

**NEBRASKA TAXPAYERS FOR FREEDOM ISSUE PAPER:  
NTF ANALYSIS OF THE FY 2026-2027 STATE BUDGET.**

**INTRODUCTION.** The NE Economic Forecast Advisory Board (NEFAB) revised the revenue forecast for FY 2025-2026 and FY 2026-2027 downward to reflect the impact of federal legislation and rebated sales taxes. The revised forecast is \$6.95 billion in FY 2025-2026 and \$6.8 billion in FY 2026-2027. These forecasts project adjusted revenue growth of 5.8% in FY 2025-2026 and 1.4% in FY 2026-2027, an average growth of only 3.6%.<sup>1</sup> The General Fund change for FY 2026 appropriations is only 0.3% higher, -2.1% lower in FY 2027.<sup>2</sup> General Fund Net Revenues FY 2025-2026 calculated at \$5,253,552,022; FY 2026-2027 at \$5,330,135,495. General Fund Appropriations FY 2025-2026 set at \$5,428,345,624, FY 2026-2027 at \$5,314,622,599. The looming deficit from the Minimum Reserve is \$ 626.5 million, \$175 million more than expected.<sup>3</sup> The General Fund revenue forecasts as follows for FY 2025-2026 and FY 2026-2027: Sales and Use Tax \$2,765,000,000 and \$ 2,512,870,000, Individual Income Tax \$2,975,000,000 and \$ 3,077,192,000, Corporate Income Tax \$740,000,000 and \$711,048,000.<sup>4</sup> The enacted budget includes additional investment earnings on funds credited to the General Fund, beginning in FY 2025-2026. Estimates of these earnings are \$30.7 million in FY 2025-2026, \$27.6 million in FY2026- 2027, and \$19 million per fiscal year thereafter. The 2026 mid-biennium adjustments include crediting investment earnings to the General Fund, beginning July 1, 2026. The estimated General Fund revenue from these actions is \$215,000.<sup>5</sup>

*NTF notes:* The state finances are shaky, revenues fluctuating and appropriations still too high. Legislators must take a paring knife to the budget and cut much more spending in 2027.

**THE BIGGEST SPENDING.** State welfare dept. appropriations total 36.7% of total state spending followed by Education at 24.5%, the U. of Nebraska at 13.3%. and Corrections Dept. at 6.9%. These entities plus Courts, State Patrol, Revenue Dept., and Retirement Board total about 88% of state operations.<sup>6</sup>

*NTF notes:* state welfare spending still out of control. Legislators must take advantage of every Trump Administration initiative to expel able-bodied individuals from the welfare rolls and mandate more work hours to earn welfare.

**APPROPRIATIONS.** 64% of total General Fund appropriations for state aid to local governments goes to state aid to schools, 15% for special education reimbursements, 7% for aid to community colleges, and 11% for the homestead exemption. Also note that aid to schools, special education reimbursements, and aid to community colleges also paid using cash fund appropriations, such cash monies funded by transfers out of the General Fund.<sup>7</sup> With the 2026 mid-biennium budget adjustments, state aid to individuals increased by \$21.8 million in FY2025- 2026 and decreases \$69.5 million in FY2026-2027, compared to the FY2024-2025 base appropriation. Two-year average annual appropriation growth is -2.1% per year. Of amounts appropriated, 51% is for Medicaid, 24% for developmental disabilities aid, 10% for child welfare aid, and 5% for public assistance<sup>8</sup>. Since FY1983-1984, the distribution of appropriations by category has changed drastically. Agency operations previously constituted a much higher percentage of total General Fund appropriations, peaking at 49.4% of the total in FY1985-1986 but declining through FY2019-2020. State aid to individuals has increased steadily over time as programs and obligations under existing programs have changed from legislation.<sup>9</sup> Examining the program amount totals of General Fund spending, 21% goes to state aid to schools, special

<sup>1</sup> NE Biennial Budget, May, 2026, p. 2.

<sup>2</sup> Ibid., p.3.

<sup>3</sup> Ibid, pp. 7-8.

<sup>4</sup> Ibid, p. 13.

<sup>5</sup> Ibid., p. 34.

<sup>6</sup> Ibid., p. 38.

<sup>7</sup> Ibid, p. 48.

<sup>8</sup> Ibid., p. 51.

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<sup>9</sup> Ibid., p. 67.

