

**NEBRASKA TAXPAYERS FOR FREEDOM ISSUE PAPER:**

**NTF ANALYSIS OF THE FY 2023-2024 STATE BUDGET: IT'S FISCAL HEALTH.**

**BACKGROUND.** The state budget is fundamentally sound for the next biennial. One high point is accelerating property tax relief and spending on new basics, like the new state prison. However, welfare costs continue to rise drastically, and the state bureaucracy continues to grow. State senators can accomplish much more to cut unnecessary and frivolous spending promoted by Socialist Democrat and RINO state senators, providing additional tax relief.

**POSITIVES.** The state projected General Fund budget will grow by 4.2% in FY 2023-2024 but by only 0.3% in FY 2024-2025, below the estimated rate of inflation (p. 3). The FY 2024 Cash Reserve Fund projected at \$832 million, down by \$70.3 million but still sufficient to serve its purpose as an emergency fund. Expected revenues in excess of certified financial forecasts transferred from the General Fund to this fund at the end of the fiscal year (pp. 3, 17).

**PROPERTY TAX RELIEF.** The Property Tax Credit cash fund in FY 2022-2023 totaled \$313 million (p. 23). The budget added \$50 million for the next fiscal year, \$85 million in FY 2024-2025. The minimal amount of property tax relief offered taxpayers in future years will set at \$430 million. \$12.5 million will come from expected casino gambling taxes in FY 2023-2024 (p. 24) and \$15 million in FY 2024-2025 (p. 79).



**GOOD & BAD BUDGET POINTS.** FY 2023-2024 net revenues expected at \$4,598,807,400, but appropriations expected at a higher amount, \$5,349,454,418 (p. 6). General Fund appropriations in FY 2023-2024 will increase 4.4% (p. 47). However, aid to local governments will decline by \$1.6 million FY 2023-2024 (p. 43), and no state aid to counties (p. 72). Actual revenue receipts in the General Fund for FY 2022-2023 were \$6.368 billion, exceeding forecasts by \$3 million. Estimate for FY 2023-2024 is \$6.437 billion. General Fund revenues estimated to grow by 6.1% in FY 2023-2024, but this total is still below historic average growth. Estimated sales and use taxes projected 6.8% higher, income taxes 7.1% higher, and corporate income taxes 4.9% higher (pp. 19,22).

**EDUCATION FUNDING.** The budget will deposit \$1 billion into the new Education Futures Fund in FY 2023-2024 and \$250 million annually thereafter to help pay for 80% of public school special education expenses and property tax relief, also to help recruit and retain teachers and to increase career and technical education opportunities (pp. 24,25). Funding for special ed will increase by 84.4% in FY 2023-2024 and 1.6% in FY 2024-2025 (p. 43). \$4.9 million in FYs 2023-2025 to encourage and facilitate mentorships within schools to focus on improving reading levels Grades 1-4 (p. 61). Total education funding will increase by 13.7% (p. 95).

**HIGHER EDUCATION.** University of NE funding increases of 2.5% in the next 2 fiscal years, \$16.1 million and \$32.6 million (p. 65). State College spending up 8.4%. \$246.5 million aid to community colleges is more than double the previous General Fund aid and replaces the bulk of local property taxes. By FY 2024-2025, community colleges will receive a 222% increase in funding (p. 55).

**HOMESTEAD EXEMPTIONS.** The Homestead Exemption system will receive an additional \$6.7 million in FY 2023-2024 and \$12.3 million in FY 2024-2025, setting its total funding at \$128 million in the next fiscal year (p. 54). Homestead exemption disbursements will increase by 5.5% in FY 2023-2024 (p. 43).

**WELFARE COSTS UP.** A new behavioral health care center for emergencies and suicide prevention will receive \$4 million in FY 2023-2024 and \$4.9 million in FY 2024-2025. Medicaid Part D drug costs will increase by 5.8%, \$3,143,162 in FY 2024 and \$3,300,320 in FY 2025 (p. 50). \$6.9 million to increase services for elderly, blind, and disabled and postpartum coverage. A 7.5% increase in child welfare (p.60). \$8 million for Child Advocacy Centers. Huge funding to relocate 2 welfare call centers from Fremont to Omaha in order to retain employees. More welfare employees hired (p. 64). \$10 million for emergency food assistance (p. 122). State aid to individuals will hit \$21.9 million in FY 2023-2024 and \$21.8 million in FY 2024-2025 (p. 44). HHS total spending up 18.6%.

**VETERANS CEMETERY.** Because the federal Veterans Affairs Dept. cannot provide the funding to complete the Grand Island veteran cemetery construction project, the budget appropriated \$4 million in each of the next 2 fiscal years. Monies will pay for several infrastructure and maintenance projects related to roofing, electrical, boilers, and HVAC, which the state task force for building renewal could not fund. Also, road repair and security road gate improvements (pp. 110-111).

