

**STATE OF NEBRASKA
FY2005-06 / FY2006-07
BIENNIAL BUDGET**

**As Enacted in the
99th Legislature-First Session**

August 2005

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Introduction

This report contains a summary of the initial appropriations and budget actions for the FY2005-06 and FY2006-07 biennium as enacted during the 2005 Legislative Session. These are not the final appropriations as both fiscal years numbers can be changed during the 2006 Legislative Session, and FY2006-07 can further be changed during the 2007 Legislative Session. The following is a brief description of what can be found in the various sections of this report.

General Fund Financial Status The state's General Fund financial status is displayed here, both the projected status at Sine Die of the 2005 Session (June) as well as the current status incorporating changes that have occurred since that time. Also included is a detailed chronology of the Financial Status for both the FY04/FY05 Biennium and FY05/FY06 Biennium.

General Fund Revenues This section details General Fund revenue projections, an overview of the growth in revenue both projected and historical, and lists legislation enacted during the 2005 Legislative Session that impact revenues.

General Fund Appropriations This section provides detailed information on General Fund appropriations as enacted during the 2005 Legislative Session including state totals, agency totals, historical appropriations, various breakdowns by operations and state aid, and state aid listed by individual aid programs. This section also includes an extensive listing of the major changes in the budget as well as narrative descriptions of some of the major spending areas, both agency operations and state aid programs. A listing of General Fund "A" bills and vetoes and overrides is also included.

Appropriations-All Fund Sources While previous sections relate to the General Fund, this section provides a summary of appropriations from all fund sources (General, Cash, Federal, and Revolving) including state totals, by agency, and by bill enacted.

Capital Construction A complete listing of all new and reaffirmed construction projects, from all fund sources, is included in this section.

FY2004-05 Deficit Appropriations This section provides a detailed listing of all FY2004-05 deficiency appropriations. Also included is a chronology of FY2004-05 appropriations from when first enacted in the 2003 Session to the final appropriations after the 2005 Session.

Definition of Terms This section of the report provides descriptions of the various terms used in this report as well as a complete chronology and description of the states' budget process.

Legislative Fiscal Office Staff The last section includes a numerical listing of all state agencies and the Legislative Fiscal Office staff assigned to that agency. Also included are phone numbers and email addresses of the LFO staff.

Highlights

While details as to specific funding items, revenues, and balances are contained in the following sections, there are several highlights to address at the start.

General Fund Financial Status, Significantly Improved

At the start of the 2005 Legislative Session, the projected financial status for the FY06/FY07 biennium showed a \$460 million shortfall. In other words, the projected ending balance for the biennium was \$460 million below the statutory required 3% minimum reserve. At Sine Die of the 2005 Session, the final budget reflected a small \$8.3 million surplus, a \$469 million improvement in the financial status compared to the start of the session.

Change in the Financial Status	(millions)	% of Total
Variance from Minimum Reserve: Start of Session	(\$460.3)	--
Variance from Minimum Reserve: Sine Die	8.3	--
Total Change in Financial Status	\$468.7	--
Additional Revenues (revised forecasts, fund lapses)	294.1	62.8%
Low Level Waste Settlement from Cash Reserve Fund	145.8	31.1%
Lower than projected appropriations	80.4	17.1%
Revenue Bills Enacted	(43.0)	-9.2%
Changes in minimum reserve	(8.6)	-1.8%
Total Change in Financial Status	\$468.7	100.0%

The largest component of this improvement came from the February and April revisions in the revenue forecasts. Over the three years affecting the FY06/FY07 biennial budget, revenue forecasts increased by

\$363 million of which \$240 million was retained in the General Fund and \$123 million transferred to the Cash Reserve Fund by law. With cash fund lapses of \$54 million, the net amount of available General Fund revenues increased by \$294 million.

The additional monies in the Cash Reserve Fund then allowed for the costs of the Low Level Radioactive Waste (LLRW) settlement to be shifted from General Funds to Cash Reserve Funds improving the General Fund financial status by \$145.8 million. Finally, overall appropriations (other than the LLRW settlement), were \$80 million below projections at the start of the session. About \$33 million is attributed to the passage of LB 503 which provided for an increase in school and teacher retirement contributions to offset a large shortfall in the retirement plan that had originally been a General Fund obligation. Another \$34 million relates to lower than requested provider rate increases for Medicaid and Public Assistance programs..

Cash Reserve Fund, Significantly Improved

The unobligated balance in the Cash Reserve Fund is projected to be \$240.9 million at the end of the four year period even with uses of the fund as enacted in the 2005 Session. This is \$175 million higher than the \$66 million balance projected at the end of the last session. Since last session an additional \$370 million of revenues are expected to be credited to the Cash Reserve Fund as actual receipts exceeded certified forecasts, \$108.7 million of actual FY03-04 receipts and \$261.7 million of actual FY04-05 receipts. Of this additional \$370

million amount, \$171 million is retained as an increased balance, \$145.8 million is used to finance the Low Level Radioactive Waste settlement, \$38.6 million is transferred to the General Fund to cover the projected future shortfalls in the defined benefit retirement plans as noted below, and \$15 million transferred to the Job Training Cash Fund to expand available monies for that purpose,

Revenue Growth, Modest

The enacted budget and Financial Status at Sine Die were based on the April 2005 revenue forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB) for the current year (FY2004-05) and the two years of the biennial budget (FY2005-06 and FY2006-07) adjusted for revenue legislation enacted. Revenue growth was projected at 7.7% for FY04-05 (well above the 24 year average of 5.4%) but declining to below average over the next two years, 4.2% in FY05-06 and 3.9% in FY06-07. Rates of growth are adjusted for rate and base changes.

Since that time, FY04-05 has been completed and actual receipts were \$48 million above the April forecast. This increased the adjusted revenue growth for FY05 from 7.7% in April to 9.0%. Since the FY05-06 revenue estimate has not changed, the higher number in FY04-05 causes the growth in FY05-06 to decline to 2.6%. The Nebraska Economic Forecast Advisory Board (NEFAB) is scheduled to meet again in October to review their current forecasts and consider potential changes.

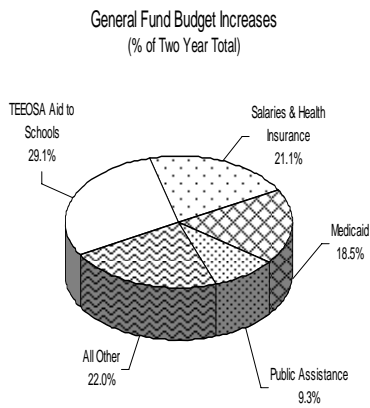
Budget Growth, Above Average

Growth in the General Fund budget is significantly higher than the past several years, 7.8% in FY2005-06 and 6.4% in FY2006-07, an average of 7.1% per year. When taking into consideration the very low growth in the past three years, the five year average is 3.9%

	Change from FY04-05 base year			% of Increase	Two Yr Avg Growth	Over the two years of the biennium, General Fund spending would be \$619 million more than if the budget was
	FY2005-06	FY2006-07	2 Yr total			
Agency Operations	61,877,382	122,623,512	184,500,894	29.8%	5.9%	frozen at the current FY2004-05 level. These additional funds are relatively even across the three major areas: \$200 million for aid to individuals, \$227.1 million for aid to local governments, and \$184 million for agency operations and capital construction.
Aid to Individuals	65,332,235	135,199,240	200,531,475	32.4%	8.3%	
Aid to Local Governments	82,842,563	144,587,544	227,430,107	36.7%	7.5%	
Capital Construction	4,304,165	2,304,215	6,608,380	1.1%	5.9%	
Total General Funds	214,356,345	404,714,511	619,070,856	100.0%	7.1%	

frozen at the current FY2004-05 level. These additional funds are relatively even across the three major areas: \$200 million for aid to individuals, \$227.1 million for aid to local governments, and \$184 million for agency operations and capital construction.

Spending growth for aid to individuals and aid to local governments are major contributors to the overall spending growth. Growth in aid to individuals is mostly attributed to Medicaid (7.9% average) and Public Assistance (10.2% average), while the growth in aid to local governments is largely TEEOSA school aid (8.9% average growth). Agency operations increased an average of 5.9% driven by large increases for the University of Nebraska and State Colleges (6.8% average). To a great extent, the high growth in higher education funding reflects the fact that General Fund appropriations would finance close to 100% of budgeted costs. This moderates the need for tuition increases which was deemed



important considering budget reductions of the last several years and the fact that average annual tuition rate increases were approximately 10% for the past four years.

Only four areas account for about 78% of the net increase in the budget over the two year period including one from each of the three major categories of spending: TEEOSA School Aid (29.1%), employee salary and health insurance increases (21.1%), Medicaid (18.5%), and Public Assistance programs (9.36%). No other item accounts for more than 3.5% of the overall budget increase.

Economic Development Emphasis

A significant emphasis was placed on economic development during the 2005 Session.

LB 312 was an omnibus economic development bill that (1) adopted the Nebraska Advantage Act, a multi-faceted tax incentive to replace the Employment and Investment Growth Act, (2) adopted the Nebraska Advantage Research and Development Act which created a tax credit for increases in research and development spending, (3) adopted the Nebraska Microenterprise Tax Credit Act to grant refundable tax credits for investing in microenterprises, (4) renamed the Employment Expansion and Investment Incentive Act as the Nebraska Advantage Rural Development Act and created an additional tier of benefits under that act for counties less than 15,000 if the company increases employment by only two jobs and invests only \$125,000, and (5) provided a sales tax exemption for manufacturing machinery and equipment.

LB 90 was enacted which included several economic development programs. LB 90 establishes the *Building Entrepreneurial Communities Act*. Priority would be given to projects that would alleviate chronic economic distress. Funding of \$250,000 General Funds is appropriated each year. Also in LB90, the *Agricultural Opportunities and Value-Added Partnerships Act* provides grants to strengthen value-added enterprises funded at \$850,000 General Funds per year. The act's provisions are virtually identical to the provisions of a former law, first enacted in 2000 (LB 1348) and expired January 1, 2004. The bill also increased the amount transferred from the General Fund to the *Ethanol Production Incentive Cash Fund (EPIC)* fund by \$2,500,000 annually and extends the transfers through FY2010-011 and increased the grain checkoff credited to the EPIC fund

LB 427 includes a one-time \$15 million transfer from the Cash Reserve Fund to the Job Training Cash Fund. A corresponding increase in cash fund appropriation authority was included in LB 425. This provides a substantial increase in available job training funds and supplements the economic development efforts included in LB90 and LB312.

LB 425, the mainline budget bill, included a \$250,000 increase in the Microenterprise Program. This would double the amount of funding available for the program which

provides loans to microenterprises and technical assistance to individuals operating microenterprises and small businesses. The bill also included new funding of \$350,000 in FY05-06 and \$500,000 in FY06-07 tourism matching grants. These additional funds will be earmarked as state aid and designated as matching grants to assist local tourism groups with advertising, marketing and promotional efforts.

Low Level Radioactive Waste Lawsuit, Settled and Paid

In December 1998 the Central Interstate Low-Level Radioactive Waste Commission, US Ecology, and several major generators of low-level radioactive waste in the compact region, filed a lawsuit alleging that the State of Nebraska acted in bad faith in making its determination to deny US Ecology's license application. In September 2002, a federal court issued a decision against the State of Nebraska ruling that the state must pay damages totaling \$151 million dollars. After over six years of litigation, in early August 2004 the state reached a settlement agreement with the Commission. Payment options were a lump sum payment of \$145,811,367 (payable August 1, 2005) consisting of the \$140,541,077 settlement amount plus \$5,270,290 interest or four payments of \$38,489,809 on August 1 of 2005, 2006, 2007, and 2008 totaling \$153,959,235. The budget as enacted funded the option of a single lump sum payment of \$145,811,367 payable August 1, 2005. This will be paid from a newly created cash fund and financed with a like amount of funds transferred from the Cash Reserve Fund.

Retirement Shortfall, Defined Benefit Plans

Mellon Consultants, actuary for the Retirement Board, identified a \$17 million "shortfall" in annual contributions to the three defined benefit retirement plans as of July 1, 2004. For this \$17 million problem in FY05-06, the legislature enacted higher employer / employee contribution rates for the School and Patrol plans, and increased court fees for the Judges plan. These provisions completely cover the "known" shortfall for FY05-06 and no additional state funding is needed.

However, based on additional estimates by Mellon Consultant, it's very likely that the \$17 million shortfall will actually increase for two more years. Shortfalls could increase to \$32.9 million in FY06-07 and \$34.3 million in FY07-08 before falling back to \$21.4 million in FY08-09, \$4.7 million in FY2009-10, and \$1.7 million in FY2010-11. In FY06-07, the budget includes additional state General Fund appropriations to cover the projected shortfall amount above the FY06 level that's not covered by LB 503 and LB 348 financed by transfers from the Cash Reserve Fund to the General Fund. For planning purposes, the same rationale used in FY06-07 is applied to FY07 and FY09. The first \$17 million of the shortfall would be covered by higher employer/employee contributions and court fees, and amounts above that would be covered by state appropriations financed with Cash Reserve fund transfers. Because LB 503 is only operative for two years, this scenario would require an extension of LB 503 contributions levels into FY07-08 and FY08-09 if the shortfall levels actually occur.

GENERAL FUND FINANCIAL STATUS

General Fund Financial Status

Tax Rate Review Committee (7/19/05)

	Current Yr		Biennial Budget		Following Biennium	
	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	
1 <u>BEGINNING BALANCE</u>						
2 Beginning Cash Balance	176,438,015	403,258,772	147,275,111	193,304,983	142,987,105	
3 Cash Reserve transfers-automatic	(108,727,007)	(261,715,297)	0	0	0	
4 Carryover obligations from FY04	0	(110,947,295)	0	0	0	
5 Lapse FY05 carryover obligations	0	6,000,000	0	0	0	
6 Allocation for potential deficits	0	0	(5,000,000)	(5,000,000)	(5,000,000)	
7 Unobligated Beginning Balance	67,711,008	36,596,180	142,275,111	188,304,983	137,987,105	
8 <u>REVENUES</u>						
9 Net Receipts (Actual+April 05 NEFAB+2005 Bills)	3,031,634,318	3,092,258,000	3,202,293,000	3,314,281,000	3,450,509,000	
10 General Fund transfers-out	(1,640,000)	(4,140,000)	(4,140,000)	(5,640,000)	(2,640,000)	
11 General Fund transfers-in	in receipts	in receipts	in receipts	0	0	
12 Cash Reserve transfers-legislative	26,000,000	0	15,674,107	10,177,767	4,990,505	
13 General Fund transfers-In (2006 Session)	0	0	0	0	0	
14 Revenue/Bills (2006 Session)	0	0	0	0	0	
15 General Fund Net Revenues	3,055,994,318	3,088,118,000	3,213,827,107	3,318,818,767	3,452,859,505	
16 <u>APPROPRIATIONS</u>						
17 Actual Expenditures/Appropriations	2,720,446,554	2,972,439,069	3,162,797,235	3,162,797,235	3,162,797,235	
18 Projected increases, following biennium	0	0	0	216,367,501	472,868,434	
19 Assume extension, LB 503 retirement contributions	0	0	0	(15,028,091)	(15,028,091)	
20 Midbiennium adjustments (2006 Session)	0	5,000,000	0	0	0	
21 "A" Bills (2006 Session)	0	0	0	0	0	
22 General Fund Appropriations	2,720,446,554	2,977,439,069	3,162,797,235	3,364,136,645	3,620,637,578	
23 <u>ENDING BALANCE</u>						
24 Dollar ending balance (Financial Status as shown)	403,258,772	147,275,111	193,304,983	142,987,105	(29,790,968)	
25 Dollar ending balance (at Minimum Reserve)			-- 187,674,425	--	202,863,590	
26 Excess (shortfall) from Minimum Reserve			-- 5,630,558	--	(232,654,558)	
27 Biennial Reserve (%)			3.1%		-0.4%	
General Fund Appropriations						
28 Annual % Change - Appropriations	3.9%	7.8%	6.4%	6.4%	7.6%	
29 Two Year Average	2.6%	--	7.1%	--	7.0%	
General Fund Revenues						
30 Est. Revenue Growth (rate/base adjusted)	9.0%	2.6%	4.1%	4.5%	4.7%	
31 Five Year Average	3.3%	--	4.7%	--	5.0%	

CASH RESERVE FUND	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09
Projected Ending Balance-Cash Reserve Fund	177,167,720	273,616,790	256,158,267	245,980,500	240,989,995

General Fund Financial Status

Sine Die 2005 Session

	Current Yr	Biennial Budget		Following Biennium	
	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09
1 <u>BEGINNING BALANCE</u>					
2 Beginning Cash Balance	176,438,015	249,677,159	146,835,090	192,864,962	142,547,084
3 Cash Reserve transfers-automatic	(108,727,007)	(213,521,000)	0	0	0
4 Carryover obligations from FY04	(95,953,260)	0	0	0	0
5 Lapse FY05 carryover obligations	16,696,563	0	0	0	0
6 Allocation for potential deficits	0	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	(11,545,689)	31,156,159	141,835,090	187,864,962	137,547,084
8 <u>REVENUES</u>					
9 Net Receipts (April 05 NEFAB+2005 Bills)	2,989,000,000	3,092,258,000	3,202,293,000	3,314,281,000	3,450,509,000
10 General Fund transfers-out	(1,640,000)	(4,140,000)	(4,140,000)	(5,640,000)	(2,640,000)
11 General Fund transfers-in		in receipts	in receipts	0	0
12 Cash Reserve transfers-legislative	26,000,000	0	15,674,107	10,177,767	4,990,505
13 General Fund transfers-In (2006 Session)	0	0	0	0	0
14 Revenue/Bills (2006 Session)	0	0	0	0	0
15 General Fund Net Revenues	3,013,360,000	3,088,118,000	3,213,827,107	3,318,818,767	3,452,859,505
16 <u>APPROPRIATIONS</u>					
17 Appropriations per 2005 Session	2,752,137,152	2,972,439,069	3,162,797,235	3,162,797,235	3,162,797,235
18 Projected increases, following biennium	0	0	0	216,367,501	472,868,434
19 Assume extension, LB 503 retirement contributions	0	0	0	(15,028,091)	(15,028,091)
20 Midbiennium adjustments (2006 Session)	0	0	0	0	0
21 "A" Bills (2006 Session)	0	0	0	0	0
22 General Fund Appropriations	2,752,137,152	2,972,439,069	3,162,797,235	3,364,136,645	3,620,637,578
23 <u>ENDING BALANCE</u>					
24 Dollar ending balance (Financial Status as shown)	249,677,159	146,835,090	192,864,962	142,547,084	(30,230,989)
25 Dollar ending balance (at Minimum Reserve)		--	184,604,891	--	202,850,774
26 Excess (shortfall) from Minimum Reserve		--	8,260,071	--	(233,081,762)
27 Biennial Reserve (%)			3.1%		-0.4%
<u>General Fund Appropriations</u>					
28 Annual % Change - Appropriations	3.9%	7.8%	6.4%	6.4%	7.6%
29 Two Year Average	2.6%	--	7.1%	--	7.0%
<u>General Fund Revenues</u>					
30 Est. Revenue Growth (rate/base adjusted)	7.7%	4.2%	3.9%	4.3%	4.7%
31 Five Year Average	3.0%	--	4.7%	--	5.0%

CASH RESERVE FUND	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09
Projected Ending Balance-Cash Reserve Fund	177,167,720	225,422,493	207,963,970	197,786,203	192,795,698

Chronology of the General Fund Financial Status

Sine Die 2004

At Sine Die of the 2004 Session, the projected financial status for the FY06/FY07 biennium reflected a \$294.7 million projected shortfall from the minimum reserve. At that point, FY06/FY07 was the “out year” in the five year financial status and there was no projection for FY08/FY09 biennium.

July 2004

At the July 2004 meeting of the Tax Rate Review Committee (TRR), the General Fund financial status improved slightly even though FY03-04 actual receipts were \$108.7 million above forecast. By statute these excess revenues were transferred to the Cash Reserve Fund.

November 2004

The financial status deteriorated between July 2004 and November 2004 when the TRR committee again met. The shortfall from the minimum reserve grew from \$291 million to \$430 million due to several factors. Most occurred with increases in the projected budget based on agency requests (Public Assistance and Homestead Exemption), revised TEEOSA estimates, and a higher salary increase assumption. Higher FY04-05 revenue forecasts were offset by an assumed transfer of a like amount to the Cash Reserve Fund as “above certified” amounts. Original NEFAB forecasts for FY06 and FY07 were a combined \$33 million below the previously used preliminary LFO revenue estimates. A \$14.2 million improvement was incurred by replacing the \$160 million estimated payout for the Low Level Radioactive Waste lawsuit payout with the \$145.8 million settlement.

The financial status declined by an additional \$30 million (to \$460 million) in December 2004 with the inclusion of higher salary increases (\$9.1 million in FY06 and \$20.9 million in FY07) with salary contract settlements with NAPE and SLEBEC (law enforcement). The NAPE contract called for 3% and 3.25% annual increases versus the previously used estimate of 2% per year.

Impact on Variance from Min Reserve (Millions of \$)	FY05	FY06	FY07	Total
Higher TEEOSA aid estimates (Oct 2004 Joint Meeting)	0.0	(18.5)	(28.4)	(46.9)
Higher salary increase assumption (1% to 2.0% per year)	0.0	(8.3)	(16.9)	(25.2)
Public Assistance, request above projected	0.0	(7.0)	(15.6)	(22.6)
Homestead Exemption, request above projected	0.0	(6.0)	(9.4)	(15.4)
Revised estimate of budget increases, all other	0.0	(4.5)	(6.9)	(11.4)
Revenue Forecasts (revised/original Oct 2004)	90.5	33.3	(66.3)	57.5
Transfer revised FY05 forecast above certified	(90.5)	0.0	0.0	(90.5)
LLRW Payout, \$145.8 settlement vs \$160 estimate	0.0	14.2	0.0	14.2
Salary increase to NAPE and SLEBEC settlements	0.0	(9.1)	(20.9)	(30.0)
July-Nov 2004 - Total Change	0.0	(5.9)	(163.5)	(169.4)

Appropriations Committee Preliminary Budget (February 2005)

At the preliminary budget stage, the shortfall was reduced from \$460.3 million to \$61.3 million by cash fund lapses, use of "above certified" revenues automatically transferred to the Cash Reserve Fund, lower deficits and lapse of prior year carryover appropriations and lower than projected increases in the budget as noted below

Impact on Variance from Min Reserve (millions)	FY05	FY06	FY07	Total
Lapse FY05 carryover obligations	16.7	0.0	0.0	16.7
Cash Fund lapses	0.0	27.6	26.5	54.1
Cash Reserve Fund lapses	0.0	52.0	21.0	73.0
Reserve change	0.0	0.0	(4.5)	(4.5)
Subtotal-Revenue	16.7	79.6	43.0	139.3
Lower Deficits (\$-5.9 vs. +\$5.0)	10.9	0.0	0.0	10.9
Shift LLRW lawsuit payout to CRF	0.0	145.8	0.0	145.8
TEEOSA school aid	0.0	(4.5)	9.3	4.8
Retirement, defined benefit plans, assume LB503	0.0	16.4	16.4	32.8
Special Education, no increase	0.0	8.2	16.8	25.0
Medicaid below request	0.0	8.2	17.6	25.8
Public Assistance below request	0.0	8.5	9.8	18.3
Health Insurance savings, CY05 contract	0.0	3.2	3.2	6.4
County Property Tax Relief, no funding	0.0	3.0	3.2	6.2
Salary/health insurance above estimated (All)	0.0	(5.1)	(8.1)	(13.2)
All Other	0.0	(0.2)	(2.9)	(3.1)
Subtotal-Appropriations	10.9	183.5	65.3	259.7
Total Change	27.6	263.1	108.3	399.0

February 2005 Revenue Forecast Revisions

Revised revenue forecasts in February turned the \$61.3 million "shortfall" into a \$133 million "surplus". The Nebraska Economic Forecasting Advisory Board (NEFAB) increased the forecasts by \$83 million in FY04-05, \$90 million in FY05-06 and \$110 million in FY06-07. Of this \$283 million increase in revenues, \$83 million related to the FY04-05 increase would be transferred to the Cash Reserve Fund. Current law requires that revenues above a certified level be transferred to the Cash Reserve Fund.

Impact on Variance from Min Reserve (millions)	FY05	FY06	FY07	Total
Revenue Forecasts (Feb 2005)	83.0	90.0	110.0	283.0
Transfer revised FY05 forecast above certified	(83.0)	0	0.0	(83.0)
Reserve change / misc adjustments	0.0	0.4	(5.7)	(5.3)
Total Change	0.0	90.4	104.3	194.7

Appropriations Committee Post Hearing Adjustments (April 2005)

Actions taken by the Appropriations Committee after the budget hearings took the \$133 million "surplus" to a revised \$22 million estimate in several ways.

First, \$73 million was removed with the deletion of the originally proposed Cash Reserve Fund transfer. While this transfer was appropriate when proposed at a time of a substantial negative

budget situation, this one-time revenue source was not deemed prudent for purposes of funding on-going budget actions in light of the substantial increase in forecasts.

Of the remaining \$62 million, the Committee utilized \$40 million for post hearing adjustments, a large portion for the 3% per year increase in Special Education, water policy task force implementation costs, and several one-time construction projects. This left \$22 million for floor actions and A Bills

<u>Impact on Variance from Min Reserve (millions of \$)</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>Total</u>
Reverse preliminary Cash Reserve Fund transfer	0.0	(52.0)	(21.0)	(73.0)
Change in Minimum Reserve	0.0	0.0	2.1	2.1
Total Change- Cancel Preliminary CRF transfer	0.0	(52.0)	(18.9)	(70.9)
<u>Impact on Variance from Min Reserve (millions of \$)</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>Total</u>
Special education (3% per year increase)	0.0	(4.8)	(9.8)	(14.6)
Construction projects (CPACS, Sparks, Capital cash flow)	0.0	(4.9)	(2.6)	(7.5)
Additional General Funds, Water Policy Task Force.	0.0	(6.0)	1.5	(4.5)
Increase higher ed student financial aid	0.0	(1.2)	(1.2)	(2.4)
Increase funding, child advocacy centers	0.0	(0.8)	(0.8)	(1.5)
Substance abuse treatment, community corrections	0.0	(1.3)	(1.3)	(2.5)
Gen Fund support, community health centers	0.0	(0.9)	(0.9)	(1.8)
Projected retirement shortfall above FY05-06 level	0.0	0.0	(15.7)	(15.7)
All Other post hearing items	0.0	(2.9)	(2.4)	(5.3)
CRF transfers, retirement shortfall	0.0	0.0	15.7	15.7
Less: Change in Minimum Reserve	0.0	0.0	(0.4)	(0.4)
Total Change-Post Hearing Adjustments	0.0	(22.7)	(17.8)	(40.5)

April 2005 Revenue Forecast Revisions

The NEFAB met again in April to review their previous forecasts and again increased the forecasts by \$40 million in FY04-05, \$200 million in FY05-06 and \$20 million in FY06-07. Again, under current law, the \$40 million additional revenues from FY04-05 are required to be transferred to the Cash Reserve Fund

The net \$38.8 million gain increased from \$22 million to \$60.8 million the amount available for floor action and A bills (ie... the amount above the minimum reserve)

<u>Impact on Variance from Min Reserve (millions of \$)</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>Total</u>
Revenue Forecasts (revised April 2005)	40.0	20.0	20.0	80.0
Transfer revised FY05 forecast above certified	(40.0)	0.0	0.0	(40.0)
Change in Minimum Reserve	0.0	0.0	(1.2)	(1.2)
Total Change-Post Hearing Adjustments	0.0	20.0	18.8	38.8

Floor Actions - 2005 Session

Budget actions from the time the Appropriations Committee submitted their recommendations to final enactment of the budget consist of (1) revised revenue forecasts in April, (2) floor amendments, (3) Governor vetoes and overrides, and (4) enactment of revenue and spending legislation.

A total of \$15.8 million was added to the budget over the two year period including \$10.1 million for Special Education and Early Childhood programs and \$4.96 million for restoring the Committee proposed cut in aid to municipalities. This restoration of city aid was then offset through increased revenues by an amendment to LB426 which continued diversion of MIRF funding to the General Fund..

The Governor vetoed a total of \$5 million over the two year period in eleven different areas. Most were scaling back increases included in the Committee proposed budget. Although there were several override attempts, none were successful.

A total of \$43.4 million was utilized over the two year period for new revenue and spending bills. This includes a net \$38 million of revenue reductions, of which \$24 million is for the sales tax exemption for manufacturing equipment, and \$5.4 million for new spending of which half related to LB90 and funds for the Rural Development Commission, Building Entrepreneurial Communities grants, and restoration of the Ag Opportunities and Value Added program.

<u>Impact on Variance from Min Reserve (millions of \$)</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>Total</u>
Floor Amendments-Appropriations	0.0	(7.5)	(8.3)	(15.8)
Floor Amendments-Revenues (impact of MIRF shift)	0.0	2.5	2.5	5.0
Floor Amendments-Transfer CRF to Job Training fund	0.0	0.0	0.0	0.0
Governor vetoes	0.0	2.4	2.6	5.0
2005 Revenue/Transfer Bills	0.0	(12.6)	(30.4)	(43.0)
2005 "A" Bills	0.0	(2.9)	(2.4)	(5.4)
Misc changes and corrections	0.0	0.3	0.3	0.5
Change in Minimum Reserve	0.0	0.0	1.2	1.2
Total Change-2005 Floor Actions	0.0	(17.8)	(34.7)	(52.5)

FY2004-05 Actual Data

Actual receipts for FY2004-05 were \$48.2 million above the forecast used at Sine Die of the 2005 Session. The General Fund financial status does not change with these above forecast revenues as actual receipts in excess of the certified forecast (July 2004) are transferred to the Cash Reserve Fund. An assumed \$6 million lapse of unexpended appropriations is offset by several end of year accounting adjustments. The amount of the minimum reserve increases by \$3.1 million due to a technical change in the calculation of the reserve attributed to assuming 100% expenditure of funds in FY05 at Sine Die versus less than 100% expenditure with FY05 actual data but offsetting carryover of unexpended appropriations at the start of the next year.

<u>Impact on Variance from Min Reserve (millions of \$)</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>Total</u>
FY05 Actual vs Est General Fund Net Receipts	48.2	0.0	0.0	48.2
FY05 Actual vs Est CRF transfers-automatic	(48.2)	0.0	0.0	(48.2)
FY05 Actual vs Est Accounting adjustment	(5.6)	0.0	0.0	(5.6)
Assumed lapse, FY05 unexpended	6.0	0.0	0.0	6.0
Change in Minimum Reserve	0.0	0.0	(3.1)	(3.1)
Total Change-FY05 Actual Data	0.4	0	(3.1)	(2.6)

Table 1 Chronology of the Financial Status

Millions of Dollars	FY 2004-05	FY 2005-06	FY 2006-07	3 Yr Total	FY 2007-08	FY 2008-09	5 Yr Total
Sine Die 2004 Session	(294.7)				NA		
Plus: Lower carryover obligations from FY02-03	0.0	0.0	0.0	2.7	na	na	na
Plus: FY04 Actual vs Est General Fund Net Receipts	0.0	0.0	0.0	108.7	na	na	na
Less: FY04 Actual vs Est CRF transfers-automatic	0.0	0.0	0.0	(108.7)	na	na	na
Plus: FY04 Actual vs Est Accounting adjustment	0.0	0.0	0.0	1.0	na	na	na
Plus: Assumed lapse, FY03 unexpended	0.0	0.0	0.0	0.2	na	na	na
Plus: Adjust current and "out year" approp numbers	0.0	0.0	0.0	0.1	na	na	na
Less: Change in Minimum Reserve	0.0	0.0	(0.2)	(0.2)	na	na	na
July 2004 Tax Rate Review Committee	(290.9)				NA		
Less: Revised TEEOSA estimates (Oct 2004 Meeting)	0.0	(18.5)	(28.4)	(46.9)	na	na	na
Less: Salary increase assumption from 1% to 2.0%	0.0	(8.3)	(16.9)	(25.2)	na	na	na
Less: Public Assistance, request vs projected	0.0	(7.0)	(15.6)	(22.6)	na	na	na
Less: Homestead Exemption, request vs projected	0.0	(6.0)	(9.4)	(15.4)	na	na	na
Less: Revised estimate of budget increases, all other	0.0	(4.5)	(6.9)	(11.4)	na	na	na
Plus: Revenue Forecasts (revised/original Oct 2004)	90.5	33.3	(66.3)	57.5	na	na	na
Less: Transfer revised FY05 forecast above certified	(90.5)	0.0	0.0	(90.5)	na	na	na
Plus: LLRW Payout, \$145.8 settlement vs \$160 est	0.0	14.2	0.0	14.2	na	na	na
Less: Change in Minimum Reserve	0.0	0.0	0.9	0.9	na	na	na
Nov. 2004 Tax Rate Review Committee	(430.3)				(672.1)		
Less: Salary increase NAPE (3%+ 3.25%) and SLEBEC	0.0	(9.1)	(20.9)	(30.0)	(21.3)	(21.7)	(73.0)
Less: Change in Minimum Reserve	0.0	0.0	0.0	0.0	0.0	0.7	0.7
Start of 2005 Session	(460.3)				(744.4)		
Plus: Committee Prelim FY05 deficits vs \$5M allocation	0.0	10.9	0.0	10.9	0.0	0.0	10.9
Plus: Lapse excess reappropriations	0.0	16.8	0.0	16.8	0.0	0.0	16.8
Plus: TEEOSA school aid, certified vs estimate	0.0	(4.5)	9.3	4.8	1.4	(3.2)	2.9
Plus: Increase not in Prelim-defined benefit retirement	0.0	16.4	16.4	32.9	16.4	16.4	65.8
Plus: Increase not in Prelim-Special Education	0.0	8.2	16.8	25.0	16.8	16.8	58.6
Plus: Increase not in Prelim-Medicaid	0.0	8.2	17.6	25.8	17.6	17.6	60.9
Plus: Increase not in Prelim-Public Assistance	0.0	8.5	9.8	18.3	9.8	9.8	37.9
Plus: Increase not in Prelim-County Prop Tax Relief	0.0	3.0	3.1	6.1	3.1	3.1	12.4
Plus: Reduction not in pre-session est-health insurance	0.0	3.2	3.2	6.3	3.2	3.2	12.7
Less: Increase not in pre-session est-Salaries	0.0	(5.1)	(8.1)	(13.2)	(8.1)	(8.1)	(29.3)
Less: All other items in Prelim not in pre-session est (net)	0.0	(0.2)	(2.9)	(3.0)	(0.1)	3.9	0.7
Plus: Gen Fund transfer-in (not in pre-session est)	0.0	27.6	26.5	54.1	0.0	0.0	54.1
Plus: Cash Reserve Fund transfer (not in pre-session est)	0.0	52.0	21.0	73.0	(10.0)	(10.0)	53.0
Plus: LLRW Payout, \$145.8 settlement from Cash Reserve	0.0	145.8	0.0	145.8	0.0	0.0	145.8
Less: Change in Minimum Reserve	0.0	0.0	(4.5)	(4.5)	0.0	(6.6)	(11.1)
Committee Preliminary Budget	(61.3)				(252.4)		
Plus: Revenue Forecasts (revised Feb 2005)	83.0	90.0	110.0	283.0	55.0	0.0	338.0
Less: Transfer revised FY05 forecast above certified	(83.0)	0.0	0.0	(83.0)	0.0	0.0	(83.0)
Less: Corrections to Preliminary Report numbers	0.0	0.4	0.1	0.5	0.1	0.1	0.7
Less: Correct error, reimburse CRF for new Vets Home	0.0	0.0	0.0	0.0	(5.7)	0.0	(5.7)
Less: Change in Minimum Reserve	0.0	0.0	(5.8)	(5.8)	0.0	(1.6)	(7.4)
Committee Preliminary with Revised Forecasts	133.4				(9.8)		
Less: Reverse Cash Reserve Fund transfer (line 14)	0.0	(52.0)	(21.0)	(73.0)	10.0	10.0	(53.0)
Less: Change in Minimum Reserve	0.0	0.0	2.1	2.1	0.0	(0.6)	1.5
Less: Special education (3% per year)	0.0	(4.8)	(9.8)	(14.6)	(9.8)	(9.8)	(34.3)
Less: Special education impact on TEEOSA in out yrs	0.0	0.0	0.0	0.0	4.8	9.8	14.6
Less: Construction projects (CPACS, Sparks, etc)	0.0	(4.9)	(2.6)	(7.5)	(5.3)	(4.2)	(17.0)
Less: Additional General Funds, Water Policy Task Force.	0.0	(6.0)	1.5	(4.5)	1.5	1.5	(1.5)
Less: Increase higher ed student financial aid	0.0	(1.2)	(1.2)	(2.4)	(1.2)	(1.2)	(4.8)
Less: Increase funding, child advocacy centers	0.0	(0.8)	(0.8)	(1.5)	(0.8)	(0.8)	(3.0)
Less: Substance abuse treatment, community corrections	0.0	(1.3)	(1.3)	(2.5)	(1.3)	(1.3)	(5.0)
Less: Community health clinics	0.0	(0.9)	(0.9)	(1.8)	(0.9)	(0.9)	(3.5)
Less: Projected retirement shortfall above FY05-06 level	0.0	0.0	(15.7)	(15.7)	(33.0)	(20.0)	(68.7)

Millions of Dollars	FY 2004-05	FY 2005-06	FY 2006-07	3 Yr Total	FY 2007-08	FY 2008-09	5 Yr Total
Less: All Other post hearing items	0.0	(2.9)	(2.4)	(5.3)	(2.4)	(2.4)	(10.2)
Less: Retirement: Assumed extension. LB 503	0.0	0.0	0.0	0.0	15.0	15.0	30.1
Plus: CRF transfers, retirement shortfall	0.0	0.0	15.7	15.7	17.9	5.0	38.6
Less: CRF transfer, East Nebr Vets Home additional funds	0.0	0.0	0.0	0.0	(2.0)	0.0	(2.0)
Less: TEEOSA growth exclusion, retirement (LB 503)	0.0	0.0	0.0	0.0	(10.2)	(8.4)	(18.6)
Less: Change in Minimum Reserve	0.0	0.0	(0.4)	(0.4)	0.0	0.2	(0.2)
Committee Budget (April 2005)				22.0			(146.7)
Plus: Revenue Forecasts (revised April 2005)	40.0	20.0	20.0	80.0	10.0	0.0	90.0
Less: Transfer revised FY05 forecast above certified	(40.0)	0.0	0.0	(40.0)	0.0	0.0	(40.0)
Less: Change in Minimum Reserve	0.0	0.0	(1.2)	(1.2)	0.0	(0.2)	(1.4)
After April Revised Revenue Forecasts				60.8			(98.1)
Less: Floor Amendments-Appropriations	0.0	(7.5)	(8.3)	(15.8)	(5.1)	(5.0)	(25.9)
Plus: Floor Amendments-Revenues (impact of MIRF shift)	0.0	2.5	2.5	5.0	2.5	2.5	9.9
Less: Floor Amendments-Transfer CRF to Job Training fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Plus: Governor vetoes	0.0	2.4	2.6	5.0	2.6	2.6	10.1
Less: 2005 Revenue/Transfer Bills	0.0	(12.6)	(30.4)	(43.0)	(34.7)	(39.5)	(117.2)
Less: 2005 "A" Bills	0.0	(2.9)	(2.4)	(5.4)	(4.5)	(6.2)	(16.2)
Less: Misc changes and corrections	0.0	0.3	0.3	0.5	0.0	0.0	0.5
Plus: Change in Minimum Reserve	0.0	0.0	1.2	1.2	0.0	2.4	3.6
Sine Die 2005 Session				8.3			(233.1)
Plus: FY05 Actual vs Est General Fund Net Receipts	48.2	0.0	0.0	48.2	0.0	0.0	48.2
Less: FY05 Actual vs Est CRF transfers-automatic	(48.2)	0.0	0.0	(48.2)	0.0	0.0	(48.2)
Less: FY05 Actual vs Est Accounting adjustment	(5.6)	0.0	0.0	(5.6)	0.0	0.0	(5.6)
Plus: Assumed lapse, FY05 unexpended	6.0	0.0	0.0	6.0	0.0	0.0	6.0
Less: Change in Minimum Reserve	0.0	0.0	(3.1)	(3.1)	0.0	3.1	(0.0)
July 2005 Tax Rate Review Committee				5.7			(232.7)

Estimated Financial Status - Following Biennium

For planning purposes, an estimated financial status is constructed for the biennium following the two-year biennial budget currently being considered. This allows the Legislature to see the future implications of budget actions being considered.

Revenues Preliminary estimates for FY2007-08 and FY2008-09 were prepared by the Legislative Fiscal Office. These preliminary estimates are arrived at by calculating the level of revenues that would yield a five year average growth (FY05 to FY09) roughly equal to the 5.2% historical average revenue growth. In this instance, because the calculated growth in FY05 to FY07 averages about 5.3% based on the NEFAB forecasts, the LFO preliminary estimated revenues for FY07-08 and FY08-09 average about 4.5% per year to bring the five average to 5.0%. This "historical average" methodology basically establishes the revenue level for the second year of the following biennium (ie.. FY08-09, fifth year in the Financial Status). After this is established, the first year of the following biennium (FY07-08, fourth year in the Financial Status) is then established at roughly the midpoint between the FY08-09 number and the FY06-07 as included in the NEFAB forecast. These projected "out year" numbers are fairly consistent with preliminary estimates made by the Dept of Revenue (NDR) and Legislative Fiscal Office (LFO) in February utilizing Global Insight forecast data and the FAIR model. While the FAIR model generates higher estimates compared to the historical average method, forecasts using Global Insight data are relatively similar. The following table compares the results using the historical average and the average, high, and low forecasts run in April.

