



Jim Pillen
Governor

STATE OF NEBRASKA

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May 24, 2023

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

Dear Mr. President, Mr. Speaker, and Members of the Legislature:

With this letter, I am returning LB 814e and LB 818e with my signature, but with line-item reductions.

Our economy is incredibly strong, as evidenced by the overcollection of tax receipts compared to funds necessary to provide essential services to our citizens. Hard-working taxpayers of Nebraska are demanding that their money be returned. The Legislature is on the verge of passing transformative tax relief measures that will lower the burden of income, business, property, and social security taxes. We must continue to fight against excessive governmental spending to deliver dollars back into the pockets of Nebraskans.

Delivering transformational tax relief has not stopped us from ensuring that no kid is given up on. The Education Future Fund is established with \$1 billion in FY 2023-24 and \$250 million every year thereafter to finance public K-12 education. This will increase education aid by nearly 30% annually to ensure the state is adequately financing public education, while driving down the reliance on property tax dollars. We will ensure that every student has at least \$1,500 in foundation aid, while also guaranteeing that our special education students are funded with state resources.

To balance our budget, I have line-item vetoed Medicaid reimbursement rates to provide for a 3% increase in FY 2023-24, while holding rates flat in FY 2024-25. This will reduce funding by \$15.3 million in General Funds and \$29.9 million in federal funds in FY 2024-25. Hospitals have seen record profits preceding and throughout the pandemic, but rising costs have begun to eat into these margins. Funding for reimbursement rates will not address any of the systemic workforce shortages and will only provide a band-aid to hospitals' bottom line, without providing any relief for healthcare costs paid by everyday Nebraskans. Healthcare institutions must adapt by developing a sustainable healthcare model that addresses both near and future challenges.

I have also vetoed the child welfare rate increase of \$6 million in General Funds in FY 2024-25 related to the replacement of one-time federal funding from the American Rescue Plan Act (ARPA). Replacement of temporary federal funding with permanent state funding is a practice that will severely harm the state financially. The Department is currently conducting a rate study as

part of LB 1173 (2022) to better inform reimbursement rate decisions and will potentially revisit this budget program in the mid-biennium process to address possible rate adjustments.

I have also reduced \$900,000 in General Funds in FY 2023-24 and FY 2024-25 related to the expansion of home visitation care that would boost the existing program from \$1.1 million to \$2 million a year. Currently, the Department of Health and Human Services is utilizing Temporary Assistance for Needy Families (TANF) funds to provide for this care and will continue to address needs with this fund source. Additionally, I have vetoed additional funding for a CEDARS housing facility of \$1 million in General Funds in FY 2023-24 intended for housing pregnant and parenting homeless youth. Financing operations of this facility is a TANF eligible expense and will be handled administratively, instead of utilizing General Fund tax dollars.

My veto includes a General Fund reduction of \$250,000 in each year of the biennium related to the expansion of court-appointed special advocates (CASA) aid. Without this reduction the program grows from \$500,000 to \$750,000 each year, or a 50% increase. I have also line-item reduced \$2.2 million in General Funds in FY 2024-25 for the Legislative Council related to 15% legislative salary increases. The continuing trend of underutilized appropriation demonstrates there is more than enough resources to accommodate these increases.

Additionally, I have vetoed a total of \$309,461 in General Funds in FY 2023-24 and \$539,242 in FY 2024-25 related to the new state auditor positions and salary increases. The Auditor has existing resources to cover necessary positions and pending salary increases to fulfill the office's constitutional duty. I have also vetoed \$470,164 General Funds in FY 2023-24 and FY 2024-25 for the Nebraska Historical Society. Over the last four years, the agency has underspent General Funds by an average of \$900,000. My veto will right size the agency's funding without impacting their day-to-day operations. Additionally, I have line-item vetoed \$107,252 in General Fund appropriation in FY 2023-24 and FY 2024-25 for a position within the Deaf and Hard of Hearing Commission to fund a full-time sign language interpreter that is not necessary based on current workload.