<sup>10</sup> Ibid., p.70.

education, and the Education Future Fund, 20% to property tax relief and homestead exemptions, 19% to state agency operations, 17% to Medicaid and Development Disability Aid, 11% to university and state colleges, and 6% to community college aid.<sup>10</sup>

*NTF notes:* Most state appropriations fund education and welfare services. Therefore, state senators must closely examine carving these programs and take action.

**CASH RESERVE FUND.** Total transfers from the Cash Reserve Fund to the General Fund totaled \$304 million. This additional amount necessary to balance the General Fund.<sup>11</sup> This fund also serves as a “rainy day fund,” because revenues in excess of a “certified forecast” transfer from the General Fund to the cash reserve at the end of a fiscal year. Projected Unobligated Ending Balance FY 2025-2026 totaled \$829,532,779, in FY 2026-2027, \$546,032,779, a severe drop.<sup>12</sup>

*NTF notes:* State senators too often raid this fund to balance the budget.

**CASH FUND.** Total Cash Fund appropriations increased \$422.2 million in FY2025- 2206 and \$516.1 million in FY2026-2027, compared to the FY2024-2025 base appropriation. Two-year average annual cash fund appropriation growth is 4.5%. Of the 78 state agencies, 73 receive cash funds in the enacted budget. Because of the General Fund deficit in the 2026 session, General Fund appropriations decreased for many agencies, and a corresponding cash fund appropriation increase then went to operations and programs.<sup>13</sup> The universities and colleges, Transportation, Game and Parks Commission, Health and Human Services, Motor Vehicles, State Patrol, and Water, Energy, and Environment accounted for 87% of operations. Cash Fund appropriations for such agency operations increase by \$144.1 million in FY2025-2026 and \$164 million in FY2026-2027, compared to the base year FY2024-2025. Two-year average annual growth is 3.4% per year.<sup>14</sup> The 2026 mid-biennium budget adjustments include additional appropriation of \$861,739 Cash Funding in FY2025-2026 and \$190,033 in FY2026-2027 to cover the 18.5% additional increase in the employer share of health insurance premiums. The budget includes an increase of \$1 million Cash Funds per fiscal year for the Tourism Commission to expand its marketing operations. The 2026 budget adjustments include a \$77,500 Cash Fund increase in each fiscal year to fund expert witness and interpreter costs. This spending reflects a constitutionally required need to provide legal representation to indigent defendants. We see reports about 10 cases requiring high-cost expert evaluations (\$10,000–\$25,000 each) and additional cases needing interpreters for clients and witnesses (\$3,000–\$5,000 per case).<sup>15</sup> Cash fund aid to local governments increased by \$232 million in FY2025-2026 and \$264.2 million in FY2026-2027, compared to the base year FY2024-2025. Two-year average annual cash fund appropriation growth is 6.6%. The largest increases went to the School District Property Tax Credit, the Property Tax Credit, community college aid, and special education reimbursements to school districts. The enacted budget included a \$30 million appropriation increase in FY2025-2026 and \$58 million appropriation increase in FY2026-2027 from the School District Property Tax Relief Credit Fund to reach the statutory amount of property tax credits of \$780 million from this fund in FY2025-2026 and \$808 million in FY2026-2027. The program began in FY2024-2025, total aid equaling \$750 million. The 2026

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11 Ibid., p. 3.

12 Ibid., p. 9.

13 Ibid., p. 71.

14 Ibid., p. 75.

15 Ibid., p. 78

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budget adjustments increase the appropriations from the School District Property Tax Relief Cash Fund by \$18 million in FY2025-2026, making the total Cash Fund appropriation for this program \$798 million. The \$18 million increase in appropriations covers the Dept. of Revenue certification amount, which included unused tax credits from homesteads already receiving property tax credits under the Homestead Program plus additional returned credits estimated to accrue to the fund in FY2025-2026.<sup>16</sup> The budget increases the appropriation from the Property Tax Credit Cash Fund by \$17 million in FY2025-2026 and \$32 million in FY2026-2027 to match the statutory minimum property tax credit required of \$430 million in FY2025-2026 and \$445 million in FY2026-2027. The budget adds \$34 million in FY2025-2026 and \$45 million in FY2026-2027 in Cash Fund appropriations for the program to account for the additional casino gaming and cash device tax revenue credited to the fund. This addition creates a total Cash Fund appropriation for this program in FY2025-2026 of \$464 million and \$490 million for FY2026-2027. The 2026 budget adjustments increase the appropriations from the Property Tax Credit Cash Fund by \$3.7 million in FY2025-2026, making the total Cash Fund appropriation for this program \$467.7 million. The \$3.7 million increase in appropriations covers the Dept. of Revenue certification amount for the credit plus additional returned credits from homesteads already receiving property tax credits under the Homestead Program estimated to accrue to the fund in FY2025-2026.<sup>17</sup>

*NTF notes:* Require state employees to pay a greater share of their health insurance premiums. Eliminate unnecessary operations like the Tourism Comm. Senators should lobby Congress to repeal interpreter services. Too much reliance on cash funds for appropriations. State aid to local governments still has not seen a commensurate decrease in local property taxes, so senators must tighten school and local government tax and spending lids.