Table 2 Comparison of Potential "Out Year" Revenue Projections

Thousands of \$	At Hist Avg 5.4%	Average (Global Insight)	Average (All Forecasts)	High Est NDR-Fairl	Low Est NDR-Global
Dollar Forecast (excludes 2005 Session Bills)					
FY2007-08	3,344,000	3,343,110	3,383,979	3,432,405	3,339,185
FY2008-09	3,485,000	3,510,049	3,550,033	3,585,621	3,506,118
Adjusted Growth					
FY2007-08	4.3%	4.3%	5.6%	7.1%	4.2%
FY2008-09	4.7%	5.5%	5.4%	4.9%	5.5%
Five Year Average	4.5%	4.9%	5.5%	6.0%	4.8%
Difference from Status					
FY2007-08	0	(891)	39,979	88,405	(4,815)
FY2008-09	0	25,049	65,033	100,621	21,118
Cumulative Total	0	24,158	105,012	189,026	16,303

Appropriations For the "following biennium" (FY07-08 and FY08-09), the mainline budget numbers reflect the annualized impact of the current budget actions plus an estimate of future year increases in entitlement programs, salary and health insurance increases, and other

funding requirements that are normally not optional. Obviously the actual funding needs in these areas will not be known until the biennial budget process starts again in two years. However for planning purposes, some level of funding for these items must be acknowledged and shown as likely funding commitments

Table 3 Projected Budget Increases-Following Biennium

	Factor	Est for Following Biennium	
		FY2007-08	FY2008-09
Special Education	5.0%	8,714,009	9,149,709
Aid to K-12 Schools (TEEOSA)	9% & 17%	64,597,842	134,540,770
Aid to ESU's	2.5%	270,808	277,579
Homestead Exemption	3.0%	1,666,980	1,716,989
Community Colleges	3.0%	2,034,529	2,095,565
Medicaid	10.0%	54,732,270	60,205,497
Public Assistance	8.0%	18,579,018	20,065,339
Childrens Health Insurance (CHIP)	8.0%	1,927,019	2,119,721
Developmental Disability aid	3.0%	1,814,268	1,868,696
Behavioral Health aid	3.0%	1,663,551	1,296,062
Salaries (including annualizing)	2.0%	18,000,314	18,360,320
Health Insurance	10.0%	12,592,374	13,851,612
Operations increase	2.0%	2,819,960	2,876,359
Inmate per diem costs	6.0%	1,991,736	2,111,240
Depreciation surcharge	calculated	5,238,815	0
Retirement , defined benefit plans	calculated	17,285,014	(12,940,525)
Construction	reaffirm only	2,730,750	(1,094,000)
All Other	na	(291,755)	0
Subtotal		216,367,501	256,500,933
Less: Assumed extension of LB 503		(15,028,091)	0
Net Annual \$ Increase		201,339,410	256,500,933
Net Annual % Increase		6.4%	7.6%

Aid to Local Governments

Special Education: Increases for FY07-08 and FY08-09 reflect a 5% per year increase as provided for in current law as enacted in LB1243-2000.

State Aid to Schools (TEEOSA) The estimates for FY08 and FY09 are based on the same methodology utilized for the November 15 estimates required under current law for the proposed biennial budget but with Fiscal Office assumptions and should be considered Fiscal Office estimates. The estimates reflect a growth in school aid of 9% in FY08 and 17% in FY09. In a "normal" year with spending growth, valuation growth and "other receipts" growth are all relatively even, the growth in TEEOSA should be approximately 5.0% to 5.5%. The growth in

FY07-08 reflects an estimated spending growth of 5.5% in school year FY06, an extra ½% due to expiration of the “zero percent” budget limit. This coupled with a projected valuation growth of only 5% causes a somewhat higher growth in school aid. Another contributing factor is a \$10.2 million increase for additional allowable growth for retirement contributions per LB503-2005. For FY08-09, the 16% growth is largely attributed to expiration of temporary aid adjustment factor (\$31.2 million) and return of the levy limit to \$1.00 (\$58.1 million).

Aid to ESU's The amount of aid to ESU's is based on funding of a certain level of core services and technology infrastructure. Growth in aid is set at the same rate as the basic allowable growth rate under the school spending limitation (2.5% per year).

Homestead Exemption A 3% per year increase is included although changes in reimbursement amounts can fluctuate significantly.

Aid to Community Colleges A 3% per year annual increase is included for the following biennium budget reflecting increased state aid to support operations budget increases and meet community college area aid eligibility per LB269-1997. This increase amounts to about a \$2 million per year increase.

Aid to Individuals

Medicaid For the following biennium, a 10% per year increase is used. This is somewhat higher than the past several years which have been modified by legislation and relatively flat provider rates.

Public Assistance A growth rate of 8.0% per year is utilized for the various Public Assistance programs for the following biennium.

Children's Health Insurance (CHIP) For the following biennium, a 10% per year increase is used which is the same as Medicaid. The General Fund would pick up all increases in this program because the \$5 million allocation from the Health Care Cash Fund is a fixed amount.

Developmental Disability Aid A 3% per year increase is included. This provides the equivalent of 2% per year for rate equity similar to the 2% used for the current biennium and 1% for clients transitioning from K-12 programs.

Behavioral Health Aid. This area includes substance abuse and mental health aid. The increases in the following biennium reflect a 3% increase to reflect some annual increase in provider rates.

Agency Operations

Employee Salary Increases Although salary increases will be the result of bargaining, some level of increase is factored in more for illustration than planning purposes. A 2% per year increase is included which approximates inflation.

Employee Health Insurance For planning purposes, a 10% per year increase in health insurance is included for the following biennium. This rate of growth is similar with the increases in the current budget as well as the average growth over the past 5 to 10 years.

Operations Inflation Included in the projected status is an across the board 2% increase in agency non-personnel operating costs.

Depreciation Surcharge The increase in FY07-08 reflects the amount needed to take the projects funded in FY06-07 from 1% to 2% per current law.

Inmate Per Diem Costs While some costs at the Dept of Correctional Services such as staffing are “fixed” within a range of inmate population, some costs change directly with each inmate. This includes items such as food, clothing, and medical care. A 6% per year increase is included to reflect both inflationary costs and an increase in the number of inmates.

Defined benefit retirement plans As discussed elsewhere in this report the shortfall in defined benefit retirement plans (school, judges, Patrol) is projected at \$17 million in FY06, \$32.9 million in FY07, \$34.3 million in FY08, and \$21.4 million in FY09. LB 503 covers all of the FY06 shortfall, and \$17.2 million of the FY07 shortfall. This leaves a remaining shortfall of \$15.7 million in FY06, and growing to \$33.0 million in FY08, and \$20 million in FY09 with the expiration of LB503. The annual changes from this level are incorporated into the projected status. *NOTE THAT A SEPARATE LINE ASSUMES AN EXTENSION OF LB 503 (in some form) IN THE TWO “OUT YEARS” TO HELP OFFSET THIS INCREASE.*

Capital Construction

General Fund dollars included in the projected budget for the following biennium for capital construction reflect reaffirmations only based on the FY06/FY07 biennial budget. These are dollar amounts needed to complete funding of previously approved projects. No new projects are included.

Cash Reserve Fund

The Cash Reserve Fund (CRF) is not included as part of the "General Fund Reserve" (which is the ending General Fund balance for a biennium) and was created as a separate and distinct fund to cover cash flow needs within a month or several month period. The Cash Reserve Fund also serves as a "rainy day fund" in that revenues in excess of a "certified forecast" are transferred from the General Fund to Cash Reserve fund at the end of a fiscal year. As the certified forecast is basically the revenue estimate at Sine Die when the budget is finalized, these transfers sequester revenues in excess of that which is needed to balance the budget.

The unobligated balance in the Cash Reserve Fund is projected to be \$240.9 million at the end of the four year period even with uses of the fund as enacted in the 2005 Session. This is \$175 million higher than the \$66 million balance projected at the end of the last session. Since last session an additional \$370 million of revenues are expected to be credited to the Cash Reserve Fund as actual receipts above certified forecasts, \$108.7 million of actual FY03-04 receipts and \$261.7 million of actual FY04-05 receipts.

Of this additional \$370 million amount, \$171 million is retained as an increased balance, \$145.8 million is used to finance the Low Level Radioactive Waste settlement, \$38.6 million is transferred to the General Fund to cover the projected future shortfalls in the defined benefit retirement plans as noted below, and \$15 million transferred to the Job Training Cash Fund to expand available monies. The 2005 changes also increase the transfer to the NCCF to cover additional funds needed for the new Eastern Nebraska Veterans Home. Like previous amounts authorized, the CRF is reimbursed in FY08 from General Fund transfers.

Table 4 Cash Reserve Fund Status

	Actual FY2004-05	Estimated FY2005-06	Estimated FY2006-07	Estimated FY2007-08	Estimated FY2008-09
Beginning Balance	87,028,337	177,167,720	273,616,790	256,158,267	245,980,500
Excess of certified forecasts (line 3 in Status)	108,727,007	261,715,297	0	0	0
To/from Gen Fund per current law	(26,000,000)	0	0	5,727,707	0
From cig tax, stamp discount, MV sales tax	8,170,556	0	0	0	0
To NCCF Eastern Nebr Vets Home	(758,180)	(2,429,304)	(1,784,416)	0	0
2005 Session-To Gen Fund –retirement	0	0	(15,674,107)	(17,931,030)	(4,990,505)
		(145,811,367)			
2005 Session:-To LLRW settlement fund	0)	0	0	0
2005 Session-To NCCF Eastern Nebr Vets	0	(2,025,556)	0	2,025,556	0
2005 Session-Job Training Cash Fund	0	(15,000,000)	0	0	0
Ending Balance	177,167,720	273,616,790	256,158,267	245,980,500	240,989,995
Projected Ending Balance, Sine Die 2004	70,733,932	68,304,628	66,520,212	66,520,212	66,520,212
Projected Ending Balance, Sine Die 2005	177,167,720	225,422,493	207,963,970	197,786,203	192,795,698

Excess of Certified Forecasts

Shown on line 3 of the Financial Status, revenues in excess of "certified" forecasts are required by statute to be transferred from the General Fund to the Cash Reserve Fund. In FY03-04, for the first time in three years, revenues exceeded the certified forecast by \$108.7 million. Those excess amounts were transferred to the Cash Reserve Fund at the start of FY04-05. For FY2004-05 actual receipts of \$3,037,194,297 were \$261,715,297 above the certified forecast of \$2,775,479,000. The amount above certified would be transferred to the CRF in FY05-06.

Legislative Transfers

Unlike the automatic transfers that occur after the close of the fiscal year and are statutorily required, other transfers can take place as specifically enacted by the Legislature.

For FY04-05, there is a net \$26 million transfer from the Cash Reserve Fund to the General Fund. This is the net impact of \$22.5 million repayment from the General Fund to the CRF (LB1310-2002), and two transfers from the CRF to the General Fund; \$3 million in LB798-2003 and \$45.5 million in LB1090-2004. The \$5,727,707 transfer from the General Fund to the CRF in FY07-08 is reimbursement for funds transferred to Nebraska Capital Construction Fund for the new Eastern Nebraska Veterans Home passed in LB798-2003.

A total of \$201.4 million of transfers were enacted in LB 427. This includes a \$145.8 million transfer to the Low Level Radioactive Waste Settlement Fund to finance a lump sum payment of the lawsuit settlement, \$15 million transfer the Job Training Cash Fund to expand available monies, and a total of \$38.6 million is transferred back to the General Fund over a three year period to help cover the additional shortfall in the defined benefit retirement plans. Also the transfer of funds to the NCCF to finance the new Eastern Nebraska Veterans Home was increased by \$2,025,556. Like the original amounts authorized in 2003, the CRF is reimbursed in FY08 from General Fund.

Direct Deposits to Cash Reserve Fund

Also, FY04-05 contains the last allocation of revenues from LB 1085 (2002 Session) which dedicated to the Cash Reserve Fund a 30 cent increase in the cigarette tax for two years (October 2002 to October 2004).

Chronology of Actions by Session

2001 Session: The budget enacted in the 2001 Session included transfers from the Cash Reserve Fund to the General Fund totaling \$89.7 million over the two-year biennium, \$24.8 million in FY01-02 and \$64.9 million in FY02-03.

2002 Session: The FY02-03 transfer was increased by \$22.5 million (to a total of \$87.4 million) with this \$22.5 million transfer being reversed back to the Cash Reserve Fund in FY04-05. In addition, LB1085 contained a 30 cent increase in the cigarette tax for two years with the revenues credited to the Cash Reserve Fund totaling \$64 million over the next three years.

2002 Special Session: LB 1 provided for a \$14.4 million transfer from Highway Trust which is the equivalent to the sales tax on motor vehicles generated from the one-time 1/2 cent increase

in LB1085. Also LB 46 changed a discount provision for cigarette tax stamps and increased the net amount of the 30 cent tax increase in LB1085.

2003 Session LB 798 provided for additional legislative transfers to the General Fund of \$3 million in both FY04 and FY05. Also LB 798 provides for a transfer of \$5,727,707 from the Nebraska Capital Construction Fund (NCCF) at the discretion of the Budget Administrator to finance the replacement of the Fitzgerald Veterans Home in Omaha. The cash flow shown in the above table is based on the estimated cash flow of the project. These amounts are to be reimbursed from the General Fund to the Cash Reserve Fund in FY07-08.

Temporary State Fiscal Relief The federal "Jobs and Growth Tax Relief Act of 2003" contained provisions for temporary state fiscal relief. Although the timing of the passage of the act and adjournment of the 2003 legislative session did not allow time to incorporate these provisions into the Sine Die financial status, LB 798 did include a provision that " the Cash Reserve Fund shall receive federal funds received by the State of Nebraska for undesignated general government purposes, federal revenue sharing, or general fiscal relief of the state." Nebraska received \$29 million late in FY02-03 and another \$29 million in FY05-06.

2004 Session LB1090 includes a total of \$103.7 million of transfers from the Cash Reserve Fund to the General Fund; \$58.2 million in FY03-04 and \$45.5 million in FY04-05. The \$58.2 million FY03-04 transfer) equals the amount received from the federal government as part of the Temporary State Assistance enacted in late spring 2003.

2005 Session A total of \$201.4 million of transfers were enacted in LB 427. This includes a \$145.8 million transfer to the Low Level Radioactive Waste Settlement Fund to finance a lump sum payment of the lawsuit settlement, \$15 million transfer the Job Training Cash Fund to expand available monies, and a total of \$38.6 million is transferred back to the General Fund over a three year period to help cover the additional shortfall in the defined benefit retirement plans. Also the transfer of funds to the NCCF to finance the new Eastern Nebraska Veterans Home was increased by \$2,025,556. Like the original amounts authorized in 2003, the CRF is reimbursed in FY08 from General Fund.

GENERAL FUND REVENUES

General Fund Revenue Forecasts

Revenue estimates for FY2005-06 and FY2006-07 are the April 2005 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB) adjusted for legislation enacted during the 2005 Session. The preliminary estimates for the next two years (FY2007-08 and FY2008-09) are prepared by the Legislative Fiscal Office (LFO) using a "capped" historical average methodology. The process first calculates the level of revenues in the two out years that would yield a five year average growth (FY05 to FY09) roughly equal to the historical average revenue growth since FY81. If the calculated growth for those two years exceeds the average growth in "above average" years, the estimates are capped at the average growth in those "above average" years (7.0%).

At 2005 Sine Die Revenue growth implied by the April 2005 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB) average 5.3%. . 7.7% for FY2004-05, 4.2% for FY2005-06 and 3.9% for FY2006-07. The preliminary numbers for the two "out years" on the five year financial status (FY07-08 and FY08-09) derived using the historical average methodology were 4.3% in FY08 and 4.7% in FY09. These slightly below average revenue growth offsets the high growth in FY05 and yields a five year average of 5.0% . The 23 year historical average revenue growth is 5.2%

July 2005 Status Actual receipts for FY2004-05 (\$3,037,194,297) were \$48.2 million more than the \$2,989,000,000 projection at 2005 Sine Die in April. Adjusted revenue growth for FY04-05 is calculated at -9.0% compared to the 7.7% forecast at Sine Die. *AT THIS TIME THERE IS NO CHANGE IN THE FY05-06 AND FY06-07 REVENUE FORECASTS.* The Nebraska Economic Forecast Advisory Board (NEFAB) will not meet again until October to evaluate their current revenue forecasts. In light of the \$48.2 million above forecast revenues in FY04-05, the level of growth in FY05-06 required to achieve the current forecast has declined from 4.2% to 2.6%. This would illustrate the possibility that the NEFAB will subsequently raise the forecasts in October. The high growth in FY04-05 actual data also results in a raising of the historical average to 5.2%.

Table 5 - General Fund Revenue Forecasts

	NEFAB FY2004-05	NEFAB+Bills FY2005-06	NEFAB+Bills FY2006-07	LFO Prelim FY2007-08	LFO Prelim FY2008-09
<u>Forecast</u>					
Sales and Use Tax	1,231,011,089	1,251,982,000	1,303,230,000	1,344,619,000	1,393,164,000
Individual Income Tax	1,400,076,680	1,439,900,000	1,517,335,000	1,602,328,000	1,697,322,000
Corporate Income Tax	198,380,442	186,000,000	178,453,000	172,827,000	168,533,000
Miscellaneous receipts	207,726,086	214,376,000	203,275,000	194,507,000	191,490,000
Total General Fund Revenues	3,037,194,297	3,092,258,000	3,202,293,000	3,314,281,000	3,450,509,000
<u>Adjusted Growth</u>					
Total General Fund Revenues	9.0%	2.6%	4.1%	4.5%	4.7%
Five Yr Average	3.3%	--	4.7%	--	5.0%

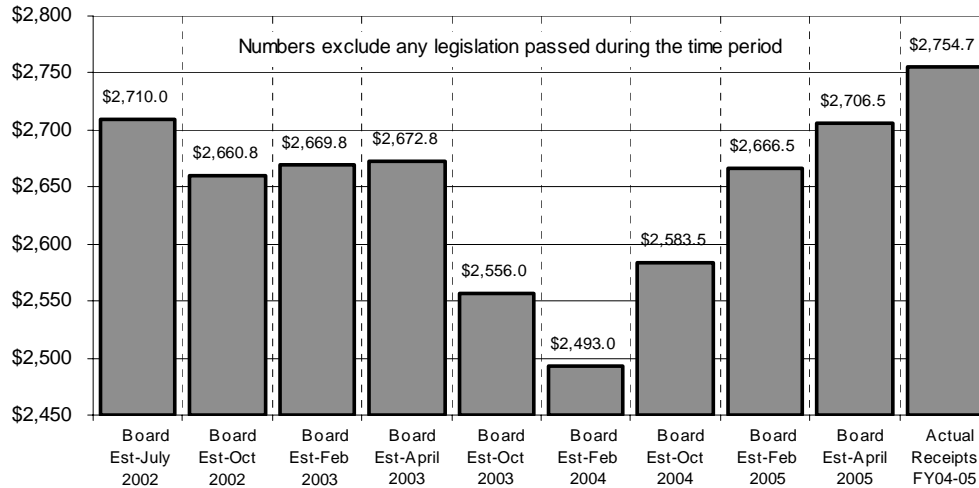
Chronology of Revenue Forecasts

Table 6 contains a chronology of the revenue forecasts for FY2003-04 through FY2006-07. The first column shows the total revenue forecast. The last four columns breaks down the total dollar change in the forecast whether caused by federal tax changes, bills enacted by the Legislature, or simply a change in the revenue expectations.

Table 6 Chronology of Revenue Forecasts

	Total	Base	Change in Forecast		Total
			Fed Chnge	Bills	
FY2004-05					
Board Est-July 2002	2,710,000				
Spec Session-August 2002	2,737,243	0	0	27,243	27,243
Board Est-Oct 2002	2,688,000	(49,243)	0	0	(49,243)
Board Est-Feb 2003	2,697,000	9,000	0	0	9,000
Board Est-April 2003	2,700,000	3,000	0	0	3,000
Sine Die-2003 Session	2,942,046	(0)	0	242,046	242,046
TRR Committee-July 2003	2,930,793	0	(11,253)	0	(11,253)
Board Est-Oct 2003	2,814,000	(116,793)	0	0	(116,793)
Board Est-Feb 2004	2,751,000	(63,000)	0	0	(63,000)
Sine Die-2004 Session	2,775,479	0	0	24,479	24,479
Board Est-Oct 2004	2,866,000	90,521	0	0	90,521
Board Est-Feb 2005	2,949,000	83,000	0	0	83,000
Board Est-April 2005	2,989,000	40,000	0	0	40,000
Sine Die-2005 Session	2,989,000	0	0	0	0
Actual Receipts FY04-05	3,037,194	48,194	0	0	48,194
FY2005-06					
LFO Prelim-October 2002	2,848,000	0	0	0	0
LFO Prelim-Feb 2003	2,848,000	0	0	0	0
LFO Prelim-April 2003	2,848,000	0	0	0	0
Sine Die-2003 Session	3,112,470	0	0	264,470	264,470
TRR Committee-July 2003	3,067,162	(20,000)	(25,308)	0	(45,308)
LFO Prelim-October 2003	2,989,000	(78,162)	0	0	(78,162)
LFO Prelim-Feb 2004	2,921,000	(68,000)	0	0	(68,000)
Sine Die-2004 Session	2,928,676	0	0	7,676	7,676
Board Est-Oct 2004	2,962,000	33,324	0	0	33,324
Board Est-Feb 2005	3,052,000	90,000	0	0	90,000
Board Est-April 2005	3,072,000	20,000	0	0	20,000
Sine Die-2005 Session	3,092,258	0	0	20,258	20,258
FY2006-07					
LFO Prelim-October 2002	3,048,000				
LFO Prelim-Feb 2003	3,048,000	0	0	0	0
LFO Prelim-April 2003	3,048,000	0	0	0	0
Sine Die-2003 Session	3,306,825	0	0	258,825	258,825
TRR Committee-July 2003	3,255,618	(40,000)	(11,207)	0	(51,207)
LFO Prelim-October 2003	3,200,000	(55,618)	0	0	(55,618)
LFO Prelim-Feb 2004	3,127,000	(73,000)	0	0	(73,000)
Sine Die-2004 Session	3,137,333	0	0	10,333	10,333
Board Est-Oct 2004	3,071,000	(66,333)	0	0	(66,333)
Board Est-Feb 2005	3,181,000	110,000	0	0	110,000
Board Est-April 2005	3,201,000	20,000	0	0	20,000
Sine Die-2005 Session	3,202,293	0	0	1,293	1,293

Chronology of FY2004-05 Forecasts



Historical General Fund Revenues

From the numbers shown above, a simple percent change over the prior year can be calculated. While these simple percent changes are appropriate when looking at the actual changes over time, they do not represent what is commonly referred to as revenue growth. *For purposes here, revenue growth means the growth in revenues caused by economic activity and inflation as arrived at by adjusting for items such as tax base and rate changes, legislation enacted, and one-time extraordinary items.* The objective is to measure underlying patterns of revenue growth ignoring such changes.

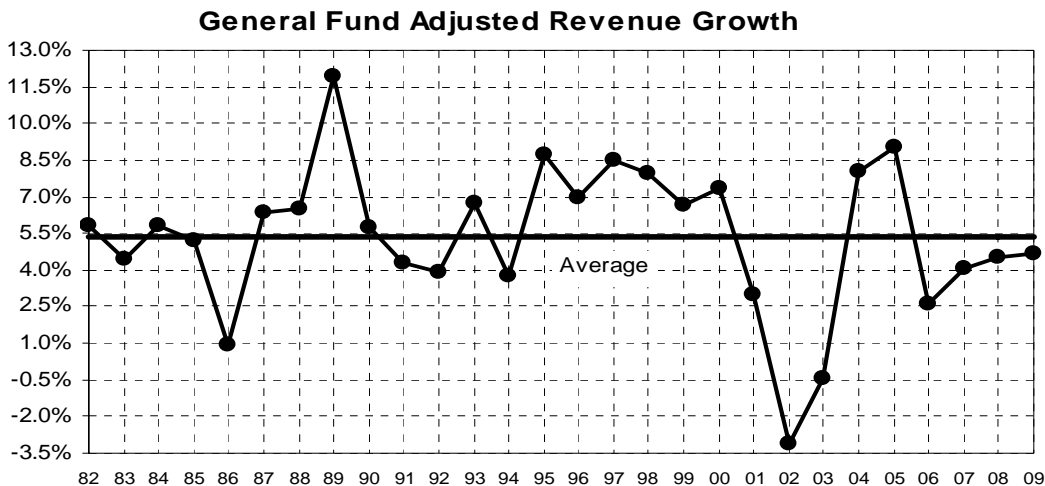
Table 7 Actual and Projected General Fund Revenues

Fiscal Year	Sales and Use Tax	Individual Income Tax	Corporate Income Tax	Miscellaneous Taxes and	Total Net Receipts	Adjusted Growth
FY 1989-90	444,231,183	501,134,237	71,948,124	135,396,459	1,152,710,003	5.8%
FY 1990-91	547,372,735	609,430,580	81,947,961	128,325,622	1,367,076,898	4.3%
FY 1991-92	592,441,836	658,634,300	103,617,106	135,716,137	1,490,409,379	3.9%
FY 1992-93	586,355,271	690,350,753	102,754,927	145,200,908	1,524,661,859	6.7%
FY 1993-94	648,846,708	722,360,866	113,142,771	169,401,912	1,653,752,257	3.7%
FY 1994-95	683,852,397	746,717,579	123,923,674	150,995,891	1,705,489,541	8.7%
FY 1995-96	711,008,684	846,550,249	126,801,468	152,380,385	1,836,740,786	7.0%
FY 1996-97	755,907,807	944,117,130	137,337,967	172,241,113	2,009,604,017	8.5%
FY 1997-98	803,805,374	981,643,795	142,150,133	177,852,119	2,105,451,422	8.0%
FY 1998-99	744,650,752	1,078,522,994	135,033,658	165,661,901	2,123,869,305	6.7%
FY 1999-00	900,427,469	1,180,363,301	140,021,942	183,111,959	2,403,924,670	7.3%
FY 2000-01	905,023,176	1,233,363,553	138,040,082	180,435,044	2,456,861,855	3.0%
FY 2001-02	918,889,782	1,159,810,647	107,628,074	179,180,246	2,365,508,749	-3.1%
FY 2002-03	1,028,931,065	1,129,421,651	111,597,405	186,449,714	2,456,399,835	-0.4%
FY 2003-04	1,114,374,321	1,249,890,025	167,429,431	187,033,230	2,718,727,007	8.0%
FY 2004-05	1,231,011,089	1,400,076,680	198,380,442	207,726,086	3,037,194,297	9.0%
FY 2005-06 Brd+Bills	1,251,982,000	1,439,900,000	186,000,000	214,376,000	3,092,258,000	2.6%
FY 2006-07 Brd+Bills	1,303,230,000	1,517,335,000	178,453,000	203,275,000	3,202,293,000	4.1%
FY 2007-08 Prelim	1,344,619,000	1,602,328,000	172,827,000	194,507,000	3,314,281,000	4.5%
FY 2008-09 Prelim	1,393,164,000	1,697,322,000	168,533,000	191,490,000	3,450,509,000	4.7%

The underlying revenue growth as calculated for the past 10 years and the existing forecasts are shown in Table 8. Even with the high growth the past two years, the average growth for the past five years of actual receipts (FY2000-01 to FY2004-05) is only 3.3% per year, well below the 24-year historical average of 5.4%. In the upcoming biennium (FY06/FY07), the NEFAB forecasts yield a revenue growth averaging 3.3% per year and an average growth of 4.6% for the following biennium (FY08/FY09)

Table 8 Adjusted General Fund Revenue Growth

	Sales / Use Tax	Individual Income Tax	Corporate Income Tax	Misc. Receipts	Total
<u>ADJUSTED GROWTH</u>					
FY1989-90 Actual	6.2%	9.4%	-4.7%	-3.1%	5.8%
FY1990-91 Actual	1.6%	7.2%	5.3%	1.6%	4.3%
FY1991-92 Actual *	3.8%	1.7%	12.9%	8.8%	3.9%
FY1992-93 Actual *	7.5%	6.9%	9.1%	-0.3%	6.7%
FY1993-94 Actual *	5.2%	2.4%	0.3%	7.1%	3.7%
FY1994-95 Actual *	9.7%	7.4%	19.2%	1.3%	8.7%
FY1995-96 Actual	5.6%	8.4%	8.9%	5.2%	7.0%
FY1996-97 Actual	4.9%	13.4%	7.0%	1.4%	8.5%
FY1997-98 Actual	7.3%	10.3%	3.9%	0.1%	8.0%
FY1998-99 Actual	4.5%	10.3%	-3.0%	4.8%	6.7%
FY1999-00 Actual	5.7%	9.6%	4.3%	2.5%	7.3%
FY2000-01 Actual	1.8%	5.0%	-1.2%	-1.6%	3.0%
FY2001-02 Actual	1.0%	-4.7%	-19.0%	0.7%	-3.1%
FY2002-03 Actual	0.8%	-1.1%	2.6%	-5.9%	-0.4%
FY2003-04 Actual	2.3%	7.6%	45.4%	16.6%	8.0%
FY2004-05 Actual	7.1%	11.4%	19.0%	-9.9%	9.0%
FY2005-06 NEFAB+Bills	3.1%	3.5%	-3.1%	-0.6%	2.6%
FY2006-07 NEFAB+Bills	5.0%	4.2%	-1.1%	3.5%	4.1%
FY 2007-08 Prelim	4.1%	5.3%	-0.5%	6.2%	4.5%
FY 2008-09 Prelim	4.1%	5.6%	0.0%	6.0%	4.7%
<u>AVERAGE GROWTH:</u>					
Above Average Years (15)	6.0%	8.9%	11.5%	2.7%	7.2%
Below Average Years (9)	2.2%	4.1%	-3.9%	1.9%	2.4%
Historical Average (24 yrs)	4.6%	7.0%	4.7%	1.4%	5.4%



General Fund Transfers-Out

This area tabulates funds that are transferred from the General Fund to another fund within the state treasury. These items have the same affect as an appropriation but are not expended as such and thus are shown under the revenue category.

Most transfers-out relate to ethanol credits. LB536 (2001) called for \$1.5 million per year transfer to the EPIC fund for FY01-02 through FY07-08. The additional \$1.5 million transfer shown in FY07-08 is based on the intent language in LB1 2002 Special Session that called for the deletion of the FY02-03 transfer to be replaced prior to FY07-08. **LB 90** passed in the 2005 Session increased the amount transferred from the General Fund to the Ethanol Production Incentive Cash Fund (EPIC) fund by \$2,500,000 annually and extends the transfers through FY2010-011. LB90 also increased the grain checkoff credited to the EPIC fund

Table 9 General Fund Transfers-Out

Excludes CRF Transfers	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09
Ethanol Credits (Prior Law)	(1,500,000)	(1,500,000)	(1,500,000)	(3,000,000)	0
Ethanol Credits (LB 90-2005)	0	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Trail Development Assistance Fund	(140,000)	(140,000)	(140,000)	(140,000)	(140,000)
<i>Total-General Fund Transfers-Out</i>	<i>(1,640,000)</i>	<i>(4,140,000)</i>	<i>(4,140,000)</i>	<i>(5,640,000)</i>	<i>(2,640,000)</i>

General Fund Transfers-In

Of the various individual cash funds in statute, there are only selected instances where the statute allows monies in a cash fund to be transferred to the General Fund at the discretion of the Legislature. Historically, these transfers are based on estimates of monies in excess of what is needed for the original purpose of the fund, and not shown until enacted by the Legislature. Table 10 shows the specific lapses enacted by the Legislature through LB425 and LB426. These transfers are shown as additions to the NEFAB forecast as these lapses are not included in those forecasts. The amounts shown for FY04-05 are already enacted into law and are included in the FY04-05 revenue forecast.

Table 10 General Fund Transfers-In

	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09
Securities Act Cash Fund	19,100,000	16,000,000	16,000,000	0	0
Tobacco Products Admin Cash Fund	0	6,000,000	6,000,000	0	0
Dept of Insurance Cash Fund	4,000,000	3,000,000	3,000,000	0	0
Dept of Motor Vehicles Cash Fund	3,575,962	1,500,000	1,500,000	0	0
Low Level Radioactive Waste, excess	0	1,094,661	0	0	0
Excess, unclaimed Lottery prize money	5,000,000	0	0	0	0
Military Dept, excess of building sales	2,500,000	0	0	0	0
Game & Parks Recreation Road Fund	2,000,000	0	0	0	0
Education Innovation Fund	553,000	0	0	0	0
Unclaimed Property lapse	500,000	0	0	0	0
Charitable Gaming Oper Fund	432,456	250,000	250,000	0	0
MV Industry Licensing Board	50,000	0	0	0	0
<i>Total General Fund Transfers-In</i>	<i>37,711,418</i>	<i>27,844,661</i>	<i>26,750,000</i>	<i>0</i>	<i>0</i>

Revenue Legislation – 2005 Session

Unlike previous sessions, revenue legislation enacted during the 2005 Session related to reducing rather than increasing tax revenues. Most of the revenue reduction was contained in LB 312 by elimination of sales taxes on manufacturing machinery and equipment and increased business tax incentives.

Table 11 Revenue Bills Enacted - 2005 Session

	FY2005-06	FY2006-07	FY2007-08	FY2008-09
LB 28 Income tax credits, certain charitable contributions	0	(2,565,000)	(2,572,000)	(2,578,000)
LB 90 Ethanol credits *	Transfer Out	Transfer Out	Transfer Out	Transfer Out
LB 312 Business incentives, sales tax exempt & credits	(7,638,000)	(24,317,000)	(28,554,000)	(33,303,000)
LB 334 Comm. Develop Assistance, tax credit change	(100,000)	(100,000)	(100,000)	(100,000)
LB 499 Change/eliminate provisions, estate tax	(955,000)	(967,000)	(985,000)	(1,002,000)
LB 675 Changes, school & other MV operator permits	6,229	12,458	12,458	12,458
LB 753 Change sales tax exempt, construction services	(1,380,000)	0	0	0
LB 426 Continue MIRF funds to General fund	2,480,000	2,480,000	2,480,000	2,480,000
<i>Subtotal</i>	<i>(7,586,771)</i>	<i>(25,456,542)</i>	<i>(29,718,542)</i>	<i>(34,490,542)</i>
Cash Fund Lapses (see GF Transfers-In)	27,844,661	26,750,000	0	0
<i>Total-Revenue Legislation - 2005 Session</i>	<i>20,257,890</i>	<i>1,293,458</i>	<i>(29,718,542)</i>	<i>(34,490,542)</i>

* Extension and expansion of the ethanol credits in LB 90 are accounted for as a General Fund transfer-out (see page 27)

LB 28 Income tax credits, certain charitable contributions

LB 28 created a new tax credit for planned contributions into certain trusts or direct contributions made by corporations. The trusts included are estate planning tools accepted by the Internal Revenue Code for purposes of reducing the size of an estate and, therefore, reducing estate tax liability. A resident individual would be allowed an income tax credit equal to 30% of the present value of a planned gift in the year the planned gift is made to the trust, not to exceed tax liability or \$10,000.

An S-corporation or other pass-through entity may also take a 30% credit for a current contribution to a qualified endowment and the credit would be distributed to the shareholders, partners, or members in the same way profits are passed through. Each shareholder, partner or member is limited to a \$10,000 credit. For a C-corporation, the credit is 20% of the contribution to the 501 (c) (3) organization, limited to \$10,000. Individuals, pass-through entities and corporations may not receive a credit for any contribution that was deducted for income tax purposes. An individual contribution may be a planned gift, but a corporate contribution must be an actual gift to the foundation to be eligible for the credit.

The act is operative for tax years beginning on or after January 1, 2006 and terminates for tax years beginning on or after January 1, 2010. The commission is to terminate October 1, 2007.

LB 312 Business Tax Incentives

LB 312 is an omnibus economic development bill. The bill adopts the Nebraska Advantage Act which replaces the Employment and Investment Growth Act (LB 775, 1987) starting January 1, 2006. The bill also included various provisions from other bills including the Nebraska Advantage Research and Development Act (LB 672) which creates a tax credit for increases in research and development spending, and the Nebraska Advantage Microenterprise Tax Credit Act (LB 309) to grant refundable tax credits for investing in microenterprises. The bill renames the Employment Expansion and Investment Incentive Act as the Nebraska Advantage Rural Development Act, creates an additional tier of benefits under that act for counties with less than 15,000 population and thresholds of only two jobs \$125,000 investment. The last major provision of LB 312 is providing a sales tax exemption for manufacturing machinery and equipment (from LB695).

Table 12 Breakdown of LB 312 Costs

	FY2005-06	FY2006-07	FY2007-08	FY2008-09
Nebr Advantage Act (net of existing incentives)	0	(2,865,000)	(7,718,000)	(11,959,000)
Nebr Advantage Research & Development Act	0	(2,682,000)	(2,455,000)	(2,508,000)
Nebr Advantage Microenterprise Tax Credit Act	0	(2,000,000)	(2,000,000)	(2,000,000)
Sales tax exemption, manufacturing equipment *	(7,638,000)	(16,770,000)	(16,381,000)	(16,836,000)
Total LB 312	(7,638,000)	(24,317,000)	(28,554,000)	(33,303,000)

Table 13 Long Term Cost Estimates - LB 312

	Nebr Advantage Act (net)	Research & Development Act	Microenterprise Credit Act	Sales Tax Exempt-Equip	Total LB 312
FY2005-06	0	0	0	(7,638,000)	(7,638,000)
FY2006-07	(2,865,000)	(2,682,000)	(2,000,000)	(16,770,000)	(24,317,000)
FY2007-08	(7,718,000)	(2,455,000)	(2,000,000)	(16,381,000)	(28,554,000)
FY2008-09	(11,959,000)	(2,508,000)	(2,000,000)	(16,836,000)	(33,303,000)
FY2009-10	(20,023,000)	(2,464,000)	(2,000,000)	(16,871,000)	(41,358,000)
FY2010-11	(25,632,000)	(2,634,000)	(2,000,000)	(17,327,000)	(47,593,000)
FY2011-12	(30,469,000)	(2,727,000)	(2,000,000)	(17,846,810)	(53,042,810)
FY2012-13	(34,975,000)	(2,929,000)	(2,000,000)	(18,382,214)	(58,286,214)
FY2013-14	(38,466,000)	(2,966,000)	(2,000,000)	(18,933,681)	(62,365,681)
FY2014-15	(38,182,000)	(3,162,000)	(2,000,000)	(19,501,691)	(62,845,691)
FY2015-16	(33,900,000)	(3,249,000)	(2,000,000)	(20,086,742)	(59,235,742)

Sales Tax Exemption, manufacturing machinery and equipment Sections 8 through 10 exempted manufacturing machinery and equipment from the sales tax. Section 8 defined “manufacturing” as an action or series of actions which results in tangible personal property being reduced or transformed into a different state, quality or form. Manufacturing does not include retailing, the generation of electricity, the production or transmission of information, or the preparation of food for immediate consumption. Equipment does not need to come into contact with the product to qualify for the exemption. Manufacturing machinery and equipment

does not include vehicles registered for operation on the highways, hand tools, office equipment, and computers that do not control the manufacturing process. Section 10 exempted manufacturing machinery and equipment and all repair and service performed on such equipment from sales taxes.

Nebraska Advantage Research and Development Act LB312 provides for a new credit for business firms that increase research expenditures in the state. The tax credit would be equal to three percent times the amount expended by the firm in the state that is in excess of the base amount determined by averaging the previous two years of research expenditures. The credit is to be limited to five years and could be taken either as a state sales tax refund or as a refundable income tax credit. The credit could not be used to refund any local sales taxes. Credits may be distributed to partners, members, or other owners of pass-through entities. The credit would be operative for tax years beginning or deemed to begin on or after January 1, 2006.

Nebraska Advantage Microenterprise Tax Credit Act The bill allows up to \$2 million of refundable individual income tax credits per year, beginning in 2006 for applicants operating a microbusiness in depressed areas. Depressed areas would be defined as 1) municipalities that have had a population decrease between the two most recent censuses, 2) unincorporated areas in counties that have lost population between the two most recent censuses, 3) designated federal enterprise zones, and 4) census tracts that have less than 80 percent of the average statewide per capita income. Microbusiness would be defined to mean a business with five or fewer employees. The credit is to be equal to 20 percent of the new investment up to \$10,000 per applicant throughout the life of the program. New investment is to include capital, plant, equipment, and inventory, but not interest. The Department of Revenue is to allocate tentative tax credits to applicants. Once the \$2 million annual allotment of tax credits are approved, no further applications for tentative tax credits could be approved. There could be no benefits for taxpayers receiving benefits under the Employment and Investment Growth Act, the Employment Expansion and Investment Incentive Act or the Nebraska Advantage Act. This program is to be operative for all tax years beginning on or after January 1, 2006 through December 31, 2010.

Nebraska Advantage Rural Development Act The bill renames and amends the existing Employment Expansion and Investment Incentive Act ("LB270") by providing refundable tax incentives for projects that create 2 new jobs and invest \$125,000 in counties with less than 15,000 residents. Also teleworkers count as new employees. The existing \$250,000-investment and 5-job thresholds remain in place for counties with populations 15,000-25,000. The credits continue at \$3,000 for each new employee and \$2,750 for each \$50,000 worth of new investment

Nebraska Advantage Act The Employment and Investment Growth Act (LB 775, 1987) would be replaced with the Nebraska Advantage Act. There would be no new applications under the Employment and Investment Growth Act (LB 775, 1987) after the operative date of the Nebraska Advantage Act, January 1, 2006. The most significant changes from LB 775 are:

- (1) the requirement of a wage equal to at least 60 percent of the state's average wage for all employers for purposes of qualifying for and earning benefits,
- (2) granting larger wage credits for better-paying new jobs,

- (3) Indexing investment thresholds in the future to changes in the producer price index,
- (4) creating a jobs-only tier,
- (5) allowing jobs credits to be taken against the withholding of new employees,
- (6) expanding the definition of taxpayer to eliminate the necessity that at least 90 percent of the owners be subject to income tax,
- (7) allowing teleworkers to count as jobs if the telework is interrelated to the project,
- (8) limiting benefits available under the newly-created Tiers 1 and 3 so that they cannot extend more than 10 years after the application date, including any carryover. Carryover under Tiers 2 and 4 would be limited to ten years,
- (9) expanding the definition of "qualified business" to grant benefits to businesses involved in technology-related services where more than 75 percent of the sales are to an out-of-state customer or to the federal government,
- 10) increasing the investment requirement for the investment-only tier from \$20 million to \$30 million and requiring the taxpayers under this tier to retain at least the same number of jobs at the project or lose benefits
- (11) delaying large refunds of local sales taxes to meet budgeting requirements of cities until November, and
- (12) requiring disclosure of project-specific credits used and refunds received information every other year.

There would be five tiers of benefits allowed under LB312.

Tier 1 - \$1 million of new investment and 10 new jobs. This tier would only be available to manufacturers, research and development or testing businesses, and listed technology-related services where at least 75 percent of the sales are out of state or to the federal government. Qualifying businesses under this tier would be eligible for a refund of one-half of the sales tax paid for purchases at the project, the full sliding scale jobs credit, and a three percent investment credit. Applications under this tier could not be accepted after January 1, 2011.