**CRIMINAL COSTS.** Because of the rising state crime rate and subsequent increase in the state prison population, the budget includes funding for construction of a new state prison with capacity to hold about 1,512 maximum security and minimum security inmates. The cost: \$335 million to replace the current Lincoln facility, with \$95.85 million transferred from the Cash Reserve Fund (p. 111). \$14.5 million increase in both fiscal years for Corrections salary increases to entice applicants to this dangerous job. \$900,000 for protective vests FY 2023-2024 to protect prison guards (p.65). 20 additional probation officers in FY 2023-2024, costing \$1,005,266, and \$2,065,231 in FY 2024-2025. To create additional problem-solving courts to relieve the prison population, \$2.2 million in FY 2023-2024, and \$1.8 million in FY 2024-2025 (p. 63). Corrections Dept. spending will rise 16.5% (p. 99). Prison costs up 18.1% (p. 42).

**WHO IS SPENDING LESS.** The Governor's office will spend 4.3% less than in this fiscal year (p. 94). The Governor vetoed \$200,000 appropriated for court interpreters, \$2 million for youth housing facilities, and \$900,000 for early home welfare intervention (p. 91). The Dept. of Natural Resources will spend 60.2% less. The Veteran Affairs Dept. will spend 16.5% less (p. 97).



**WHO IS SPENDING MORE.** Legislative employees will receive 5% pay increases in FY 2023-2024 instead of the initially planned largesse of 15%, and 5% in FY 2024-2025. Salary increases for state employees will total \$54.8 million in FY 2023-2024 and \$90.3 million in FY 2024-2025. Health insurance increases for these employees will hit \$4.5 million in FY 2023-2024 and \$9.1 million in FY 2024-2025 (p. 44). State employee health insurance costs will rise by 4%. \$3.1 million, then \$5.3 million for *defined benefit pension plans* for educators, judges, and State Patrol (p.66). The State Patrol will receive 22% pay hikes FY 2023-2024 (p. 68). State Patrol spending up 17.5% (p. 102). Highway maintenance workers will receive 15% pay raises FY 2023-2024, mechanics 15%, accountants 20%, engineers 15%, social workers 15%, and Child & Family Services Workers 10% (p. 67). Fire Marshal spending up 25.7% (p. 96). Equal Opportunity Commission spending up 6.3% (p. 70). Foster Care Review spending up 8.1%, Indian Affairs Commission 7.3%, Environment & Energy 38.3%, and TERC 49.3% (p. 71). Behavior Health costs up 13.7% (p. 42). FY 2023-2024 dept. increases: Sec. of State 71.3%, Supreme Court 7.4%, and Dept. of Labor 9.4% (p. 69).

**TAX HIKES.** The state gas tax will increase to 29.1c per gallon for the next 2 fiscal years (p. 78).

**FEWER FEDERAL \$\$.** There was also a net decrease of \$172 million of Federal Fund appropriations because of a reduction of pandemic funds available (p. 116).

#### **NTF SUGGESTED BUDGET CUTS:**

- ✓ Eliminate the Community College State Dependents Fund created in 2022. This fund pays community college tuition reimbursements for dependents of state employees. Funding initially \$500,000 in FY 2021-2022 and \$1 million in FY 2022-2023. In this biennial budget recommendation, it includes transfers from the General Fund of \$1 million in FY 2023-2024 and \$1.5 million in FY 2024-2025 to expand this largesse (p. 26).
- ✓ Peg state university budget increases to decreases in Critical Race Theory programs and activities.
- ✓ Move from a defined benefit employee pension system to a defined contribution system, whereby the State would have less liability and employees more responsibility for their pensions.
- ✓ Require state employees to pay a greater share of their health insurance costs.
- ✓ Privatize several state services or parts of state services.
- ✓ Eliminate the Commission on Indian Affairs, Commission on Latino-American Affairs, and Commission on African-American Affairs.

- ✓ Federal pandemic funding is ending, so plan to terminate programs funded by this federal aid, e.g., food assistance.
- ✓ Require welfare recipients to accept employment in order to receive benefits.
- ✓ Obtain federal waivers to cut welfare programs.
- ✓ Remove several mandates on public school systems, so that they can cut costs for these mandated programs.
- ✓ Ascertain that local public school districts are lowering their property tax levies in response to the windfall in state aid to education.
- ✓ Initiate double or triple-bunking for prison inmates to save on prison costs.
- ✓ Initiate legislation to make it more difficult for the criminal element among illegal aliens to reside in NE.
- ✓ Eliminate the Tax Equalization Review Commission and allow county boards of equalization to settle property valuation disputes.
- ✓ Place a permanent spending cap on the state budget.
- ✓ Verify that state community colleges are not using loopholes to continue to collect property taxes.

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