**DEPT. OF EDUCATION.** The 2026 budget adjustments include changes in General Fund appropriations related to this department administration, including a decrease of \$200,000 each fiscal year for travel expenses, an increase of \$86,376 for vacation and sick leave payouts in FY2025-2026, an increase of \$585,902 in FY2025-2026 and \$381,311 in FY2026-2027 for employer health insurance contributions, and a reduction of \$125,000 in FY2026-2027 for the principal/teacher effectiveness administrator.<sup>18</sup>

*NTF notes:* Again, all local and state government employees must pay more of their health insurance premiums.

**DEPT. OF REVENUE.** During the 2026 session, adjustments include an elimination of 17.5 full-time employees (FTEs) and a 25% reduction of travel and conference costs in the Revenue Administration Program. The reduction to General Fund appropriations this fiscal year for this program is \$1,168,329 and \$1,393,546 in FY2026-2027. Also, a reduction in the Motor Fuel Tax program of 1 FTE Revenue Auditor III. This action results in a reduction in Cash Fund appropriations of \$68,149 in FY 2025-2026 and \$93,591 in FY2026-2027. The budget adjustments also eliminate appropriations for the Scottsbluff Office, which closed in 2025, with an elimination of 5 FTE for the Revenue Administration Program and 1 FTE Property Tax Field Liaison for the Property Tax Assessment Program plus rent and phone expenses. This sum meant a decrease of General Fund appropriations of \$357,780 in FY2025-2026 and \$490,247 in FY2026-2027.<sup>19</sup>

*NTF notes:* This activity shows that state senators actually worked actively to trim a dept. budget.

**DEPT. OF AGRICULTURE.** During the 2026 session, adjustments included a reduction of an office specialist and the international promotion program staff, total reductions being \$261,996 in General Funds in FY2025-2026 and \$297,366 in FY2026-2027. The mid-biennium adjustments also included a reduction of \$550,000 in FY2026-2027 General Funds and a commensurate \$550,000 Cash Fund appropriation from the Commercial Feed Administration Cash Fund along with a language change which would allow the fund to cover costs relating to animal health programs.<sup>20</sup>

*NTF notes:* This dept. is a prime example of how cash funds used to substitute for General Funds.

**STATE FIRE MARSHAL.** The 2026 budget adjustments include a reduction of \$510,147 in General Fund appropriations and an increase of \$90,000 in cash fund appropriations and \$108,175 in federal fund appropriations in FY2025-2026. A General Fund reduction of \$446,723 and an increase of \$90,000 in cash fund appropriations and \$76,751 in federal fund appropriations in FY2026-2027. The General Fund reductions relate to eliminating vacant positions, reducing travel and training equipment costs, and shifting costs to other funds.<sup>21</sup>

*NTF notes:* Yes, General Fund reductions but substitutions from the Cash Fund.

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<sup>16</sup> Ibid., p. 79

<sup>17</sup> Ibid., p. 80

<sup>18</sup> Ibid., p. 41.

<sup>19</sup> Ibid., pp. 41-42.

<sup>20</sup> Ibid., p. 42.

<sup>21</sup> Ibid., p. 42.