Tier 2 - \$3 million of new investment and 30 new jobs. This tier is currently provided in LB 775. It would permit the qualifying business to receive a sales tax refund for purchases at the project, the wage credit and a 10 percent investment credit.

Tier 3 - \$0 investment and 30 jobs. This tier would allow the beneficiaries to receive only the sliding-scale wage credit. It would also expire after January 1, 2011.

Tier 4 - \$10 million in investment and 100 new jobs. This tier is currently provided in LB 775. In addition to the sales tax refund, jobs credit, and the investment credit, qualifying businesses under this tier would receive a personal property tax exemption for turbine-powered aircraft, mainframe computers, agricultural processing machinery, and personal property used in a distribution business.

Tier 5 - \$30 million of new investment with no requirement of new jobs. This tier is also in LB 775 except that the amount of investment required has been increased from \$20 million to \$30 million. Beneficiaries receive only the refund of sales taxes paid on investment at the project.]

The bill also adds a new requirement for project-specific information. The new report shall state by project 1) the identity of the taxpayer, 2) the location of the project, and 3) the total amount of credits and refunds used the prior two years. The requirement begins the second year after the

entitlement period begins and every other year thereafter. The report is to also contain an executive summary which shows aggregate information for all projects for which project-specific information is reported. In addition to the total amount of benefits used, the executive summary is to report the number of projects, the statewide employment of the beneficiaries, the new jobs created, the total investment, and the average wages. No information may be disclosed that is protected by state or federal confidentiality laws.

LB 426 Extend Reallocation of MIRF to General Fund

LB 440 (2003) redirected \$2.48 million of cigarette tax monies from the Municipal Infrastructure Redevelopment Fund (MIRF) to the General Fund for FY2003-04 and FY2004-05. This redirection in MIRF funds was in lieu of a like reduction in aid to cities.

Under prior law, this redirection would end after the two year period. The proposed FY06/FY07 budget therefore included a \$2,480,000 base reduction in aid to cities which would have offset a \$2,480,000 restoration of a two year reduction in funding for MIRF. The aid cut to offset the restoration of MIRF was consistent with legislative intent as shown in all financial status and budget documents since enactment of the MIRF / Aid amendment during the 2003 Session.

However it was ultimately determined that continuation of this cut level should continue to be made by a redirection of MIRF funds and LB 426 extends the reduction in MIRF (through FY09 when MIRF sunsets) and negated the need to reduce aid to cities as an offset.

GENERAL FUND APPROPRIATIONS

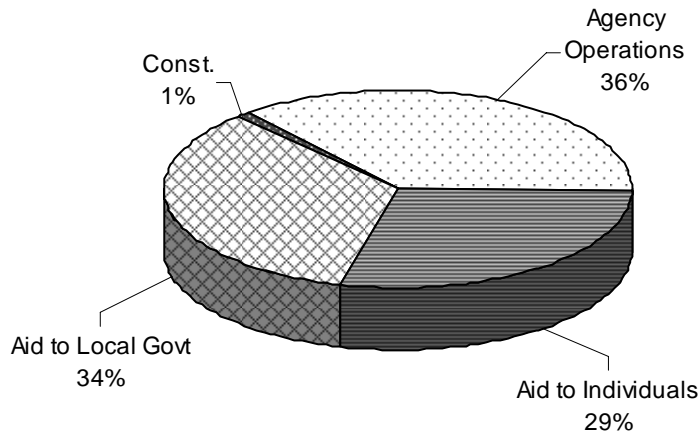
General Fund Overview

Table 14 contains a summary of the General Fund budget for the FY2005-06 and FY2006-07 biennium as enacted in the 2005 Legislative Session. Subsequent sections of this report contain a more detailed explanation of the various increases and reductions which are included in the totals shown below. The average spending growth for the two years of the biennium is 6.9%.

Table 14 General Fund Appropriations Per 2005 Session

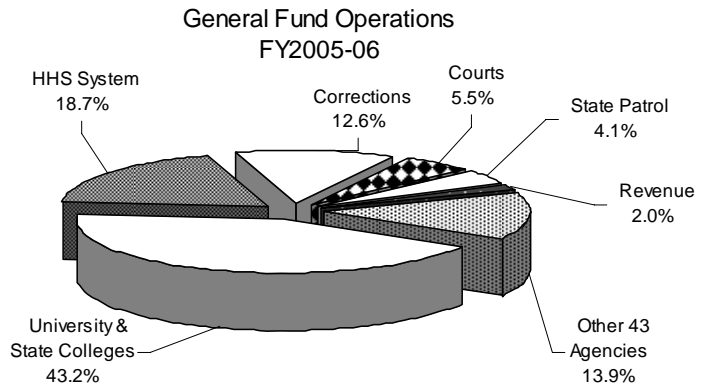
	w/o Deficits FY2004-05	Sine Die FY2005-06	Sine Die FY2006-07	Change over Prior Yr (excluding deficits)				% of Total GF Budget FY05-06
				FY2005-06		FY2006-07		
				\$	%	\$	%	
<u>AGENCY OPERATIONS</u>								
University/Colleges	433,776,904	466,463,538	495,053,972	32,686,634	7.5%	28,590,434	6.1%	15.7%
Health/Human Services System	197,936,676	201,830,849	212,275,400	3,894,173	2.0%	10,444,551	5.2%	6.8%
Correctional Services	132,139,178	136,154,964	140,286,379	4,015,786	3.0%	4,131,415	3.0%	4.6%
Courts	55,641,210	59,110,239	61,344,118	3,469,029	6.2%	2,233,879	3.8%	2.0%
State Patrol	41,539,950	44,463,228	47,028,201	2,923,278	7.0%	2,564,973	5.8%	1.5%
Revenue	20,986,669	21,730,099	22,198,681	743,430	3.5%	468,582	2.2%	0.7%
Other 43 Agencies	135,996,623	150,141,675	162,453,971	14,145,052	10.4%	12,312,296	8.2%	5.1%
Total-GF Operations	1,018,017,210	1,079,894,592	1,140,640,722	61,877,382	6.1%	60,746,130	5.6%	36.3%
<u>STATE AID TO INDIVIDUALS</u>								
Medicaid	470,355,382	507,609,799	547,322,696	37,254,417	7.9%	39,712,897	7.8%	17.1%
Public Assistance	191,121,799	207,645,126	232,237,721	16,523,327	8.6%	24,592,595	11.8%	7.0%
Developmental disabilities	58,032,370	58,458,245	60,475,584	425,875	0.7%	2,017,339	3.5%	2.0%
Behavioral Health aid	30,919,130	39,939,037	41,538,531	9,019,907	29.2%	1,599,494	4.0%	1.3%
Childrens Health Insurance (CHIP)	12,510,455	11,573,536	14,270,192	(936,919)	-7.5%	2,696,656	23.3%	0.4%
Higher Ed Student Aid programs	5,766,815	6,966,815	5,766,815	1,200,000	20.8%	(1,200,000)	-17.2%	0.2%
Aging Programs	5,696,975	5,867,884	6,042,213	170,909	3.0%	174,329	3.0%	0.2%
Water Conservation Fund	2,688,454	2,688,454	2,688,454	0	0.0%	0	0.0%	0.1%
Public Health Aid	2,898,516	3,060,471	3,149,166	161,955	5.6%	88,695	2.9%	0.1%
All Other Aid to Individuals/Other	5,582,640	7,095,404	7,280,404	1,512,764	27.1%	185,000	2.6%	0.2%
Total-GF Aid to Individuals/Other	785,572,536	850,904,771	920,771,776	65,332,235	8.3%	69,867,005	8.2%	28.6%
<u>STATE AID TO LOCAL GOVT</u>								
State Aid to Schools (TEEOSA)	618,568,757	683,473,181	734,055,263	64,904,424	10.5%	50,582,082	7.4%	23.0%
Special Education	161,146,721	169,204,057	174,280,179	8,057,336	5.0%	5,076,122	3.0%	5.7%
Aid to Community Colleges	62,887,646	65,312,215	67,817,629	2,424,569	3.9%	2,505,414	3.8%	2.2%
Homestead Exemption	48,838,100	52,920,000	55,566,000	4,081,900	8.4%	2,646,000	5.0%	1.8%
Aid to ESU's	10,564,913	10,696,975	10,832,338	132,062	1.3%	135,363	1.3%	0.4%
Aid to Cities	11,257,193	11,257,193	11,257,193	0	0.0%	0	0.0%	0.4%
Aid to Counties	4,965,866	4,965,866	4,965,866	0	0.0%	0	0.0%	0.2%
Early Childhood programs	2,097,180	3,680,471	3,680,471	1,583,291	75.5%	0	0.0%	0.1%
County jail cost reimbursement	3,501,405	3,501,405	3,501,405	0	0.0%	0	0.0%	0.1%
Other Aid to Local Govt	11,618,881	13,277,862	14,077,862	1,658,981	14.3%	800,000	6.0%	0.4%
Total-GF Aid to Local Govt	935,446,662	1,018,289,225	1,080,034,206	82,842,563	8.9%	61,744,981	6.1%	34.3%
<u>CAPITAL CONSTRUCTION</u>								
	19,046,316	23,350,481	21,350,531	4,304,165	22.6%	(1,999,950)	-8.6%	0.8%
<u>TOTAL-GENERAL FUNDS</u>	2,758,082,724	2,972,439,069	3,162,797,235	214,356,345	7.8%	190,358,166	6.4%	100.0%

FY2005-06 General Fund Budget



Agency Operations accounts for the costs of actually operating state agencies including costs such as employee salaries and benefits, data processing, utilities, vehicle and equipment purchases, fuel and oil, etc... In the FY05-06 General Fund budget, 36.3% of all General Fund appropriations are for agency operations. Although there are 51 state agencies that receive General Fund appropriations (HHS System treated as one agency), higher education (University of Nebraska and State Colleges) and the five largest agencies (Health and Human Services, Corrections, Courts, State Patrol, and Revenue) account for 86% of state operations.

General Funds for agency operations shows a net \$61.8 million increase (6.1%) in FY05-06 and a \$60.7 million increase (5.6%) in FY06-07. About 71% of the increase in operations in FY05-06 (\$42.5 million) is salary and health insurance increases. Other major operations items include \$3.9 million for restoration of the LB1100 depreciation surcharge to 1% per current law, and \$3.7 million to replace the one-time use of cash funds in FY04-05 to fund additional child protective services (CPS) staff. The budget includes relatively few new and expanded items, four significant being additional staffing for probation (\$946,576 FY06 and \$1,315,758 FY07), substance abuse treatment for community corrections (\$1,250,000), expanded funding for child advocacy centers (\$375,000 in FY06 and \$562,500 FY07), and HHS eligibility workers to process people eligible for the new Medicare prescription drug coverage (\$968,975 FY06 and \$1,155,170 in FY07).



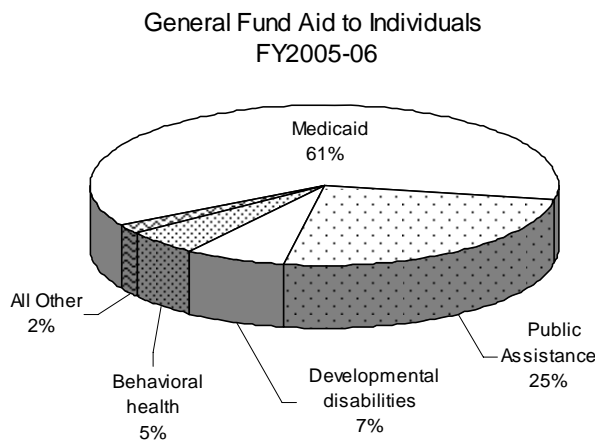
Significant reductions include utilization of cash and federal fund balances in lieu of General Funds at the Beatrice State Developmental Center (\$3.2 million), and an overall \$3.2 million reduction in various agencies to reduce the base budget due to lower than budgeted 2005

health insurance increases. There also is a \$4.9 million shift from operations to state aid to individuals for shifting savings from the regional center phase-down to behavioral health aid.

The budget includes a relatively large percent increases in General Funds for the University and State Colleges. To a great extent, this reflects the fact that the budget includes General Fund levels that will fund 100% of costs for assumed salary, health insurance and other increased costs such as utilities, operations and maintenance of new facilities, and restoration of the depreciation surcharge. By funding 100% of these costs with General Funds, no tuition increases should be required to fund basic cost increases as approved. This was deemed important considering budget reductions of the last several years and the fact that average annual tuition rate increases for the past four years have exceeded 10% for the University and have approximated 10% for the State Colleges.

Aid to Individuals About 29% of all General Fund appropriations are classified as state aid to individuals. Aid to individuals includes programs such as Medicaid, Aid to Families with Dependent Children (ADC) (aka TANF Temporary Assistance to Needy Families), student scholarships, etc... This area also includes aid to quasi-government units that are those local

agencies that do not have the authority to levy property taxes such as area agencies on aging, mental health regions and developmental disability regions.

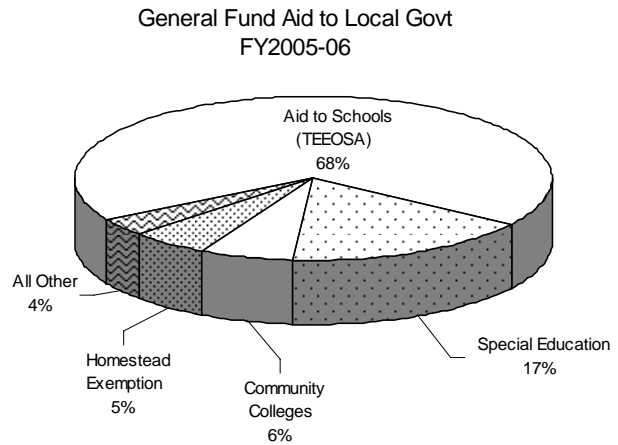


This area has the largest percentage growth in the budget with a net increase of \$65.3 million (8.3%) in FY05-06 and an additional \$69.8 million (8.2%) in FY06-07. Medicaid reflects a 7.8% per year growth including a 6% increase in nursing home provider rates, 2-3% increase in

other provider rates, and 10% per year increase in drug and pharmacy costs. Public Assistance increases at 8.6% in FY06 and 11.8% in FY07. A significant portion of this increase is attributed to child care costs reflecting the combination of (1) relatively high increases in child care provider rates (held steady since 2001) and (2) flat federal funding causing the General Fund to absorb all cost increases..

Aid to Local Governments This area accounts for aid payments to local governments and accounts for 34.3% of all General Fund appropriations. This category includes those local entities that have the authority to levy a property tax such as cities, counties, and schools and includes programs such as state aid to schools (TEEOSA), special education, community colleges, and homestead exemption reimbursements. Note that state payments for teacher retirement are not included under this category as those amounts are credited directly to the teacher retirement fund and are not checks written to school districts nor do those amounts show up as a school revenue or subsequent expenditure.

Aid to local governments shows a \$82.8 million increase (8.9%) in FY05-06 and a \$61.7 million increase (6.1%) in FY06-07. The relatively large increase in FY05-06 is the result of increases in TEEOSA school aid (\$64.9 million, 10.5%) and Homestead Exemption reimbursement. The key reason for this large percentage increase in TEEOSA is the return of the basic allowable growth rate to the 2.5% level in school year FY05-06 after two years at 0%. This results in an increase in the cost growth factor from 1.0% in FY04-05 aid year to 3.5% in FY05-06



and then 6% in FY06-07. For FY05-06, the increase in the cost growth factor of 2.5% results in an additional 2.5% increase in NEED above and beyond school spending growth. This 2.5% increase in "NEED" translates to a 7% increase in TEEOSA aid (TEEOSA aid is roughly 1/3 of formula NEED). Excluding the impact of the cost growth factor, aid would have grown at 3.0%.

Capital construction which accounts for less than 1% of General Fund appropriations includes costs for new construction and major repairs and renovation of state-owned facilities. The term "major" is used with respect to repair and renovations as relatively small or on-going projects are routinely done within agencies operating budgets. Road construction and maintenance is **not** included in this category. This is included under cash fund agency operations. Because construction is such a small portion of the total, additions of individual projects can cause large fluctuations in the percent change. This occurs in this case with the inclusion of two projects, renovation of the CPACS Engineering Building at UNO (\$14.2 million over four years), and renovation of Sparks Hall at Chadron State College (\$2.7 million in FY05-06).

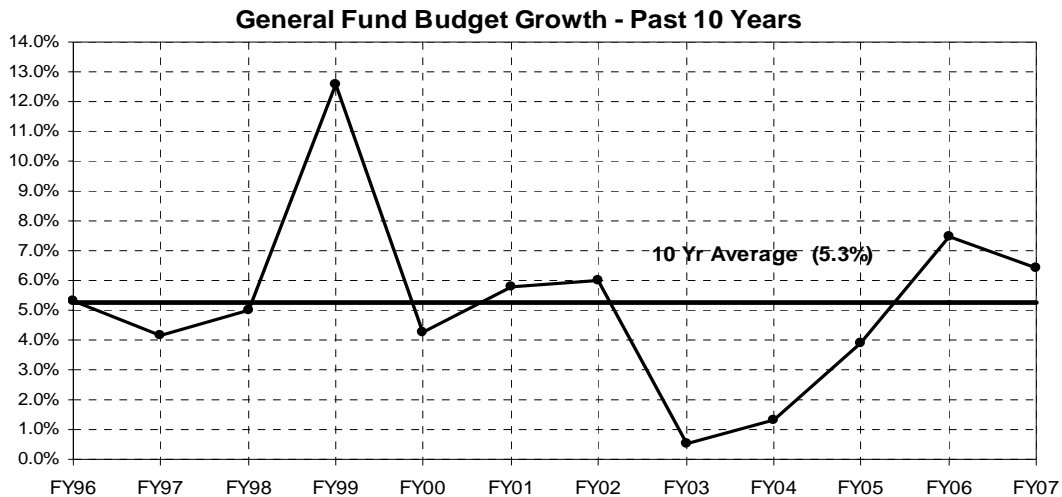
Historical General Fund Appropriations

While the other sections provide an overview of the FY2005-06 and FY2006-07 General Fund biennial budget, Table 15 provides an historical perspective showing appropriations for the twenty year period FY1986-87 through the budget for FY2006-07.

Over the past 10-year period, the average annual increase in General Fund appropriations is 5.3%. Aid to individuals has the highest average increase, almost 7.7% per year largely driven by Medicaid. Aid to local government has grown at an average rate of only 4.8%. Large increases in aid to schools under LB 806 (1998) and LB 543 (2001) have largely been offset by subsequent reductions in LB 898-(2002) and LB 540 (2003) and restoration starting to be phased in in FY06. The 4.3% average growth in agency operations is slightly higher than inflation and reflects significant increases in corrections cost. With respect to employee salaries, the average annual pay increase during this 10 year period was very close to the rate of inflation.

Table 15 Historical General Fund Appropriations

<i>(Excludes deficits)</i>	Agency Operations	Aid to Individuals	Aid to Local Govt	Construction	Total	% Change
FY1986-87 Approp	408,294,337	161,361,044	261,353,664	1,874,529	832,883,574	2.7%
FY1987-88 Approp	433,985,912	175,222,587	271,927,372	5,556,592	886,692,463	6.5%
FY1988-89 Approp	480,627,905	191,589,382	295,020,917	8,225,128	975,463,332	10.0%
FY1989-90 Approp	544,560,284	221,178,670	422,499,446	25,001,066	1,213,239,466	24.4%
FY1990-91 Approp	628,674,380	240,396,705	520,534,433	25,493,478	1,415,098,996	16.6%
FY1991-92 Approp	636,491,819	250,280,037	628,832,134	17,318,861	1,532,922,851	8.3%
FY1992-93 Approp	662,252,737	320,453,679	608,476,914	4,976,777	1,596,160,107	4.1%
FY1993-94 Approp	676,413,141	346,825,250	597,470,895	7,264,678	1,627,973,964	2.0%
FY1994-95 Approp	695,515,177	384,686,604	632,800,849	5,954,449	1,718,957,079	5.6%
FY1995-96 Approp	725,857,466	410,617,029	652,872,658	20,831,107	1,810,178,260	5.3%
FY1996-97 Approp	750,780,005	440,560,798	674,626,255	19,843,088	1,885,810,146	4.2%
FY1997-98 Approp	781,597,662	461,110,001	695,809,228	41,250,742	1,979,767,633	5.0%
FY1998-99 Approp	818,104,542	489,241,856	860,238,657	60,994,066	2,228,579,121	12.6%
FY1999-00 Approp	877,214,679	523,191,459	868,861,646	54,676,163	2,323,943,947	4.3%
FY2000-01 Approp	928,262,744	598,132,840	885,946,791	46,446,858	2,458,789,233	5.8%
FY2001-02 Approp	989,205,923	646,333,088	944,027,473	27,384,852	2,606,951,336	6.0%
FY2002-03 Approp	1,003,728,744	647,793,727	951,729,511	18,044,257	2,621,296,239	0.6%
FY2003-04 Approp	999,655,261	705,616,238	929,503,078	20,515,031	2,655,289,608	1.3%
FY2004-05 Approp	1,018,017,210	785,572,536	935,446,662	19,046,316	2,758,082,724	3.9%
FY2005-06 Enacted	1,079,894,592	850,904,771	1,018,289,225	23,350,481	2,972,439,069	7.8%
FY2006-07 Enacted	1,140,640,722	920,771,776	1,080,034,206	21,350,531	3,162,797,235	6.4%
Average Annual Growth						
FY98/FY99 Biennium	4.4%	5.4%	12.9%	75.3%	8.7%	
FY00/FY01 Biennium	6.5%	10.6%	1.5%	-12.7%	5.0%	
FY02/FY03 Biennium	4.0%	4.1%	3.6%	-37.7%	3.2%	
FY04/FY05 Biennium	0.7%	10.1%	-0.9%	2.7%	2.6%	
FY06/FY07 Biennium	5.9%	8.3%	7.5%	5.9%	7.1%	
Avg FY87 to FY97 (10 yr)	6.3%	10.6%	9.9%	26.6%	8.5%	
Avg FY97 to FY07 (10 yr)	4.3%	7.7%	4.8%	0.7%	5.3%	
Avg FY87 to FY07 (20 yr)	5.3%	9.1%	7.4%	12.9%	6.9%	



Significant General Fund Increases and Reductions

The FY05-06 / FY06-07 budget represents the result of numerous areas where the budget was increased, offset to some extent by areas that were reduced.

	Change from FY04-05 base year			% of Increase	Two Yr Avg Growth
	FY2005-06	FY2006-07	2 Yr total		
Agency Operations	61,877,382	122,623,512	184,500,894	29.8%	5.9%
Aid to Individuals	65,332,235	135,199,240	200,531,475	32.4%	8.3%
Aid to Local Governments	82,842,563	144,587,544	227,430,107	36.7%	7.5%
Capital Construction	4,304,165	2,304,215	6,608,380	1.1%	5.9%
Total General Funds	214,356,345	404,714,511	619,070,856	100.0%	7.1%

Over the two years of the biennium, General Fund spending would be \$619 million more than if the budget was frozen at the current FY2004-05

level. These additional funds are relatively even across the three major areas: \$200 million for aid to individuals, \$227 million for aid to local governments, and \$184 million for agency operations and capital construction as shown below

The following two tables highlight the most significant budget actions taken. Table 16 provides a listing of the major increases and reductions as compared to the current year (FY04-05) "base" budget in rank order based on the two year total. The items listed account for 98.4% of the total change in the budget. In fact, only four areas account for about 78% of the net increase in the budget over the two year period including one from each of the three major categories of spending: TEEOSA School Aid (29.1%), employee salary and health insurance increases (21.1%), Medicaid (18.5%), and Public Assistance programs (9.36%). No other item accounts for more than 3.5% of the overall budget increase. Table 17 provides a breakdown of the most significant budget changes by major category: Aid to Individuals, Aid to Local Government, and Agency Operations. In this table the net change is shown, i.e., the net impact of both adds and cuts.

General Fund Budget Increases
(% of Two Year Total)

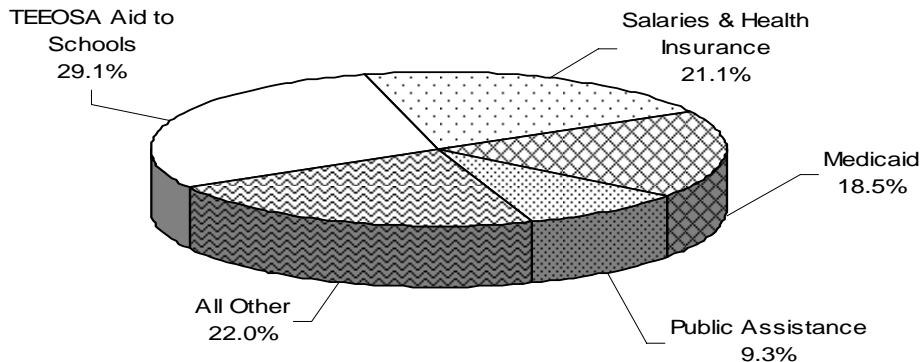


Table 16 Significant General Fund Increases / Reductions In Rank Order

(Numbers are \$ change compared to FY05 base)	Change over FY05 Budget			% of	
	FY2005-06	FY2006-07	Two Yr total	Total	
1	<u>SIGNIFICANT INCREASES:</u>				
2	TEEOSA Aid to Schools-to certified aid level	64,904,424	115,486,506	180,390,930	29.1%
3	Medicaid	37,254,417	76,967,314	114,221,731	18.5%
4	Salaries (Agencies+Colleges+University)	31,166,917	63,191,977	94,358,894	15.2%
5	Public Assistance	16,523,327	41,115,922	57,639,249	9.3%
6	Health Insurance (Agencies+Colleges+University)	11,296,702	24,902,541	36,199,243	5.8%
7	Special Education	8,057,336	13,133,458	21,190,794	3.4%
8	Behavioral health aid	9,019,907	10,619,401	19,639,308	3.2%
9	Retirement, Teachers/Judges/Patrol	1,552,615	17,286,893	18,839,508	3.0%
10	Operating costs (University+Colleges)	5,231,063	8,100,326	13,331,389	2.2%
11	Homestead Exemption	4,081,900	6,727,900	10,809,800	1.7%
12	Replace cash, childrens task force (HHS)	3,708,585	5,138,585	8,847,170	1.4%
13	Depreciation surcharge	3,865,662	4,440,359	8,306,021	1.3%
14	Community Colleges (Salary+Health)	2,424,569	4,929,983	7,354,552	1.2%
15	Construction	4,304,165	2,304,215	6,608,380	1.1%
16	Water policy task force (DNR)	6,000,000	(1,500,000)	4,500,000	0.7%
17	Operating costs (HHS)	1,212,521	2,538,979	3,751,500	0.6%
18	Early Childhood program	1,777,000	1,777,000	3,554,000	0.6%
19	Developmental Disability (net)	425,875	2,443,214	2,869,089	0.5%
20	Substance abuse treatment, community corrections	1,250,000	1,250,000	2,500,000	0.4%
21	Additional probation staffing (Courts)	946,576	1,315,758	2,262,334	0.4%
22	Medicare/Medicaid Dual Eligibles (staffing+operations)	968,975	1,155,170	2,124,145	0.3%
23	Governors Emergency Fund	1,000,000	1,000,000	2,000,000	0.3%
24	DD quality assurance (HHS)	1,000,000	1,000,000	2,000,000	0.3%
25	Ag Opportunities/Value-Added grants	850,000	850,000	1,700,000	0.3%
26	Judges salary increase (Courts)	450,595	953,383	1,403,978	0.2%
27	Higher Ed Student aid programs	1,200,000	0	1,200,000	0.2%
28	Community health centers, general fund support	437,500	656,250	1,093,750	0.2%
29	New DD unit, BSDC/HRC (HHS)	572,553	572,553	1,145,106	0.2%
30	Child advocacy center funding (HHS)	375,000	562,500	937,500	0.2%
31	Tourism matching grant program	350,000	500,000	850,000	0.1%
32	Additional officers (Patrol)	406,705	426,071	832,776	0.1%
33	Aid to ESU's	132,062	267,425	399,487	0.1%
34	Childrens Health Insurance (CHIP)	(1,064,192)	1,419,737	355,545	0.1%
32	Subtotal-Increases Listed	221,682,759	411,533,420	633,216,179	102.3%
33	<u>SIGNIFICANT REDUCTIONS:</u>				
34	Draw down cash/fed funds, BSDC (HHS)	(3,250,000)	(3,250,000)	(6,500,000)	-1.1%
35	Shift regional cntr savings to behavioral health (HHS)	(4,967,000)	(4,967,000)	(9,934,000)	-1.6%
36	FY05 overfinance health insurance (State Agencies)	(3,166,576)	(3,166,576)	(6,333,152)	-1.1%
38	Subtotal-Reductions Listed	(11,383,576)	(11,383,576)	(22,767,152)	-3.7%
39	<u>OTHER NOT LISTED (NET)</u>	4,057,162	4,564,667	8,621,829	1.4%
40	<u>TOTAL GENERAL FUND CHANGE</u>	214,356,345	404,714,511	619,070,856	100.0%

Table 17 Significant General Fund Increases / Reductions by Budget Category

	Numbers are \$ change compared to FY05 base	Change over FY05 Budget			% of Increase
		FY2005-06	FY2006-07	Two Yr total	
1	TEEOSA Aid to Schools-to certified aid level	64,904,424	115,486,506	180,390,930	29.1%
2	Special Education	8,057,336	13,133,458	21,190,794	3.4%
3	Early Childhood program	1,777,000	1,777,000	3,554,000	0.6%
4	Aid to ESU's	132,062	267,425	399,487	0.1%
5	Homestead Exemption	4,081,900	6,727,900	10,809,800	1.7%
6	Juvenile predisposition detention	(236,000)	(236,000)	(472,000)	-0.1%
7	Governors Emergency Fund	1,000,000	1,000,000	2,000,000	0.3%
8	Community Colleges (Salary+Health)	2,424,569	4,929,983	7,354,552	1.2%
9	Tourism matching grant program	350,000	500,000	850,000	0.1%
10	Other Not Listed (net)	351,272	1,001,272	1,352,544	0.2%
11	AID TO LOCAL GOVERNMENTS	82,842,563	144,587,544	227,430,107	36.7%
12	Medicaid	37,254,417	76,967,314	114,221,731	18.5%
13	Public Assistance	16,523,327	41,115,922	57,639,249	9.3%
14	Developmental Disability-rate equity+transition	1,998,428	4,015,767	6,014,195	1.0%
15	Developmental Disability-DD quality assurance shift	(1,000,000)	(1,000,000)	(2,000,000)	-0.3%
16	Developmental Disability-new BSDC unit shift	(572,553)	(572,553)	(1,145,106)	-0.2%
17	Behavioral health aid	4,052,907	5,652,401	9,705,308	1.6%
18	Behavioral health aid - reallocate regional cntr savings	4,967,000	4,967,000	9,934,000	1.6%
19	Community health centers, general fund support	437,500	656,250	1,093,750	0.2%
20	Childrens Health Insurance (CHIP)	(1,064,192)	1,419,737	355,545	0.1%
21	Higher Ed Student aid programs	1,200,000	0	1,200,000	0.2%
22	Ag Opportunities/Value-Added grants	850,000	850,000	1,700,000	0.3%
23	Other Not Listed (net)	685,401	1,127,402	1,812,803	0.3%
24	AID TO INDIVIDUALS / OTHER	65,332,235	135,199,240	200,531,475	32.4%
27	Salaries (Colleges+NU)	18,894,357	37,220,220	56,114,577	9.1%
26	Salaries (State Agencies)	12,272,560	25,971,757	38,244,317	6.2%
29	Health Insurance (Colleges+NU)	5,894,000	12,846,507	18,740,507	3.0%
28	Health Insurance (State Agencies)	5,402,702	12,056,034	17,458,736	2.8%
45	Retirement, Teachers/Judges/Patrol	748,454	16,422,561	17,171,015	2.8%
42	Operating costs (University+Colleges)	5,231,063	8,100,326	13,331,389	2.2%
37	Replace cash, childrens task force (HHS)	3,708,585	5,138,585	8,847,170	1.4%
46	Depreciation surcharge	3,865,662	4,440,359	8,306,021	1.3%
41	Water policy task force (DNR)	6,000,000	(1,500,000)	4,500,000	0.7%
33	Operating costs (HHS)	1,212,521	2,538,979	3,751,500	0.6%
32	Substance abuse treatment, community corrections	1,250,000	1,250,000	2,500,000	0.4%
30	Additional probation staffing (Courts)	946,576	1,315,758	2,262,334	0.4%
38	Medicare/Medicaid Dual Eligibles (staffing+operations)	968,975	1,155,170	2,124,145	0.3%
39	DD quality assurance (HHS)	1,000,000	1,000,000	2,000,000	0.3%
44	Retirement (Patrol)	804,161	864,332	1,668,493	0.3%
31	Judges salary increase (Courts)	450,595	953,383	1,403,978	0.2%
36	New DD unit, BSDC/HRC (HHS)	572,553	572,553	1,145,106	0.2%
40	Child advocacy center funding (HHS)	375,000	562,500	937,500	0.2%
43	Additional officers (Patrol)	406,705	426,071	832,776	0.1%
25	FY05 overfinance health insurance (State Agencies)	(3,166,576)	(3,166,576)	(6,333,152)	-1.0%
34	Draw down cash/fed funds, BSDC (HHS)	(3,250,000)	(3,250,000)	(6,500,000)	-1.0%
35	Shift regional cntr savings to behavioral health (HHS)	(4,967,000)	(4,967,000)	(9,934,000)	-1.6%
47	Other Not Listed (net)	3,256,489	2,671,993	5,928,482	1.0%
48	AGENCY OPERATIONS	61,877,382	122,623,512	184,500,894	29.8%
49	CAPITAL CONSTRUCTION	4,304,165	2,304,215	6,608,380	1.1%
50	TOTAL GENERAL FUND CHANGE (without deficits)	214,356,345	404,714,511	619,070,856	100.0%

General Fund Aid to Individuals

Behavioral Health Aid

The enacted budget translates to a 29% increase in General Funds in FY05-06. A total of \$2.5 million (the equivalent of 8%) relates to replacing a one-time use of cash funds used to expand

(General Funds only)	Biennial Budget		Biennial Budget	
	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Base Year appropriation	31,756,515	31,756,515	30,919,130	30,919,130
Additional mental health services	0	Cash	0	0
Drug funds, indigent	0	0	0	0
Federal match rate, Medicaid	(350,918)	(837,385)	0	0
Replace federal funds	0	0	0	0
Replace one-time use of cash	0	0	2,500,000	2,500,000
Mental Health provider rates	0	0	1,552,907	3,152,401
Reallocate regional center savings	0	0	4,967,000	4,967,000
Total	31,405,597	30,919,130	39,939,037	41,538,531
\$ Change over Prior Year	(350,918)	(486,467)	9,019,907	1,599,494
% Change over Prior Year	-1.1%	-1.5%	29.2%	4.0%

emergency protective services in LB1083 passed last session. The budget also includes \$4,967,000 which are funds reallocated due to the phase-down of the regional centers per LB1083-2004 and a 3% per year provider rate increase. Rates have not been increased since FY01-02. This 3%

increase in rates requires a 5% increase in General Fund appropriations as the General Fund picks up the increase from the fixed Health Care Cash Fund allocation.

Community Based Developmental Disabilities Aid

The enacted budget reflects a relatively small increase in developmental disability aid but this is largely due to several shifts. First, the budget includes \$1,282,906 in FY05-06 and \$2,591,470 in FY04-05 for rate equity and \$715,552 in FY05-06 and \$1,424,297 in FY04-05 for clients transitioning from K-12 school programs to community based programs. These two items amount to a 3.4% per year increase.

(General Funds only)	Biennial Budget		Biennial Budget	
	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Base Year Appropriation	54,519,634	54,519,634	58,032,370	58,032,370
Rate Equity	668,717	1,350,809	1,282,906	2,591,470
Transition	1,107,586	2,237,324	715,552	1,424,297
Fed Match Rate	(31,316)	(75,397)	0	0
Shift to quality assurance	0	0	(1,000,000)	(1,000,000)
New BSDC unit shift	0	0	(572,553)	(572,553)
Total - New Appropriation	56,264,621	58,032,370	58,458,275	60,475,584
\$ Change over Prior Year	1,744,987	1,767,749	425,905	2,017,309
% Change over Prior Year	3.2%	3.1%	0.7%	3.5%

The budget also includes shifting of developmental disability aid funds to HHS operations for two items. A more detailed explanation is found in the HHS operations sections starting on page 40.

There is a transfer of \$1,000,000 of general fund aid for

developmental disabilities to the administration program in HHS to improve oversight and quality in the provision of waiver services for persons with developmental disabilities. Forty staff positions will be added across the state at a total cost of \$2 million per year (\$1 million general, \$1 million federal).

There is also a shift of \$572,553 of general funds to the Beatrice State Developmental Center budget program for a 14-bed program (Bridges) for individuals with developmental disabilities who need a structured and secure environment. The program is located at the Hastings Regional Center. Individuals placed in the Bridges program have developmental disabilities and behaviors determined to be a danger to the community. The program is financed with \$1.5 million of existing funds from the Beatrice State Developmental Center as well as a transfer this \$572,553

Children’s Health Insurance Program (CHIP)

This program provides medical coverage for children up to age 19 who do not have credible health insurance and whose family income is below 185% of poverty. Approximately 23,000 children receive benefits under this program. Funding for this program began in 1998 and had originally been funded through a one-time \$25 million transfer from the Health Care Cash Fund. Those funds were exhausted in FY2003-04. A combination of General Funds and a \$5 million allocation from the Health Care Cash fund offset the expiration of the original amounts. The enacted budget continues the \$5 million Health Care Cash Fund allocation for both FY05-06 and FY06-07. Overall the General funds reflect an average increase of 8% per year for cost and client increases. This average reflects a \$936, 919 net reduction in FY06 and an offsetting \$2,696,656 increase in FY07. Utilization in CHIP is estimated at about 3% each year. The original request was 5% per year but the Legislature concurred with the recommendation of the governor and revised downward the utilization increase, resulting in savings of \$1 million each year. The budget includes a provider rate increase of 2% per year and pharmaceutical price increases of 10% each year. The budget also reflects the maximization of the enhanced match rate and the balance of the increase calculated at the regular Medicaid match rate; a shift of \$2.2 million in general funds in FY2005-06 and \$3.4 million in FY2006-07

Medicaid

The FY05-06/FY06-07 biennial budget reflects an average growth in General Fund appropriations for Medicaid of about 8% per year.

Annualize Prior Actions The current year base budget is reduced by \$1.1 million in each year to annualize the impact of the one year restoration of medically needy caretaker coverage per the KAI lawsuit.

Rates and Clients Increases relating to

Provider Rates	Request FY05-06	Request FY06-07	Proposed FY05-06	Proposed FY06-07
Hospital	3.7%	3.8%	2.0%	2.0%
Physicians	4.0%	4.0%	2.0%	2.0%
Other Practitioner	4.0%	4.0%	2.0%	2.0%
Nursing Facility	7.5%	3.5%	6.0%	6.0%
Drugs	10.0%	10.0%	10.0%	10.0%

Eligibility/Utilization	Request FY03-04	Request FY04-05	Proposed FY03-04	Proposed FY04-05
Aged	1.0%	1.0%	1.0%	1.0%
Disabled	3.0%	3.0%	3.0%	3.0%
Children	5.5%	5.5%	5.5%	5.5%
Adults	3.3%	3.3%	3.3%	3.3%

eligibility and utilization result in additional General Fund dollars of \$47.2 million in FY05-06 and \$97.3 million in FY06-07. A 10% per year increase in drug prices is funded in the budget per the agency request. Provider rate increases range from 2% to 6%. The 2% per year rate is about half the original agency request however the Governor recommended no rate increase other than for nursing facilities. Overall utilization is anticipated to grow 3%. The chart on the prior page shows the requested rate increases and the level ultimately funded in the budget. Eligibility and utilization assumptions are also shown by category.

There were two bills impacting Medicaid that passed during the 2005 Session. **LB 589** requires health insurance companies and self-funded employee benefit plans to provide information and coordinate benefits with HHS when a person qualifies for Medicaid or other health coverage provided by the state. It's estimated that this coordination could save \$2 million General Funds when fully implemented. **LB 664** increases the number of beds a critical access hospital may have from 15 to 25 beds. Because critical access hospitals receive higher reimbursements under there is some additional state cost estimated at \$39,000 in FY06 and \$80,000 in FY07.

Table 18 Medicaid (General Funds Only)

	Biennial Budget		Biennial Budget	
	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Base Year appropriation	400,248,752	400,248,752	470,355,382	470,355,382
Eligibility / Utilization	16,283,965	36,348,115	15,600,150	31,612,461
Cost / Provider Rate Increases	22,314,366	59,389,836	23,423,918	48,137,907
Annualize 2002 SS: Excess Nursing Home Conversion funds	8,150,000	8,150,000	In base	In base
Annualize 2002 SS: Reduce drug payments to pharmacies (AWP 11%)	(145,000)	(145,000)	In base	In base
Annualize 2002 SS: Reduce hospital payment rates (DME/IME/DSH)	(3,000,000)	(3,000,000)	In base	In base
Annualize 2002 SS: managed care premium assessment	(633,333)	(633,333)	In base	In base
Annualize 2002 SS: Reduce continuous coverage 12 to 6 months	(2,570,000)	(2,570,000)	In base	In base
Annualize 2002 SS: Replace 20% earnings disregard, fed minimum \$90	(1,313,109)	(1,313,109)	In base	In base
Annualize 2002 SS: Income method, household as a single family unit	(5,866,667)	(5,866,667)	In base	In base
Annualize 2002 SS: Expanded prior authorization on prescribed drugs	(750,000)	(750,000)	In base	In base
Annualize 2002 SS: LB 8 amendment, 50% poverty caretaker relative	(3,089,712)	(3,089,712)	In base	In base
Prescription drug containment	(4,000,000)	(4,000,000)	In base	In base
Impose limits, high needs individuals	(200,000)	(200,000)	In base	In base
Increase efforts, third party liability collections	(500,000)	(500,000)	In base	In base
Reduce intergovt transfer process participation fee	(352,500)	(352,500)	In base	In base
Eliminate optional Medicaid services	(257,000)	(310,000)	In base	In base
Eliminate Ribicoff coverage	(2,430,000)	(3,175,000)	In base	In base
Use health care grant funding to replace GF (one-time)	(3,678,778)	0	In base	In base
Assume amendment to LB 411, orthodontic treatment limits	(859,000)	(871,000)	In base	In base
Assume amendment to LB 411, presumptive eligibility for children	(600,000)	(600,000)	In base	In base
Transfer-Medicaid to CHIP	0	(10,505,000)	In base	In base
Shift funds from child welfare, enhanced treatment group home services	0	3,000,000	In base	In base
One yr restoration, medically needy caretaker (KAI lawsuit)	0	1,100,000	(1,100,000)	(1,100,000)
IGT adjustment	0	0	352,500	352,500
Annualize LB1084 Medicaid Fraud Unit (2004)	0	0	(61,151)	(115,554)
LB 589 Coordination of benefits by insurers	0	0	(1,000,000)	(2,000,000)
LB 664 Redefine critical access hospital	0	0	39,000	80,000
Medicaid Total General Funds	416,751,984	470,355,382	507,609,799	547,322,696
Annual \$ Change	16,503,232	53,603,398	37,254,417	39,712,897
Annual % Change	4.1%	12.9%	7.9%	7.8%

Public Assistance

Public Assistance includes many different social service programs such as ADC, educational assistance for state wards, child welfare services, foster care, subsidized childcare, and adoption assistance. Overall the budget reflects an increase of \$16.5 million (8.6%) in FY05-06 and an additional \$24.6 million (11.8%) in FY06-07.