I have line-item vetoed \$950,000 General Fund appropriation in FY 2023-24 and FY 2024-25 for additional funding to the Supreme Court, including \$500,000 per year to assume additional ex-officio clerk services and costs on behalf of county district courts, \$200,000 per year to increase funding for court interpreters, and \$250,000 per year for additional public guardianship services. The Supreme Court has enough funding to manage potential increases in demand for these services.

I have vetoed \$300,000 General Fund appropriation increase in FY 2023-24 and FY 2024-25 for interstate water litigation within the Attorney General's office. Existing funding is sufficient to meet the state's needs for this purpose. Additionally, the requested trial preparation coordinator position was a lower priority for the Attorney General, and I have vetoed General Fund appropriation by \$102,917 in FY 2023-24 and \$107,840 in FY 2024-25.

I have line-item vetoed the \$7 million General Fund appropriation in FY 2023-24 to the Department of Environment and Energy for providers grant assistance for a rural drinking water project in Cedar/Knox County. This project has already seen significant investment from the State,

which is utilizing ARPA and Drinking Water State Revolving Fund funding, which exceeds \$32 million.

To preserve our Cash Reserve Fund, I have vetoed \$10 million cash fund appropriation in FY 2023-24 and FY 2024-25 for Rural Workforce Housing and \$10 million cash fund appropriation in FY 2023-24 and FY 2024-25 for Middle Income Housing. This will preserve our reserve funds and avoid flooding the housing market with government subsidization. We have invested more than \$200 million in affordable housing over the past three years and Nebraska housing developers are busy leveraging this substantial investment to build up our supply of affordable housing in the State of Nebraska.

I am reducing the additional Shovel Ready Capital Recovery and Investment Act Funds from \$90 million to \$70 million in FY 2023-24 and eliminating funding of \$10 million related to the Site and Building Development funding to Kimball for a ground-based nuclear deterrence project. I stand behind Kimball in securing funds from the federal government to ensure this area can continue to thrive in the future and we will continue to assist that effort in any way possible.

I am also vetoing the \$5 million appropriation from the Nebraska Health Care Cash Fund in FY 2023-24 and FY 2024-25 and the related intended transfers in the following three years from the Cash Reserve Fund for the pilot program related to gun violence. Over \$500 million has already been devoted to economic recovery over the last two years focused mainly in North and South Omaha.

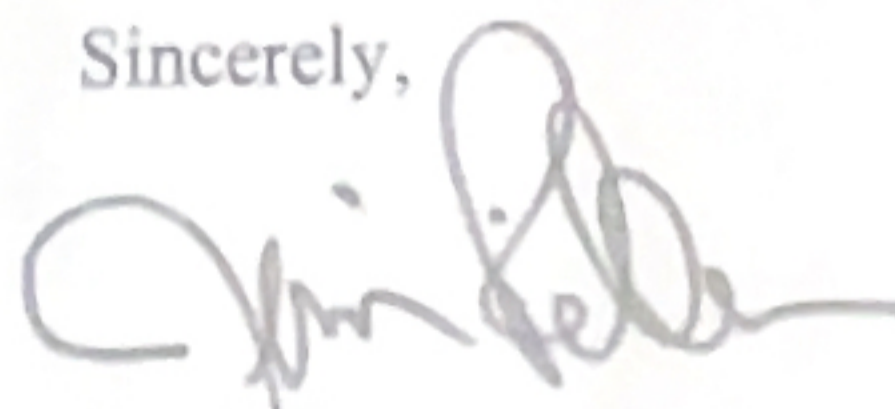
Investing in our core mission of providing quality services to the citizens of Nebraska, while delivering transformational tax relief is a must. We must cut government spending, we must cut government red tape, and we must lead the charge in investing in our next generation. Over four years, my veto reductions will save the General Fund \$94.2 million, Health Care Cash Fund \$10 million, and Cash Reserve Fund \$87 million.

This session has the makings of being truly transformational and I am writing to you to stand up to the special interests who stand to gain from growing government spending and deliver the money back to hard-working Nebraskans!

I urge you to sustain these vetoes.

Received by the
Secretary of State
24 MAY 2023
Mark Brown

Sincerely,



Jim Pillen
Governor

RECEIVED

MAY 24 2023

CLERK OF THE LEGISLATURE