**DEPT. OF HEALTH & HUMAN SERVICES.** The 2026 budget adjustments include \$11,250,000 General Funds in FY2026-2027 to offset an \$11,250,000 reduction in available federal funds for administration of food stamps. The One Big Beautiful Bill Act lowered this administrative match from 50% to 25% federal funds starting in Oct. 2026. The 2026 budget adjustments include a reduction of \$3 million in FY2025-2026 and FY2026-2027 for the NE Center for Nursing, a partnership with the NE Hospital Association. One half of one percent up to \$2.5 million of Hospital Quality Assurance and Access Assessment Cash Funds directed to the Center, which offsets the need for General Funds. The 2026 budget adjustments included reductions of total funds in the amounts of \$5,071,840 in FY2025-2026 and \$6,104,462 in FY2026-2027 because of operational efficiencies identified by the agency, including elimination of 43 vacant positions, increased federal claiming, elimination of contracts for the Division of Developmental Disabilities, and increase of DD caseloads to 30:1.<sup>22</sup> The 2026 mid-biennium adjustments included the following changes in the behavioral health aid program: a reduction of \$16 million General Funds in FY2025-2026. This amount reflects a portion of carryover funds set aside for a Severe Mental Illness waiver that the agency never used. A reduction of \$100,000 General Funds in FY2026-2027 in Behavioral Health Aid for Mental Health Training for non-professionals and NE Mental Health First Aid Training Act optional. In Public Assistance, the 2026 mid-biennium adjustments include reductions of General Funds of \$16,396,819 in FY2025-2026 and \$1,362,426 in FY2026-2027, pursuant to operational efficiencies identified by the agency, including elimination of the final external call center which state employees will operate and adjustments to projected child care subsidy expenditures.<sup>23</sup> Medicaid saw fewer federal funds, \$55 million in the current FY2024-2025 plus \$295.5 million over the biennium. To address this loss, the dept. requested additional General Funds in Medicaid (\$55 million in FY25, \$116.5 million in FY26, and \$155.5 million in FY27), CHIP (\$500k in FY26 and FY27), and Developmental Disabilities (\$7.3 million in FY26 and \$15.2 million in FY27). In the 2026 session, a slight increase in the final federal aid resulted in a reduction of \$3,596,645 General Funds.<sup>24</sup> Medicaid programs must cover drugs approved by the Food and Drug Administration (FDA) and appropriately prescribed. Increased expenditures on drugs, increasing from \$23.6 million in 2019 to over \$61 million in 2023. A reduction of \$1.4 million General Funds and \$1,703,525 Federal funds in FY2026-2027 because of efficiencies in prescription drug dispensing and new allowances for 90-day supplies for medication of chronic illnesses instead of 30 days. The enacted budget includes a total of \$5,308,877 in FY2025-2026, \$2,022,467 in General Funds, \$3,286,410 federal funds, and \$11,722,789 in FY2026-2027, \$4,399,508 General Funds and \$7,323,281 in fed funding. An increase of \$56,524,781 General Funds and \$72,941,048 Federal funds in FY2025-2026 and \$29,644,758 General Funds and \$36,071,841 Federal funds in FY2026-2027 needed to address past obligations and projected utilization through the end of the biennium. A reduction of \$15 million General Funds and \$19,356,390 Federal funds in FY2025-2026 and \$15 million General Funds and \$18,252,051 Federal funds in FY2026-2027 for estimated savings from identifying ineligible persons presently enrolled in another state Medicaid program. A reduction of \$2 million General Funds and \$2,433,607 Federal funds in FY2026-2027 for estimated savings from planned implementation of cost sharing for Medicaid beneficiaries. A reduction of \$500,000 General Funds in FY2025-2026 to eliminate the Skilled Nursing Facility Pilot program, which no one used. A reduction of \$8 million in General Funds and increase of \$8 million in Federal funds in FY2025-2026 because of identification of claims for low-income children that qualified for increased federal matching funds. A reduction of \$10 million General Funds and increase of \$10 million Federal funds in FY2026-2027 because of incorporation of the federal match into calculations of the Medicaid Education payments to teaching hospitals. A reduction of \$1,753,123 in General Funds and \$2,803,327 federal funds in FY2026-2027 for estimated savings from reducing retroactive eligibility. Section 3 of LB 958 requires the dept. to provide to the maximum new allowance under the One Big Beautiful Bill Act, which limits retroactive coverage.<sup>25</sup> A reduction of \$12,138,777 General Funds and \$15,664,194 federal funds in FY2025-2026 and a reduction of \$23,599,252 General Funds and \$28,715,650 federal funds in FY2026-2027 for estimated savings from reducing specific rates in Medicaid, to more closely align with other states. A reduction of \$5 million in General Funds in FY2026-2027 for estimated savings for operational efficiencies identified by the Appropriations Committee. Approval of additional changes to Medicaid including (1) self-measure blood pressure monitors for pregnant and post-partum women, (2) doula service reimbursements, and (3) establishment of a money follows the person program for individuals transitioning from an institutional setting to a home or community-based setting. The money follows the person program results in a reduction of \$6,761,317 in General Funds and \$8,111,796 in federal fund appropriations in FY2026-2027 because of fewer funds necessary for nursing home rates. A reduction of \$1,401,500 General Funds in FY2025-2026 and \$5,605,998 General Funds in FY2026-2027 because of implementation of a 6-month cap with exceptions up to 9 months for family support services. A reduction of \$6 million General Funds in FY2025-2026 and \$16 million General Funds in FY2026-2027 because of transition of kinship foster

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<sup>22</sup> Ibid., p. 51.