The largest percent and dollar increase is in child care. Although there are 20 individual aid programs within this area, child care accounts for about half the overall increase, \$7.1 million in FY05-06 and \$15.7 million in FY06-07. Although there is a 2.5% per year increase in eligibility and utilization, the bulk of the increase is in provider rate increases and flat federal funding. Since the early 1990s the department has been required to conduct a market rate survey and set rates for child care payments at a minimum of the 60th percentile. This statutory provision was suspended for a two-year period from July 2003 to June 2005 and providers have not had a rate increase since 2001. Budgeted rate increases of 11% in FY05-06 and an additional 12% in FY06-07 return provider rates to the 60th percentile. The combination of rates, eligibility and utilization alone result in a 14% per year increase in overall funding for the child care program. Because the federal funds, which currently account for 60% of the program costs, are assumed to remain flat, the General Fund assumes all cost increases raising the growth from 14% per year to almost 30% per year. Additional General Funds attributed to assumed "flat" federal funding amounts to \$4.2 million in FY05-06 and \$9.3 million in FY06-07. This is the difference between the estimated federal funding and what that funding would be if increased at the same rate as the total cost increase.

Table 19 Public Assistance by Program (General Funds Only)

(General Funds only)	Biennial Budget			\$ Change vs FY05 base	
	FY2004-05	FY2005-06	FY2006-07	FY05-06	FY06-07
Food stamps	156,000	163,940	172,276	7,940	16,276
Adoption incentives	690,000	690,000	690,000	0	0
Food stamp employment	185,395	185,395	185,395	0	0
Medically handicapped children	1,228,848	1,274,219	1,320,497	45,371	91,649
Title IV-E Foster Care	6,092,171	6,344,345	6,606,605	252,174	514,434
Title IV-E Adoption	5,209,991	5,418,391	5,635,127	208,400	425,136
State subsidized adoption	5,589,863	5,981,153	6,411,573	391,290	821,710
Domestic Violence	1,347,300	1,347,300	1,347,300	0	0
Education Assistance, State Wards	15,972,000	17,069,200	18,826,120	1,097,200	2,854,120
Disabled persons/family support	910,000	910,000	910,000	0	0
State Disability-Medical	6,775,647	7,118,495	7,485,753	342,848	710,106
State Disability-Maintenance	615,767	653,268	693,052	37,501	77,285
Title XX Social Services	5,093,183	5,237,007	5,383,708	143,824	290,525
State supplement-SSI	6,705,789	7,041,078	7,393,132	335,289	687,343
AABD (Aged/blind/disabled) Special Rates	1,838,594	1,966,524	2,099,050	127,930	260,456
AFDC / TANF	25,709,295	25,508,410	30,344,682	(200,885)	4,635,387
Title IV-D Child Care	21,309,024	28,372,041	37,041,390	7,063,017	15,732,366
Emergency Assistance	1,108,922	1,142,190	1,176,455	33,268	67,533
Employment First	6,215,580	7,160,310	8,190,973	944,730	1,975,393
Child Welfare Services	78,368,430	84,061,860	90,324,633	5,693,430	11,956,203
Total Public Assistance (General Funds)	191,121,799	207,645,126	232,237,721	16,523,327	41,115,922
Provider rates				8,471,820	18,726,669
Utilization				10,051,507	22,389,252
Replace one-time use of TANF bonus funds to offset General Funds				2,000,000	2,000,000
Use federal carryover TANF balance to replace General Funds				(2,000,000)	(2,000,000)
Use one time TANF bonus to replace General Funds				(2,000,000)	0
Total Public Assistance (General Funds)				16,523,327	41,115,922

Food Stamp Training and Employment provides job search, training, and supportive services to unemployed (but employable) individuals who are eligible for Food Stamps. Persons who receive both Food Stamps and ADC participate in the Job Support Program. The program pays a capped amount for work expenses including child care while adults are participating in the program. The agency request and enacted budget provides for a 5% per year increase for eligibility and utilization.

Medically Handicapped Children program provides case management and medical diagnostic and referral services to eligible children. Covered medical conditions include orthopedic, cerebral palsy, heart disease, mid-line neurological defects, oral plastic handicaps, neoplasm and many other chronic or congenital conditions. Special services are offered to adults who are genetically handicapped, children with disabilities receiving SSI, and to school-age children with disabilities. The budget provides a 2% per year increase for provider rates and no assumed increase for eligibility and utilization.

Title IV-E Foster Care covers maintenance payments for children in foster care who would otherwise be SSI/ADC eligible if they remained in their parent's household. IV-E Foster care program has a projected utilization increase of 2% per year and a 2% per year increase for provider rates. This amount also includes annualization of the deficit. Federal funds are decreasing because of the one-time retroactive claims. (\$252,174 FY06, \$514,434 FY07)

Title IV-E Adoption Assistance and State Subsidized Adoption The Title IV-E program provides payments to adoptive families and for needed services after the adoption of a state ward is final. Subsidies are available for IV-E eligible children (ADC or SSI eligible at the time adoption proceedings are initiated) with special circumstances for whom adoption would not be possible without financial aid. The subsidies to adoptive families cover maintenance payments and non-recurring expenses while Medicaid covers medical needs. IV-E eligible children qualify for federal match at the Medicaid match rate. The State Subsidized Adoption program is similar to the IV-E program but provides subsidies for children who are not ADC or SSI eligible. The IV-E Adoption Program is projected to grow by 2% per year due to eligibility and utilization and by 2% per year for provider rates (\$208,400 FY06, \$425,136 FY07). The State Subsidized Adoption Program includes an increase of 5% per year for eligibility and utilization; 2% per year for provider rates. (\$391,290 FY06, \$821,710 FY06). In the two programs combined, 2,324 children were served as of June 2004.

Domestic Violence Program provides funding to 22 community-based programs. These local programs served over 20,000 individuals each year with services such as crisis lines, transportation, medical services, legal counseling, financial aid, shelter, protection order forms and application assistance. Several programs also provided counseling services for the abuser. This funding constitutes approximately 15% of total funding of the total expended by the community-based providers. The budget reflects no change in funding from the current FY05 level.

Educational Assistance for State Wards. Public schools and ESU's are reimbursed at Dept of Education approved rates for regular and special education when the ward is in out-of-home care and not in his/her resident school district, and is not living in foster family care. Educational

Assistance to State Wards increases by 10% per year based on cost and eligibility estimates provided by the Department of Education. (\$1,097,200 FY06, \$2,854,120 FY07).

Disabled Persons and Family Support coordinates and purchases services to assist employed disabled adults or to help families keep a family member with disabilities in their home. All other resources are explored before this program will pay for any items. A committee of local advocacy agencies and HHS review applications and make recommendations. Maximum cost for a service cannot exceed \$300 per month averaged over the number of months in eligibility. Some examples of assistance include home modifications to remove barriers, attendant care, counseling and training, and home health care. There is no change in state funding for in FY06/FY07.

State Disabled Medical provides medical services for persons with a physical or mental disability expected to last 6 to 12 months (Medicare covers those whose disability is expected to last at least 12 months). Payment policies for this program are consistent with Medicaid regulations. In June 2004, 187 people were receiving assistance. The State Disabled Medical Program is increasing at 3% per year due to eligibility and utilization and 2% per year for increased provider rates. (\$342,848 FY06, \$710,106 FY07).

State Disabled Maintenance is similar to State Disabled Medical but provides cash assistance. Although no federal funds are spent here, this program uses the same payment standards as the Nebraska SSI program. About 65 people receive these payments. The budget includes a 3% per year increase in caseloads and utilization and 2% increase in maintenance payments.(\$37,501 FY06, \$77,285 FY07).

Title XX Social Services This program currently provides 6,301 people receive chore services, home-delivered meals, non-medical transportation, congregate meals and adult day care. These services are designed to prevent institutional placement. This program is a mix of general and federal funds. The budget includes a 2% per year increase in provider rates. As the estimated federal funds remain flat, the General Funds pay for all the provider rate increase resulting in a 2.8% per year increase in General Funds

State Supplement-SSI. The purpose of this program is to supplement the federal benefits of SSI to bring the income of aged, blind and individuals with disabilities up to the need standard of Nebraska. Persons who are not eligible for federal SSI payments may also qualify for a state supplement payment under certain circumstances. The program currently serves 6,028 individuals. The budget includes a 5% per year increase in the population served. (\$335,289 FY06, \$687,343 FY06).

AABD (Aged/blind/disabled) Special Rates This program provides an additional payment to individuals in certain community based residential programs to more adequately cover the cost of their care. The enacted budget includes a 2% per year increase in provider rates and a 5% per year increase for eligibility and utilization. (\$43,750 FY04, \$88,594 FY05)

Aid to Dependant Children (ADC) provides monthly subsistence payments to low-income families with children under age 18 who are deprived of parental support because of death, physical or mental incapacity, continued absence from the home, or partial or complete unemployment of the primary wage earner. An average grant is \$350/month and 11,929

families were served in FY03-04. The Aid to Dependent Children Program is anticipated to grow about 3% each year due to utilization. Because the TANF block grant is a fixed amount, the General Fund also picks up the annual growth in the federal portion as well. Both FY06 and FY07 also include a \$2 million General fund increase to replace a one-time FY05 use of TANF bonus funds offset by a \$2 million General fund reduction by using federal carryover balances. FY05-06 also includes a one-time \$2 million reduction in General funds and like increase in federal funds for the most recently awarded TANF bonus.

Child Care services are provided to low-income families participating in education, training and employment, and families receiving child protective services. For families on or transitioning off ADC and families in the child welfare system, the program provides full payment of child care costs. For low-income families above the ADC level (up to 185% of federal poverty guidelines) the program covers child care costs on a sliding fee scale. The number of families served in June 2004 was 14,896.

Since the early 1990s the department has been required to conduct a market rate survey and set rates for child care payments at a minimum of the 60th percentile. This statutory provision was suspended for a two-year period beginning in July 2003 and ending in June 2005 and providers have not had a rate increase since 2001. The agency request and enacted budget provides rate increases of 11% in FY05-06 and 12% in FY06-07 to return rates to the 60th percentile and a 2.5% per year increase for eligibility and utilization. The combination of rates and eligibility/utilization results in a 14% per year increase in overall funding for this program. Because the federal funds, which currently account for 60% of the program costs, are assumed to remain flat, the General Fund assumes all cost increases resulting in a 30% per year increase.

Emergency Assistance provides assistance to needy families with minor children. Assistance is provided for only one crisis in a 12-month period. Payments are based on need and may be made for emergency food, medical care, shelter and utilities. An emergency assistance payment must not exceed the ADC payment standard for the family size.). In June 2004, 186 families received assistance. The budget provides for a 3% per year utilization increase paralleling the increase in the ADC Program. (\$33,268 FY06, \$67,533 FY07)

Employment First Program As a condition of receiving assistance, non-exempt ADC adults are required to participate in at least one defined job support component. Examples of exempt ADC adults would be single parents with children under 12 weeks of age and parents with disabilities. There are a variety of components, designed to assist individuals find employment, including education activities, job skills training, and work experience. Persons may also receive selected supportive services such as transportation, work expenses and child care (funded under separate program). The budget includes a 2% per year increase in costs and a 5% per year increase in eligibility and utilization. (\$944,730 FY06, \$1,975,393 FY07).

Child Welfare Services are provided to families of children who are wards of the state through court actions, and also families receiving child protective services. These services include family therapy, case management, supervision/supportive services for children in placement, maintenance payments, and action to terminate parental rights if in the best interest of the child. As of September 2004 there were 7,049 state wards. The budget includes a 2% per year

increase in the cost of services and provider rate increases, and an increase in clients/utilization of 5% per year. (\$5,693,430 FY06, \$11,956,203 FY07).

Community Health Center Aid

The budget includes new general fund support of \$437,500 in FY06 and \$656,250 in FY07 for aid to certain community health centers. There are five community health centers funded through Federal Program 330. These centers are located in Omaha (2), Lincoln, Columbus and Gering. These centers served low-income individuals and a high number of uninsured. This state General Fund support will allow each of the centers to increase their capacity. Each center will receive a base amount of \$50,000 with the balance of the funding distributed proportionally based on in the previous state fiscal year's number of uninsured clients as reported on the Uniform Data System Report.

Aid to Aging Services

The budget includes a 3% per year increase for care management programs (\$53,147 FY06, \$107,357 FY07) and aid to area agencies on aging (\$117,762 FY06, \$237,881 FY07). General Fund appropriations for aging aid had been held constant for FY03, FY04, and FY05.

Higher Education Student Aid

For FY05-06, the budget includes a \$1.2 million increase in General Funds for the Nebraska Scholarship Program. This plus a \$500,000 increase in allocated lottery funds provide an overall 20% increase. In FY07, the additional General Funds are removed when allocated lottery funds increases by \$2.2 million when fully implemented. Overall, the total amount of funds available for student scholarships is projected to increase by 35% over the two year period when taking into consideration the General Funds and cash funds (earmarked lottery receipts).

In LB574-2003 three previous student aid budget programs were replaced by the Nebraska Scholarship Program and Community Scholarship Program. Under that law, \$2.0 million derived from lottery receipts have been available to the Nebraska Scholarship Fund for FY03-04 and FY04-05 and \$2.5 million for FY05-06. Starting in FY06-07 the Nebraska Scholarship Fund will receive an amount equal to 22.25% of net lottery receipts estimated at \$4.75 million.

Table 20 Coordinating Commission Student Aid Programs

General and Cash Funds	Approp	Approp	Biennial Budget	
	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Nebraska Scholarship (General)	5,745,794	5,717,065	6,917,065	5,717,065
Community Scholarship (General)	50,000	49,750	49,750	49,750
Available from lottery funds (Cash)	2,000,000	2,000,000	2,500,000	4,750,000
Combined General and Cash Funds	7,795,794	7,766,815	9,466,815	10,516,815
\$ Change over Prior Year	1,921,584	(28,979)	1,700,000	1,050,000
% Change over Prior Year	32.7%	-0.4%	21.9%	11.1%

General Fund Aid to Local Governments

State Aid to K-12 Schools

Table 21 shows the total amount of General Fund state aid to K-12 schools from the various aid programs. The budget reflects an 8.2% increase in FY05-06 and an additional 5.8% increase in FY06-07. Description of the various programs follows the table

Table 21 Total General Fund State Aid to K-12 Schools

	Approp FY2001-02	Approp FY2002-03	Approp FY2003-04	Approp FY2004-05	Biennial Budget	
					FY2005-06	FY2006-07
State Aid to Education (TEEOSA)	631,828,496	647,477,820	625,915,582	618,568,757	683,473,181	734,055,263
Special Education	146,164,827	146,164,827	153,473,068	161,146,721	169,204,057	174,280,179
High ability learner programs	3,331,221	2,864,377	2,348,664	2,336,921	2,336,921	2,336,921
Early Childhood program	1,497,600	2,330,200	2,097,180	2,097,180	3,680,471	3,680,471
School Lunch	472,800	467,875	421,087	421,087	421,087	421,087
Textbook loan program	407,256	390,287	351,259	351,259	420,000	420,000
School Breakfast reimbursement	304,694	301,520	271,378	271,378	271,378	271,378
Adult Education	241,809	231,733	231,733	230,574	230,574	230,574
Rural Education Transition (LB 26)	0	0	0	0	0	650,000
Option Enrollment	189,312	0	0	0	0	0
Economic education program	27,500	20,300	0	0	0	0
School reorganization (LB1050)	19,200	18,400	0	0	0	0
Total Gen Fund Aid - K-12 Districts	784,484,715	800,267,339	785,109,951	785,423,877	860,037,669	916,345,873
Change over Prior Yr – Dollar	87,756,339	15,782,624	(15,157,388)	313,926	74,613,792	56,308,204
Change over Prior Yr – Percent	12.6%	2.0%	-1.9%	0.0%	9.5%	6.5%

Special Education The budget as enacted includes increases in Special Education reimbursement of 5% in FY05-06 and 3% in FY06-07. Overall this is less than the statutory allowed maximum of 5%, but higher than the Governor who included no increase in special education reimbursement for FY05-06 or FY06-07.

(General Funds only)	Biennial Budget		Biennial Budget		Biennial Budget	
	FY2001-02	FY2002-03	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Base Year Appropriation	139,204,597	139,204,597	146,164,827	146,164,827	161,146,722	161,146,722
Cost/Client increases	6,960,230	14,268,471	7,308,241	14,981,895	8,057,336	13,133,458
5% Across the Brd cut (2001 Spec Sess)	0	(3,258,241)	0	0	0	0
Freeze FY03 at FY02 level, additional fed funds	0	(4,050,000)	0	0	0	0
Total - New Appropriation	146,164,827	146,164,827	153,473,068	161,146,722	169,204,058	174,280,180
\$ Change over Prior Yr	6,960,230	0	7,308,241	7,673,654	8,057,336	5,076,122
% Change over Prior Yr	5.0%	0.0%	5.0%	5.0%	5.0%	3.0%

Early Childhood Program The Legislature enacted several funding changes for early childhood programs. First, in the mainline budget bill, there was a net \$1,583,291 or 75% increase in funding. This includes a reduction of \$104,859 by shifting 5% of general fund aid to operations to reflect usage for evaluation, more than offset by a \$1,688,150 increase via a floor amendment. Second, **LB 577** changes the state aid formula (TEEOSA) to provide a weighting factor for early childhood education programs and to include the membership of children enrolled in an early childhood grant funded program in the calculation of state aid after the

program has received an early childhood grant for three years. At that point, funding would be provided through the TEEOSA formula freeing up early childhood grant monies for reallocation to new early childhood programs. Although the additional cost shows up in TEEOSA (see below), this ultimately expands early childhood programs by allowing the use of these funds only to establish new programs, not provide long term funding once established.

Other K-12 Aid Programs The budget includes no change in the high ability learner program (\$2,336,921), School Lunch (\$421,087), and School Breakfast reimbursement (\$271,378). The budget includes a \$68,741 increase (about 20%) in the textbook loan program.

Tax Equity and Educational Opportunities Support Act (TEEOSA)

The budget includes funding for state aid to schools (TEEOSA) based on existing statutes. No changes in the distribution formula are proposed or assumed in these calculations. TEEOSA aid is projected to increase \$64.9 million (10.5%) in FY05-06 and an additional \$50.6 million (7.4%) in FY06-07.

The large increases in both FY05-06 and FY06-07 are mostly attributed to the return of the basic allowable growth rate to the 2.5% level in school year FY05-06, after two years at 0%, and its affect on the cost growth factor.

Table 22 - Cost Growth Factor

	Allowable 1/2 Board Growth Authorizer	Enrollment Growth	Total	
FY02-03 Aid Year (Certified)				
FY00-01 Actual Data (AFR)				
Inflate to FY01-02	2.50%	0.50%	0.13%	3.13%
Inflate to FY02-03	2.50%	0.50%	0.13%	3.13%
Factor - FY03-04 Aid	5.00%	1.00%	0.26%	6.26%
FY03-04 Aid Year (Certified)				
FY01-02 Actual Data (AFR)				
Inflate to FY02-03	2.50%	0.50%	0.16%	3.16%
Inflate to FY03-04	0.00%	0.50%	0.16%	0.66%
Factor - FY03-04 Aid	2.50%	1.00%	0.32%	3.82%
FY04-05 Aid Year (Certified)				
FY02-03 Actual Data (AFR)				
Inflate to FY03-04	0.00%	0.50%	0.00%	0.50%
Inflate to FY04-05	0.00%	0.50%	0.00%	0.50%
Factor - FY04-05 Aid	0.00%	1.00%	0.00%	1.00%
FY05-06 Aid Year (Certified)				
FY03-04 Actual Data (AFR)				
Inflate to FY04-05	0.00%	0.50%	0.35%	0.85%
Inflate to FY05-06	2.50%	0.50%	0.35%	3.35%
Factor - FY05-06 Aid	2.50%	1.00%	0.70%	4.20%
FY06-07 Aid Year (Estimated)				
FY04-05 Actual Data (AFR)				
Inflate to FY05-06	2.50%	0.50%	0.00%	3.00%
Inflate to FY06-07	2.50%	0.50%	0.00%	3.00%
Factor - FY06-07 Aid	5.00%	1.00%	0.00%	6.00%

Table 22 shows the cost growth factors for the projected biennial budget and the prior three years. The calculation of NEED in the TEEOSA formula takes the last year of actual data (two years before the aid year) inflated by the sum of (1) the basic allowable growth for the year in which aid is being calculated, (2) the basic allowable growth rate for the year prior to the aid year, (3) two times half of the additional growth that can be adopted by a school board over the same two year period and (4) two times the change in enrollment (formula students) in the prior year. When the allowable growth is constant from one year to the next, so basically is the cost growth factor. This means growth in NEED is then related to growth in school spending two years prior. However, when the allowable growth and cost growth factors vary, the change in NEED reflects the growth or change in school spending two years prior plus (or minus) the change in the cost growth factor. Excluding enrollment change, in a "normal" year the cost growth factor is 6%, based on a 2.5% allowable growth each year plus 1%. The drop of the allowable growth percentage to 0% for school year FY04 & FY05 resulted in a lower cost growth factor

in FY03-04 (3.5%) and FY04-05 (1.0%), and substantial savings in TEEOSA aid for both years. The restoration of the allowable growth rate to 2.5% starting in FY06 returns the cost growth

factor to 3.5% in FY05-06 and 6% in FY06-07. Because TEEOSA aid is roughly 1/3 of formula NEED, a 1% increase in NEED equates to roughly a 3% increase in TEEOSA.

The main components of the growth in TEEOSA aid can be seen in Table 23.

FY2005-06 About \$55 million of the \$65 million increase is attributed to a 3.2% increase in the cost growth factor of which \$42 million is due to the allowable growth portion increasing from 1% to 3.5% and \$12.8 million attributed to the enrollment growth portion of the cost growth factor (+.7%). The remaining \$10 million (referred to here as basic program growth) is the net impact of the other factors in the formula including school spending growth (2 years prior), property valuation growth and yield from local effort rate, and growth in other receipts from state and local sources. This \$10 million increase is significantly below “normal” due to a low growth in school General Fund Operating Expenditures (GFOE) in the FY03-04.

FY2006-07: Most of the growth is again attributed to the cost growth factor. Overall the cost growth factor increases by only 1.8%, the net impact of a 2.5% increase in the allowable growth portion (from 3.5% to 6.0%) and a .7% reduction in the enrollment portion. The basic program growth is again below normal due to low growth in GFOE in FY04-05.

FY2007-08, The cost growth factor remains the same so most growth is attributed to basic factors. The 9% growth is attributed to higher spending growth, partially attributed to retirement contributions (LB503-2005) early childhood programs (LB 577-2005), and normal valuation growth. The estimated higher spending growth was assumed due to the expiration of the 0% allowable growth in FY05-06 the starting point for calculation of FY07-08 aid.

FY2008-09 The significant increase in TEEOSA aid in FY08-09 is due to the return of the levy limit to \$1.00 and expiration of the temporary aid adjustment factor.

Table 23 Components of TEEOSA Change

	FY2002-03 Certified	FY2003-04 Certified	FY2004-05 Certified	FY2005-06 Certified	FY2006-07 Estimated	FY2007-08 Estimated	FY2008-09 Estimated
Current TEEOSA Estimate							
Dollar Amount (General Funds Only)	647,477,820	625,337,469	618,568,757	683,473,181	734,055,264	798,653,106	933,193,875
\$ Change over prior year	15,649,324	(22,140,351)	(6,768,711)	64,904,424	50,582,082	64,597,842	134,540,769
% Change over prior year	2.5%	-3.4%	-1.1%	10.5%	7.4%	8.8%	16.8%
Components of \$ Change over Prior Year							
Basic growth (at 2.5% allowable growth)	35,122,460	63,225,813	45,056,746	9,312,049	17,445,855	51,997,842	45,308,746
Cost growth factor (enrollment)	4,185,269	1,192,916	(5,378,185)	12,798,270	(12,798,270)	0	0
Cost growth factor (0% FY04&FY05)	0	(42,281,331)	(46,447,272)	42,794,105	45,934,497	0	0
Levy limit changes	0	(44,277,749)	0	0	0	0	58,133,063
Temporary aid adjustment factor	(23,658,406)	0	0	0	0	0	31,198,960
LB 503 Allowable growth for retirement	0	0	0	0	0	10,200,000	(1,800,000)
LB 577 Early childhood into aid formula	0	0	0	0	0	2,400,000	1,700,000
Total \$ Change	15,649,324	(22,140,351)	(6,768,711)	64,904,424	50,582,082	64,597,842	134,540,769
Components of % Change over Prior Year							
Basic program growth	5.6%	9.8%	7.2%	1.5%	2.6%	7.1%	5.7%
Cost growth factor (enrollment)	0.7%	0.2%	-0.9%	2.1%	-1.9%	0.0%	0.0%
Cost growth factor (0% FY04&FY05)	0.0%	-6.5%	-7.4%	6.9%	6.7%	0.0%	0.0%
Levy limit changes	0.0%	-6.8%	0.0%	0.0%	0.0%	0.0%	7.3%
Temporary aid adjustment factor	-3.7%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
LB 503 Allowable growth for retirement	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	-0.2%
LB 577 Early childhood into aid formula	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.2%
Total % Change	2.5%	-3.4%	-1.1%	10.5%	7.4%	8.8%	16.8%

Table 24 Calculation of TEEOSA School Aid

	Estimated FY2005-06	Estimated FY2006-07	Estimated FY2007-08	Estimated FY2008-09
1 AFR Data Year	Est 03-04	Est 04-05	Est 05-06	Est 06-07
2 Property Valuation Year	2004 actual	2005 est	2006 est	2007 est
Key Assumptions				
3 School Disbursements	4.1%	3.9%	5.5%	5.0%
4 Property Valuations (assessed)	4.9%	5.0%	5.0%	5.0%
5 Adjusted to Assessed Valuation Ratio	103.70%	103.70%	103.70%	103.70%
7 Cost Growth Factor	4.2%	6.0%	6.0%	6.0%
8 Local Effort Rate	\$0.95	\$0.950	\$0.950	\$0.900
12 Total Adjusted GF Operating Expenditures	1,938,719,902	2,045,769,150	2,159,318,669	2,271,028,774
13 Transportation Allowance	37,777,254	41,041,603	43,298,891	45,463,836
14 Special Education Allowance	157,396,894	165,387,351	173,509,866	178,653,123
15 LB 503 Allowable growth for retirement	na	na	10,200,000	8,400,000
16 LB 577 Early childhood programs, state aid for	na	na	2,400,000	4,100,000
17 LB 898: Aid adjustment factor	(26,696,388)	(28,152,476)	(29,863,504)	0
18 Total Formula Need	2,109,014,666	2,224,045,628	2,359,216,793	2,507,844,910
19 Effective Yield from Local Effort Rate	1,050,772,198	1,103,400,316	1,158,570,332	1,158,365,785
20 Net Option Funding	57,718,475	59,981,039	63,279,996	66,443,996
21 Allocated Income Tax	44,571,342	42,308,778	39,009,821	35,845,821
22 Other Actual Receipts	352,103,016	365,833,451	380,816,009	393,176,633
23 Minimum Levy Adjustment	2,600,730	2,600,000	2,600,000	2,600,000
24 LB 898: Net Option funding adjustment	(17,696,484)	(18,390,187)	(19,401,647)	0
25 LB 898: Allocated income tax adjustment	(8,628,004)	(8,628,004)	(8,628,004)	0
26 Total Formula Resources	1,481,441,273	1,547,105,394	1,616,246,507	1,656,432,236
27 Calculated Equalization Aid	627,573,393	676,940,234	742,970,286	851,412,674
28 Net Option Funding	57,718,475	59,981,039	63,279,996	66,443,996
29 Allocated Income Tax	44,571,342	42,308,778	39,009,821	35,845,821
30 Lopoff	(4,586,125)	(4,000,000)	(4,000,000)	(4,000,000)
31 Stabilization Factor	1,497,854	1,497,854	1,497,854	997,854
32 Non Equalized Levy Penalty	(324,451)	(324,451)	(324,451)	(324,451)
33 Small School Stabilization	492,042	500,000	500,000	500,000
34 Reorganization Incentive payments	0	1,000,000	1,000,000	0
35 Prior yr deficiencies/negative balances	(23,759)	0	0	0
36 LB 898: Net Option funding adjustment	(17,696,484)	(18,390,187)	(19,401,647)	0
37 LB 898: Allocated income tax adjustment	(8,628,004)	(8,628,004)	(8,628,004)	0
38 TEEOSA State Aid	700,594,282	750,885,264	815,903,856	950,875,894
39 State General Funds	683,473,181	734,055,264	798,653,106	933,193,875
40 Insurance Premium Tax	17,121,101	16,830,000	17,250,750	17,682,019
41 Total TEEOSA Aid	700,594,282	750,885,264	815,903,856	950,875,894
42 Dollar Change from prior year	66,277,006	50,290,981	65,018,592	134,972,039
43 Percent Change from prior year	10.4%	7.2%	8.7%	16.5%
State General Fund Aid				
44 TEEOSA (General Funds)	683,473,181	734,055,264	798,653,106	933,193,875
45 Incentive Payments (Base Yr)	Lottery	Lottery	0	0
46 Total General Fund	683,473,181	734,055,264	798,653,106	933,193,875
47 Dollar Change from prior year	64,904,424	50,582,082	64,597,842	134,540,770
48 Percent Change from prior year	10.5%	7.4%	8.8%	16.8%

Aid to Educational Service Units (ESU's)

The budget includes a 1.25% per year increase in aid to ESU's. This increase is half the statutory authorized growth which is the K-12 school basic allowable growth rate (2.5%)

(General Funds only)	Biennial Budget		Biennial Budget		Biennial Budget	
	FY2001-02	FY2002-03	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Base Year Appropriation	12,775,000	12,775,000	12,347,996	12,347,996	10,564,913	10,564,913
Cost increases-core services	242,500	491,063	0	0	100,778	204,076
Cost increases-technology	76,875	155,672	0	0	31,284	63,349
5% Across the Board cut (2001 Spec Sess)	0	(671,087)	0	0	0	0
3% Across the Board cut (2002 Sess)	0	(402,652)	0	0	0	0
Base cut (2003 Sess)	0	0	(1,729,993)	(1,729,993)	0	0
.5% Across the Board cut (2004 Sess)	0	0	0	(53,090)	0	0
Total - New Appropriation	13,094,375	12,347,996	10,618,003	10,564,913	10,696,975	10,832,338
\$ Change over Prior Yr	319,375	(746,379)	(1,729,993)	(53,090)	132,062	135,363
% Change over Prior Yr	2.5%	-5.7%	-14.0%	-0.5%	1.3%	1.3%

Aid to Municipalities

The budget reflects no change in aid to municipalities. Monies distributed through the aid to cities formula and Municipal Infrastructure Redevelopment Fund (MIRF) remains unchanged from the FY05 level.

Originally, the proposed FY06/FY07 budget included a \$2,480,000 base reduction in aid to cities which would have offset a \$2,480,000 restoration of a two year reduction in funding for MIRF. Collectively between the two programs, there would have been no change in overall state aid to cities. The aid cut to offset the restoration of MIRF was consistent with legislative intent as shown in all financial status and budget documents since enactment of the MIRF / Aid amendment during the 2003 Session. However, amendments to both the mainline budget bill (LB 425) and the MIRF law (LB 426) extended the reduction in MIRF (through FY09 when MIRF sunsets) and negated the need to reduce aid to cities as an offset.

The following tables illustrate the change in the various city aid programs over the past few years. Although there has been a significant decline in the basic aid to cities from FY00-01 to the budget for FY06-07 (\$8.7 million) what's not shown is the additional city sales tax that municipalities received due to the sales tax base expansions enacted in LB 1085 (2002) and LB 759 (2003). It's estimated that in FY06-07, the city share of the sales tax base expansion is \$17 million.

Aid to Cities	FY2001-02	FY2002-03	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Prior Year Base	17,531,500	16,830,240	13,148,625	11,313,762	11,257,193	11,257,193
Program increases	0	0	0	0	0	0
2001 Session	0	0	0	0	0	0
Spec Session 4% / 5% ATB Cut	(701,260)	(175,315)	0	0	0	0
2002 Session 0% / 3% ATB Cut	0	(525,945)	0	0	0	0
2002 Session Veto to 75% of FY01 level	0	(2,980,355)	0	0	0	0
2003 Session 10% Cut	0	0	(1,314,863)	0	0	0
2003 Session Cut equal \$3 M combined with MIRF	0	0	(520,000)	0	0	0
2004 Session .5% Cut	0	0	0	(56,569)	0	0
Total - (#12-120, General Funds)	16,830,240	13,148,625	11,313,762	11,257,193	11,257,193	11,257,193

Muni Infrastructure Redevlop Fund (MIRF)	FY2001-02	FY2002-03	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Prior Year Base	3,050,000	3,050,000	3,050,000	520,000	520,000	520,000
Program increases	0	0	0	0	0	0
2001 Session	0	0	0	0	0	0
Spec Session 4% / 5% ATB Cut	0	0	0	0	0	0
2002 Session 0% / 3% ATB Cut	0	0	0	0	0	0
2002 Session Veto to 75% of FY01 level	0	0	0	0	0	0
2003 Session 10% Cut	0	0	0	0	0	0
2003 Session Cut MIRF, 2 yrs only	0	0	(2,530,000)	0	0	0
Total - (#12-118, Cash Funds)	3,050,000	3,050,000	520,000	520,000	520,000	520,000

Muni Equalization Fund (MEF)	FY02 actual	FY03 actual	FY04 actual	FY05 est	FY06 est	FY07 est
MEF Formula	11,397,149	12,542,762	12,550,239	13,408,000	14,269,000	15,186,000
MEF "rollover" (limited to \$300,000 2003 Sess)	2,734,808	1,006,000	300,000	300,000	300,000	300,000
2001 Spec Session ATB Cut	0	0	0	0	0	0
2002 Session Cut	0	0	0	0	0	0
2002 Session Veto	0	0	0	0	0	0
2003 Session 10% Cut	0	0	0	0	0	0
Total - MEF (off-budget)	14,131,957	13,548,762	12,850,239	13,708,000	14,569,000	15,486,000

Aid to Counties

There are three aid programs from which counties receive assistance, general aid to counties program in the State Treasurer's budget, the County Property Tax Relief program budgeted under the Dept of Revenue and the county jail reimbursement program under the Dept of Correctional Services. The FY06/FY07 budget reflects no change in funding for these three aid programs and simply extends the FY05 level of funding for the next two years.

With respect to the County Property Tax Relief program under the provisions of LB 622 (2003) funding for the program was deleted for FY04 and FY05 and then was to be restored starting in FY06 albeit at a reduced level (\$2.9 million in FY06 and \$3.1 million in FY07). The legislature followed the Governor's recommendation which did not include restoration of these monies utilizing statutory language which provides for prorating of funds if appropriations did not meet the aid amounts as calculated in the formula.

In the county jail reimbursement program, a \$408,595 increase was adopted through a floor amendment and would have restored funding to the FY03 level. However, this amount was vetoed by the Governor.

Aid to Counties	FY2001-02	FY2002-03	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Prior Year Base	7,393,808	7,098,056	5,545,356	4,990,820	4,990,820	4,990,820
Program increases	0	0	0	0	0	0
1999 Session, cut to offset MV reallocation	0	0	0	0	0	0
2001 Session	0	0	0	0	0	0
Spec Session 4% / 5% ATB Cut	(295,752)	(73,938)	0	0	0	0
2002 Session 0% / 3% ATB Cut	0	(221,814)	0	0	0	0
2002 Session Veto to 75% of FY01 level	0	(1,256,948)	0	0	0	0
2003 Session 10% Cut	0	0	(554,536)	0	0	0
Total - Aid to Counties (#12-149)	7,098,056	5,545,356	4,990,820	4,990,820	4,990,820	4,990,820

County Property Tax Relief	FY2001-02	FY2002-03	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Prior Year Base	6,007,165	6,007,165	4,505,374	0	0	0
Program increases	0					
2001 Session	0	0	0	0	0	0
Spec Session 0% / 9% ATB Cut	0	(540,645)	0	0	0	0
2002 Session 0% / 3% ATB Cut	0	(180,215)	0	0	0	0
2002 Session Veto to 75% of FY01 level	0	(780,931)	0	0	0	0
2003 Session Eliminate 2 yrs, restore FY06 (LB622)	0	0	(4,505,374)	0	0	0
Total - County Property Tax Relief (#16-104)	6,007,165	4,505,374	0	0	0	0

County Jail Reimbursement	FY2001-02	FY2002-03	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Prior Year Base	6,800,000	4,080,000	3,910,000	3,519,000	3,519,000	3,519,000
Program increases	0					
2001 Session (base cut to "actual" levels)	(2,550,000)	0	0	0	0	0
Spec Session 4% / 5% ATB Cut	(170,000)	(42,500)	0	0	0	0
2002 Session 0% / 3% ATB Cut	0	(127,500)	0	0	0	0
2002 Session Veto to 75% of FY01 level	0	Overriden	0	0	0	0
2003 Session 10% ATB Cut	0	0	(391,000)	0	0	0
Total - County Jail Reimbursement (#46-750)	4,080,000	3,910,000	3,519,000	3,519,000	3,519,000	3,519,000

Aid to Natural Resource Districts (NRD's)

The enacted budget reflects no change in funding for aid to NRD's at least through this program.

Aid to NRD's	FY2001-02	FY2002-03	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Prior Year Base	2,301,138	2,209,092	1,725,853	1,553,268	1,545,502	1,545,502
Program increases	0	0	0	0	0	0
1999 Session, add to offset MV reallocation	0	0	0	0	0	0
2001 Session	0	0	0	0	0	0
Spec Session 4% / 5% ATB Cut	(92,046)	(23,011)	0	0	0	0
2002 Session 0% / 3% ATB Cut	0	(69,034)	0	0	0	0
2002 Session Veto to 75% of FY01 level	0	(391,194)	0	0	0	0
2003 Session 10% Cut	0	0	(172,585)	0	0	0
2004 Session .5% Cut	0	0	0	(7,766)	0	0
Total - Aid to NRD's (#12-119)	2,209,092	1,725,853	1,553,268	1,545,502	1,545,502	1,545,502

Homestead Exemption

The budget includes additional funding of \$4,081,900 in FY05-06 and \$6,727,900 in FY06-07 when compared to the current year *excluding deficits*. When taking into consideration the \$1.5 million deficit also included in the FY05 budget, funding for the upcoming biennium would provide for a 5% per year increase.

Homestead Exemption	Biennial Budget		Biennial Budget		Biennial Budget	
	FY2001-02	FY2002-03	FY2003-04	FY2004-05	FY2005-06	FY2006-07
Base Year appropriation	38,613,302	38,613,302	37,880,000	37,880,000	48,838,100	48,838,100
Base reduction per Base Yr actual data	(2,613,302)	(2,613,302)	0	0	0	0
Cost/Client increases	0	1,880,000	5,120,000	10,958,100	4,081,900	6,727,900
Total General Funds (without deficits)	36,000,000	37,880,000	43,000,000	48,838,100	52,920,000	55,566,000
Deficit	1,880,000	3,411,730	3,620,000	1,563,176	0	0
Total General Funds (with deficits)	37,880,000	41,291,730	46,620,000	50,401,276	52,920,000	55,566,000
\$ Change (including deficits)	2,186,698	3,411,730	5,328,270	3,781,276	2,518,724	2,646,000
% Change (including deficits)	6.13%	9.01%	12.90%	8.11%	5.00%	5.00%

Governor's Emergency Fund

The budget includes \$1,000,000 General Funds each year to bring the unobligated balance in the fund back to the recent historical level of about \$2,000,000, barring any major disasters in the next two years. The December 31, 2004 unobligated combined General Fund and cash fund balance in the Governor's Emergency Program was \$89,584 compared to the unobligated balance one year ago was \$1,858,566. The May 2004 tornados and holding in reserve \$936,741 to build the Joint Operations Center are the predominate reasons that the unobligated balance has fallen to current levels

Aid to Community Colleges

Aid to community colleges increases by \$2,424,569 (3.9%) in FY05-06 and an additional \$2,505,414 (3.8%) in FY06-07 in the budget as enacted. This is equal to the Governors recommendation which included funding increases to support the state's 40% share of assumed salary increases (3% per year), health insurance increases (13% per year) and operating expenses.

General Fund Agency Operations

Court System

Court Operations The budget includes \$95,000 to allow the court to conduct several studies; additional funds for the Judicial Qualifications Commission (\$61,000 FY06 and \$63,000 FY07), and additional funding i (\$85,500 FY06 and \$138,200 FY07) for interpreters. In 1999 the responsibility for payment of interpreter fees was transferred from the general fund of the county where the interpreting took place to the state. Court interpreters are used for all court case types, case events and probation services.

Judges Salaries LB 348 provided for an increase in judges salaries of 3% on July 1, 2005 and 3.25% on July 1, 2006. The last increase was July 2002. Increased costs for this increase amount to \$450,595 in FY06 and \$953,383 in FY07.

