</td>
</tr>
<tr>
<td>------------------------------------</td>
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</tr>
<tr>
<td>Agency Operations</td>
<td>29,791,208</td>
<td>1.95%</td>
<td>40,361,238</td>
<td>2.59%</td>
<td>70,152,446</td>
</tr>
<tr>
<td>State Aid</td>
<td>96,804,133</td>
<td>3.33%</td>
<td>108,395,381</td>
<td>3.73%</td>
<td>205,199,514</td>
</tr>
<tr>
<td>Aid to Local Governments</td>
<td>75,961,737</td>
<td>5.12%</td>
<td>44,373,299</td>
<td>2.85%</td>
<td>120,335,036</td>
</tr>
<tr>
<td>Aid to Individuals/Other</td>
<td>20,842,396</td>
<td>1.47%</td>
<td>64,022,082</td>
<td>4.44%</td>
<td>84,864,478</td>
</tr>
<tr>
<td>Capital Construction</td>
<td>16,391,811</td>
<td>75.40%</td>
<td>(11,237,022)</td>
<td>-29.47%</td>
<td>5,154,789</td>
</tr>
<tr>
<td>Total Appropriation Changes</td>
<td>142,987,152</td>
<td>3.21%</td>
<td>137,519,597</td>
<td>2.99%</td>
<td>280,506,749</td>
</tr>
</tbody>
</table>

Notes:
FY 2018-19 base appropriation prior to 2019 session
State of Nebraska

Executive Budget Presentation
2019 – 2021 Biennium

Questions and Answers?