<sup>23</sup> Ibid., p. 52.

<sup>24</sup> Ibid., p. 53.

<sup>25</sup> Ibid., p. 54.

care services from contracts to internal case management. A reduction of \$7,196,676 General Funds in FY2025-2026 and \$8,178,901 General Funds in FY2026-2027 from identified efficiencies including a reduction in tribal contracts, increased Developmental Disabilities Aid claiming for qualifying youth with Letters of Agreement for care, and termination of contracts including the Foster Care Closet and Families Forever. A reduction of \$3,883,432 General Funds and increase of \$3,883,432 Health Care Cash Funds in FY2026-2027 for Child Welfare Program #354 to cover costs associated with Letters of Agreement. An increase of \$450,000 General Funds in FY2026-2027 for domestic violence services in Child Welfare aid. These funds amended into the budget during General File debate in an effort to partially restore an \$850,000 cash fund appropriation reduction for this purpose, Medicaid Managed Care Excess Profit Funds, because of over obligation of the estimated cash fund revenue.<sup>26</sup> In Developmental Disability Aid, the budget includes an \$11 million increase from the Health Care Cash Fund. In the 2026 session, several additional adjustments made to this program, including a reduction of \$2.8 million in General Funds and \$3,407,049 federal funds in FY2026-2027 because of elimination of the Consultive Assessment, applied behavioral analysis services, which will still go to those with medical necessity through Medicaid. A reduction of \$3,318,016 in General Funds and \$4,037,373 in Federal funds in FY2026-2027 because of termination of a contract with the League of Human Dignity. The agency will provide service coordination for individuals on the Aged and Disabled Waiver internally instead of through this private contract. A reduction of total funds in the amounts of \$3,435,639 in FY2025-2026 and \$5,542,008 in FY2026-2027 because of agency expectations of a 10% and 15% reduction in Risk Tier funding. A reduction of \$14,118,676 in General Funds and \$17,179,653 in federal funds in FY2026-2027 because of agency expectations of reduced exception funding based on changes to how the program implemented and specifically caps with limited exceptions.<sup>27</sup> The budget includes a reduction for Local Public Health Departments by \$3.5 million. This issue rolls back the addition of \$1.5 million introduced in 2020 and partially rolls back additions introduced in 2021, reducing \$2 million of the \$3 million increase.<sup>28</sup> The increase in cash funds is \$63.1 million in FY2025-2026 and \$128.8 million in FY2026-2027 in the Medicaid and CHIP programs. This increase was one of the largest increases in cash fund appropriations in the budget in the 2025 session. In the Medicaid Managed Care Excess Profit Fund, the budget includes a \$10 million increase in cash authority in FY2025-2026, which offsets a commensurate reduction in General Funds in the same fiscal year.<sup>29</sup>

*NTF notes:* This dept. budget a prime example of how state taxpayer funding must replace ended federal funding. Again, cash funds replaced General Funds. This dept., like others, can find savings if required. Taxpayers should thank the Appropriations Comm. senators for conscientiously making cuts.

**DEPT. OF VETERANS AFFAIRS.** A \$2 million increase in both fiscal years to support recent pay line increases and to provide the agency the flexibility to continue hiring more staff needed for the veterans' homes.<sup>30</sup>

*NTF notes:* a worthy expenditure for our veterans.

**MLITARY DEPT.** The 2026 budget adjustments include a reduction of \$472,145 in General Fund appropriations in FY2025-2026 and \$494,626 in FY2026-2027 from eliminating vacant positions.<sup>31</sup>

*NTF notes:* Eliminating vacant job slots is a common means to cut personnel costs.