Probation The budget includes \$946,576 in FY06 and \$1,315,758 in FY07 for additional probation staffing. This includes funding for intensive supervision probation officers (\$435,623 FY06, \$653,434 FY07) and clerical support (\$77,647 FY06, \$116,470 FY07), and traditional supervision probation officers (\$85,127 FY06, \$127,690 FY07), case managers (\$108,911 FY06, 163,366 FY07), and clerical support (\$31,058 FY06, \$46,587 FY07). A significant number of the additional ISP officers would be utilized for the Specialized Substance Abuse Supervision (SSAS) program. The Probation System researched and developed the SSAS program which could supervise felony drug offenders to assure community safety yet provide intervention assistance. This program was approved by the Community Corrections Council subject to the appropriation of funds for additional staffing. The budget also includes \$208,212 each year for drug technicians. The technicians were previously paid from the Probation Supervision Cash Fund. Utilizing general funds for the technicians eliminates a structural in balance in the Probations Supervision Cash Fund.

Dept of Health and Human Services

Besides funding of salary and health insurance costs, the budget for the operation of the HHS System included the following changes.

Juvenile Services There are no significant increases or reductions in juvenile services programs. The budget only includes funding for salary and health insurance costs.

New eligibility workers, Medicare prescription drug coverage. The Medicare Prescription Drug Improvement and Modernization Act of 2003 will be implemented January 1, 2006. The law allows people whose income is at or below 150% of poverty to enroll at either the federal Social Security Administration offices or state Medicaid offices. As the agency is roughly estimating that 45,000 people will be enrolled by the state, the budget includes funding for an additional 40 workers (General Funds of \$968,975 in FY05-06 and \$1,155,170 in FY06-07 and the same amounts of federal funds in each year)

Replace one-time use of cash, Children's Task Force recommendations The enacted budget includes General funds of \$3,708,585 in FY05-06 and \$5,138,585 in FY06-07 to replace the one-time use of cash used to finance the Children's Task Force recommendations. These recommendations, initially funded in LB1089 passed last session utilized a one-time transfer from the Nebraska Medicaid Intergovernmental Trust Fund. Items funded included increased child welfare staff (80 caseworkers, 16 intake staff, 8 supervisors, and 16 aides), a public information campaign, coordinators at 7 Child Advocacy Centers, and additional training for law enforcement and medical professionals. The FY05-06 number is lower due to the use of \$1,430,000 of unused cash that will carry forward from FY04.

Fund source shift from General to Cash/Federal (BSDC). A review of the cash and federal revenue projections at the Beatrice State Developmental Center (BSDC) indicate that additional cash and federal funds could be used to offset General Funds over the two year biennial budget and still maintain a balance equal to roughly two months receipts. This allowed for a \$3,325,000 reduction in General Funds and an offsetting increase of \$2,125,000 Federal and \$1,200,000 Cash funds.

Institution Inflationary Increases The budget includes increases for medical inflationary costs and workers compensation increases. Amounts included total \$1,212,521 in FY05-06 and \$2,538,979 in FY06-07.

Developmental Disability Quality Assurance The budget includes a transfer of \$1,000,000 of general fund aid from developmental disabilities aid (agency 26, program 424) to the administration program (program 33) in agency 25 each fiscal year. The transferred funds will be used to improve oversight and quality in the provision of waiver services for persons with developmental disabilities. Forty staff positions will be added across the state at a total cost of \$2 million per year (\$1 million general, \$1 million federal).

The Center for Medicaid and Medicare Services (CMS) began a review of the state's three waivers for adults with developmental disabilities in the fall of 2004. These waivers yield approximately \$65 million of federal funds for developmental disability services. The emphasis of the survey was on the state's quality assurance oversight of waiver services. CMS found the state's initial response to the survey to be inadequate and the continuation of the waivers and funding was in serious jeopardy. A delay was requested in the survey. CMS agreed on the condition that a serious effort be made to improve the amount and scope of oversight to insure the quality of waiver programs. The recommendation is the state's response to CMS concerns.

Bridges Program at HRC The budget includes funding in the deficit bill for the current year (FY04-05) and for the next biennium (FY06 and FY07) for a 14-bed program (Bridges) for individuals with developmental disabilities who need a structured and secure environment. The program is located at the Hastings Regional Center. Individuals placed in the Bridges program have developmental disabilities and behaviors determined to be a danger to the community.

A total of \$2,072,553 of general funds is appropriated each year of the next biennium to fund the program. No new appropriation is required to provide the program because \$1.5 million of existing funds from the Beatrice State Developmental Center as well as a transfer of \$572,553 of general funds from state aid for developmental disabilities will be used.

Dept of Correctional Services

In the deficit bill which adjusts funding for the current fiscal year (FY04-05), the Dept of Correctional Services (DCS) spending authority was reduced by a total of \$12.9 million. There were two components to this reduction. First, there is a lapse of prior year reappropriations totaling \$8,600,630. This represents an accumulated surplus over several years as DCS is one of the few instances where unexpended funds were allowed to be carried forward from one biennium to the next. This lapse of a surplus in carry over balance is comprised of accumulated vacancy savings of \$4.5 million, lower than anticipated inmate population coupled with lower inmate per capita medical cost/utilization savings of \$3.5 and one time utility costs savings of .6 million. The second component is an actual reduction in the FY04-05 new appropriation of \$4,298,258 reflecting vacancy savings and lower medical costs.

In terms of the FY05-06 and FY06-07 biennium, other than general salary and health insurance increases, the only significant item included in the budget is restoration of the depreciation surcharge per LB1092-2003. No other increases are specifically included for items such as utilities or inmate food and medical costs. However, by utilizing the original FY04-05 appropriation level as base funding for FY06 and FY07, the budget does allow for some level of increases based on the revised FY04-05 funding level which included a \$4.3 million deficit reduction as noted above.

State Colleges

The budget reflects a General Fund increase of 8.9% in FY05-06 and 6.7% in FY06-07. This includes adjustments to support biennium salary increases (\$1,724,986 FY06, \$3,428,158 FY07), health insurance increases (\$434,045 FY06, \$1,125,804 FY07), workers compensation (\$137,630 each year), and reinstatement of facilities depreciation surcharges at 1% (\$317,388 each year). Funds are included for increased costs associated with utilities; property, liability and other insurance coverages; and DAS Transportation Services Bureau charges (\$298,351 FY06 and \$560,923 FY07). Funds are included for development of collaborative programmatic and facilities plans by Wayne State College and Northeast Community College for their initiative to increase delivery of educational services in South Sioux City (\$133,400 FY06).

The budget includes a relatively large percent increases in General Funds. To a great extent, this reflects the fact that the budget includes General Fund levels that will fund 100% of costs for assumed salary, health insurance and other increased costs such as utilities, operations and maintenance of renovated facilities, and restoration of the depreciation surcharge. By funding 100% of these costs with General Funds, no tuition increases should be required to fund basic cost increases as approved in the budget. This was deemed important considering budget reductions of the last several years and the fact that average annual tuition rate increases for the past four years have approximated 10% for the State Colleges. General Funds would have increased about 5.5% per year if 69% of the various cost increases had been funded with General Fund adjustments in a manner comparable to the Governors approach.

University of Nebraska

The budget reflects a General Fund increase of 7.7% in FY05-06 and 6.1% in FY06-07.

This includes adjustments to support biennium salary increases (\$17,169,371 FY06, \$33,792,062 FY07), health insurance increases (\$5,459,955 FY06, \$11,720,703 FY07), and reinstatement of the facilities depreciation surcharges at 1% (\$2,349,424 FY06, \$2,792,225 FY07). Funds are included for increased costs of purchased utilities projected to increase at 7.5% in FY06 and 4.6% in FY07 (\$1,743,835 FY06, \$2,847,079 FY07). Funding for the operations and maintenance of new or recently renovated facilities is included at \$962,904 in FY06 and \$2,197,423 in FY07. These facilities include the Natural Resources facility (UNL), Central Library Storage (UNL), Center For Health Science Education (UNMC), Swanson Hall (UNMC), Criss Library Addition (UNO), and Memorial Student Affairs (UNK).

The budget includes relatively large percent increases in General Funds for the University. To a great extent, this reflects the fact that the budget includes General Fund levels that will fund 100% of costs for assumed salary, health insurance and other increased costs such as utilities, operations and maintenance of new and renovated facilities, and restoration of the depreciation surcharge. By funding 100% of these costs with General Funds, no tuition increases should be required to fund basic cost increases as approved in the budget as enacted. This was deemed important considering budget reductions of the last several years and the fact that average annual tuition rate increases for the past four years have exceeded 10% for the University. General Funds would have increased about 5.0% per year if 74% of the various cost increases had been funded with General Fund adjustments in a manner comparable to the Governors approach.

State Patrol

The budget includes funding for five additional trooper positions (\$406,705 FY06, \$426,071 FY07), and \$332,500 in both years for increased gasoline costs. These increased costs are partially offset by general fund savings of \$310,265 in FY06 and \$326,387 in FY07 relating to efficiencies in the Criminal History Platform Conversion and reductions in automobile liability insurance assessment. Also LB 503 provided for a higher employer retirement contributions. Additional general fund costs amounted to \$804,161 in FY06 and \$864,332 in FY07.

The budget provides the Nebraska State Patrol with \$20,000 each year for undercover compliance checks of alcohol dealers in Whiteclay. The funding is to cover trooper overtime, travel, and other costs to implement a compliance check program.

The budget includes \$417,000 cash funds to continue funding for six troopers to perform law enforcement functions in the section of Interstate 80 under construction between Omaha and Lincoln. The source of the cash funds would be transfers from the Roads Operations Cash Fund to the State Patrol Cash Fund by contract with the Dept of Roads. These officers were originally funded during the 2003 Session (FY03-04 and FY04-05) with a one-time transfer of excess funds to the State Patrol Cash Fund from the Carrier Enforcement Cash Fund. The original source of funds for the Carrier Enforcement Cash Fund were transfers from the Roads Operations Cash Fund.

Dept of Economic Development

The budget includes several significant increases in DED programs.

First is a \$250,000 increase in the Microenterprise Program. This would double the amount of funding available for the program which provides loans to microenterprises and technical assistance to individuals operating microenterprises and small businesses.

Second, new funding of \$350,000 in FY05-06 and \$500,000 in FY06-07 is provided for tourism matching grants. These additional funds will be earmarked as state aid and designated as matching grants to assist local tourism groups with advertising, marketing and promotional efforts.

Third, LB 90 was enacted which included several economic development programs. LB 90 would establish the *Building Entrepreneurial Communities Act*. The program would be operated by the Department of Economic Development with the assistance of the Rural Development Commission to provide grants to two or more counties or municipalities (at least one of which must be suffering from chronic economic distress) that are collaborating on a project related to the purposes of the act which are to create community capacity to build and sustain programs to generate and retain wealth in the community and region. Priority is to be given to projects that best alleviate chronic economic distress. Funding of \$250,000 General Funds is appropriated each year for this program, which would terminate on January 1, 2011. Also in LB90, the *Agricultural Opportunities and Value-Added Partnerships Act* would provide grants to strengthen value-added enterprises. The act's provisions are virtually identical to the provisions of the former law, first enacted in 2000 (LB 1348) and expired January 1, 2004. The act provides for grants of up to \$75,000 annually for up to three years to qualified recipients, including counties, educational institutions, agricultural cooperatives, and other specified organizations that: support various research, market development, and education and training projects. The Department of Economic Development would administer the competitive grant program. Funding of \$850,000 General Funds is appropriated annually for this program, which would terminate on January 1, 2011.

Fourth, LB 427 includes a one-time \$15 million transfer from the Cash Reserve Fund to the Job Training Cash Fund. A corresponding increase in cash fund appropriation authority was included in LB425. This provides a substantial increase in available job training funds and supplements the economic development efforts included in LB90 and LB312.

Community Corrections Council (Crime Commission)

With the Commission on Law Enforcement and Criminal Justice (Crime Commission), the budget includes funding for two items related to the Community Corrections Council. First, there is included \$1,250,000 General Funds in each year for substance abuse treatment for adult felony drug offenders on probation, parole, or in community corrections. Second, the budget includes \$200,000 Health Care Cash Funds for a methamphetamine treatment study.

Water and Environmental Litigation and Agreements

Planning and Review Process (Water Policy Task Force) As a result of LB 962-2004, the Department of Natural Resources has undertaken efforts to determine if river basins are fully appropriated or over appropriated, and to assist natural resources districts in the development of integrated management plans. Initial funding for this program was provided in FY2004-05 from a \$1,500,000 General Fund appropriation and a one-time \$1,000,000 Cash Fund appropriation, the result of a transfer from the Environmental Trust Fund.

The budget as enacted includes a total of \$7,500,000 General Funds in FY2005-06 to provide basic program operation costs including \$6,000,000 to help meet state matching fund requirements for the Environmental Quality Incentive Program (EQIP) and Conservation Reserve Enhancement Program (CREP) programs. For FY2006-07, no General Funds are appropriated for program activities, and legislative intent language directs the Department of Natural Resources to develop and propose a system of fees to provide a funding source for this activity.

The EQIP program is a federally-funded program intended to take acres out of irrigation in the "quick response area" of the Republican River basin and is critical in meeting the goals established under the Kansas v. Nebraska settlement agreement. Participating property owners would be allowed to dryland farm their property. It is estimated by the Department that this program may require \$1,000,000 in state matching funds per year.

The CREP program is a federally-funded program that would take acres out of irrigation in the Republican River and Platte River basins for a period of 10 to 15 years. Property would be converted to grassland or similar habitat cover. This program is also critical to meet the requirements of the Republican River settlement and to address water usage issues along the Platte River. An additional appropriation of \$4,250,000 General Funds in upcoming years will allow the state to receive up to \$168,215,000 in federal funding.

Platte River Cooperative Agreement – The Department of Natural Resources requested a \$400,000 General Fund appropriation in both FY2005-06 and FY2006-07 to continue the state's participation in the Platte River Cooperative Agreement. In the current biennium, this activity was funded by a transfer from the Environmental Trust Fund. Funding is used to pay the state's 10.53% share of total costs for Cooperative Agreement activities and fund scientific and engineering studies related to the flow of the Platte River and the impact of river uses and development upon endangered and threatened species.

The budget includes a \$400,000 General Fund appropriation for FY2005-06. For FY2006-07, no General Funds are appropriated and legislative intent language directs the Department of Natural Resources to develop and propose a system of fees to provide a funding source for this activity.

Low-Level Radioactive Waste Settlement -- In late December 1998, several major generators of low-level radioactive waste in the compact region, the Central Interstate Low-Level Radioactive Waste Commission and US Ecology filed a lawsuit in federal court, alleging that the State of Nebraska acted in bad faith in making its determination to deny US Ecology's license

application. On September 30, 2002, a federal court issued a decision against the State of Nebraska. At that time, the court ruled that the state must pay damages totaling \$151 million.

The State appealed the decision to the 8th Circuit Court of Appeals. On February 18, 2004, the Court of Appeals issued a decision against the State of Nebraska. A request for rehearing before the full 8th Circuit Court of Appeals which was subsequently denied. Subject to final appeal to the U.S. Supreme Court, the State was liable for the original damage award of \$151 million dollars, plus interest accruing since September 2002 (the date of the original federal court decision) estimated at \$9 million assuming final resolution occurred in late 2005. At the end of the 2004 Session, the Financial Status included a \$160 million appropriation in FY2005-06, acknowledging this potential obligation for planning purposes

In early August 2004, the state reached a settlement agreement with the Commission. The settlement amount was \$140,541,077 as of the August 1, 2004 settlement date. There were two options for paying this obligation. First, a single lump sum payment of \$145,811,367 payable August 1, 2005 consisting of the \$140,541,077 settlement amount plus \$5,270,290 interest at 3.75% from August 2004 to August 2005. The second option would be to make four payments of \$38,489,809 on August 1 of 2005, 2006, 2007, and 2008. This option would total \$153,959,235 consisting of the \$140,541,077 settlement amount plus \$13,418,158 cumulative interest at 3.75% from August 2004 to August 2008.

The enacted budget provided funds for the single lump sum payment of \$145,811,367 payable August 1, 2005. This amount is appropriated from the Low-Level Radioactive Waste Settlement Fund (newly created cash fund in LB 426) and financed with a like amount of funds transferred from the Cash Reserve Fund to the settlement fund.

State Employee Salary Increases

Collective bargaining agreements have been negotiated with the various bargaining units and are described in the following narrative. All percent increases shown are to be implemented July 1. Table 25 shows the General Fund cost of full funding the salary contracts.

Table 25 Salary Increase Costs

General Funds Only	FY2005-06	FY2006-07
NAPE Master Contract	6,741,687	14,269,908
Non-Classified Employees	3,971,225	8,355,137
SLEBEC (law enforcement)	1,559,648	3,346,712
State Colleges	1,724,986	3,428,158
University of Nebraska	17,169,371	33,792,062
Total General Fund costs	31,166,917	63,191,977

Table 26 shows the historical salary increases over the past 10 years based on the NAPE master contract. Also shown is how these pay increases would be reflected as an annual percent change on a fiscal year basis for an average state employee (base FY85 salary of \$18,000). Note this table does not reflect salary increases for higher education or other bargaining units such as SLEBEC. Also not

reflected is the impact of specific reclassifications or pay grade changes that may have occurred over the years. Over the 10-year period FY95 to FY05, employee salary increases averaged 3.3% per year with the Consumer Price Index rising at an annual rate of about 2.5%.

Nebraska Association of Public Employees (NAPE-AFSCME) Collective bargaining agreements have been reached with NAPE-AFSCME on a labor contract for FY2005-06 and

Table 26 Historical Salary Increases
(NAPE Master Contract)

Fiscal Year	General Salary Policy	FY basis % Chnge
FY1996-97	3.5% on July 1	3.50%
FY1997-98	2.75% on July 1	2.75%
FY1998-99	2.75% on July 1	2.75%
FY1999-00	2% on July 1, up to 2.5% on Jan 1	2.77%
FY2000-01	2% on July 1, 2.5% on Jan 1	4.04%
FY2001-02	1.5% on July 1, 2.5% on Jan 1	4.04%
FY2002-03	1.5% on July 1, 2.5% on Jan 1	4.04%
FY2003-04	1.5% on July 1	2.75%
FY2004-05	2.0% on July 1	2.00%
FY2005-06	3.0% on July 1	3.00%
FY2006-07	3.25% on July 1	3.25%
	Ten Year Average (FY97 to FY07)	3.10%

FY2006-07. The contract calls for a salary increase of 3.0% on July 1, 2005 and 3.25% on July 1, 2006.

Non-Bargaining Employees This category covers employees who are not eligible for bargaining. This includes certain supervisory and management positions, and employees under constitutional agencies such as the Legislative Council, Governor, Secretary of State, Attorney General, etc... The budget includes funding for salary increases for these employees at the same rate as the NAPE/AFSCME Master Contract as noted above.

State Law Enforcement Bargaining Council (SLEBEC) also reached settlement for the two years of the biennial budget. Pay increases vary, range from 5% per year for Game and Parks conservation officers to 7.7% (FY06) and 7.9% (FY07) for Patrol Troopers. Overall the "weighted average" is roughly 6.9% per year increase.

State Colleges Agreements with the state college faculty, non-academic professional and support staff bargaining units call for salary increases of 3.75% (FY06) and 4.25% (FY07). FY05-06 also includes an additional .5% for retirement contribution, and NAPE step adjustments (the equivalent of .5%). General funds included total \$1,724,986 in FY05-06 and \$3,428,158 in FY06-07.

University of Nebraska The budget includes funding for faculty salary increases of 3.95% per year at UNO and 4.4% per year for UNK per bargained agreements. For non-bargaining faculty, the budget includes funding for the equivalent of a 3.95% per year increase. For non-faculty, the budget provides the same amount for salaries as the NAPE-AFSCME Master Contract which is 3% for FY05-06 and 3.25% for FY06-07. General funds included total \$17,169,371 in FY05-06 and \$33,792,062 in FY06-07.

State Employee Health Insurance

Table 27 Health Insurance Cost Increases

General Funds Only	FY2005-06	FY2006-07
State Employees	5,402,702	12,056,034
State Colleges	434,045	1,125,804
University of Nebraska	5,459,955	11,720,703
Total General Fund costs	11,296,702	24,902,541

State Employees Projections for the upcoming FY06 / FY07 biennium show a significant increase over the current contract which runs to January 1, 2006. Please note that these costs are projected. With the health insurance contracts running on a calendar year basis, bidding for the next contract (calendar year 2006 and 2007) will

not start until this summer. Therefore, the increases for budgeting purposes for the upcoming biennium are based on estimates not on the actual bids or contracts. Also the percent changes

in the contract (calendar year) will be different than percent changes on a fiscal year basis. For example, FY2005-06 contains six months under the existing calendar year 2005 contract and six months under a new calendar year 2006 contract. Calendar year 2006 and 2007 insurance costs are estimated to increase by 12% each year. When converting to a fiscal year basis, the estimated increase is 10.8% in FY2005-06 and an additional 12% in FY2006-07. The cost share remains at the current level 79% employer 21% employee contribution ratio. General Fund cost increases, on a fiscal year basis, are budgeted at \$5.4 million in FY05-06 and \$12.0 million in FY06-07.

Table 28 shows the historical trends in health insurance rates using the health insurance plan most commonly utilized by employees, Blue Cross/Blue Shield. *As noted earlier, the percent changes in this table are on a fiscal year basis and differ from percent changes when considering the contracts that run on a calendar year basis. Also other coverages have different costs and rate changes.* The ten-year average annual increase is 9.6%. The average increase in the employee share over this 10 year period is significantly higher only because from FY95 to FY98 the employee share was virtually cut in half by drawing down excess insurance trust fund amounts. Restoration of the employee share back to 21% is the major cause of the high 10 year growth.

Table 28 Historical Health Insurance Rates - BC/BS Family Coverage

BC/BS (Family)	Dollar Cost Per Employee - FY Basis					Percent of Total		
	Employee	Employer	Trust	Total	% Change	Employee	Employer	Trust
FY1996-97	579.00	4,911.00	1,286.00	6,776.00	10.4%	8.5%	72.5%	19.0%
FY1997-98	1,075.20	4,944.00	407.00	6,426.20	-5.2%	16.7%	76.9%	6.3%
FY1998-99	1,138.00	5,200.00	410.00	6,748.00	5.0%	21.0%	79.0%	0.0%
FY1999-00	2,061.00	7,752.00	0.00	9,813.00	45.4%	21.0%	79.0%	0.0%
FY2000-01	2,207.58	8,304.60	0.00	10,512.18	7.1%	21.0%	79.0%	0.0%
FY2001-02	2,360.94	8,881.62	0.00	11,242.56	6.9%	21.0%	79.0%	0.0%
FY2002-03	2,503.20	9,416.76	0.00	11,919.96	6.0%	21.0%	79.0%	0.0%
FY2003-04	2,686.26	10,105.50	0.00	12,791.76	7.3%	21.0%	79.0%	0.0%
FY2004-05	2,859.60	10,758.00	0.00	13,617.60	6.5%	21.0%	79.0%	0.0%
FY2005-06 est	3,164.74	11,906.17	0.00	15,070.91	10.7%	21.0%	79.0%	0.0%
FY2006-07 est	3,544.50	13,334.92	0.00	16,879.42	12.0%	21.0%	79.0%	0.0%
<u>Average Annual Change</u> FY97 to FY07 (10 Yr)	19.9%	10.5%	na	9.6%				

University of Nebraska For the University of Nebraska, health insurance costs are expected to increase by 15% for FY05-06 and FY06-07. Additional funding provided totals \$5,459,955 in FY05-06 and \$11,720,703 in FY06-07.

State Colleges The state colleges are covered under the NSEA health insurance plan with costs expected to increase by 9.6% in both years. Additional funding totals \$434,045 in FY05-06 and \$1,125,804 in FY06-07.

Health Insurance Savings

As noted above, at the time a biennial budget is enacted health insurance rates are projected and the increases for budgeting purposes for the upcoming biennium are based on estimates not on actual rates that agencies must pay. This was the case for the current biennial budget

Health Insurance Savings	FY2003-04	FY2004-05
Funded during 2003 Session	5,063,459	12,493,038
Less: Savings due to CY2004 rates below estimate	(4,120,540)	(4,119,433)
Net funding after 2004 Session	942,919	8,373,605
Less: Savings due to CY2005 rates below estimate	na	(3,168,174)
Net funding after 2005 Session	942,919	5,205,431

Projected Annual Increases (FY basis)	FY03-04	FY04-05
2003 Session	10.70%	14.20%
After 2004 Contract	2.79%	14.50%
After 2004 and 2005 Contract	2.79%	** 6.2%

** Estimated due to changes in coverages and providers

projected and budgeted. Appropriations for both FY03-04 and FY04-05 were each reduced by \$4.1 million to remove the "excess" amount budgeted. At that point, the reduction only related to increases attributed to the 2004 contract.

Since that last session, the actual cost of the 2005 calendar year contract also has become known. A re-estimation of the projected cost in FY04-05 as compared to the originally budgeted estimation became more difficult in that there was a substantial change in the coverages and the selection of individual coverages by state employees. Similar to last session, the actual rates for 2005 were also below the previous estimate and the re-estimated FY04-05 costs were below even the revised 2004 Session estimates. Because this information became available with only half of the fiscal year remaining, no funding reductions are made for FY04-05.

However, the enacted budget included a \$3,166,576 reduction in FY04-05 base funding level as a starting point for developing the FY06/FY07 biennial budget.

for FY03-04 and FY04-05. When the original FY04/FY05 budget was enacted during the 2003 Session neither the 2004 nor 2005 calendar year health insurance rates were known.

In the 2004 Session, the 2004 calendar year contract rates became known. A re-estimation of FY03-04 and FY04-05 costs based on the actual 2004 rates resulted in costs that were significantly lower than originally

Depreciation Surcharge

Legislation enacted in 1998 (LB1100) provided that with certain exclusions, in the year following completion of a construction project, the Department of Administrative Services (DAS) is to

FY2005-06	Prior Projects	New Projects	Total
# 46 Corrections	796,563	125,033	921,596
# 47 NETC	49,071	0	49,071
# 50 State Colleges	256,780	60,608	317,388
# 51 University	2,099,649	249,775	2,349,424
# 65 DAS	28,483	0	28,483
# 78 Crime Comm.	199,700	0	199,700
Total	3,430,246	435,416	3,865,662

FY2006-07	Prior Projects	New Projects	Total
# 46 Corrections	796,563	125,033	921,596
# 47 NETC	49,071	131,896	180,967
# 50 State Colleges	256,780	60,608	317,388
# 51 University	2,099,649	692,576	2,792,225
# 65 DAS	28,483	0	28,483
# 78 Crime Comm.	199,700	0	199,700
Total	3,430,246	1,010,113	4,440,359

annually thereafter assess depreciation charges to the relevant state agency on the basis of 2% of the total project cost. These charges are then subsequently available for building repair and renovation subject to appropriation.

LB410 (2003) reduced the annual 2% depreciation assessment charged on new construction to 0% in FY03-04, 1% in FY04-05 and then returning to the 2% level starting in FY05-06 and thereafter. LB1092 (2004) revised the FY04-05 assessment from 1% to 0% and set the FY05-06 and FY06-07 level at 1% rather than 2%

The budget includes funding for (1) restoring the assessment at the 1% level on projects which had assessed in prior years and (2) funding the 1% assessment for newly eligible projects. Restoration of surcharge at 1% on prior projects amounts to \$3.4 million per year. This includes numerous projects completed since FY99 including the Tecumseh prison, UNO IST/E facility, UNK Education Building, and Grand Island Law Enforcement Training Center Addition. The 1% assessment for new eligible projects totals \$.4 million in FY05-06 and \$1.0 million in FY06-07 and includes work on the Women's Correctional facility at York, three state college projects, and nine projects at the University of Nebraska including UNL, UNMC, UNK and the Livestock Teaching Center at Curtis.

In the estimated budget for the following biennium, there is an additional \$5.2 million added to FY07-08 to fund all the FY06-07 assessed projects at the 2% level.

Defined Benefit Retirement Plans

The Public Employees Retirement Board (PERB) is the entity through which the state contributes funding for the defined benefit plans for K-12 school employees, judges, and State Patrol. Financing for the benefits provided by these three defined benefit plans comes from employee and matching employer contributions as set in statute, court fees (for the judges plan) and the investment return on those contributions. When revenue from these sources is not actuarially sufficient, state appropriations are required.

FY2005-06 Problem During the 2004 Session, information from the Retirement Board indicated that the past investment returns on the defined benefit plans were likely to create an increase in the unfunded liability and require additional state contribution into the system. An additional \$13 million was added to the FY2005-06 projected budget to acknowledge some level of additional commitment. The actual "shortfall" amount for FY2005-06 increased to \$17 million when the July 1, 2004 actuarial valuation of the retirement systems was completed (Mellon Consultants report dated December 6, 2004). This shortfall is \$15,415,949 for the School plan, \$948,654 for the State Patrol plan, and \$644,564 for the Judges plan.

The majority of this shortfall is due to investment losses in 2001 (-4.3%) and 2002 (-6.08%) when the stock market fell from an all time high, and returns for 2003 which were positive (+5%) but well below the expected 8% return used by the actuary. Even though these losses occurred several years ago, the full impact had not yet been fully recognized in the required retirement contributions due to the five-year smoothing method which spreads variances from an 8% expected return over a five-year period in an attempt to avoid sharp changes from year to year. Up to this point, pre-2001 high investment returns had mostly offset the 2001 losses, 2002 losses, and 2003 below expected returns as part of the five year period. However, starting with plan year 2004 the higher returns from earlier years have fallen out of the five year smoothing period. This causes a large increase in the funding for amortizing accrued liability bases to a point where existing contributions are less than total funding needs, even with the 14% return levels in 2004.

Future Problem Based on estimates by Mellon Consultant, it's very likely that the shortfall as noted above will actually increase for two more years. The last "high return" year falls out of the 5 year smoothing process while the 2001 and 2002 loss years remain resulting in shortfall

numbers of \$32.9 million in FY06-07 and \$34.3 million in FY07-08. The shortfall begins to decline to \$21.4 million in FY08-09, \$4.7 million in FY2009-10, and \$1.7 million in FY2010-11 as the loss years of 2001 and 2002 fall out of the five year smoothing period. Mellon provided estimates using a 6%, 8%, and 10% rate of return. The figures noted here and in Table 29 are based on the 10% return scenario as that is the average return of the past 10 years as well as the average return since 1983.

Funding Actions For the “known” \$17 million problem in FY05-06, the budget takes into consideration (a) the higher employer/employee contribution rates as contained in LB 503 for the School and Patrol plans, and (b) court fee increases included in LB 348 for the Judges plan. These provisions, plus a direct appropriation already included for the Class V school plan, completely cover the “known” shortfall for FY05-06 and no additional state funding is needed.

In FY06-07, LB 503 only covers about half of the projected shortfall. The budget includes additional state General Fund appropriations to cover the projected shortfall amount above the FY06 level that’s not covered by LB 503 and LB 348. This would be matched by transfers from the Cash Reserve Fund to the General Fund. The projected short term nature of most of this shortfall lends itself to utilizing a one-time revenue source to finance it.

For planning purposes, in FY07-08 and FY08-09 the same rationale was applied as in FY06-07. The first \$17 million of the shortfall would be covered by higher employer/employee contributions and court fees, and shortfall amounts above that would be covered by state appropriations financed with Cash Reserve fund transfers. Because LB 503 is only operative for two years, this scenario would require an extension of the same amount of contributions as originally included in LB 503 for FY07-08 and FY08-09 if the projected shortfalls actually occur.

Table 29 Defined Benefit Plan Shortfall and Budget Actions

	FY05-06	FY06-07	FY07-08	FY08-09	4 Year Total
<u>Projected Shortfall</u>					
School plan	(15,415,949)	(29,968,604)	(31,078,553)	(18,622,466)	(95,085,572)
Patrol plan	(948,654)	(2,162,207)	(2,270,883)	(1,845,234)	(7,226,978)
Judges plan	(644,564)	(782,222)	(970,020)	(911,231)	(3,308,037)
Total Projected Shortfall	(17,009,167)	(32,913,033)	(34,319,456)	(21,378,931)	(105,620,587)
<u>Budget Actions</u>					
LB 503 (Employee / School)	14,851,668	14,851,668	0	0	29,703,336
LB 503 (Patrol-Gen Fund)	804,161	864,332	0	0	1,668,493
LB 503 (Patrol-Cash)	164,654	176,423	0	0	341,077
LB 348 (Judget-court fees)	796,054	796,054	796,054	796,054	3,184,216
LB 425 GF appropriation, Class V	564,281	564,281	564,281	564,281	2,257,124
Subtotal - Current Bills	17,180,818	17,252,758	1,360,335	1,360,335	37,154,246
Assume extension of LB 503	0	0	15,028,091	15,028,091	30,056,182
GF appropriations / CRF transfers	0	15,674,107	17,931,030	4,990,505	38,595,642
Subtotal - Additional Actions	0	15,674,107	32,959,121	20,018,596	68,651,824
Total Projected Budget Actions	17,180,818	32,926,865	34,319,456	21,378,931	105,806,070

General Fund Appropriations By Agency

FY06 / FY07 Biennial Budget as Enacted in the 2005 Legislative Session

		Type	Current Yr	Biennial Budget		FY06 vs Prior Yr		FY07 vs Prior Yr	
			FY2004-05	FY2005-06	FY2006-07	\$ Chnge	% Chnge	\$ Chnge	% Chnge
#03	Legislative Council	Oper	14,230,041	15,402,765	16,107,784	1,172,724	8.2%	705,019	4.6%
#03	Legislative Council	Oper	14,230,041	15,645,765	16,107,784	1,415,724	9.9%	462,019	3.0%
#03	Legislative Council	Total	14,230,041	15,645,765	16,107,784	1,415,724	9.9%	462,019	3.0%
#05	Supreme Court	Oper	55,641,210	59,110,239	61,344,118	3,469,029	6.2%	2,233,879	3.8%
#05	Supreme Court	Total	55,641,210	59,110,239	61,344,118	3,469,029	6.2%	2,233,879	3.8%
#07	Governor	Oper	1,400,915	1,478,136	1,596,777	77,221	5.5%	118,641	8.0%
#07	Governor	Total	1,400,915	1,478,136	1,596,777	77,221	5.5%	118,641	8.0%
#08	Lt. Governor	Oper	117,304	117,627	120,315	323	0.3%	2,688	2.3%
#08	Lt. Governor	Total	117,304	117,627	120,315	323	0.3%	2,688	2.3%
#09	Secretary of State	Oper	712,672	695,207	714,420	(17,465)	-2.5%	19,213	2.8%
#09	Secretary of State	Total	712,672	695,207	714,420	(17,465)	-2.5%	19,213	2.8%
#10	State Auditor	Oper	1,945,375	2,300,453	2,369,419	355,078	18.3%	68,966	3.0%
#10	State Auditor	Total	1,945,375	2,300,453	2,369,419	355,078	18.3%	68,966	3.0%
#11	Attorney General	Oper	6,290,405	6,637,393	7,429,635	346,988	5.5%	792,242	11.9%
#11	Attorney General	Total	6,290,405	6,637,393	7,429,635	346,988	5.5%	792,242	11.9%
#12	State Treasurer	Aid	17,768,561	17,768,561	17,768,561	0	0.0%	0	0.0%
#12	State Treasurer	Oper	1,554,653	1,573,471	1,599,851	18,818	1.2%	26,380	1.7%
#12	State Treasurer	Total	19,323,214	19,342,032	19,368,412	18,818	0.1%	26,380	0.1%
#13	Education	Aid	797,988,790	872,734,644	929,178,211	74,745,854	9.4%	56,443,567	6.5%
#13	Education	Oper	14,145,323	14,727,924	15,125,264	582,601	4.1%	397,340	2.7%
#13	Education	Total	812,134,113	887,462,568	944,303,475	75,328,455	9.3%	56,840,907	6.4%
#14	Public Service Comm	Oper	2,184,286	2,276,907	2,382,664	92,621	4.2%	105,757	4.6%
#14	Public Service Comm	Total	2,184,286	2,276,907	2,382,664	92,621	4.2%	105,757	4.6%
#15	Parole Board	Oper	697,955	723,288	751,933	25,333	3.6%	28,645	4.0%
#15	Parole Board	Total	697,955	723,288	751,933	25,333	3.6%	28,645	4.0%
#16	Revenue	Aid	48,838,100	52,920,000	55,566,000	4,081,900	8.4%	2,646,000	5.0%
#16	Revenue	Oper	20,986,669	21,730,099	22,198,681	743,430	3.5%	468,582	2.2%
#16	Revenue	Total	69,824,769	74,650,099	77,764,681	4,825,330	6.9%	3,114,582	4.2%
#18	Agriculture	Oper	5,487,050	5,606,644	5,811,355	119,594	2.2%	204,711	3.7%
#18	Agriculture	Total	5,487,050	5,606,644	5,811,355	119,594	2.2%	204,711	3.7%
#20	HHS-Regulation	Oper	5,659,114	6,426,843	6,591,516	767,729	13.6%	164,673	2.6%
#20	HHS-Regulation	Total	5,659,114	6,426,843	6,591,516	767,729	13.6%	164,673	2.6%
#21	Fire Marshal	Oper	3,370,188	3,534,018	3,762,567	163,830	4.9%	228,549	6.5%
#21	Fire Marshal	Total	3,370,188	3,534,018	3,762,567	163,830	4.9%	228,549	6.5%
#23	Labor	Oper	527,473	534,429	550,381	6,956	1.3%	15,952	3.0%
#23	Labor	Total	527,473	534,429	550,381	6,956	1.3%	15,952	3.0%
#25	HHS-Services	Oper	158,945,500	161,495,372	171,557,494	2,549,872	1.6%	10,062,122	6.2%
#25	HHS-Services	Total	158,945,500	161,495,372	171,557,494	2,549,872	1.6%	10,062,122	6.2%
#26	HHS-Finance	Aid	774,075,595	835,404,066	906,504,821	61,328,471	7.9%	71,100,755	8.5%
#26	HHS-Finance	Oper	33,332,062	33,908,634	34,126,390	576,572	1.7%	217,756	0.6%
#26	HHS-Finance	Total	807,407,657	869,312,700	940,631,211	61,905,043	7.7%	71,318,511	8.2%
#27	Roads	Oper	16,394	18,184	18,184	1,790	10.9%	0	0.0%
#27	Roads	Total	16,394	18,184	18,184	1,790	10.9%	0	0.0%

	Type	Current Yr FY2004-05	Biennial Budget		FY06 vs Prior Yr		FY07 vs Prior Yr	
			FY2005-06	FY2006-07	\$ Chnge	% Chnge	\$ Chnge	% Chnge
#28 Veterans Affairs	Oper	723,929	742,140	771,002	18,211	2.5%	28,862	3.9%
#28 Veterans Affairs	Total	723,929	742,140	771,002	18,211	2.5%	28,862	3.9%
#29 Natural Resources	Aid	6,300,582	6,276,822	6,276,822	(23,760)	-0.4%	0	0.0%
#29 Natural Resources	Oper	8,346,787	14,989,597	7,320,438	6,642,810	79.6%	(7,669,159)	-51.2%
#29 Natural Resources	Total	14,647,369	21,266,419	13,597,260	6,619,050	45.2%	(7,669,159)	-36.1%
#31 Military Dept	Aid	828,000	1,828,000	1,828,000	1,000,000	120.8%	0	0.0%
#31 Military Dept	Oper	3,271,868	3,402,370	3,507,189	130,502	4.0%	104,819	3.1%
#31 Military Dept	Total	4,099,868	5,230,370	5,335,189	1,130,502	27.6%	104,819	2.0%
#32 Ed Lands & Funds	Oper	400,125	408,700	423,389	8,575	2.1%	14,689	3.6%
#32 Ed Lands & Funds	Total	400,125	408,700	423,389	8,575	2.1%	14,689	3.6%
#33 Game & Parks	Aid	40,986	50,000	50,000	9,014	22.0%	0	0.0%
#33 Game & Parks	Oper	8,968,566	9,159,742	9,423,995	191,176	2.1%	264,253	2.9%
#33 Game & Parks	Total	9,009,552	9,209,742	9,473,995	200,190	2.2%	264,253	2.9%
#34 Library Commission	Aid	1,196,792	1,213,042	1,229,292	16,250	1.4%	16,250	1.3%
#34 Library Commission	Oper	2,232,745	2,328,472	2,419,641	95,727	4.3%	91,169	3.9%
#34 Library Commission	Total	3,429,537	3,541,514	3,648,933	111,977	3.3%	107,419	3.0%
#35 Liquor Control	Oper	909,498	810,394	838,883	(99,104)	-10.9%	28,489	3.5%
#35 Liquor Control	Total	909,498	810,394	838,883	(99,104)	-10.9%	28,489	3.5%
#38 Status of Women	Oper	0	200,000	200,000	200,000	na	0	0.0%
#38 Status of Women	Total	0	200,000	200,000	200,000	na	0	0.0%
#46 Correctional Services	Aid	3,501,405	3,501,405	3,501,405	0	0.0%	0	0.0%
#46 Correctional Services	Oper	132,139,178	136,154,964	140,286,379	4,015,786	3.0%	4,131,415	3.0%
#46 Correctional Services	Total	135,640,583	139,656,369	143,787,784	4,015,786	3.0%	4,131,415	3.0%
#47 NETC	Oper	8,677,302	9,187,982	9,474,008	510,680	5.9%	286,026	3.1%
#47 NETC	Total	8,677,302	9,187,982	9,474,008	510,680	5.9%	286,026	3.1%
#48 Coordinating Comm	Aid	5,766,815	6,966,815	5,766,815	1,200,000	20.8%	(1,200,000)	-17.2%
#48 Coordinating Comm	Oper	1,113,254	1,182,965	1,220,010	69,711	6.3%	37,045	3.1%
#48 Coordinating Comm	Total	6,880,069	8,149,780	6,986,825	1,269,711	18.5%	(1,162,955)	-14.3%
#50 State Colleges	Oper	35,159,799	38,304,336	40,867,931	3,144,537	8.9%	2,563,595	6.7%
#50 State Colleges	Total	35,159,799	38,304,336	40,867,931	3,144,537	8.9%	2,563,595	6.7%
#51 University of Nebraska	Oper	398,617,105	428,159,202	454,186,041	29,542,097	7.4%	26,026,839	6.1%
#51 University of Nebraska	Total	398,617,105	428,159,202	454,186,041	29,542,097	7.4%	26,026,839	6.1%
#52 State Fair Board	Oper	153,104	0	0	(153,104)	-100.0%	0	na
#52 State Fair Board	Total	153,104	0	0	(153,104)	-100.0%	0	na
#54 Historical Society	Oper	3,843,474	4,056,277	4,187,725	212,803	5.5%	131,448	3.2%
#54 Historical Society	Total	3,843,474	4,056,277	4,187,725	212,803	5.5%	131,448	3.2%
#64 State Patrol	Oper	41,539,950	44,463,228	47,028,201	2,923,278	7.0%	2,564,973	5.8%
#64 State Patrol	Total	41,539,950	44,463,228	47,028,201	2,923,278	7.0%	2,564,973	5.8%
#65 Admin Services (DAS)	Oper	8,288,306	8,644,116	8,873,487	355,810	4.3%	229,371	2.7%
#65 Admin Services (DAS)	Total	8,288,306	8,644,116	8,873,487	355,810	4.3%	229,371	2.7%
#67 Equal Opportunity	Oper	1,207,639	1,228,933	1,266,173	21,294	1.8%	37,240	3.0%
#67 Equal Opportunity	Total	1,207,639	1,228,933	1,266,173	21,294	1.8%	37,240	3.0%
#68 Mexican-American	Oper	191,898	191,936	197,682	38	0.0%	5,746	3.0%
#68 Mexican-American	Total	191,898	191,936	197,682	38	0.0%	5,746	3.0%
#69 Arts Council	Aid	619,517	819,517	769,517	200,000	32.3%	(50,000)	-6.1%
#69 Arts Council	Oper	499,180	548,361	566,598	49,181	9.9%	18,237	3.3%
#69 Arts Council	Total	1,118,697	1,367,878	1,336,115	249,181	22.3%	(31,763)	-2.3%

		Type	Current Yr FY2004-05	Biennial Budget FY2005-06 FY2006-07		FY06 vs Prior Yr \$ Chnge % Chnge		FY07 vs Prior Yr \$ Chnge % Chnge	
#70	Foster Care Review	Oper	1,087,946	1,159,254	1,210,353	71,308	6.6%	51,099	4.4%
#70	Foster Care Review	Total	1,087,946	1,159,254	1,210,353	71,308	6.6%	51,099	4.4%
#72	Economic Development	Aid	361,350	2,061,350	2,211,350	1,700,000	470.5%	150,000	7.3%
#72	Economic Development	Oper	3,629,109	4,025,454	4,151,618	396,345	10.9%	126,164	3.1%
#72	Economic Development	Total	3,990,459	6,086,804	6,362,968	2,096,345	52.5%	276,164	4.5%
#76	Indian Commission	Oper	175,290	182,089	189,590	6,799	3.9%	7,501	4.1%
#76	Indian Commission	Total	175,290	182,089	189,590	6,799	3.9%	7,501	4.1%
#77	Industrial Relations	Oper	222,537	254,041	261,010	31,504	14.2%	6,969	2.7%
#77	Industrial Relations	Total	222,537	254,041	261,010	31,504	14.2%	6,969	2.7%
#78	Crime Commission	Aid	695,798	2,188,298	2,188,298	1,492,500	214.5%	0	0.0%
#78	Crime Commission	Oper	2,158,497	3,544,458	3,632,503	1,385,961	64.2%	88,045	2.5%
#78	Crime Commission	Total	2,854,295	5,732,756	5,820,801	2,878,461	100.8%	88,045	1.5%
#81	Blind & Visually Impaired	Aid	149,261	149,261	149,261	0	0.0%	0	0.0%
#81	Blind & Visually Impaired	Oper	381,807	495,504	508,581	113,697	29.8%	13,077	2.6%
#81	Blind & Visually Impaired	Total	531,068	644,765	657,842	113,697	21.4%	13,077	2.0%
#82	Deaf & Hard of Hearing	Oper	690,904	709,616	730,362	18,712	2.7%	20,746	2.9%
#82	Deaf & Hard of Hearing	Total	690,904	709,616	730,362	18,712	2.7%	20,746	2.9%
#83	Community Colleges	Aid	62,887,646	65,312,215	67,817,629	2,424,569	3.9%	2,505,414	3.8%
#83	Community Colleges	Total	62,887,646	65,312,215	67,817,629	2,424,569	3.9%	2,505,414	3.8%
#84	Environmental Quality	Oper	3,635,398	3,400,809	3,456,127	(234,589)	-6.5%	55,318	1.6%
#84	Environmental Quality	Total	3,635,398	3,400,809	3,456,127	(234,589)	-6.5%	55,318	1.6%
#85	Retirement Board	Oper	17,048,711	17,797,165	33,471,272	748,454	4.4%	15,674,107	88.1%
#85	Retirement Board	Total	17,048,711	17,797,165	33,471,272	748,454	4.4%	15,674,107	88.1%
#87	Account/Disclosure	Oper	397,433	380,175	394,867	(17,258)	-4.3%	14,692	3.9%
#87	Account/Disclosure	Total	397,433	380,175	394,867	(17,258)	-4.3%	14,692	3.9%
#90	Railway Council	Oper	2,726	To #27	To #27	(2,726)	-100.0%	0	na
#90	Railway Council	Total	2,726	To #27	To #27	(2,726)	-100.0%	0	na
#93	Tax Equal/Review Comm	Oper	673,621	718,373	742,046	44,752	6.6%	23,673	3.3%
#93	Tax Equal/Review Comm	Total	673,621	718,373	742,046	44,752	6.6%	23,673	3.3%
#95	Rural Develop Comm	Oper	0	In #72	In #72	na	na	na	na
#95	Rural Develop Comm	Total	0	In #72	In #72	na	na	na	na
#96	Property Assess/Tax	Oper	4,384,935	4,523,306	4,674,873	138,371	3.2%	151,567	3.4%
#96	Property Assess/Tax	Total	4,384,935	4,523,306	4,674,873	138,371	3.2%	151,567	3.4%
Construction-Total		Total	19,046,316	23,350,481	21,350,531	4,304,165	22.6%	(1,999,950)	-8.6%
OPERATIONS			1,018,017,210	1,079,894,592	1,140,640,722	61,877,382	6.1%	60,746,130	5.6%
STATE AID			1,721,019,198	1,869,193,996	2,000,805,982	148,174,798	8.6%	131,611,986	7.0%
CONSTRUCTION			19,046,316	23,350,481	21,350,531	4,304,165	22.6%	(1,999,950)	-8.6%
TOTAL GENERAL FUNDS			2,758,082,724	2,972,439,069	3,162,797,235	214,356,345	7.8%	190,358,166	6.4%

General Fund State Aid by Aid Program

FY06 / FY07 Biennial Budget as enacted in the 2005 Legislative Session

	Current Yr	Biennial Budget		FY06 vs Prior Yr		FY07 vs Prior Yr	
	FY2004-05	FY2005-06	FY2006-07	\$ Chnge	% Chnge	\$ Chnge	% Chnge
#12-State Treasurer							
Aid to NRD's	1,545,502	1,545,502	1,545,502	0	0.0%	0	0.0%
Aid to Cities	11,257,193	11,257,193	11,257,193	0	0.0%	0	0.0%
Aid to Counties	4,965,866	4,965,866	4,965,866	0	0.0%	0	0.0%
#13-Dept of Education							
State Aid to Education (TEEOSA)	618,568,757	683,473,181	734,055,263	64,904,424	10.5%	50,582,082	7.4%
Special Education	161,146,721	169,204,057	174,280,179	8,057,336	5.0%	5,076,122	3.0%
Aid to ESU's	10,564,913	10,696,975	10,832,338	132,062	1.3%	135,363	1.3%
High ability learner programs	2,336,921	2,336,921	2,336,921	0	0.0%	0	0.0%
Early Childhood program	2,097,180	3,680,471	3,680,471	1,583,291	75.5%	0	0.0%
School Lunch	421,087	421,087	421,087	0	0.0%	0	0.0%
Textbook loan program	351,259	420,000	420,000	68,741	19.6%	0	0.0%
School Breakfast reimbursement	271,378	271,378	271,378	0	0.0%	0	0.0%
Adult Education	230,574	230,574	230,574	0	0.0%	0	0.0%
Rural Education Transition funds	0	0	650,000	0	na	650,000	na
Elementary Improvement grants	0	0	0	0	na	0	na
Vocational Rehabilitation	2,000,000	2,000,000	2,000,000	0	0.0%	0	0.0%
#16-Dept of Revenue							
Homestead Exemption	48,838,100	52,920,000	55,566,000	4,081,900	8.4%	2,646,000	5.0%
#26-HHS Finance and Support							
Behavioral Health Aid	30,919,130	39,939,037	41,538,531	9,019,907	29.2%	1,599,494	4.0%
Medical student assistance/RHOP	662,068	662,068	662,068	0	0.0%	0	0.0%
Juvenile predisposition detention	386,400	150,400	150,400	(236,000)	-61.1%	0	0.0%
County Juvenile Services aid	1,492,500	0	0	(1,492,500)	-100.0%	0	na
Childrens Health Insurance	12,510,455	11,573,536	14,270,192	(936,919)	-7.5%	2,696,656	23.3%
Public Assistance	191,121,799	207,645,126	232,237,721	16,523,327	8.6%	24,592,595	11.8%
Medicaid	470,355,382	507,609,799	547,322,696	37,254,417	7.9%	39,712,897	7.8%
Developmental disabilities	58,032,370	58,458,245	60,475,584	425,875	0.7%	2,017,339	3.5%
Community health centers	0	437,500	656,250	437,500	na	218,750	50.0%
Public Health Aid	2,898,516	3,060,471	3,149,166	161,955	5.6%	88,695	2.9%
Care Management	1,771,558	1,824,705	1,878,915	53,147	3.0%	54,210	3.0%
Area agencies on aging	3,925,417	4,043,179	4,163,298	117,762	3.0%	120,119	3.0%
#26-HHS Finance and Support							
Small Watershed Fund	23,760	0	0	(23,760)	-100.0%	0	na
Nebr Water Conservation Fund	2,688,454	2,688,454	2,688,454	0	0.0%	0	0.0%
Resources Development Fund	3,588,368	3,588,368	3,588,368	0	0.0%	0	0.0%
#29-Dept of Natural Resources							
Governors Emergency Fund	0	1,000,000	1,000,000	1,000,000	na	0	0.0%
Guard tuition assistance	828,000	828,000	828,000	0	0.0%	0	0.0%
#33-Game and Parks Commission							
Niobrara Council	40,986	50,000	50,000	9,014	22.0%	0	0.0%
#34-Library Commission							
Local libraries	1,196,792	1,213,042	1,229,292	16,250	1.4%	16,250	1.3%
#46-Dept of Correctional Services							
County jail cost reimbursement	3,501,405	3,501,405	3,501,405	0	0.0%	0	0.0%

	Current Yr	Biennial Budget		FY06 vs Prior Yr		FY07 vs Prior Yr	
	FY2004-05	FY2005-06	FY2006-07	\$ Chnge	% Chnge	\$ Chnge	% Chnge
#48-<u>Coordinating Commission for Postsecondary Education</u>							
Nebr Scholarship Program	5,717,065	6,917,065	5,717,065	1,200,000	21.0%	(1,200,000)	-17.3%
Community Scholarship Foundation	49,750	49,750	49,750	0	0.0%	0	0.0%
#69-<u>Arts Council</u>							
Aid to arts programs	536,654	636,654	586,654	100,000	18.6%	(50,000)	-7.9%
Council on Humanities	82,863	182,863	182,863	100,000	120.7%	0	0.0%
#72-<u>Dept of Economic Development</u>							
Microenterprise Development Act	247,500	497,500	497,500	250,000	101.0%	0	0.0%
Ag Opportunities/Value-Added grants	0	850,000	850,000	850,000	na	0	0.0%
Managing Mainstreet	113,850	113,850	113,850	0	0.0%	0	0.0%
Tourism matching grant program	0	350,000	500,000	350,000	na	150,000	42.9%
Building Entrepreneurial Communities	0	250,000	250,000	250,000	na	0	0.0%
#78-<u>Commission on Law Enforcement & Criminal Justice</u>							
County Juvenile Services aid	0	1,492,500	1,492,500	1,492,500	na	0	0.0%
Juvenile services grants	587,812	587,812	587,812	0	0.0%	0	0.0%
Law Enforce-Indian affairs	21,970	21,970	21,970	0	0.0%	0	0.0%
Crimestoppers program	13,457	13,457	13,457	0	0.0%	0	0.0%
Victim Witness assistance	52,559	52,559	52,559	0	0.0%	0	0.0%
Crime Victims reparations	20,000	20,000	20,000	0	0.0%	0	0.0%
#81-<u>Blind and Visually Impaired</u>							
Blind rehabilitation	149,261	149,261	149,261	0	0.0%	0	0.0%
#83-<u>Community Colleges</u>							
Aid to Community Colleges	62,887,646	65,312,215	67,817,629	2,424,569	3.9%	2,505,414	3.8%
<hr/>							
Aid to Individuals/Other	785,572,536	850,904,771	920,771,776	65,332,235	8.3%	69,867,005	8.2%
Aid to Local Government	935,446,662	1,018,289,225	1,080,034,206	82,842,563	8.9%	61,744,981	6.1%
Total General Fund State Aid	1,721,019,198	1,869,193,996	2,000,805,982	148,174,798	2.2%	131,611,986	5.1%

APPROPRIATIONS ALL FUND SOURCES

Appropriations - All Fund Sources

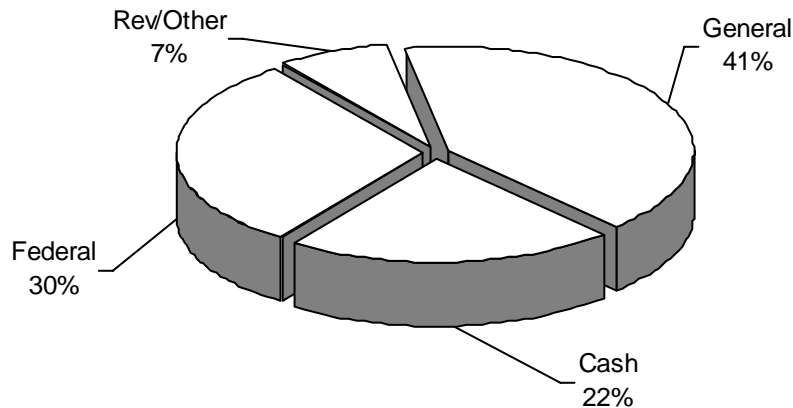
This section of the report reflects the enacted budget for all funds sources, not just General Funds.

Table 30 contains the overall total appropriations by fund source broken down by operations, state aid and capital construction. Following the table is a description of each type of fund source and highlights of major increases inside of each fund category. For a more detailed explanation of the changes in appropriations from other fund sources, please refer to the specific agency pages later on in this report.

Table 30 Total Appropriations - All Fund Sources

	General	Cash	Federal	Rev/Other	Total
<u>FY2004-05 (without deficits)</u>					
Agency Operations	1,018,017,210	1,069,324,604	573,545,863	536,000,555	3,196,888,232
State Aid	1,721,019,198	247,724,029	1,560,854,514	1,324,847	3,530,922,588
Capital Construction	19,046,316	31,557,804	15,999,613	1,486,494	68,090,227
FY2004-05 Total	2,758,082,724	1,348,606,437	2,150,399,990	538,811,896	6,795,901,047
<u>FY2005-06</u>					
Agency Operations	1,079,894,592	1,285,666,411	562,268,931	537,178,021	3,465,007,955
State Aid	1,869,193,996	275,130,602	1,615,728,192	1,324,847	3,761,377,637
Capital Construction	23,350,481	38,747,928	5,761,747	7,878,972	75,739,128
FY2005-06 Total	2,972,439,069	1,599,544,941	2,183,758,870	546,381,840	7,302,124,720
Change over prior year					
Dollar	214,356,345	250,938,504	33,358,880	7,569,944	506,223,673
Percent	7.8%	18.6%	1.6%	1.4%	7.4%
<u>FY2006-07</u>					
Agency Operations	1,140,640,722	1,136,751,096	582,472,963	539,106,286	3,398,971,067
State Aid	2,000,805,982	259,194,557	1,701,363,236	1,324,847	3,962,688,622
Capital Construction	21,350,531	37,005,970	2,000,000	2,267,494	62,623,995
FY2006-07 Total	3,162,797,235	1,432,951,623	2,285,836,199	542,698,627	7,424,283,684
Change over prior year					
Dollar	190,358,166	(166,593,318)	102,077,329	(3,683,213)	122,158,964
Percent	6.4%	-10.4%	4.7%	-0.7%	1.7%

FY2005-06 Total Appropriations by Fund



7

Cash Funds

These funds are used to account for the revenues and expenditures of dedicated fees and charges. Unlike the single General Fund, there are more than 200 individual cash funds contained in 70 different agencies. Only 7 agencies do not have some cash funds although many are very small amounts. In many instances, an agency has multiple cash funds. For example, the Dept of Agriculture has over 20 different cash funds. Monies held in these funds generally can only be used for the specific purpose for which the fund was created. Cash funds are used to account for revenues such as University and State College tuition and fees, hunting/fishing permits, highway revenues (gas tax and sales tax on motor vehicles), and agricultural commodity check-off fees. In addition, most inspection, regulatory, and license fees and charges, are dedicated to and accounted for through the use of cash funds.

CASH FUNDS	FY2004-05	FY2005-06	FY2006-07	% of Total
Roads	588,901,815	646,357,343	656,226,343	44.5%
University of Nebraska	199,785,384	199,785,384	199,785,384	13.7%
HHS System	137,012,560	133,527,914	132,447,748	9.2%
Public Service Comm	90,061,012	88,812,945	92,765,075	6.1%
Game and Parks	51,941,599	56,808,076	52,814,568	3.9%
All Other	280,904,067	328,441,911	298,912,505	22.6%
Cash Funds less LLRW	1,348,606,437	1,453,733,573	1,432,951,623	100.0%
LLRW Payment	0	145,811,368	0	na
Total - Cash Funds	1,348,606,437	1,599,544,941	1,432,951,623	na
\$ Change	--	250,938,504	(166,593,318)	
% Change	--	18.6%	-10.4%	

The Dept of Roads alone accounts for 45% of cash fund revenues and expenditures. The University of Nebraska accounts for 13.9% and HHS (including the Health Care Cash Fund) accounts for 9%. No other agency accounting for more than 6.2% of the total. Note that these

percentages are FY05-06 excluding the one-time large cash appropriation for the Low Level Radioactive Waste payout.

The budget for FY05-06 reflects a very large growth in cash fund appropriations, \$232.5 million (17%). The largest single increase (\$145.8 million) is the payment for the **Low Level Radioactive Waste settlement** as noted earlier in this report. The source of these cash funds is a transfer from the Cash Reserve Fund. Excluding this item, cash funds increased by 6.4%. The exclusion of this large one-time item (and another one time item in the Secretary of State as noted below) leads to the reduction in cash fund appropriations in FY06-07.

Dept of Roads

The budget for the Department of Roads reflects a status quo budget with no significant changes from current funding levels. The Highway Cash Fund appropriation is set at the level requested by the Department, which is \$344 million in FY05-06, and \$350 million in FY06-07. It is estimated that this level of state funding, combined with anticipated federal revenue, will allow a highway construction program of \$380 million each year. The current FY04-05 construction program is also \$380 million.

Based on April 2005 revenue projections provided by the Department, the estimated total fuel tax required to generate sufficient revenue to meet the appropriation is 25.1 cents in both fiscal years. This is .3 cent less than the current tax of 25.4 cents, but is the same as the current fiscal year's average tax of 25.1 cents.

In regards to mass transit aid, there is no change in funding levels. An additional \$1,500,000 was originally included in the budget as sent to the Governor but was removed through a veto.

Secretary of State, Help America Vote Act funds

Another large increase, \$13,209,740 for the Secretary of State, relates to implementation of the Help America Vote Act (HAVA). These are federal funds, but are appropriated as cash funds due to specific grant requirements. Much of this will be for computer hardware (\$11 million in FY06) to be placed throughout the state and consulting services to implement this strategy (\$1.5 million in FY06). Also included is ongoing funding of approximately \$1.5 million per year.

State Fair Support and Improvement Cash Fund

LB 426 creates the State Fair Support and Improvement Cash Fund to receive lottery revenue designated for the State Fair and matching funds from the City of Lincoln. There is a \$2.5 million appropriation each year from this fund to the State Fair Board

Health Care Cash Fund

The following table reflects the distribution of the Health Care Cash Fund per 2005 Session actions. This includes an additional \$2 million for biomedical research and an increase in the overall allocation from \$50 million to \$52 million.

	Agency Program	Appropriation FY2003-04	Appropriation FY2004-05	Biennial Budget FY2005-06	Biennial Budget FY2006-07
<u>Behavioral Health Provider Increases</u>					
Regions	26-038	2,599,660	2,599,660	2,599,660	2,599,660
Child Welfare	26-347	2,734,444	2,734,444	2,734,444	2,734,444
Medicaid	26-348	2,165,896	2,165,896	2,165,896	2,165,896
Medicaid managed care / inpatient and RTC	26-348	2,600,000	2,600,000	2,600,000	2,600,000
Subtotal		10,100,000	10,100,000	10,100,000	10,100,000
<u>Service Capacity</u>					
Mental Health / Substance Abuse Regions	26-38	6,500,000	6,500,000	6,500,000	6,500,000
Juvenile Services	25-250	1,000,000	1,000,000	1,000,000	1,000,000
Subtotal		7,500,000	7,500,000	7,500,000	7,500,000
<u>Emergency Protective Custody</u>	26-38	1,500,000	1,500,000	1,500,000	1,500,000
<u>Respite Care</u>					
Respite regions and personnel	25-35	250,000	250,000	404,643	404,643
Respite aid	26-347	810,000	810,000	810,000	810,000
Subtotal		1,060,000	1,060,000	1,214,643	1,214,643
<u>Developmental Disability Waiting List</u>	26-424	5,000,000	5,000,000	5,000,000	5,000,000
<u>Public Health</u>					
Public Health Staff	25-033	100,000	100,000	100,000	100,000
County Public Health county aid	26-502	5,600,000	5,600,000	5,600,000	5,600,000
Subtotal		5,700,000	5,700,000	5,700,000	5,700,000
<u>Minority Health</u>					
Qualified health clinics	26-502	1,000,000	1,000,000	1,000,000	1,000,000
Minority health aid	26-502	1,580,000	1,580,000	1,580,000	1,580,000
Minority health satellites	25-033	220,000	220,000	220,000	220,000
Additional Min. health clinic funding	26-502	400,000	400,000	400,000	400,000
Subtotal		3,200,000	3,200,000	3,200,000	3,200,000
<u>CHIP - Replace cash from original \$25M</u>	26-344	1,321,222	5,000,000	5,000,000	5,000,000
<u>Medicaid (General Fund offset)</u>	26-348	3,678,778	0	0	0
<u>Biomedical Research</u>	26-623	10,000,000	10,000,000	12,000,000	12,000,000
<u>Human Service Study</u>	03-122	500,000	0	100,000	100,000
<u>Attorney General</u>	11-507	150,000	150,000	150,000	150,000
<u>EMS Technicians</u>	20-177	13,688	13,688	13,688	13,688
<u>Revenue Auditor Specialist</u>	16-102	34,244	34,244	34,244	34,244
<u>Tobacco Prevention</u>	25-030	0	0	0	0
<u>Behavioral Health cost/rate study</u>	26-341	0	0	50,000	0
<u>Meth Study</u>	78-220	0	0	200,000	0
FROM ALLOCATION		49,757,932	49,257,932	51,562,575	51,512,575
To HHS cash fund, behavioral health reform (LB 1083)		1,328,190	4,671,810	0	0
To NCCF for Double YY and R Building renovations at LF		0	0	2,639,863	0
To UNMC Research Center of Excellence II (authorized ii		0	2,000,000	2,000,000	2,000,000
FROM BALANCE		1,328,190	6,671,810	4,639,863	2,000,000
TOTAL USE OF HEALTH CARE CASH FUND		51,086,122	55,929,742	56,202,438	53,512,575

Federal Funds

Federal funds account for monies received from the federal government either as grants, contracts, or matching funds. Unlike other fund sources, federal fund appropriations are an estimate and agencies are not limited to the amount shown in the appropriation bills though receipts must meet expenditures. Similar to cash funds, there are numerous individual federal funds contained in the accounting system and they are generally limited to specific uses as authorized by the federal program from which the funds came from. Of the 77 state agencies, 34 receive some level of federal funds.

FEDERAL FUNDS	FY2004-05	FY2005-06	FY2006-07	% of Total
HHS System	1,421,094,317	1,478,328,593	1,573,620,023	67.7%
Education	275,646,046	283,738,491	292,635,779	13.0%
University of Nebraska	237,535,238	237,535,238	237,535,238	10.9%
Labor	64,220,998	43,068,687	43,986,512	2.0%
Environmental Quality	34,770,300	35,371,357	35,592,350	1.6%
All Other	117,133,091	105,716,504	102,466,297	6.6%
Total - Federal Funds	2,150,399,990	2,183,758,870	2,285,836,199	100.0%
\$ Change	--	33,358,880	102,077,329	
% Change	--	1.6%	4.7%	

Over 2/3 of the federal funds (approximately 68%) is expended in the Health and Human Services System, a large portion for programs such as Medicaid, AFDC, and other public assistance program. Federal funds in the Dept of Education account for 13% of the total. This is mostly flow through monies to local K-12 schools for programs such as Chapter 1, School Lunch, and Special Education.

Estimated federal funds increase at about 3.2% per year over the two years of the biennium. Although there are numerous increases and reductions in various agencies, most of the net increase in federal funds can be attributed to programs within the HHS System. Higher increases in Medicaid matching funds and other areas are offset by no growth block grants and a decline in intergovernmental transfer (IGT) monies. The federal government is phasing down the states' uses of intergovernmental transfer funding processes.

Revolving Funds

These type of funds account for transactions where one agency provides goods or services to another agency. For example, the Dept of Education pays DAS-Building Division rent for the State Office Building. The expenditure is charged against the Departments budget (be it General, Cash, or Federal). DAS then receives these funds which are credited to a revolving fund from which DAS pays staff salaries, , utilities, cleaning costs, etc... This in essence double-counts expenditures; once when an agency pays another agency for goods/services rendered, the second time when the receiving agency then pays for costs incurred in providing the goods or services. Like cash and federal funds, there are numerous individual revolving funds within the state system. Excluding the University and State Colleges, DAS accounts for

86% of all revolving funds. The Dept of Correctional Services (through Cornhusker State Industries) accounts for another 8.2%.

REVOLVING / OTHER	FY2004-05	FY2005-06	FY2006-07	% of Total
University/Colleges	344,010,926	344,010,926	344,010,926	63.0%
Admin Services	172,461,738	174,137,271	175,843,694	31.9%
Corrections	16,488,219	16,609,735	16,748,457	3.0%
All Other	5,851,013	11,623,908	6,095,550	2.1%
Total - Rev/Other Funds	538,811,896	546,381,840	542,698,627	100.0%
\$ Change	--	7,569,944	(3,683,213)	
% Change	--	1.4%	-0.7%	

About 63% of all revolving fund appropriations are contained within the University and State Colleges. However, unlike the revolving fund definition noted above, revolving funds used by the University and State Colleges account for revenues from dormitories, student unions, agricultural experiment stations, other "enterprise" operations. This separates these revenues from those generated from student tuition and fees that are accounted for as cash funds.

Historical Appropriations-All Funds

Table 31 contains historical appropriations from all fund sources for the past 20 years. All years exclude deficit appropriations. Also shown are average growth figures for the past 20 years as well as historical growth in biennial budgets.

One significant item to note is the cash fund decline in FY98-99. This relates to the merger of Clarkson Hospital and the University of Nebraska Medical Center Hospital into a non-profit private corporation, Nebraska Health Systems. Because the new entity is "private", this took the University Hospital's patient revenues (and cash fund expenditures) out of the state's accounting system amounting to over \$200 million.

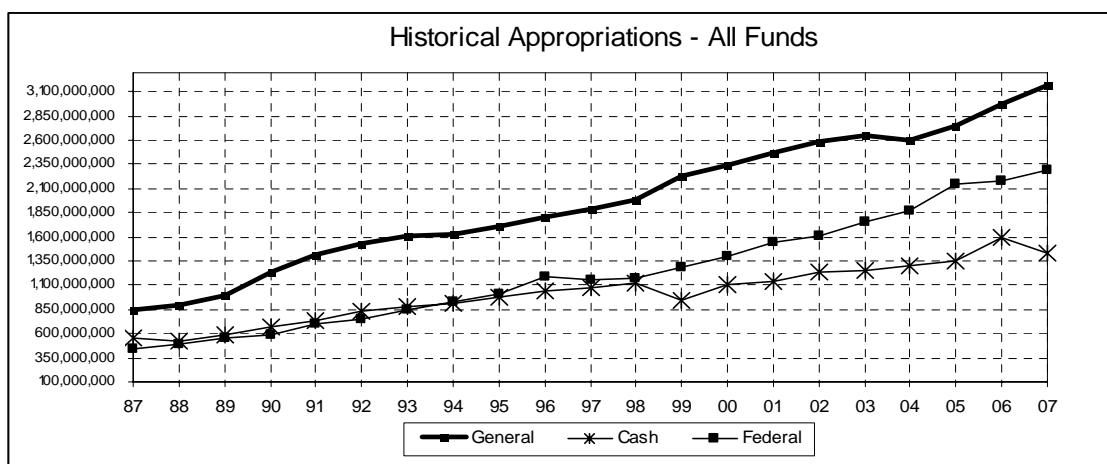
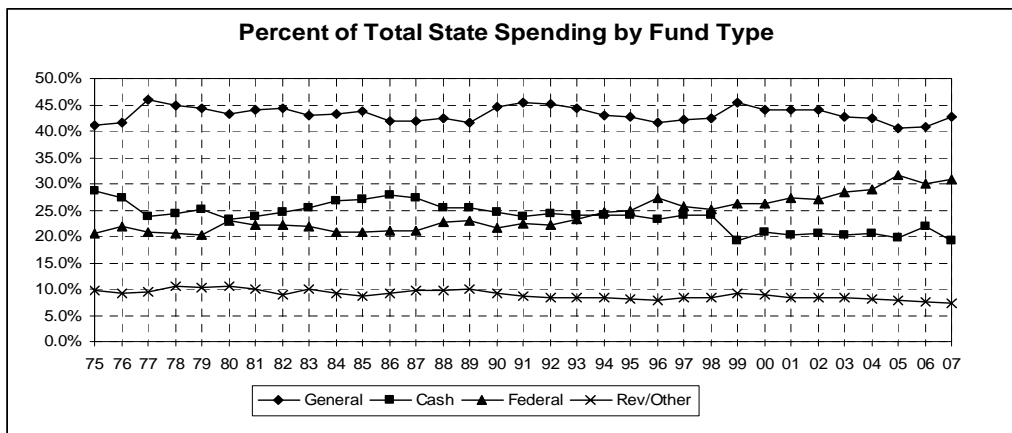


Table 31 Historical Appropriations-All Funds

	General Funds	Cash Funds	Federal Funds	Revolving/Other	Total Funds
FY1985-86 Approp	811,348,354	538,052,894	406,649,534	178,883,047	1,934,933,829
FY1986-87 Approp	832,883,574	544,340,304	419,300,247	191,636,307	1,988,160,432
FY1987-88 Approp	886,692,463	527,072,700	470,710,628	201,153,179	2,085,628,970
FY1988-89 Approp	975,463,332	592,274,308	538,558,829	235,868,204	2,342,164,673
FY1989-90 Approp	1,213,239,466	669,923,305	592,886,952	251,071,830	2,727,121,553
FY1990-91 Approp	1,415,098,996	736,361,772	694,819,456	266,341,766	3,112,621,990
FY1991-92 Approp	1,532,922,851	821,901,188	755,923,617	281,938,493	3,392,686,149
FY1992-93 Approp	1,596,160,107	871,907,067	839,384,006	302,998,215	3,610,449,395
FY1993-94 Approp	1,628,020,298	908,707,645	934,011,649	313,568,194	3,784,307,786
FY1994-95 Approp	1,718,957,079	970,926,826	1,004,037,357	330,821,777	4,024,743,039
FY1995-96 Approp	1,810,178,260	1,016,908,962	1,187,791,863	346,310,774	4,361,189,859
FY1996-97 Approp	1,885,810,146	1,073,119,105	1,148,329,975	370,061,527	4,477,320,753
FY1997-98 Approp	1,979,767,634	1,121,968,313	1,179,866,825	393,815,064	4,675,417,836
FY1998-99 Approp	2,228,579,121	937,301,414	1,288,860,855	445,357,561	4,900,098,951
FY1999-00 Approp	2,323,943,947	1,100,726,077	1,390,725,054	470,160,784	5,285,555,862
FY2000-01 Approp	2,458,789,233	1,130,234,910	1,528,364,447	472,171,086	5,589,559,676
FY2001-02 Approp	2,606,951,336	1,210,661,243	1,602,142,264	492,780,254	5,912,535,097
FY2002-03 Approp	2,621,296,239	1,252,852,263	1,750,158,602	516,844,018	6,141,151,122
FY2003-04 Approp	2,655,289,608	1,285,728,367	1,814,045,740	509,307,018	6,264,370,733
FY2004-05 Approp	2,758,082,724	1,348,606,437	2,150,399,990	538,811,896	6,795,901,047
FY2005-06 Approp	2,972,439,069	1,599,544,941	2,183,758,870	546,381,840	7,302,124,720
FY2006-07 Approp	3,162,797,235	1,432,951,623	2,285,836,199	542,698,627	7,424,283,684
Average Annual Growth					
FY96 / FY97 Biennium	4.7%	5.1%	6.9%	5.8%	5.5%
FY98 / FY99 Biennium	8.7%	-6.5%	5.9%	9.7%	4.6%
FY00 / FY01 Biennium	5.0%	9.8%	8.9%	3.0%	6.8%
FY02 / FY03 Biennium	3.3%	5.3%	7.0%	4.6%	4.8%
FY04 / FY05 Biennium	2.6%	3.8%	10.8%	2.1%	5.2%
FY06 / FY07 Biennium	7.1%	3.1%	3.1%	0.4%	4.5%
Avg FY87 to FY97 (10 yr)	8.5%	7.0%	10.6%	6.8%	8.5%
Avg FY97 to FY07 (10 yr)	5.3%	2.9%	7.1%	3.9%	5.2%
Avg FY87 to FY07 (20 yr)	6.9%	5.0%	8.8%	5.3%	6.8%



Appropriations By Bill - All Funds

The biennial budget can't be found in any single legislative bill. Appropriations are contained in many different bills. What's referred to as the "mainline" budget bills are basically the appropriations to carryout the functions of state government as they exist at the beginning of a legislative session, and are normally contained in several different bills; legislator salaries, constitutional officer salaries, a main budget, and capital construction. New legislation enacted during a legislative session carries a companion appropriation bill if an appropriation is necessary to carry out the new law. This companion bill, referred to as an "A" bill, is a separate bill using the original bill number with the letter "A" following. In this manner, the appropriation to carry out the provisions of this legislation is only enacted if in fact the new legislation is enacted.

Table 32 Breakdown by Mainline and A Bills

FY2005-06	General	Cash	Federal	Rev/Other	Total
LB 422 Constitutional Officers Salaries	18,580,046	943,792	0	0	19,523,838
LB 423 Legislator Salaries	632,982	0	0	0	632,982
LB 424 Capital Construction	23,350,481	38,747,928	5,761,747	7,878,972	75,739,128
LB 425 Mainline Budget Bill	2,926,938,681	1,552,637,255	2,179,439,123	538,402,011	7,197,417,070
Mainline Bills	2,969,502,190	1,592,328,975	2,185,200,870	546,280,983	7,293,313,018
"A" Bills	2,936,879	7,215,966	(1,442,000)	100,857	8,811,702
Total Appropriation	2,972,439,069	1,599,544,941	2,183,758,870	546,381,840	7,302,124,720
FY2006-07	General	Cash	Federal	Rev/Other	Total
LB 422 Constitutional Officers Salaries	18,746,308	950,945	0	0	19,697,253
LB 423 Legislator Salaries	632,982	0	0	0	632,982
LB 424 Capital Construction	21,350,531	37,005,970	2,000,000	2,267,494	62,623,995
LB 425 Mainline Budget Bill	3,119,630,794	1,389,567,714	2,286,716,199	540,332,483	7,336,247,190
Mainline Bills	3,160,360,615	1,427,524,629	2,288,716,199	542,599,977	7,419,201,420
"A" Bills	2,436,620	5,426,994	(2,880,000)	98,650	5,082,264
Total Appropriation	3,162,797,235	1,432,951,623	2,285,836,199	542,698,627	7,424,283,684

Table 33 on the following page contains a complete listing of the "A" bills enacted in the 2005 Session.