**DEPT. OF CORRECTIONS.** This budget includes a one-time \$5 million cash fund appropriation increase and a \$1.5 million General Fund reduction for FY 2026 to cover the demolition of Housing Unit 1 at the Penitentiary, which was a total loss. The project expense partially offset by \$3.5 million in insurance proceeds. The budget includes funding to support 56 FTE positions to staff 3 new specialty units at the Reception and Treatment Center. These units, a 32-bed geriatric unit, a 32-bed unit for cognitively-impaired individuals, and a 32-bed transition unit for individuals moving from acute mental health care to the general population, previously funded for construction in 2021 and 2022. Facilities completed in June, 2025 and operational by July, 2025. In the 2026 session, additional adjustments made to the financial agreement between the agency and the federal government to convert the McCook Work Ethic Camp into an Immigration and Customs Enforcement (ICE) detention facility. A General Fund reduction of \$1.9 million in FY 2025–2026 and \$10.2 million in FY 2026–2027 enacted. Furthermore, a one-time General Fund reduction of \$4.4 million made in FY2025-2026, related to overtime reductions and decreased use of temporary staff, also potential savings from adjusting staffing patterns at specific facilities. Overtime savings expected within Protective Services by reducing overtime across facilities as staffing levels improve. More reliance on agency FTEs and less on temporary staff and contract nursing. The budget also includes a one-time General Fund reduction of \$486,733 in FY2025-2026 to reflect

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<sup>26</sup> Ibid., p. 55.

<sup>27</sup> Ibid., p. 55.

<sup>28</sup> Ibid., p. 56.

<sup>29</sup> Ibid., p. 43.

<sup>30</sup> Ibid., p. 43.

<sup>31</sup> Ibid., p. 43.

the halted January, 2026 payment to Peru State College for the Workforce & Development Program. The program has sufficient funds because of lower-than-expected enrollment and staff vacancies.<sup>32</sup>

*NTF notes:* Like it or not, the crime rate and subsequent incarceration rate is increasing in NE. However, federal funds for using the McCook facility help the budget. Again, agencies if they want, can find savings.

**STATE COLLEGES.** An approximate 2.9% increase each year, with about 2/3rds allocated for salaries and 1/3 allocated for health insurance.<sup>33</sup>

*NTF notes:* Obvious that employees should pay a larger share of their health insurance.

**UNIVERSITY OF NE.** A 2% decrease in General Fund appropriations, \$14.3 million per fiscal year. The Appropriations Comm. included the same reduction in its preliminary budget. However, after intense lobbying, the Committee increased funding to the U. to reflect a 1.25% increase in FY2025-2026 only, holding the amount for FY2026-2027 equal to FY2025-2026. With reductions necessary to balance the General Fund, during floor debate on the budget, \$4.4 million then reduced from FY2025-2026 only. U. of Nebraska totals for this and next fiscal year: \$703,683,768 and \$708,054,475.<sup>34</sup>

*NTF notes:* Decreased appropriations to this system should reflect its refusal to eliminate diversity, equity, and inclusion from its classrooms and materials.

**STATE PATROL.** The budget includes an operations reduction of \$3 million per year in General Funds. However, several increases appeared which offset this base reduction to the agency, including funds for law enforcement equipment, crime laboratory supplies, instrumentation for toxicology testing, aviation support costs, wage increases for sworn employees, and salary and health insurance increases. The Appropriations Comm. recommendation included a net increase from the base reduction for additional items totaling \$797,492 in FY2025-2026 and \$905,285 in FY2026-2027. With reductions necessary to balance the General Fund, the increase reduced, resulting in no net change to the agency General Fund appropriation from FY2024-2025 for either year of the biennium. The 2026 mid-biennium adjustments included a total of \$2,363,791 in General Fund reductions in FY2025-2026 and \$1,614,601 General Fund reductions in FY2026-2027. These reductions identified by the State Patrol and include reductions to compensatory time and overtime, elimination of vacant or soon-to-be-vacant civilian positions because of retirement, and reductions in recruitment, rent, training and travel, uniform expenses, and vehicle and equipment budget.<sup>35</sup>

*NTF notes:* Again, agencies themselves can find places to cut their budgets.

**DEPT. OF ADMINISTRATIVE SERVICES.** The enacted 2026 adjustments include General Fund base reductions for the Budget Office, Building Division, Personnel, Employee Relations, and the Capital Commission. Total reductions were \$927,889 in each year for a total reduction of \$1,855,778 for the biennium. The enacted adjustments also include a one-time General Fund appropriation reduction of \$560,000 in FY2025-2026 from alternative sources for the Personnel Division and a General Fund lapse of \$500,000 from re-appropriated funds for the Budget Office.

*NTF notes:* The Appropriations Comm. deserves commendation for scrutinizing dept. budgets for cuts.