Table 33 A Bills Enacted - 2005 Session

Description	Fund	FY2005-06	FY2006-07
LB 13 Various changes, Workers Compensation Act	Cash	75,857	73,650
LB 13 Various changes, Workers Compensation Act	Revolving	75,857	73,650
LB 28 Income tax credits, certain charitable contributions	General	82,000	8,000
LB 40 Affordable housing, doc stamp tax, behavioral health changes	Cash	5,745,000	4,000,000
LB 66 Special valuation, historical real property	General	5,000	5,000
LB 90 Ethanol credits, Ag Opportunities, Bldng Entrepreneurial Comm.	General	1,250,000	1,250,000
LB 111 Missing Persons Information Clearinghouse	General	49,200	49,200
LB 126 School district reorganization changes	General	0	650,000
LB 146 Nursing Faculty Student Loan Act	Cash	0	20,000
LB 211 Cemetery registry, archaeological preservation	General	11,171	20,011
LB 211 Cemetery registry, archaeological preservation	Cash	32,650	32,650
LB 243 Nurse credentialing fees, Center for Nursing	Cash	80,000	80,000
LB 256 Clinical Nurse Specialist Practice Act, nursing licensure	Cash	32,315	32,315
LB 306 Criminal background checks, health care license	Cash	16,500	16,500
LB 312 Business incentives, sales tax exemption & credits	General	460,086	444,062
LB 312 Business incentives, sales tax exemption & credits	Cash	210,000	210,000
LB 332 Add funds, compulsive gamblers assistance	Cash	250,000	250,000
LB 348 Court fees, judges salary increase	General	450,595	953,383
LB 348 Court fees, judges salary increase	Cash	448,304	478,075
LB 389 Health Care Prompt Payment Act	Cash	8,960	9,150
LB 503 Defined benefit retirement plan changes (Patrol, School)	General	804,161	864,332
LB 503 Defined benefit retirement plan changes (Patrol, School)	Cash	288,980	224,654
LB 538 Drug offenses, probation, parole changes	General	507,567	42,567
LB 546 Nebraska Opportunity Zone Act	General	66,999	68,965
LB 577 Early childhood programs, state aid formula	General	0	0
LB 589 Coordination of benefits by insurers	General	(1,000,000)	(2,000,000)
LB 589 Coordination of benefits by insurers	Federal	(1,500,000)	(3,000,000)
LB 645 Prohibit certain govt telecomm services (approp in LB71A)	General	200,000	0
LB 664 Redefine critical access hospital	General	39,000	80,000
LB 664 Redefine critical access hospital	Federal	58,000	120,000
LB 675 Changes, school and school learner permits	Cash	27,400	0
LB 683 Change salaries, state constitutional officers	General	0	VETO
LB 684 Changes, State Capitol & Nebr Capitol Commission	Revolving	25,000	25,000
LB 689 Distance Education Enhancement Task Force	General	10,000	0
LB 761 Change Foster Care Review Board membership	General	1,100	1,100
General		2,936,879	2,436,620
Cash		7,215,966	5,426,994
Federal		(1,442,000)	(2,880,000)
Revolving		100,857	98,650
Total		8,811,702	5,082,264

Appropriations By Agency - All Funds

FY06/FY07 Biennial Budget as enacted in the 2005 Legislative Session

	Fund	w/o Deficits FY2004-05	Total FY2005-06	Total FY2006-07	FY06 vs Prior Year		FY07 vs Prior Year		
					\$ Chnge	% Chnge	\$ Chnge	% Chnge	
3	Legislative Council	Gen	14,230,041	15,645,765	16,107,784	1,415,724	9.9%	462,019	3.0%
		Cash	118,454	318,454	218,454	200,000	168.8%	(100,000)	-31.4%
		Fed	39,270	39,270	39,270	0	0.0%	0	0.0%
		Rev	0	0	0	0	na	0	na
	Total	14,387,765	16,003,489	16,365,508	1,615,724	11.2%	362,019	2.3%	
5	Supreme Court	Gen	55,641,210	59,110,239	61,344,118	3,469,029	6.2%	2,233,879	3.8%
		Cash	9,663,820	7,763,505	7,824,002	(1,900,315)	-19.7%	60,497	0.8%
		Fed	692,101	655,827	655,827	(36,274)	-5.2%	0	0.0%
		Rev	0	0	0	0	na	0	na
	Total	65,997,131	67,529,571	69,823,947	1,532,440	2.3%	2,294,376	3.4%	
7	Governor	Gen	1,400,915	1,478,136	1,596,777	77,221	5.5%	118,641	8.0%
		Cash	1,045,185	626,830	640,507	(418,355)	-40.0%	13,677	2.2%
		Fed	6,723,798	6,739,942	6,771,308	16,144	0.2%	31,366	0.5%
		Rev	0	0	0	0	na	0	na
	Total	9,169,898	8,844,908	9,008,592	(324,990)	-3.5%	163,684	1.9%	
8	Lt. Governor	Gen	117,304	117,627	120,315	323	0.3%	2,688	2.3%
		Cash	0	0	0	0	na	0	na
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
	Total	117,304	117,627	120,315	323	0.3%	2,688	2.3%	
9	Secretary of State	Gen	712,672	695,207	714,420	(17,465)	-2.5%	19,213	2.8%
		Cash	4,055,042	17,621,043	5,938,703	13,566,001	334.5%	(11,682,340)	-66.3%
		Fed	0	100,000	100,000	100,000	na	0	0.0%
		Rev	1,121,045	1,068,346	1,098,463	(52,699)	-4.7%	30,117	2.8%
	Total	5,888,759	19,484,596	7,851,586	13,595,837	230.9%	(11,633,010)	-59.7%	
10	Auditor	Gen	1,945,375	2,300,453	2,369,419	355,078	18.3%	68,966	3.0%
		Cash	899,112	1,118,224	1,141,435	219,112	24.4%	23,211	2.1%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
	Total	2,844,487	3,418,677	3,510,854	574,190	20.2%	92,177	2.7%	
11	Attorney General	Gen	6,290,405	6,637,393	7,429,635	346,988	5.5%	792,242	11.9%
		Cash	560,575	601,380	521,380	40,805	7.3%	(80,000)	-13.3%
		Fed	662,379	682,559	634,192	20,180	3.0%	(48,367)	-7.1%
		Rev	1,192,709	667,252	693,079	(525,457)	-44.1%	25,827	3.9%
	Total	8,706,068	8,588,584	9,278,286	(117,484)	-1.3%	689,702	8.0%	

	Fund	w/o Deficits FY2004-05	Total FY2005-06	Total FY2006-07	FY06 vs Prior Year		FY07 vs Prior Year	
					\$ Chnge	% Chnge	\$ Chnge	% Chnge
12 Treasurer	Gen	19,323,214	19,342,032	19,368,412	18,818	0.1%	26,380	0.1%
	Cash	5,179,672	151,498,816	5,727,277	146,319,144	2824.9%	(145,771,539)	-96.2%
	Fed	2,515,564	2,547,151	2,590,716	31,587	1.3%	43,565	1.7%
	Rev	0	0	0	0	na	0	na
	Total	27,018,450	173,387,999	27,686,405	146,369,549	541.7%	(145,701,594)	-84.0%
13 Education	Gen	812,134,113	887,462,568	944,303,475	75,328,455	9.3%	56,840,907	6.4%
	Cash	4,005,746	3,115,275	3,081,522	(890,471)	-22.2%	(33,753)	-1.1%
	Fed	275,646,046	283,738,491	292,635,779	8,092,445	2.9%	8,897,288	3.1%
	Rev	1,050,732	1,063,449	1,078,519	12,717	1.2%	15,070	1.4%
	Total	1,092,836,637	1,175,379,783	1,241,099,295	82,543,146	7.6%	65,719,512	5.6%
14 Public Service Commission	Gen	2,184,286	2,276,907	2,382,664	92,621	4.2%	105,757	4.6%
	Cash	90,061,012	88,812,945	92,765,075	(1,248,067)	-1.4%	3,952,130	4.4%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	92,245,298	91,089,852	95,147,739	(1,155,446)	-1.3%	4,057,887	4.5%
15 Parole Board	Gen	697,955	723,288	751,933	25,333	3.6%	28,645	4.0%
	Cash	0	0	0	0	na	0	na
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	697,955	723,288	751,933	25,333	3.6%	28,645	4.0%
16 Revenue	Gen	69,824,769	74,650,099	77,764,681	4,825,330	6.9%	3,114,582	4.2%
	Cash	18,959,979	18,579,670	18,573,131	(380,309)	-2.0%	(6,539)	0.0%
	Fed	25,000	18,830	18,830	(6,170)	-24.7%	0	0.0%
	Rev	6,970	7,102	7,282	132	1.9%	180	2.5%
	Total	88,816,718	93,255,701	96,363,924	4,438,983	5.0%	3,108,223	3.3%
17 Aeronautics	Gen	0	0	0	0	na	0	na
	Cash	21,055,434	27,956,832	26,830,597	6,901,398	32.8%	(1,126,235)	-4.0%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	21,055,434	27,956,832	26,830,597	6,901,398	32.8%	(1,126,235)	-4.0%
18 Agriculture	Gen	5,487,050	5,606,644	5,811,355	119,594	2.2%	204,711	3.7%
	Cash	6,337,208	6,483,850	6,642,642	146,642	2.3%	158,792	2.4%
	Fed	1,642,686	1,923,516	1,929,348	280,830	17.1%	5,832	0.3%
	Rev	474,063	438,787	450,713	(35,276)	-7.4%	11,926	2.7%
	Total	13,941,007	14,452,797	14,834,058	511,790	3.7%	381,261	2.6%
19 Banking	Gen	0	0	0	0	na	0	na
	Cash	5,296,018	5,397,898	5,544,521	101,880	1.9%	146,623	2.7%
	Fed	0	0	0	0	na	0	na
	Rev	0	0	0	0	na	0	na
	Total	5,296,018	5,397,898	5,544,521	101,880	1.9%	146,623	2.7%

	Fund		w/o Deficits FY2004-05	Total FY2005-06	Total FY2006-07	FY06 vs Prior Year		FY07 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
20	HHS- Regulation	Gen	5,659,114	6,426,843	6,591,516	767,729	13.6%	164,673	2.6%
		Cash	14,357,070	18,445,472	18,833,533	4,088,402	28.5%	388,061	2.1%
		Fed	12,956,375	25,369,782	25,951,388	12,413,407	95.8%	581,606	2.3%
		Rev	0	0	0	0	na	0	na
		Total	32,972,559	50,242,097	51,376,437	17,269,538	52.4%	1,134,340	2.3%
21	Fire Marshal	Gen	3,370,188	3,534,018	3,762,567	163,830	4.9%	228,549	6.5%
		Cash	1,045,510	1,184,922	1,143,646	139,412	13.3%	(41,276)	-3.5%
		Fed	126,056	50,000	50,000	(76,056)	-60.3%	0	0.0%
		Rev	0	0	0	0	na	0	na
		Total	4,541,754	4,768,940	4,956,213	227,186	5.0%	187,273	3.9%
22	Insurance	Gen	0	0	0	0	na	0	na
		Cash	8,237,934	10,759,772	8,925,320	2,521,838	30.6%	(1,834,452)	-17.0%
		Fed	994,885	293,934	299,189	(700,951)	-70.5%	5,255	1.8%
		Rev	0	0	0	0	na	0	na
		Total	9,232,819	11,053,706	9,224,509	1,820,887	19.7%	(1,829,197)	-16.5%
23	Labor	Gen	527,473	534,429	550,381	6,956	1.3%	15,952	3.0%
		Cash	2,022,167	1,625,221	1,612,983	(396,946)	-19.6%	(12,238)	-0.8%
		Fed	64,220,998	43,068,687	43,986,512	(21,152,311)	-32.9%	917,825	2.1%
		Rev	0	0	0	0	na	0	na
		Total	66,770,638	45,228,337	46,149,876	(21,542,301)	-32.3%	921,539	2.0%
24	Motor Vehicles	Gen	0	0	0	0	na	0	na
		Cash	23,689,002	19,418,408	18,451,536	(4,270,594)	-18.0%	(966,872)	-5.0%
		Fed	2,872,201	2,422,385	2,676,555	(449,816)	-15.7%	254,170	10.5%
		Rev	0	0	0	0	na	0	na
		Total	26,561,203	21,840,793	21,128,091	(4,720,410)	-17.8%	(712,702)	-3.3%
25	HHS- Services	Gen	158,945,500	161,495,372	171,557,494	2,549,872	1.6%	10,062,122	6.2%
		Cash	33,523,314	26,588,709	25,292,348	(6,934,605)	-20.7%	(1,296,361)	-4.9%
		Fed	120,357,336	115,918,943	118,698,912	(4,438,393)	-3.7%	2,779,969	2.4%
		Rev	0	0	0	0	na	0	na
		Total	312,826,150	304,003,024	315,548,754	(8,823,126)	-2.8%	11,545,730	3.8%
26	HHS- Finance	Gen	807,407,657	869,312,700	940,631,211	61,905,043	7.7%	71,318,511	8.2%
		Cash	89,132,176	88,493,733	88,321,867	(638,443)	-0.7%	(171,866)	-0.2%
		Fed	1,287,780,606	1,337,039,868	1,428,969,723	49,259,262	3.8%	91,929,855	6.9%
		Rev	0	0	0	0	na	0	na
		Total	2,184,320,439	2,294,846,301	2,457,922,801	110,525,862	5.1%	163,076,500	7.1%
27	Roads	Gen	16,394	18,184	18,184	1,790	10.9%	0	0.0%
		Cash	588,901,815	646,357,343	656,226,343	57,455,528	9.8%	9,869,000	1.5%
		Fed	0	0	0	0	na	0	na
		Rev	0	500,000	500,000	500,000	na	0	0.0%
		Total	588,918,209	646,875,527	656,744,527	57,957,318	9.8%	9,869,000	1.5%

		Fund	w/o Deficits FY2004-05	Total FY2005-06	Total FY2006-07	FY06 vs Prior Year		FY07 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
28	Veterans Affairs	Gen	723,929	742,140	771,002	18,211	2.5%	28,862	3.9%
		Cash	0	0	0	0	na	0	na
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	723,929	742,140	771,002	18,211	2.5%	28,862	3.9%
29	Natural Resources	Gen	14,647,369	21,266,419	13,597,260	6,619,050	45.2%	(7,669,159)	-36.1%
		Cash	4,057,761	2,789,875	2,789,875	(1,267,886)	-31.2%	0	0.0%
		Fed	941,000	941,000	941,000	0	0.0%	0	0.0%
		Rev	0	0	0	0	na	0	na
		Total	19,646,130	24,997,294	17,328,135	5,351,164	27.2%	(7,669,159)	-30.7%
30	Electrical Board	Gen	0	0	0	0	na	0	na
		Cash	1,360,510	1,414,091	1,421,641	53,581	3.9%	7,550	0.5%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	1,360,510	1,414,091	1,421,641	53,581	3.9%	7,550	0.5%
31	Military Dept	Gen	4,099,868	5,230,370	5,335,189	1,130,502	27.6%	104,819	2.0%
		Cash	908,306	916,321	927,831	8,015	0.9%	11,510	1.3%
		Fed	15,714,591	16,136,798	16,394,802	422,207	2.7%	258,004	1.6%
		Rev	0	0	0	0	na	0	na
		Total	20,722,765	22,283,489	22,657,822	1,560,724	7.5%	374,333	1.7%
32	Ed Lands & Funds	Gen	400,125	408,700	423,389	8,575	2.1%	14,689	3.6%
		Cash	8,735,895	8,427,919	8,678,575	(307,976)	-3.5%	250,656	3.0%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	9,136,020	8,836,619	9,101,964	(299,401)	-3.3%	265,345	3.0%
33	Game and Parks	Gen	9,009,552	9,209,742	9,473,995	200,190	2.2%	264,253	2.9%
		Cash	51,941,599	56,808,076	52,814,568	4,866,477	9.4%	(3,993,508)	-7.0%
		Fed	344,168	220,168	220,168	(124,000)	-36.0%	0	0.0%
		Rev	19,000	0	0	(19,000)	-100.0%	0	na
		Total	61,314,319	66,237,986	62,508,731	4,923,667	8.0%	(3,729,255)	-5.6%
34	Library Commission	Gen	3,429,537	3,541,514	3,648,933	111,977	3.3%	107,419	3.0%
		Cash	95,008	95,008	95,008	0	0.0%	0	0.0%
		Fed	1,124,097	1,262,424	1,262,424	138,327	12.3%	0	0.0%
		Rev	0	0	0	0	na	0	na
		Total	4,648,642	4,898,946	5,006,365	250,304	5.4%	107,419	2.2%
35	Liquor Commission	Gen	909,498	810,394	838,883	(99,104)	-10.9%	28,489	3.5%
		Cash	54,441	54,441	54,441	0	0.0%	0	0.0%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	963,939	864,835	893,324	(99,104)	-10.3%	28,489	3.3%

		Fund	w/o Deficits FY2004-05	Total FY2005-06	Total FY2006-07	FY06 vs Prior Year		FY07 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
36	Racing Commission	Gen	0	0	0	0	na	0	na
		Cash	861,921	988,263	1,007,367	126,342	14.7%	19,104	1.9%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	861,921	988,263	1,007,367	126,342	14.7%	19,104	1.9%
37	Workers Compensation	Gen	0	0	0	0	na	0	na
		Cash	3,988,713	4,266,243	4,872,206	277,530	7.0%	605,963	14.2%
		Fed	29,617	29,617	29,617	0	0.0%	0	0.0%
		Rev	0	0	0	0	na	0	na
		Total	4,018,330	4,295,860	4,901,823	277,530	6.9%	605,963	14.1%
38	Status of Women	Gen	0	200,000	200,000	200,000	na	0	0.0%
		Cash	0	0	0	0	na	0	na
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	0	200,000	200,000	200,000	na	0	0.0%
39	Brand Committee	Gen	0	0	0	0	na	0	na
		Cash	3,957,814	3,868,747	4,079,113	(89,067)	-2.3%	210,366	5.4%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	3,957,814	3,868,747	4,079,113	(89,067)	-2.3%	210,366	5.4%
40	Motor Vehicle Dealers	Gen	0	0	0	0	na	0	na
		Cash	571,907	590,116	607,391	18,209	3.2%	17,275	2.9%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	571,907	590,116	607,391	18,209	3.2%	17,275	2.9%
41	Real Estate Commission	Gen	0	0	0	0	na	0	na
		Cash	954,082	995,872	1,017,744	41,790	4.4%	21,872	2.2%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	954,082	995,872	1,017,744	41,790	4.4%	21,872	2.2%
45	Barber Examiners	Gen	0	0	0	0	na	0	na
		Cash	132,628	132,090	137,732	(538)	-0.4%	5,642	4.3%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	132,628	132,090	137,732	(538)	-0.4%	5,642	4.3%
46	Correctional Services	Gen	135,640,583	139,656,369	143,787,784	4,015,786	3.0%	4,131,415	3.0%
		Cash	706,362	678,237	678,237	(28,125)	-4.0%	0	0.0%
		Fed	5,390,973	5,500,453	6,096,796	109,480	2.0%	596,343	10.8%
		Rev	16,488,219	16,609,735	16,748,457	121,516	0.7%	138,722	0.8%
		Total	158,226,137	162,444,794	167,311,274	4,218,657	2.7%	4,866,480	3.0%

	Fund		w/o Deficits FY2004-05	Total FY2005-06	Total FY2006-07	FY06 vs Prior Year		FY07 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
47 Educational Telecomm.	Gen		8,677,302	9,187,982	9,474,008	510,680	5.9%	286,026	3.1%
	Cash		124,550	201,747	204,881	77,197	62.0%	3,134	1.6%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		8,801,852	9,389,729	9,678,889	587,877	6.7%	289,160	3.1%
48 Postsecondary Coord Comm	Gen		6,880,069	8,149,780	6,986,825	1,269,711	18.5%	(1,162,955)	-14.3%
	Cash		2,010,000	2,510,000	4,760,000	500,000	24.9%	2,250,000	89.6%
	Fed		917,731	997,731	997,731	80,000	8.7%	0	0.0%
	Rev		0	0	0	0	na	0	na
	Total		9,807,800	11,657,511	12,744,556	1,849,711	18.9%	1,087,045	9.3%
50 State Colleges	Gen		35,159,799	38,304,336	40,867,931	3,144,537	8.9%	2,563,595	6.7%
	Cash		20,377,837	20,377,837	20,377,837	0	0.0%	0	0.0%
	Fed		15,580,223	15,580,223	15,580,223	0	0.0%	0	0.0%
	Rev		6,163,297	6,163,297	6,163,297	0	0.0%	0	0.0%
	Total		77,281,156	80,425,693	82,989,288	3,144,537	4.1%	2,563,595	3.2%
51 University of Nebr.	Gen		398,617,105	428,159,202	454,186,041	29,542,097	7.4%	26,026,839	6.1%
	Cash		199,785,384	199,785,384	199,785,384	0	0.0%	0	0.0%
	Fed		237,535,238	237,535,238	237,535,238	0	0.0%	0	0.0%
	Rev		337,847,629	337,847,629	337,847,629	0	0.0%	0	0.0%
	Total		1,173,785,356	1,203,327,453	1,229,354,292	29,542,097	2.5%	26,026,839	2.2%
52 Board of Agriculture	Gen		153,104	0	0	(153,104)	-100.0%	0	na
	Cash		7,500	2,500,000	2,500,000	2,492,500	33233.3%	0	0.0%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		160,604	2,500,000	2,500,000	2,339,396	1456.6%	0	0.0%
53 Real Estate Appraisers	Gen		0	0	0	0	na	0	na
	Cash		202,173	259,206	275,890	57,033	28.2%	16,684	6.4%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		202,173	259,206	275,890	57,033	28.2%	16,684	6.4%
54 Historical Society	Gen		3,843,474	4,056,277	4,187,725	212,803	5.5%	131,448	3.2%
	Cash		1,270,313	1,364,595	1,401,670	94,282	7.4%	37,075	2.7%
	Fed		940,594	669,414	690,489	(271,180)	-28.8%	21,075	3.1%
	Rev		0	0	0	0	na	0	na
	Total		6,054,381	6,090,286	6,279,884	35,905	0.6%	189,598	3.1%
56 Nebraska Wheat Board	Gen		0	0	0	0	na	0	na
	Cash		1,011,855	1,359,828	1,368,898	347,973	34.4%	9,070	0.7%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		1,011,855	1,359,828	1,368,898	347,973	34.4%	9,070	0.7%

		Fund	w/o Deficits FY2004-05	Total FY2005-06	Total FY2006-07	FY06 vs Prior Year		FY07 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
57	Oil & Gas Commission	Gen	0	0	0	0	na	0	na
		Cash	474,404	485,536	506,999	11,132	2.3%	21,463	4.4%
		Fed	93,149	92,715	95,517	(434)	-0.5%	2,802	3.0%
		Rev	0	0	0	0	na	0	na
		Total	567,553	578,251	602,516	10,698	1.9%	24,265	4.2%
58	Engineers Architects	Gen	0	0	0	0	na	0	na
		Cash	589,728	730,697	735,536	140,969	23.9%	4,839	0.7%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	589,728	730,697	735,536	140,969	23.9%	4,839	0.7%
59	Geologists Board	Gen	0	0	0	0	na	0	na
		Cash	25,911	25,425	26,095	(486)	-1.9%	670	2.6%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	25,911	25,425	26,095	(486)	-1.9%	670	2.6%
60	Ethanol Board	Gen	0	0	0	0	na	0	na
		Cash	612,692	558,725	570,511	(53,967)	-8.8%	11,786	2.1%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	612,692	558,725	570,511	(53,967)	-8.8%	11,786	2.1%
61	Dairy Board	Gen	0	0	0	0	na	0	na
		Cash	1,802,257	1,799,720	1,799,720	(2,537)	-0.1%	0	0.0%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	1,802,257	1,799,720	1,799,720	(2,537)	-0.1%	0	0.0%
62	Land Surveyors	Gen	0	0	0	0	na	0	na
		Cash	29,432	32,370	32,995	2,938	10.0%	625	1.9%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	29,432	32,370	32,995	2,938	10.0%	625	1.9%
63	Public Accountancy	Gen	0	0	0	0	na	0	na
		Cash	400,919	394,347	401,617	(6,572)	-1.6%	7,270	1.8%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	400,919	394,347	401,617	(6,572)	-1.6%	7,270	1.8%
64	State Patrol	Gen	41,539,950	44,463,228	47,028,201	2,923,278	7.0%	2,564,973	5.8%
		Cash	9,267,626	11,060,337	10,234,912	1,792,711	19.3%	(825,425)	-7.5%
		Fed	1,772,587	1,872,587	1,872,587	100,000	5.6%	0	0.0%
		Rev	0	0	0	0	na	0	na
		Total	52,580,163	57,396,152	59,135,700	4,815,989	9.2%	1,739,548	3.0%

		Fund	w/o Deficits FY2004-05	Total FY2005-06	Total FY2006-07	FY06 vs Prior Year		FY07 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
65	Admin Services (DAS)	Gen	8,288,306	8,644,116	8,873,487	355,810	4.3%	229,371	2.7%
		Cash	8,743,826	9,037,299	9,074,855	293,473	3.4%	37,556	0.4%
		Fed	0	0	0	0	na	0	na
		Rev	172,461,738	174,137,271	175,843,694	1,675,533	1.0%	1,706,423	1.0%
	Total	189,493,870	191,818,686	193,792,036	2,324,816	1.2%	1,973,350	1.0%	
66	Abstracter's Board	Gen	0	0	0	0	na	0	na
		Cash	34,368	37,323	38,712	2,955	8.6%	1,389	3.7%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
	Total	34,368	37,323	38,712	2,955	8.6%	1,389	3.7%	
67	Equal Opportunity Commission	Gen	1,207,639	1,228,933	1,266,173	21,294	1.8%	37,240	3.0%
		Cash	0	0	0	0	na	0	na
		Fed	985,672	1,013,829	1,049,754	28,157	2.9%	35,925	3.5%
		Rev	0	0	0	0	na	0	na
	Total	2,193,311	2,242,762	2,315,927	49,451	2.3%	73,165	3.3%	
68	Mexican- American Commission	Gen	191,898	191,936	197,682	38	0.0%	5,746	3.0%
		Cash	3,900	0	0	(3,900)	-100.0%	0	na
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
	Total	195,798	191,936	197,682	(3,862)	-2.0%	5,746	3.0%	
69	Arts Council	Gen	1,118,697	1,367,878	1,336,115	249,181	22.3%	(31,763)	-2.3%
		Cash	1,500,000	1,510,000	1,510,000	10,000	0.7%	0	0.0%
		Fed	626,500	626,500	626,500	0	0.0%	0	0.0%
		Rev	0	0	0	0	na	0	na
	Total	3,245,197	3,504,378	3,472,615	259,181	8.0%	(31,763)	-0.9%	
70	Foster Care Review Board	Gen	1,087,946	1,159,254	1,210,353	71,308	6.6%	51,099	4.4%
		Cash	6,000	6,000	6,000	0	0.0%	0	0.0%
		Fed	500,000	531,961	555,249	31,961	6.4%	23,288	4.4%
		Rev	0	0	0	0	na	0	na
	Total	1,593,946	1,697,215	1,771,602	103,269	6.5%	74,387	4.4%	
72	Economic Development	Gen	3,990,459	6,086,804	6,362,968	2,096,345	52.5%	276,164	4.5%
		Cash	12,095,156	28,630,389	14,167,807	16,535,233	136.7%	(14,462,582)	-50.5%
		Fed	23,915,783	23,947,795	23,980,794	32,012	0.1%	32,999	0.1%
		Rev	0	0	0	0	na	0	na
	Total	40,001,398	58,664,988	44,511,569	18,663,590	46.7%	(14,153,419)	-24.1%	
73	Landscape Architects	Gen	0	0	0	0	na	0	na
		Cash	13,547	14,509	14,814	962	7.1%	305	2.1%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
	Total	13,547	14,509	14,814	962	7.1%	305	2.1%	

	Fund		w/o Deficits FY2004-05	Total FY2005-06	Total FY2006-07	FY06 vs Prior Year		FY07 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
74 Power Review Board	Gen		0	0	0	0	na	0	na
	Cash		342,015	355,224	369,105	13,209	3.9%	13,881	3.9%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		342,015	355,224	369,105	13,209	3.9%	13,881	3.9%
75 Investment Council	Gen		0	0	0	0	na	0	na
	Cash		714,245	747,553	787,855	33,308	4.7%	40,302	5.4%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		714,245	747,553	787,855	33,308	4.7%	40,302	5.4%
76 Indian Affairs	Gen		175,290	182,089	189,590	6,799	3.9%	7,501	4.1%
	Cash		0	40,000	40,000	40,000	na	0	0.0%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		175,290	222,089	229,590	46,799	26.7%	7,501	3.4%
77 Industrial Relations	Gen		222,537	254,041	261,010	31,504	14.2%	6,969	2.7%
	Cash		0	0	0	0	na	0	na
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		222,537	254,041	261,010	31,504	14.2%	6,969	2.7%
78 Crime Commission	Gen		2,854,295	5,732,756	5,820,801	2,878,461	100.8%	88,045	1.5%
	Cash		1,808,215	2,151,513	1,966,817	343,298	19.0%	(184,696)	-8.6%
	Fed		12,461,323	11,631,308	10,918,183	(830,015)	-6.7%	(713,125)	-6.1%
	Rev		0	0	0	0	na	0	na
	Total		17,123,833	19,515,577	18,705,801	2,391,744	14.0%	(809,776)	-4.1%
81 Blind and Visually Impaired	Gen		531,068	644,765	657,842	113,697	21.4%	13,077	2.0%
	Cash		64,250	70,361	73,361	6,111	9.5%	3,000	4.3%
	Fed		3,501,530	3,426,820	3,389,228	(74,710)	-2.1%	(37,592)	-1.1%
	Rev		0	0	0	0	na	0	na
	Total		4,096,848	4,141,946	4,120,431	45,098	1.1%	(21,515)	-0.5%
82 Deaf and Hard of Hearing	Gen		690,904	709,616	730,362	18,712	2.7%	20,746	2.9%
	Cash		19,700	32,430	9,430	12,730	64.6%	(23,000)	-70.9%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		710,604	742,046	739,792	31,442	4.4%	(2,254)	-0.3%
83 Community Colleges	Gen		62,887,646	65,312,215	67,817,629	2,424,569	3.9%	2,505,414	3.8%
	Cash		0	0	0	0	na	0	na
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		62,887,646	65,312,215	67,817,629	2,424,569	3.9%	2,505,414	3.8%

	Fund		w/o Deficits FY2004-05	Total FY2005-06	Total FY2006-07	FY06 vs Prior Year		FY07 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
84 Environmental Quality (DEQ)	Gen		3,635,398	3,400,809	3,456,127	(234,589)	-6.5%	55,318	1.6%
	Cash		30,495,891	32,167,874	31,854,126	1,671,983	5.5%	(313,748)	-1.0%
	Fed		34,770,300	35,371,357	35,592,350	601,057	1.7%	220,993	0.6%
	Rev		0	0	0	0	na	0	na
	Total		68,901,589	70,940,040	70,902,603	2,038,451	3.0%	(37,437)	-0.1%
85 Retirement Board	Gen		17,048,711	17,797,165	33,471,272	748,454	4.4%	15,674,107	88.1%
	Cash		6,846,422	7,000,760	6,746,291	154,338	2.3%	(254,469)	-3.6%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		23,895,133	24,797,925	40,217,563	902,792	3.8%	15,419,638	62.2%
86 Dry Bean Board	Gen		0	0	0	0	na	0	na
	Cash		400,114	300,894	302,084	(99,220)	-24.8%	1,190	0.4%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		400,114	300,894	302,084	(99,220)	-24.8%	1,190	0.4%
87 Accountability & Disclosure	Gen		397,433	380,175	394,867	(17,258)	-4.3%	14,692	3.9%
	Cash		745,247	825,872	889,125	80,625	10.8%	63,253	7.7%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		1,142,680	1,206,047	1,283,992	63,367	5.5%	77,945	6.5%
88 Nebraska Corn Board	Gen		0	0	0	0	na	0	na
	Cash		4,721,276	5,180,184	5,191,298	458,908	9.7%	11,114	0.2%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		4,721,276	5,180,184	5,191,298	458,908	9.7%	11,114	0.2%
90 Railway Council	Gen		2,726	0	0	(2,726)	-100.0%	0	na
	Cash		0	0	0	0	na	0	na
	Fed		0	0	0	0	na	0	na
	Rev		500,000	0	0	(500,000)	-100.0%	0	na
	Total		502,726	0	0	(502,726)	-100.0%	0	#DIV/0!
92 Grain Sorghum Board	Gen		0	0	0	0	na	0	na
	Cash		604,840	503,111	507,366	(101,729)	-16.8%	4,255	0.8%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		604,840	503,111	507,366	(101,729)	-16.8%	4,255	0.8%
93 Tax Equalization & Review (TERC)	Gen		673,621	718,373	742,046	44,752	6.6%	23,673	3.3%
	Cash		20,318	20,000	20,000	(318)	-1.6%	0	0.0%
	Fed		0	0	0	0	na	0	na
	Rev		0	0	0	0	na	0	na
	Total		693,939	738,373	762,046	44,434	6.4%	23,673	3.2%

	Fund		w/o Deficits FY2004-05	Total FY2005-06	Total FY2006-07	FY06 vs Prior Year		FY07 vs Prior Year	
						\$ Chnge	% Chnge	\$ Chnge	% Chnge
94	Public	Gen	0	0	0	0	na	0	na
	Advocacy	Cash	2,803,530	3,326,362	3,355,111	522,832	18.6%	28,749	0.9%
		Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	2,803,530	3,326,362	3,355,111	522,832	18.6%	28,749	0.9%
95	Rural	Gen	0	0	0	0	na	0	na
	Development	Cash	0	0	0	0	na	0	na
	Commission	Fed	0	0	0	0	na	0	na
		Rev	0	0	0	0	na	0	na
		Total	0	0	0	0	na	0	na
96	Property	Gen	4,384,935	4,523,306	4,674,873	138,371	3.2%	151,567	3.4%
	Assessment	Cash	600,000	600,000	600,000	0	0.0%	0	0.0%
	and	Fed	0	0	0	0	na	0	na
	Taxation	Rev	0	0	0	0	na	0	na
		Total	4,984,935	5,123,306	5,274,873	138,371	2.8%	151,567	3.0%
	Capital	Gen	19,046,316	23,350,481	21,350,531	4,304,165	22.6%	(1,999,950)	-8.6%
	Construction	Cash	31,557,804	38,747,928	37,005,970	7,190,124	22.8%	(1,741,958)	-4.5%
		Fed	15,999,613	5,761,747	2,000,000	(10,237,866)	-64.0%	(3,761,747)	-65.3%
		Rev	1,486,494	7,878,972	2,267,494	6,392,478	430.0%	(5,611,478)	-71.2%
		Total	68,090,227	75,739,128	62,623,995	7,648,901	11.2%	(13,115,133)	-17.3%
	STATE	Gen	2,758,082,724	2,972,439,069	3,162,797,235	214,356,345	7.8%	190,358,166	6.4%
	TOTALS	Cash	1,348,606,437	1,599,544,941	1,432,951,623	250,938,504	18.6%	(166,593,318)	-10.4%
		Fed	2,150,399,990	2,183,758,870	2,285,836,199	33,358,880	1.6%	102,077,329	4.7%
		Rev	538,811,896	546,381,840	542,698,627	7,569,944	1.4%	(3,683,213)	-0.7%
		Total	6,795,901,047	7,302,124,720	7,424,283,684	506,223,673	7.4%	122,158,964	1.7%

CAPITAL CONSTRUCTION

Capital Construction Summary

	Reaffirmations	New Projects	Total
FY2005-06			
General Funds (SBF)	19,888,031	3,462,450	23,350,481
Cash Funds	28,968,343	9,779,585	38,747,928
Federal Funds	5,761,747	0	5,761,747
Revolving/Other Funds	1,486,494	220,000	1,706,494
Nebr Capital Const Fund (NCCF)	2,025,556	4,146,922	6,172,478
FY2005-06 Total	58,130,171	17,608,957	75,739,128
FY2006-07			
General Funds (SBF)	17,248,031	4,102,500	21,350,531
Cash Funds	29,509,540	7,496,430	37,005,970
Federal Funds	2,000,000	0	2,000,000
Revolving/Other Funds	1,486,494	0	1,486,494
Nebr Capital Const Fund (NCCF)	0	781,000	781,000
FY2006—07 Total	50,244,065	12,379,930	62,623,995
FY2007-08			
General Funds (SBF)	18,748,031	5,333,250	24,081,281
Cash Funds	5,200,000	0	5,200,000
Federal Funds	0	0	0
Revolving/Other Funds	1,486,494	0	1,486,494
Nebr Capital Const Fund (NCCF)	0	0	0
FY2007-08 Total	25,434,525	5,333,250	30,767,775
FY2008-09			
General Funds (SBF)	18,748,031	4,239,250	22,987,281
Cash Funds	5,200,000	0	5,200,000
Federal Funds	0	0	0
Revolving/Other Funds	1,486,494	0	1,486,494
Nebr Capital Const Fund (NCCF)	0	0	0
FY2008—09 Total	25,434,525	4,239,250	29,673,775

New Construction refers to projects initiated in the 2005 Session while **Reaffirmations** refers to funding needed to complete projects authorized and initial funding provided in prior legislative sessions. General Funds utilized for capital construction are actually appropriated as State Building Funds (SBF). Although technically a separate fund, the sole sources of funds for the SBF is transfers from the General Fund and therefore are in fact General Funds.

Over the two years of the biennium, about 83% of General Funds appropriated for capital construction are reaffirmations of projects initiated in prior sessions. This includes \$5.7 million in each year for continuation of the NETC digital conversion project, \$5.9 million in each year for

the state's share of deferred maintenance and repair projects at the University and State Colleges as authorized under LB1100 (1998), \$1.7 million each year for renovation of the Carpenter NETC building, and \$3.9 million in FY05-06 and \$1.3 million in FY06-07 for continued funding of the State Capitol masonry and structural repair project.

Table 34 contains a complete listing of General Fund (State Building Fund) projects. A complete list of all reaffirmations and new construction projects, including all fund sources, follows.

Table 34 General Fund Listing-Capital Construction Projects

		FY2005-06	FY2006-07	FY2007-08	FY2008-09
<u>REAFFIRMATIONS</u>					
#47-NETC	NEB*SAT-replace Network 3 equipment	100,000	100,000	100,000	100,000
#47-NETC	Transponder replacement, digitize NETC signal	5,700,000	5,700,000	5,700,000	5,700,000
#47-NETC	Carpenter (NETC) Building renovations	1,738,671	1,738,671	1,738,671	1,738,671
#50-Colleges	PSC-Library Building / WSC Power Plant	2,009,360	2,009,360	2,009,360	2,009,360
#50-Colleges	Deferred maintenance/repair (LB1100-1998)	400,000	400,000	400,000	400,000
#51-University	Deferred maintenance/repair (LB1100-1998)	5,500,000	5,500,000	5,500,000	5,500,000
#65-DAS	State Capitol-renovations/improvements	500,000	500,000	500,000	500,000
#65-DAS	Masonry/Structural repair-State Capitol	3,940,000	1,300,000	2,800,000	2,800,000
<u>NEW CONSTRUCTION</u>					
#47-NETC	UNO master control upgrades	7,000	0	0	0
#50-Colleges	CSC Sparks Hall/Admin Building renovation	2,680,450	0	0	0
#51-University	UNO CPACS - Engineering Building Renovation	525,000	4,102,500	5,333,250	4,239,250
#65-DAS	Acquire property, Capitol Environs District	250,000	0	0	0
Reaffirmation		19,888,031	17,248,031	18,748,031	18,748,031
New Construction		3,462,450	4,102,500	5,333,250	4,239,250
Total		23,350,481	21,350,531	24,081,281	22,987,281

Increase funds, new Eastern Nebraska Veterans Home (reaffirmation)

The budget includes reaffirmation of the funds authorized to construct a new veterans home in the Omaha area as well as an additional \$2,025,556 of NCCF funds and \$3,761,747 of matching federal funds to complete the project. Construction will start in May, 2005 and take two years. The state share of \$5.7 million was originally authorized by LB 406 (2003). Since that time HHS hired a consultant to initiate planning and design of the facility. An independent cost consultant was also retained to develop a construction cost estimate during the design phase. The estimated cost for construction exceeded previous estimates by 35%. A second consultant later verified the increased project cost. The scope of the project has not been increased and the square footage has been reduced. Areas of increased cost include site development and materials such as concrete, gypsum board and steel.

The original state contribution was financed with a transfer of \$5,727,707 from the Cash Reserve Fund (CRF) to the Nebraska Capital Construction Fund (NCCF), the transfers to be

made periodically between July 1, 2003 and June 30, 2007 at the discretion of the State Budget Administrator as funds are required. The General Fund is to replenish the Cash Reserve Fund for the amount transferred on or before June 30, 2008. The additional \$2,025,556 is financed in the same manner with a transfer from the CRF to the NCCF and subsequent reimbursement of the CRF with a General Fund transfer.

Renovate CPACS Engineering Building (UNO)

Funds are included for the renovation of the Engineering Building for the College of Public Affairs and Community Services (CPACS) at UNO. When the Information Science, Technology and Engineering Building (IST&E) was completed in the summer of 1999, the College of Engineering vacated 36,063 square feet in the Engineering Building. CPACS is currently housed in temporary annexes that are not accessible to the disabled, do not meet codes, are not energy efficient and are expensive to maintain. This project will provide CPACS with functional space to meet their academic needs. Annual operating and maintenance costs are estimated at \$83,000.

FY2005-06	525,000	General Funds
FY2006-07	4,102,500	General Funds
FY2007-08	5,333,250	General Funds
FY2008-09	4,239,250	General Funds
Total	14,200,000	General Funds

Renovate Sparks Hall (Chadron State College)

Sparks Hall (constructed in 1914) will be renovated to accommodate administrative offices currently housed in the Administration Building. Currently, more than 75% of the space in the Administration Building (constructed in 1911 with subsequent additions) directly supports the college's academic programs. Various renovations of the Administration Building have occurred over time, focusing on limited spaces within the facility. The budget includes \$2,680,450 General Funds in FY2005-06 for this project.

The second part of the project was to renovate space vacated by the administrative offices and the remainder of the Administration Building would be renovated to serve as classroom space for Chadron's School of Arts and Sciences and Education. The agency requested \$4,375,100 in FY2006-07 but this amount was not funded.

Renovate "R" Bldg West Wing (Lincoln Regional Center)

The budget includes \$1,939, 863 NCCF in FY2005-06 to renovate the second floor of the West Wing of the "R" Building at the Lincoln Regional Center for a program for sex offenders. The program will serve persons currently waiting at the Hastings Regional Center for admission to a specialized sex offender program, as well as sex offenders ordered to receive treatment by the court, the Department of Correctional Services, other correctional facilities and mental health treatment boards. Expansion of the sex offender program is a key component of the implementation of LB 1083, Behavioral Health Services Act, passed in 2004. The consolidation of all treatment programs for persons at the LRC will allow for the closure of the sex offender

unit at the HRC. The renovation will provide 24 single bed units for the Secure Residential Sex Offender program, and include a new fire exit stair to access floors 1, 2, and 3 and provide fire egress. Existing office space will be remodeled. All existing walls, ceilings, lighting, mechanical and electrical systems will be replaced. Construction will start in April, 2006 and be completed one year later. No additional funds are requested for operations and maintenance since the sex offender programs at HRC and NRC are being consolidated to LRC, and there is no new space to require additional maintenance.

The NCCF appropriation is financed with a transfer of funds from the Health Care Cash Fund to the NCCF in the amount of the appropriation.

Renovate Double Y Building (Lincoln Regional Center)

This project will complete the renovation of the Double Y building on the Regional Center Campus. The renovation will allow for the consolidation of all Dept of Correctional Services administrative programs and the Parole Board in a single location for efficiency and security concerns. When the project is completed the older Central Office Building (Building 15) will be vacated and returned to the State Building Division for occupancy by Health and Human Services. A total of \$700,000 NCCF is appropriated in FY05-06 for the project.

This NCCF appropriation was also financed with a transfer of funds from the Health Care Cash Fund to the NCCF in the amount of the appropriation.

Phase II -Renovation of the Nebraska Correctional Center for Women

Funds are provided for Phase II of the renovation of the Nebraska Correctional Center for Women. The project adds no additional square footage but renovates existing facilities. West Hall is to be remodeled to relocate educational services. The old Food Service/Activities Building is to be remodeled for executive administration and staff administrative support. The Visitor/Control Center adjoins the Food Service/Activities building and will be remodeled for an expanded visitation area. The Diagnostic and Reception building will be remodeled for expansion of medical services and inmate reception. East Hall will be remodeled for canteen, inmate admission and intake, living skills area, and supply storage.

FY2005-06	1,403,000	NCCF
FY2006-07	781,000	NCCF
Total	2,184,000	NCCF

This NCCF appropriation is financed with a transfer from the Vacant Building and Excess Land Cash Fund to the NCCF.

Project Listing - Reaffirmations

Reaffirmations		Fiscal Yr	Dollar Amt	Fund
#25-HHS	New Eastern Nebr veterans home.	2005-06	2,025,556	NCCF
	New Eastern Nebr veterans home.	2005-06	3,761,747	Fed
#47-NETC	NEB*SAT-replace Network 3 equipment	2005-06	100,000	Gen
	NEB*SAT-replace Network 3 equipment	2006-07	100,000	Gen
	NEB*SAT-replace Network 3 equipment	2007-08	100,000	Gen
	NEB*SAT-replace Network 3 equipment	2008-09	100,000	Gen
	NEB*SAT-replace Network 3 equipment	Future	0	Gen
#47-NETC	Transponder replacement, digitize NETC signal	2005-06	5,700,000	Gen
	Transponder replacement, digitize NETC signal	2006-07	5,700,000	Gen
	Transponder replacement, digitize NETC signal	2007-08	5,700,000	Gen
	Transponder replacement, digitize NETC signal	2008-09	5,700,000	Gen
	Transponder replacement, digitize NETC signal	Future	4,692,327	Gen
#47-NETC	Carpenter (NETC) Building renovations	2005-06	1,738,671	Gen
	Carpenter (NETC) Building renovations	2006-07	1,738,671	Gen
	Carpenter (NETC) Building renovations	2007-08	1,738,671	Gen
	Carpenter (NETC) Building renovations	2008-09	1,738,671	Gen
	Carpenter (NETC) Building renovations	Future	0	Gen
#50-Colleges	PSC-Library Building / WSC-Power Plant	2005-06	2,009,360	Gen
	PSC-Library Building / WSC-Power Plant	2006-07	2,009,360	Gen
	PSC-Library Building / WSC-Power Plant	2007-08	2,009,360	Gen
	PSC-Library Building / WSC-Power Plant	2008-09	2,009,360	Gen
	PSC-Library Building / WSC-Power Plant	Future	0	Gen
#50-Colleges	Deferred maintenance/repair (LB1100)	2005-06	400,000	Gen
	Deferred maintenance/repair (LB1100)	2005-06	952,426	Rev
	Deferred maintenance/repair (LB1100)	2006-07	400,000	Gen
	Deferred maintenance/repair (LB1100)	2006-07	952,426	Rev
	Deferred maintenance/repair (LB1100)	2007-08	400,000	Gen
	Deferred maintenance/repair (LB1100)	2007-08	952,426	Rev
	Deferred maintenance/repair (LB1100)	2008-09	400,000	Gen
	Deferred maintenance/repair (LB1100)	2008-09	952,426	Rev
	Deferred maintenance/repair (LB1100)	Future	0	Gen
Deferred maintenance/repair (LB1100)	Future	0	Rev	
#51-University	Deferred maintenance/repair (LB1100)	2005-06	5,500,000	Gen
	Deferred maintenance/repair (LB1100)	2005-06	5,200,000	Cash
	Deferred maintenance/repair (LB1100)	2006-07	5,500,000	Gen
	Deferred maintenance/repair (LB1100)	2006-07	5,200,000	Cash
	Deferred maintenance/repair (LB1100)	2007-08	5,500,000	Gen
	Deferred maintenance/repair (LB1100)	2007-08	5,200,000	Cash
	Deferred maintenance/repair (LB1100)	2008-09	5,500,000	Gen
	Deferred maintenance/repair (LB1100)	2008-09	5,200,000	Cash
	Deferred maintenance/repair (LB1100)	Future	0	Gen
Deferred maintenance/repair (LB1100)	Future	5,200,000	Cash	
#51-University	Research Center of Excellence II project	2005-06	2,000,000	Cash
	Research Center of Excellence II project	2005-06	2,000,000	Fed
	Research Center of Excellence II project	2006-07	2,000,000	Cash
	Research Center of Excellence II project	2006-07	2,000,000	Fed

Reaffirmations (continued)		Fiscal Yr	Dollar Amt	Fund
#51-University	Agricultural Field Laboratory (UNL)	2005-06	8,000	Cash
	Agricultural Field Laboratory (UNL)	2006-07	8,500	Cash
#51-University	Agricultural Research Land acquisition (UNL)	2005-06	24,000	Cash
	Agricultural Research Land acquisition (UNL)	2006-07	25,000	Cash
#65-DAS	State Capitol-renovations/improvements	2005-06	500,000	Gen
	State Capitol-renovations/improvements	2006-07	500,000	Gen
	State Capitol-renovations/improvements	2007-08	500,000	Gen
	State Capitol-renovations/improvements	2008-09	500,000	Gen
	State Capitol-renovations/improvements	Future	1,000,000	Gen
#65-DAS	Parking garage expansion	2005-06	323,304	Rev
	Parking garage expansion	2006-07	323,304	Rev
	Parking garage expansion	2007-08	323,304	Rev
	Parking garage expansion	2008-09	323,304	Rev
	Parking garage expansion	Future	2,343,954	Rev
#65-DAS	Executive Building-Exercise purchase option	2005-06	210,764	Rev
	Executive Building-Exercise purchase option	2006-07	210,764	Rev
	Executive Building-Exercise purchase option	2007-08	210,764	Rev
	Executive Building-Exercise purchase option	2008-09	210,764	Rev
	Executive Building-Exercise purchase option	Future	1,391,043	Rev
#65-DAS	State Capitol-Masonry/Structural repair	2005-06	3,940,000	Gen
	State Capitol-Masonry/Structural repair	2006-07	1,300,000	Gen
	State Capitol-Masonry/Structural repair	2007-08	2,800,000	Gen
	State Capitol-Masonry/Structural repair	2008-09	2,800,000	Gen
	State Capitol-Masonry/Structural repair	Future	0	Gen
#65-DAS	LB309 Task Force (cig tax and surcharge)	2005-06	21,736,343	Cash
	LB309 Task Force (cig tax and surcharge)	2006-07	22,276,040	Cash

Project Listing – New Construction Projects

New Construction		Fiscal Yr	Dollar Amt	Fund
#25-HHS	Renovate "R" Bldg West Wing	2005-06	1,939,863	NCCF
	Resurface parking lots, GI Veterans Home	2005-06	104,059	NCCF
#27-Roads	Lump sump, \$1.5 million below request Omaha - District Operations Center Gering - Ofc Equip / Stor Bldg New Yard Lincoln - Distr 1 Hedqtrs Ocf Addition Statewide - Salt storage buildings.	2005-06	5,363,335	Cash
#27-Roads	Lump sump, \$1.5 million below request Grand Island - Distr Open Ctr / Offc Add Hartington - Office Add O'Neill - Equip Storage Bldg Lincoln - Distr 1 Hedqtrs Shop Add Holdrege - Office Addition Wallace - Office/Shop/Equip Storage Norfolk - District Headquarters Greenwood - Equipment Storage Bldng Statewide - Salt storage buildings.	2006-07	5,105,930	Cash
#33-Game & Parks	Motor boat access.	2005-06	50,000	Cash
#33-Game & Parks	State Parks System - Basic facilities.	2005-06	50,000	Cash
	State Parks System - Basic facilities.	2006-07	75,000	Cash
#33-Game & Parks	State Park System - Deferred maintenance.	2005-06	250,000	Cash
	State Park System - Deferred maintenance.	2006-07	250,000	Cash
#33-Game & Parks	Trail development assistance.	2005-06	140,000	Cash
	Trail development assistance.	2006-07	140,000	Cash
#33-Game & Parks	State Parks - Land acquisition.	2005-06	100,000	Cash
	State Parks - Land acquisition.	2006-07	100,000	Cash
#33-Game & Parks	Chadron State Park - Swimming Pool & Bath House	2005-06	55,000	Cash
#33-Game & Parks	Fort Robinson - Bldg. 38 Lodge	2006-07	25,000	Cash
#33-Game & Parks	Mahoney State Park - Misc improvements	2006-07	40,000	Cash
#33-Game & Parks	State park projects - Contingency for overruns.	2005-06	20,750	Cash
	State park projects - Contingency for overruns.	2006-07	4,500	Cash
#33-Game & Parks	Ponca State Park - Group lodging facility.	2005-06	295,000	Cash
#33-Game & Parks	Ponca State Park - Cabin development	2005-06	40,000	Cash
	Ponca State Park - Cabin development	2006-07	25,000	Cash
#33-Game & Parks	Fort Robinson - Shop maintenance	2005-06	25,000	Cash
#33-Game & Parks	State recreation area projects-Contingency	2005-06	3,500	Cash
	State recreation area projects - Contingency	2006-07	11,000	Cash
#33-Game & Parks	Lake Ogallala SRA - Campgrounds	2006-07	30,000	Cash

New Construction (Continued)		Fiscal Yr	Dollar Amt	Fund
#33-Game & Parks	Summit SRA - Campground	2006-07	30,000	Cash
#33-Game & Parks	Lake Maloney SRA - Campground	2006-07	60,000	Cash
#33-Game & Parks	Fremont SRA - Central Office	2005-06	45,000	Cash
#33-Game & Parks	Lewis and Clark SRA - Marina complex	2005-06	25,000	Cash
#33-Game & Parks	Lake Wanahoo - Shop building.	2006-07	0	Gen
#33-Game & Parks	Wildlife Management Areas - Misc. improvements	2005-06	462,000	Cash
#33-Game & Parks	District Offices - Misc improvements	2005-06	100,000	Cash
#33-Game & Parks	Fishing access development.	2005-06	555,000	Cash
#33-Game & Parks	Emergency repairs, state park facilities.	2005-06	100,000	Cash
	Emergency repairs, state park facilities.	2006-07	100,000	Cash
#33-Game & Parks	Emergency repairs, other facilities	2005-06	100,000	Cash
	Emergency repairs, other facilities	2006-07	0	Cash
#33-Game & Parks	Aquatic habitat enhancement and restoration.	2005-06	2,000,000	Cash
	Aquatic habitat enhancement and restoration.	2006-07	1,500,000	Cash
#46-Corrections	Center for Women York-Phase II-renovations	2005-06	1,403,000	NCCF
	Center for Women York-Phase II-renovations	2006-07	781,000	NCCF
#46-Corrections	YY Building Renovation	2005-06	700,000	NCCF
#47-NETC	UNO master control upgrades	2005-06	7,000	Gen
#50-State Colleges	CSC Sparks Hall/Admin Building renovation	2005-06	2,680,450	Gen
	CSC Sparks Hall/Admin Building renovation	2006-07	0	Gen
#51-University	UNO CPACS - Engineering Building Renovation	2005-06	525,000	Gen
	UNO CPACS - Engineering Building Renovation	2006-07	4,102,500	Gen
	UNO CPACS - Engineering Building Renovation	2007-08	5,333,250	Gen
	UNO CPACS - Engineering Building Renovation	2008-09	4,239,250	Gen
#65-DAS	Purchase parking lot, NW corner 17th and J	2005-06	220,000	Rev
	Acquire property, Capitol Environs District	2005-06	250,000	Gen

FY2004-05 Deficiency Appropriations

Summary

Deficits were relatively minimal. In terms of General Funds, the single largest item was Homestead Exemption reimbursement. This was offset by reductions in several areas including the Childrens Health Insurance Program (CHIP) and the Dept of Correctional Services.

In addition to the changes in the FY2004-05 appropriations (see listing starting on page 40), the Legislature agreed with the Governors recommendation and lapsed a significant amount of monies that had been reappropriated from FY03-04 to FY04-05. These are listed separately (starting on 40) as in these cases a limit on reappropriation of FY04 amounts is included rather than a reduction in the FY05 appropriation amount.

Table 35 Chronology of FY05 General Fund Appropriations

	Operations	State Aid	Construction	Total
Total Per 2003 Session	1,019,560,263	1,713,023,937	19,046,316	2,751,630,516
2004 Session-Mainline	(3,654,344)	8,253,661	0	4,599,317
2004 Session "A" bills	1,935,645	18,100	0	1,953,745
Post 2004 Session	(100,854)	0	0	(100,854)
Total Per 2004 Session	<u>1,018,017,210</u>	<u>1,721,019,198</u>	<u>19,046,316</u>	<u>2,758,082,724</u>
2005 Session Deficits	(3,358,492)	(3,186,039)	0	(6,544,531)
2005 Session State Claims	598,959	0	0	598,959
Final per 2005 Session	<u>1,015,257,677</u>	<u>1,717,833,159</u>	<u>19,046,316</u>	<u>2,752,137,152</u>

Table 36 Summary Listing of General Fund Deficits

	Type	Enacted
16 Revenue Homestead Exemption Program	Aid	1,563,176
65 DAS State Claims (LB 737)	Oper	598,959
25 HHS-Services Shift funds to #25-365, HRC developmental disability unit	Oper	429,415
5 Courts Compensatory employee overtime	Oper	82,972
47 NETC O&M Carpenter Bldg. Renov-Jan 1, 2005	Oper	68,503
50 St Colleges Changes/expansion of annual financial audit requirements.	Oper	65,000
5 Courts Court interpreter costs	Oper	60,000
31 Military Dept Maintenance/repair, Army National Guard facilities	Oper	50,000
96 DPAT Hearing Officer for disputed property tax exemption case	Oper	40,000
47 NETC New "Accord Switch" maintenance agree (partner with DAS-Tele)	Oper	37,285
48 Corrd Comm Executive Director Search costs	Oper	30,000
48 Corrd Comm Executive Director Salary Adjustment	Oper	19,110
5 Courts New office space leases	Oper	16,170
5 Courts New office space leases	Oper	14,532
48 Corrd Comm Leave Balance Payout--Executive Director	Oper	14,386
5 Courts FY 05 Accounting & Purchasing assessments	Oper	12,393
48 Corrd Comm Extra Year of funding because of 1 yr. late start of program	Aid	(49,750)
13 Education Reduce TEEOSA GF for Ins. Premium Tax exceeding estimates	Aid	(270,050)
26 HHS-Finance Shift funds to #25-365, HRC developmental disability unit	Aid	(429,415)
26 HHS-Finance Children's Health Insurance, estimated one-time budget savings	Aid	(4,000,000)
46 Corrections Estimated one-time budget savings	Oper	(4,298,258)
Operations		(2,759,533)
State Aid		(3,186,039)
Construction		0
Total General Fund Deficits		(5,945,572)

Detailed Listing FY2004-05 Deficits

<u>Agency / Issue</u>	<u>Fund</u>	<u>Governor</u>	<u>Enacted</u>
#05-Supreme Court			
52 Court interpreter costs	Gen	60,000	60,000
52 New office space leases	Gen	16,170	16,170
52 New office space leases	Cash	7,500	7,500
67 Compensatory employee overtime	Gen	0	82,972
67 New office space leases	Gen	14,532	14,532
67 FY 05 Accounting & Purchasing assessments	Gen	12,393	12,393
67 Drug testing and electronic monitoring costs	Cash	180,836	180,836
570 Computer Leases	Cash	0	11,250
570 New office space leases	Cash	22,000	22,000
570 New office space leases	Fed	8,000	8,000
#09-Secretary of State			
22 Migration of notary database from mainframe to UCC	Cash	70,000	70,000
45 Transfer \$40,000, Corp Cash Fund to Election Admin. Fund	Cash	YES	YES
#11-Attorney General			
507 Admin. License Revoc. Program reimbursements	Cash	40,805	40,805
507 Repeal Laws 2004, LB 1084A	Rev	(630,000)	(630,000)
#12-State Treasurer			
503 Administrative payroll allocation, January 1 salary increases	Cash	29,500	29,500
503 New hire-Bank reconciliation, NIS deposit processing	Cash	23,759	23,759
505 Administrative payroll allocation, January 1 salary increases	Cash	4,000	4,000
505 Program director salary adjustment	Cash	0	8,133
505 Investment Council fees	Cash	NA	30,000
512 Admin. payroll allocation, Jan 1 salary increase, part-time staffing	Cash	31,966	31,966
512 Continue part-time staffing for Unclaimed Property backlog	Cash	29,434	29,434
512 New hire-Unclaimed Property backlog	Cash	23,104	23,104
512 On-line auction	Cash	80,502	80,502
512 Holder compliance audits	Cash	25,350	25,350
512 Unclaimed Property database upgrade	Cash	36,000	36,000
665 Convention Center Support Fund	Cash	NA	997,550
#13-Dept of Education			
25 Reduce TEEOSA GF for Ins. Premium Tax exceeding estimates	Gen	(270,050)	(270,050)
#14-Public Service Commission			
583 Enhanced Wireless 911 Fund, implementation of phase II	Cash	3,500,000	0
#16-Dept of Revenue			
108 Homestead Exemption Program	Gen	1,563,176	1,563,176
#24-Dept of Motor Vehicles			
90 License plate production	Cash	2,200,000	2,200,000
644 Aid for motorcycle safety education courses	Cash	18,100	18,100
#25-HHS Services			
33 Homeless Assistance Cash	Cash	0	25,000
421 Shift funds to #25-365, HRC developmental disability unit	Gen	429,415	429,415
#26-HHS Finance/Support			
344 Children's Health Insurance, estimated one-time budget savings	Gen	(4,000,000)	(4,000,000)
424 Shift funds to #25-365, HRC developmental disability unit	Gen	(429,415)	(429,415)
#27-Dept of Roads			
901 Reallocate \$774,000 cash funds for construction projects	Cash	774,000	774,000

Agency / Issue	Fund	Governor	Enacted
#31-Military Dept			
192 Gov Emergency Fund, Indirect Cost Reimburs, Projected Interest	Cash	595,247	595,247
544 Maintenance/repair, Army National Guard facilities	Gen	50,000	50,000
544 Maintenance/repair, Army National Guard facilities	Fed	150,000	150,000
#31-Game and Parks Commission			
162 Transfer NCCF appropriation	Rev	(19,000)	(19,000)
962 Transfer NCCF appropriation	Rev	19,000	19,000
#46-Correctional Services			
200 Estimated one-time budget savings	Gen	(4,298,258)	(4,298,258)
#47-Nebr Educational Telecommunications			
533 New "Accord Switch" maintenance agree (partner with DAS-Tele)	Gen	37,285	37,285
533 O&M Carpenter Bldg. Renov-Jan 1, 2005	Gen	68,503	68,503
533 DTV costs	Cash	25,000	25,000
566 New Affiliation-American Public Media-Programming-July 1, 2004	Cash	3,000	3,000
#48-Postsecondary Coordinating Commission			
640 Executive Director Search costs	Gen	0	30,000
640 Leave Balance Payout--Executive Director	Gen	18,000	14,386
640 Executive Director Salary Adjustment	Gen	0	19,110
690 Fin Aid not spent by Institutions/Students--returned after July 1	Cash	40,000	65,066
691 Extra Year of funding because of 1 yr. late start of program	Gen	(49,750)	(49,750)
#50-State Colleges			
48 Changes/expansion of annual financial audit requirements.	Gen	32,500	65,000
#54-Historical Society			
648 Hall of Fame Commission--bust for next inductee	Gen	25,000	0
#65-Administrative Services			
101 PSL increase to correct error (\$2,219)	PSL	YES	YES
171 Increased contract admin costs, LB 626	Rev	149,645	149,645
171 Recycling /destruction of computer monitors, cpu's, printers, etc	Cash	20,000	20,000
--- State Claims (LB 737)	Gen	598,959	598,959
--- State Claims (LB 737)	Cash	258,727	258,727
--- State Claims (LB 737)	Rev	209,896	209,896
#68-Mexican American Commission			
537 PSL, unanticipated staff salary adjustments (\$5,904)	PSL	YES	YES
#72-Dept of Economic Development			
603 Shift to PSL for Rural Develop Comm flexibility (\$104,209)	PSL	YES	NO
#76-Commission on Indian Affairs			
584 Technical assistance to DED, affordable housing issues	Cash	25,000	25,000
#78-Crime Commission			
215 PSL increase-CJIS (\$8,788 Request \$2,985 Appropved)	PSL	YES	YES
220 PSL increase-Comm Corrections (\$4,487)	PSL	YES	YES
#96-Dept of Property Assessment and Taxation			
112 Hearing Officer for disputed property tax exemption case	Gen	40,000	40,000
General Funds		(6,041,540)	(5,945,572)
Cash Funds		8,063,830	5,660,829
Federal Funds		158,000	158,000
Revolving Funds		(270,459)	(270,459)
Total		1,909,831	(397,202)

Detailed List - Lapse FY04 Reappropriations

<u>Agency</u>	<u>Program</u>	<u>Program Amount</u>	<u>Agency Total</u>
5 Supreme Court	3 Salaries-Sup Ct Judges	514	
5 Supreme Court	4 Sal-Appellate Ct Judges	5,828	
5 Supreme Court	6 Sal-Dist & Juv Judges	97,636	
5 Supreme Court	7 Salaries-County Judges	18,725	122,703
7 Governor	2 Salary-Governor	5,242	5,242
8 Lt. Governor	8 Salary-Lt Governor	577	577
9 Sec of State	45 Election Administration	26,658	
9 Sec of State	86 Enf Of Stds-Records Mgmt	1,366	28,024
10 Auditor	10 Salary-State Auditor	926	
10 Auditor	506 St Ag & County Post Audits	38,650	39,576
11 Attorney General	11 Salary-Attorney General	3,748	
12 Treasurer	12 Salary-State Treasurer	2,759	
12 Treasurer	503 Treasury Management	1,642	8,149
13 Education	25 Commissioners Office	258,991	
13 Education	401 School For The Deaf	4,537	263,528
14 Public Service Com.	16 Commissioners Expenses	4,786	
14 Public Service Com.	54 Enf Of Stds-Common Carriers	76,639	81,425
15 Parole Board	320 Parole Board Salaries	28,194	28,194
16 Revenue	13 Salary-State Tax Commissioner	3,170	
16 Revenue	102 Revenue Administration	195,582	198,752
18 Agriculture	57 Bureau Of Dairies And Foods	10,607	10,607
20 HHS-Regulation	178 Professional Licensure	18,592	18,592
21 Fire Marshal	415 Emergency Responders Act	15,902	15,902
23 Labor	194 Public Protection	4,540	4,540
25 HHS-Services	30 Tobacco Prev And Control	21,891	
25 HHS-Services	33 Department Central Office	88,883	
25 HHS-Services	35 Respite Care	3,872	
25 HHS-Services	250 Juvenile Services	117,327	
25 HHS-Services	421 Beatrice State Dev Ctr	810,850	
25 HHS-Services	519 Vets' Homes	11,487	
25 HHS-Services	907 GI Dietary Facility	18,711	
25 HHS-Services	916 Multipurpose Bldg-WNVH	2,033	
25 HHS-Services	918 Site Improvements-Geneva	1,401	
25 HHS-Services	940 Multipurpose Bldg-Geneva	35,963	1,112,418
26 HHS-Finance	136 Legal Proceedings-Termination	2,735	
26 HHS-Finance	175 Medical Student Assistance	3,424	
26 HHS-Finance	316 Predisposition Detention	315,045	
26 HHS-Finance	324 County Juvenile Services Aid	258,555	
26 HHS-Finance	424 Developmental Disability Aid	4,805,215	
26 HHS-Finance	514 Health Aid	37,518	
26 HHS-Finance	559 Aging Care Management	26,867	
26 HHS-Finance	571 Aging Comm-Based Services Aid	33,770	5,483,129

Agency	Program	Program Amount	Agency Total
27 Roads	305 Public Transportation Aid	5,575	5,575
28 Veterans Affairs	36 Department Administration	28,960	28,960
32 Ed Lands & Funds	529 Land Surveys	3,236	3,236
33 Game and Parks	336 Wildlife Conservation	2,348	
33 Game and Parks	337 Administration	2,134	
33 Game and Parks	550 Planning & Trails Coordination	3,807	
33 Game and Parks	617 Engineering & Area Maintenance	26,676	34,965
34 Library Commission	302 Library Development	20,636	20,636
35 Liquor Commission	73 Licensing & Regulation	14,991	14,991
46 Correctional Services	200 Adult Operations	8,600,630	8,600,630
47 Educational Television	911 DTV & Satellite Lease Project	937	
47 Educational Television	913 Carpenter Bldg Renovation	815	1,752
65 Admin Services	49 Departmental Administration	3,762	
65 Admin Services	169 Federal Liaison	320	
65 Admin Services	560 State Building Division	4,262	
65 Admin Services	605 Personnel Division	3,878	
65 Admin Services	608 Employee Relations Division	7,641	
65 Admin Services	535 Risk Management Division	5,636	25,499
68 Mexican-American Comm.	537 Mexican-American Commission	0	0
69 Arts Council	326 Promotion Of The Arts	16,367	16,367
70 Foster Care Review Brd	116 Foster Care Review Board	1,269	1,269
72 Economic Development	600 Administration	1,087	
72 Economic Development	601 Community & Rural Development	1,851	
72 Economic Development	603 Industrial Recruitment	42,053	44,991
76 Indian Affairs	584 Indian Affairs	5,583	5,583
78 Crime Commission	198 Central Administration	30,416	
78 Crime Commission	220 Community Corrections	(40,000)	(9,584)
82 Deaf/Hard of Hearing	578 Hearing Impaired	35,483	35,483
84 Environmental Quality	585 LLNW Site Licensing	414,811	414,811
87 Account/Disclosure	94 Administration	3,383	3,383
90 Railway Council	113 Branch Rail Revitalization	291	291
93 Tax Equal/Review	115 Operations	1,964	1,964
96 Property Assess/Tax	112 Property Tax	24,403	24,403
TOTAL GENERAL FUNDS			16,696,563

Definition of Terms

State Biennial Budget

A biennium is the time period for which the same Legislature exists. For example, the 99th Legislature will exist for two years, with the first session held in 2005, the second session in 2006. Although the State Constitution prohibits one Legislature from enacting appropriations that are binding on a future Legislature, the first session of the 99th Legislature can bind the second session of the same 99th Legislature. Therefore the 99th Legislature, meeting in 2005, can enact appropriations for FY2005-06 and FY2006-07 without binding the 100th Legislature. The biennial budget then is the sum of all appropriations made by the Legislature (both the first and second sessions) for these two succeeding fiscal years. These budgets as initially set in the 2005 session, can be revised and amended in subsequent legislative sessions, up until the end of a fiscal year.

The biennial budget can't be found in any single legislative bill. The phrase "the sum of all appropriations" was appropriately used as appropriations are contained in many different bills. What's referred to as the "mainline" budget bills are basically the appropriations to carry out the functions of state government as they exist at the beginning of a legislative session, and are normally contained in several different bills; legislator salaries, constitutional officer salaries, a main budget, and capital construction. New legislation enacted during a legislative session carries a companion appropriation bill if an appropriation is necessary to carry out the new law. This companion bill, referred to as an "A" bill, is a separate bill using the original bill number with the letter "A" following. In this manner, the appropriation to carry out the provisions of this legislation is only enacted if in fact the new legislation is enacted.

Fiscal Year

The time period for which appropriations are made is the states' fiscal year that runs from July 1st through June 30th of the following year. The fiscal year covering the period July 1, 2005 through June 30, 2006 is referred to as FY2005-06, FY05-06, or simply FY06. Within this 12-month period, agencies are limited to only those appropriations made for FY2005-06. The fiscal year covering the period July 1, 2006 through June 30, 2007 is referred to as FY2006-07, FY06-07, or simply FY07.

Fund Types

The State of Nebraska utilizes several different types of funds for appropriating and accounting for revenue sources. This structure is somewhat similar to a bank that has several general categories of accounts such as commercial, individual, and trust accounts while under these general types of accounts are many separate and distinct individual accounts. In the state system, the broad types of funds are listed below:

General Fund - This fund accounts for all the receipts not specified by statute to be credited to another fund. The majority of General Fund revenues come from sales and use taxes, and individual and corporate income taxes. Also deposited into the General Fund are liquor taxes, and approximately half of the cigarette tax and insurance premium taxes. There is only a single

General Fund. **Because appropriations from this fund determine the level of sales and income tax rates, most discussion on "balancing the budget" relates to the General Fund.**

Cash Funds - These funds are used to account for the revenues and expenditures of dedicated fees and charges. Unlike the single General Fund, there are more than 250 individual cash funds contained in 70 different agencies. In many instances, an agency has multiple cash funds. For example, the Dept of Agriculture has over 20 different cash funds. Monies held in these funds generally can only be used for the specific purpose for which the fund was created. Cash funds are used to account for revenues such as University and State College tuition and fees, institution patient revenues, hunting/fishing permits, highway revenues (gas tax and sales tax on motor vehicles), and agricultural commodity check-off fees. In addition, most inspection, regulatory, and license fees and charges, are dedicated to and accounted for through the use of cash funds. The Dept of Roads accounts for almost 50% of cash fund revenues/expenditures.

Federal Funds - Federal funds account for monies received from the federal government either as grants, contracts, or matching funds. Unlike other fund sources, federal fund appropriations are an estimate and agencies are not limited to the amount shown in the appropriation bills though receipts must meet expenditures. Similar to cash funds, there are numerous individual federal funds contained in the accounting system and they are generally limited to specific uses as authorized by the federal program from which the funds came from. About 63% of the federal funds is expended in the Health and Human Services System, a large portion for programs such as Medicaid, ADC, and other public assistance program. Federal funds in the Dept of Education account for 13% of the total, mostly flow through monies to local K-12 schools for programs such as Chapter 1, School Lunch, and Special Education.

Revolving Funds - These types of funds account for transactions where one agency provides goods or services to another agency. For example, the Dept of Education pays DAS-Building Division (SBD) for office rent in a state office building. The expenditure is charged against Education's budget (be it General, Cash, or Federal) as rent expenses. DAS-SBD then receives these funds which are credited to a revolving fund from which DAS-SBD pays staff salaries, utilities, custodial costs, repairs, etc... This in essence double-counts an expenditure; once when an agency pays another for goods/services rendered, the second time when the receiving agency then pays for costs incurred in providing the goods or services. Like cash and federal funds, there are numerous individual revolving funds within the state system. The University and State Colleges also use revolving funds but to account for revenues from dormitories, student unions, agricultural experiment stations, and other "enterprise" operations.

Other Funds - In the appropriation figures, this type includes a very small amount of private donations in capital construction, and the Nebraska Capital Construction Fund (NCCF). The NCCF accounts for cigarette tax that is earmarked for capital construction. Because these amounts are both relatively small, they are combined with Revolving Funds for purposes of this report.

Operations, State Aid, Construction

In this report, there are several instances where appropriations by fund type are also broken down into three categories: operations, state aid, and capital construction. And within the "state aid" category, there are two kinds: state aid to individuals and state aid to local governments.

Agency Operations accounts for the costs of actually operating state agencies including costs such as employee salaries and benefits, data processing, utilities, vehicle and equipment purchases, fuel and oil, etc...

Aid to Individuals includes programs such as Medicaid, Aid to Dependent Children (ADC), child welfare services and student scholarships where state funds are provided for the direct benefit of an individual. This area also includes aid to quasi-government units, which are those local agencies that do not have the authority to levy property taxes. This would include entities such as area agencies on aging, mental health regions and developmental disability regions.

Aid to Local Governments accounts for aid payments to local governments that have the authority to levy a property tax such as cities, counties, K-12 schools, community colleges, natural resource districts (NRD's), and educational services units (ESU's). This category includes programs such as state aid to schools (TEEOSA), special education, homestead exemption reimbursements and property tax relief through direct aid payments to cities, counties, NRD's, community colleges, and ESU's. State payments to fund part of the K-12 teacher retirement plan are not included under this category as those amounts are credited directly to the teacher retirement fund and are not checks written to school districts nor do those amounts show up as a school revenue or subsequent expenditure.

Capital Construction includes costs for new construction and major repairs and renovation of state-owned facilities. The term "major" is used with respect to repair and renovations as relatively small or on-going projects are routinely done within agencies operating budgets. Highway and road construction and maintenance is not included in this category. This is included under cash fund agency operations.

Agency and Program Structure

Although only agency total figures are shown in this report, the state uses a program structure to which all appropriations are made. Budget programs are set out in the appropriations bills and are intended to follow functional lines within an agency. Overall there are approximately 350 budget programs within 82 state agencies. A lump sum appropriation is made to each program by fund type. Individual line items of expenditure (ie... salaries, data processing, equipment, supplies) are identified in the agency request and subsequently during the expenditure of the appropriated funds, but not for purposes of appropriations.

The only legally valid appropriations are made to budget programs with agency totals being for informational purposes only. Funds can only be shifted from one program to another by action of the Legislature. In some cases an entire agency is contained in one budget program. This normally occurs when it is a small agency with basically one purpose. A good example is the

Board of Barber Examiners. However, there are some examples of very large agencies that are also contained in only one program, for example the Dept of Correctional Services. In this case, the need for flexibility in terms of reallocating funding among the various institutions dictates a broader budget program. In these instances, more detailed data is available through the use of sub-programs during the request and expenditure process.

Budget Process and Chronology

The budgetary process is a biennial cycle of submissions, reviews, and appropriations. The full cycle takes almost one complete 12-month period. The following steps basically comprise the cycle as it works during the preparation of a biennial budget.

Step 1 Budget Request Instructions By July 15, statutes require the Department of Administrative Services (DAS) Budget Division to issue instructions and forms for state agencies to use in submitting the budget request for the next two fiscal years.

Step 2 Agency Budget Requests By September 15, agencies must submit their requests to DAS with a copy to the Legislative Fiscal Office (LFO).

Step 3 Staff Review From September through December, analysts for the DAS Budget Division and LFO review agency requests and collect and analyze information justifying the request levels. The DAS-Budget analysis is conducted for the use of the Governor in developing his/her recommendations, the LFO analysis is provided for the Appropriations Committee and Legislature.

Step 4 Governor's Recommendation By statute, the Governor's budget is due by January 15th of each year. In the first year of his/her term, this time is extended until February 15th.

Step 5 Appropriations Committee Initial Review From the middle of January to mid to late February, the Appropriations Committee reviews agency requests and develops a preliminary recommendation. This preliminary recommendation becomes the basis for the agency budget hearings as well as a Preliminary Report required by legislative rules. This report is due 20-30 legislative days after the Governor's budget is submitted during odd numbered years (15-20 legislative days in even numbered years).

Step 6 Agency Budget Hearings From mid-February to mid-March, approximately 4-5 weeks are used to conduct public hearings on the agency request, the Governor's recommendations and Appropriations Committee preliminary recommendation. During these hearings, agencies, interest groups, and the general public submit requested changes to the Committee preliminary recommendation. Although not done frequently, other standing committees of the Legislature may have hearings on the budgets of those agencies under their subject jurisdiction during this time.

Step 7 Committee Final Recommendation From mid-March to the mid to late April, another four weeks is used to review all requests subsequent to the hearings and finalize the Appropriations Committee recommendation that will be sent to the full Legislature. By rule, the budget bills must be submitted to the Legislature as a whole by the 70th legislative day in 90 day sessions, and the 40th day in 60 day sessions, otherwise the Governor's bills are considered as introduced. When the Appropriations Committee sends their recommendations

to the entire Legislature, the other standing committees again have the opportunity to review and/or hold hearings on the recommendations for the agencies under their jurisdiction.

Step 8 General File Like all other bills, budget bills are subject to amendment on the floor of the Legislature. The only difference is that for budget bills, all amendments must have 25 votes where a simple majority of those voting can amend other bills. This is the first of three stages a legislative bill must follow on its' way to passage.

Step 9 Select File This is the second and last stage of floor debate and again the budget bills are subject to debate and amendment.

Step 10 Final Reading The number of votes required for passage of budget bills depends on whether the bill has the emergency clause (ie.. the bill becomes law immediately after signed by the Governor), and whether the appropriation exceeds the Governor's recommendation. Any bill with the emergency clause (including budget bills) requires a 2/3 vote of the 49 members of the Legislature (33 votes). Since the fiscal year starts on July 1, and voting on budget bills normally occurs at the end of May or first part of June, the mainline budget bills will require the emergency clause in order for agencies to have funding available by the start of the new fiscal year. Some appropriations can go into effect after the fiscal year has begun as the mainline bill provides adequate cash flow until 90 days after the session ends when bills without the emergency clause go into effect. In cases of bills without the emergency clause the number of votes depends on whether the appropriation is in excess of the Governor's recommendation (30 votes) or at or below the Governor's recommendation (simple majority, 25 votes). By legislative rule, all bills which have a General Fund impact (ie.. General Fund "A" bill or General Fund revenue loss) are held on the final stage of consideration until the mainline budget bills have been passed.

Step 11 Governor Vetoes The Governor has five calendar days (excluding Sunday) to sign bills as enacted, let the bill become law without his/her signature, or return the bill with vetoes. In addition to the authority to veto a bill in total, the Governor also has the authority to line-item veto which means the Governor can strike a number and insert a lower number for any specific item of appropriation.

Step 12 Veto Overrides By legislative rule, if more than one item in a bill is vetoed, the Appropriations Committee must make a report to the Legislature within one legislative day. The rules further lay out the order for considering override attempts: (1) the Committee may offer to override the entire bill; (2) the Committee may offer to override selected line item vetoes; (3) any member of the Legislature may then offer a motion to override the entire bill; and (4) any member may then offer motions to override selected line item vetoes. In the Committee report, the Appropriations Committee can either recommend or not recommend overrides, or as in some cases, remain silent on the disposition of vetoes. In all cases, veto overrides require 30 votes.

Step 13 Deficit Appropriations A budget enacted for a fiscal year can be amended or changed up to the last day of that fiscal year. Deficit appropriations are changes made to the originally enacted appropriations. There are several chances to amend a biennial budget once it has been enacted. For example, the FY05-06 and FY06-07 biennial budget was enacted in the 2005 Session. Both years can be changed during the 2006 Session, even though at that time, the state will be nine months into FY05-06. The second year of the biennial budget (FY2006-07) can also be subject to change during the 2006 Session and again during the 2007 Session.

Legislative Fiscal Office

Agency Assignments and Staff

Agency Assignments

(Agencies in numerical order)

Agency	Analyst
#03 Legislative Council	Tom Bergquist
#05 Supreme Court	Howard Kensinger
#07 Governor/PRO/Energy	Scott Danigole
#08 Lieutenant Governor	Scott Danigole
#09 Secretary of State	Scott Danigole
#10 State Auditor	Scott Danigole
#11 Attorney General	Howard Kensinger
#12 State Treasurer	Scott Danigole
#13 Dept of Education	Sandy Sostad
#14 Public Service Commission	Scott Danigole
#15 Board of Pardons and Parole	Howard Kensinger
#16 Dept of Revenue	Doug Nichols
#17 Dept of Aeronautics	Mike Lovelace
#18 Dept of Agriculture	Jeanne Glenn
#19 Dept of Banking	Phil Hovis
#20 Dept of Health & Human Services-Regulation	Liz Hruska
#21 State Fire Marshal	Scott Danigole
#22 Dept of Insurance	Sandy Sostad
#23 Dept of Labor	Doug Nichols
#24 Dept of Motor Vehicles	Sandy Sostad
#25 Dept of Health & Human Services-Services	Sandy Sostad, Hruska
#26 Dept of Health & Human Services-Finance	Liz Hruska
#27 Dept of Roads	Mike Lovelace
#28 Dept of Veterans Affairs	Mike Lovelace
#29 Dept of Natural Resources	Jeanne Glenn
#30 State Electrical Board	Scott Danigole
#31 Military Department	Mike Lovelace
#32 Board of Educational Lands and Funds	Sandy Sostad
#33 Game and Parks Commission	Mike Lovelace
#34 Library Commission	Phil Hovis
#35 Liquor Control Commission	Doug Nichols
#36 Racing Commission	Doug Nichols
#37 Workers' Compensation Commission	Doug Nichols
#38 Commission on the Status of Women	Liz Hruska
#39 Brand Committee	Jeanne Glenn
#40 Motor Vehicle Industry Licensing Board	Sandy Sostad
#41 Real Estate Commission	Mike Lovelace
#45 Board of Barber Examiners	Liz Hruska
#46 Dept of Correctional Services	Howard Kensinger
#47 Educational Telecommunications Commission	Kathy Tenopir
#48 Coordinating Comm for Postsecondary Education	Phil Hovis
#50 State Colleges	Phil Hovis

Agency	Analyst
#51 University of Nebraska	Kathy Tenopir
#52 Fair Board	Jeanne Glenn
#53 Real Estate Appraisers Board	Mike Lovelace
#54 Historical Society	Scott Danigole
#56 Wheat Board	Jeanne Glenn
#57 Oil and Gas Conservation Commission	Scott Danigole
#58 Board of Examiners for Engineers and Architects	Doug Nichols
#59 Board of Geologists	Jeanne Glenn
#60 Ethanol Board	Jeanne Glenn
#61 Dairy Industry Development Board	Jeanne Glenn
#62 Board of Examiners for Land Surveyors	Doug Nichols
#63 Board of Public Accountancy	Mike Lovelace
#64 State Patrol	Howard Kensinger
#65 Dept of Admin. Services	Scott Danigole et al
#66 Abstractors Board of Examiners	Doug Nichols
#67 Equal Opportunity Commission	Liz Hruska
#68 Mexican American Commission	Liz Hruska
#69 Nebraska Arts Council	Jeanne Glenn
#70 Foster Care Review Board	Liz Hruska
#72 Dept of Economic Development	Jeanne Glenn
#73 Bd of Examiners for Landscape Architects	Doug Nichols
#74 Power Review Board	Scott Danigole
#75 Investment Council	Kathy Tenopir
#76 Commission on Indian Affairs	Liz Hruska
#77 Commission of Industrial Relations	Kathy Tenopir
#78 Crime Commission	Howard Kensinger
#81 Commission for the Blind and Visually Impaired	Sandy Sostad
#82 Commission on the Deaf and Hard of Hearing	Liz Hruska
#83 Community Colleges	Phil Hovis
#84 Dept of Environmental Quality	Jeanne Glenn
#85 Public Employees Retirement Board	Kathy Tenopir
#86 Dry Bean Commission	Jeanne Glenn
#87 Political Accountability and Disclosure	Scott Danigole
#88 Corn Board	Jeanne Glenn
#90 Nebraska Railway Council	Mike Lovelace
#92 Grain Sorghum Board	Jeanne Glenn
#93 Tax Equalization and Review Commission	Doug Nichols
#94 Commission on Public Advocacy	Howard Kensinger
#95 Rural Development Commission	Jeanne Glenn
#96 Dept of Property Taxation and Assessment	Doug Nichols

Legislative Fiscal Office Staff

Name	Phone	Email	Responsibilities
Calvert, Michael	471-0059	Mcalvert@unicam.state.ne.us	Director
Bergquist, Tom	471-0062	Tbergquist@unicam.state.ne.us	Deputy Director
Hayes, Susan	471-2264	Shayes@unicam.state.ne.us	Fiscal Assistance
McNally, Wanda	471-2263	Wmcnally@unicam.state.ne.us	Fiscal Assistance
Yelick, Don	471-0061	Dyelick@unicam.state.ne.us	Economic and Tax Research Analyst, Revenue Forecasting Economic
Danigole, Scott	471-0055	Sdanigole@unicam.state.ne.us	Governor/PRO/Energy, Lt. Governor, Secretary of State, State Auditor, State Treasurer, Public Service Commission, State Fire Marshal, State Electrical Board, Historical Society, Oil & Gas Conservation Commission, DAS Administrative Services, Power Review Board, Accountability & Disclosure Commission
Glenn, Jeanne	471-0056	Jglenn@unicam.state.ne.us	Agriculture, Natural Resources, Brand Committee, Fair Board, Wheat Board, Geologists Board, Ethanol Board, Dairy Industry Development Board, Arts Council, Economic Development, Environmental Quality, Dry Bean Commission, Corn Board, Grain Sorghum Board, Rural Development Commission
Hovis, Phil	471-0057	Phovis@unicam.state.ne.us	Banking, Library Commission, Postsecondary Ed Coordinating Commission, State College System, DAS Building Division/Task Force for Building Renewal, Community Colleges
Hruska, Liz	471-0053	Lhruska@unicam.state.ne.us	Health & Human Services, Commission on the Status of Women, Barber Examiners Board, Equal Opportunity Commission, Mexican-American Commission, Foster Care Review Board, Indian Affairs Commission, Hearing Impaired Commission
Kensinger, Howard	471-0051	Hkensinger@unicam.state.ne.us	Supreme Court, Attorney General, Board of Pardons and Parole, Corrections, State Patrol, Crime Commission, Commission on Public Advocacy
Lovelace, Mike	471-0050	Mlovelace@unicam.state.ne.us	Aeronautics, Roads, Veterans Affairs, Military Department, Game & Parks Commission, Real Estate Commission, Real Estate Appraisers Board, Public Accountancy Board, Railway Council

Name	Phone	Email	Responsibilities
Nichols, Doug	471-0052	Dnichols@unicam.state.ne.us	Revenue, Labor, Liquor Control Commission, Racing Commission, Workers' Compensation Court, Engineers & Architects Examiners Board, Land Surveyors Examiners Board, Abstractors Examiners Board, Landscape Architects Examiners Board, Tax Equalization and Review Commission
Sostad, Sandy	471-0054	Ssostad@unicam.state.ne.us	Education, Insurance, Health & Human Services, Motor Vehicles, Educational Lands & Funds Board, Motor Vehicle Industry Licensing Board
Tenopir, Kathy	471-0058	Ktenopir@unicam.state.ne.us	Educational Television Commission, University of Nebraska, DAS Personnel Division, DAS Employee Relations Division, DAS Risk Mgmt Division/State Claims, Commission on Industrial Relations, Investment Council, Public Employees Retirement Board