**DEPT. OF ECONOMIC DEVELOPMENT.** The budget includes operations reductions in budget program #603 totaling \$2,385,950 each fiscal year. Of this sum, \$785,950 per year reduced because of the termination of the Small Business Assistance Act. An additional \$1.6 million per year reduced from general operating expenses. Additionally, funding for the state marketing campaign eliminated. This program initially funded by \$10 million of federal COVID funding and then paused until FY2024-2025, when \$5 million of General Funds per year appropriated. The program was an advertising and marketing campaign created to attract people and businesses to Nebraska.<sup>36</sup>

*NTF notes:* A good exercise in cutting unnecessary programs.

**RETIREMENT PLANS.** LB 645 (2025) amended the employee contribution rate and the contribution of state funds for the School Retirement Plan based upon the funded ratio on the actual value of assets. The impact is a reduction of state funds contributed in FY2025-2026 of \$32.6 million and \$51.4 million in FY2026-2027. The bill also amends the benefits relating to the death of a trooper for the State Patrol Retirement Plan, estimated to increase state contributions to that plan by \$3.3 million in FY2027-2028 and in FY2028-2029. During the 2026 session, adjustments based on the 2025 actuarial report resulted in an increase of \$4.1 million in FY2026-2027, including \$3.4 million for the State Patrol

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<sup>32</sup> Ibid, p. 44.

<sup>33</sup> Ibid., p. 44.

<sup>34</sup> Ibid., pp. 43, 60.

<sup>35</sup> Ibid., p. 45

<sup>36</sup> Ibid., p. 46.

retirement plan as the impact of LB 645 is needed one year earlier. Additionally, the Legislature passed LB 1101, which restructures the state contributions to the Judges' Retirement Plan to 0% beginning in FY2026-2027, resulting in a savings of \$1.2 million.<sup>37</sup>

*NTF notes:* Utilizing accurate actuarial plans can allow state government to decrease pension costs.

**DEPT. OF WATER & ENERGY.** During the 2026 session, the budget adjustments included a reduction of \$525,000 in FY2025-2026 and \$50,000 in FY2026-2027 because of efficiencies identified during the merger of the Dept. of Natural Resources into the new Dept. of Water, Energy, and Environment. The adjustments also included a reduction of \$343,263 General Funds in both FY2025-2026 and FY2026-2027, reflecting vacant positions then closed out by the agency.<sup>38</sup>

*NTF notes:* Merging departments and agencies often saves taxpayer dollars.

**PUBLIC EDUCATION.** State aid to K-12 education set as follows for this and the next fiscal year: General Funds \$1,035,595,185 and \$994,035,905, Education Future Fund (EFF) \$112,977,519 and \$112,196,843, and Insurance Premium Tax \$43,858,118 and \$45,000,000. Total state aid: \$1,192,430,822 and \$1,151,232,748. The budget includes the \$858,119 reduction in FY2025-2026 and a reduction from the 2025 enacted budget of \$30.4 million in FY2026-2027 based on the March 1 certification of state aid from the State Dept. of Education. LB 966 (2026) created the Hunger-Free Schools Pilot Program, which increased General Fund appropriations for school meals by \$55,638 in FY2026-2027 and cash fund appropriations by \$1,151,180 in FY2026-2027.<sup>39</sup> School lunches cost \$392,032 in both fiscal years. School breakfast reimbursements totaled \$617,898 both years.<sup>40</sup> Because of the adoption of Referendum Measure 425 in the 2025 session, an appropriation to the State Treasurer of \$10 million General Funds per year now eliminated. The passage of this measure eliminated the need and authority to grant opportunity scholarships. In the mid-biennium budget, additional funds initially included for FY2026-2027, appropriated to the Dept. of Labor for education scholarships. However, the funding then amended out of the bill prior to enactment. The 2026 budget adjustments included an increase to General Fund appropriations of \$100,000 in FY2025-2026 from the rise in tuition assistance requests by National Guard service members.<sup>41</sup> For Special education reimbursements to School districts, the budget increased Cash Fund appropriations to meet the statutory requirement of reimbursing 80% of allowable special education costs. The budget does not include an increase in the General Fund appropriation for the reimbursements but includes the following from the EFF: a deficit for FY2024-2025 of \$67,558,187, a base adjustment equaling the deficit amount for FY2025-2026 and FY2026-2027, and an increase of \$17,825,154 in FY2025-2026 and \$36,274,187 in FY2026-2027 to account for 3.5% growth in total reimbursements. Total special education allowable costs have increased by an average annual growth over the past 5 years of about 7% per year. In FY2024-2025, 51% of total reimbursements (\$462,304,704) came from the General Fund. Because of an increase in allowable costs exceeding 10%, the FY2024-2025, reimbursements totaled \$509,290,100. The budget includes the deficit amount from the EFF, bringing the total General Fund share of reimbursements to 46.3%. Because of the cash balance in the EFF, an increase for FY2025-2026 and FY2026-2027 sufficient to increase total special education appropriations for 3.5% annual growth in reimbursements included from cash funds. The 2026 mid-biennium adjustments do not include the additional \$15,470,633 regarding the total cost to reimburse 80% of allowable costs for FY2025-2026. Instead, appropriations held the same in FY2025-2026, which equates to a reimbursement rate of about 78% of allowable costs. Additionally, the budget reduces the amount appropriated for FY2026-2027 by \$18,449,033, to hold the appropriation flat from FY2025-2026 to FY2026-2027. The percentage of allowable costs reimbursed in FY2026-2027 not yet determined, and will depend on the deficit appropriations in the 2027 session.<sup>42</sup>

*NTF notes:* More money for free lunches for the undeserving but less money for opportunity scholarships for deserving students. State aid categories appear to fluctuate in amounts and subject to frequent legislative revision.

**COMMUNITY COLLEGES.** Total General Fund aid, including the amount designated for dual enrollment, is \$119.1 million in FY2025-2026 and \$114.1 million in FY2026-2027. Despite the reduction in General Fund aid, community college aid from the state from all fund sources increases 2.19% from FY2025-2026 to FY2026-2027 and could increase after Community College Future Fund aid certified in Aug., 2026.<sup>43</sup>

*NTF notes:* Community colleges receive enough state aid to permanently remove this burden from local governments.

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<sup>37</sup> Ibid., p. 47.

<sup>38</sup> Ibid., p. 48.

<sup>39</sup> Ibid., p. 49.

<sup>40</sup> Ibid., p. 62.

<sup>41</sup> Ibid., p. 56.

<sup>42</sup> Ibid., pp. 81-82.

<sup>43</sup> Ibid., p. 50.

**SUGGESTED CUTS.** State senators easily could peel much more from the state budget. Note the following:

Eliminate the Equal Opportunity Comm., saving \$1,547,076.

Eliminate the Latino-American Comm., saving \$309,869.

Eliminate the Indian Affairs Comm., saving \$323,801.

Eliminate the African-American Comm., saving \$307,558.

Eliminate the Asian-American Affairs Comm., saving \$297,917.

Eliminate the Arts Council, saving \$2,699,586.

Eliminate aids to arts programs, saving \$1,849,209.

Eliminate summer food service grants, saving \$90,000.

Eliminate Youth in Transition, saving \$1,281,202.

Eliminate the Youth Outdoor Grants, saving \$1 million.

End sports arena financing, saving \$4.5 million annually.

End Convention center financing, saving \$7.1 million annually.

End non-mandated bilingual services. A wage differential included for specific employees in Dept. of Motor Vehicles, Game & Parks Commission, and Dept. of Transportation because of bargained increases for multi-lingual employees.

Do not include funds for salary and health insurance increases not requested. The enacted budget did not include funds for salary and health insurance increases but in most cases did increase the salary limit for wage increases for the following agencies that did not request such increase at the agency budget hearing: Legislative Council, Governor, Lieutenant Governor, Dept. of Banking, Dept. of Insurance, Liquor Control Commission, Worker's Compensation Court, Investment Council, Retirement Board, and Commission on Public Advocacy.<sup>44</sup>

**TAKE ACTION NOW.** Legislators must sharpen their paring knives to cut much more from the state budget to fill the looming deficit. They cannot continually siphon from the cash reserve and cash funds to balance the budget. State legislators must take advantage of every opportunity afforded states by the Trump Administration to cut welfare rolls, saving NE taxpayers millions. State funds given local taxing authorities must depend on the latter willing to restrain their spending habits. NE no longer can depend on generous federal grants and other revenues to subsidize our spending. Thus, senators must offer taxing authorities incentives to control and cut their budgets. State depts. must utilize modern technology and other means to trim state employee numbers. Senators should concentrate spending on basic services and penalize state entities that stubbornly refuse to terminate unnecessary spending, e.g., D, E, and I. The legislature should offer financial options, so that parents have additional choices for educating their children.

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<sup>44</sup> Ibid., p. 40.