

By Russ Pankonin

The Imperial Republican

With declining tax revenues reducing the money in state coffers, Governor Dave Heineman summoned state legislators back to Lincoln this week for a special budget cutting session.

Senator Mark Christensen said the special session will begin Wednesday with the goal of cutting an anticipated \$334 million from the two-year budget.

The shortfall in revenues comes in the first year of the two-year budget adopted during this year's 90-day session of the Legislature.

In talking with some of his colleagues, Christensen said it's possible a five percent across the board cut could be introduced. That would take care of the deficit for this year, he noted.

In a statement Monday, Gov. Heineman said he would propose a 2.5 percent across-the-board cut during the remainder of the 2009-2010 fiscal year with a five percent cut slated for the 2010-2011 budget year.

Aid to schools and universities represents about 50 percent of the total budget, Christensen said.

The sentiment among his colleagues is to leave school funding alone this year, since schools have already adopted budgets and set levies.

Heineman has proposed leaving state aid for the next fiscal year at the same level as this year, which was \$933 million. State aid was set to increase to \$981 million next year, resulting in a savings of \$48 million.

Gov. Heineman said the education community preferred that any adjustments be in the second year of the biennium budget.

"By maintaining the current year funding level for this year and next, school districts have ample time to plan for the next school year. My hope is that school districts will find ways to reduce spending to limit the impact on classrooms," the governor said.

In making the call for the special session, Christensen said the governor took off the table any new tax increases or use of the state's cash reserves fund.

Approximately \$250 million from cash reserves was already used to balance the current budget.

"My proposal was developed with middle class Nebraska families in mind," Gov. Heineman said. "When family income is down, families reduce spending. When business income is down, businesses reduce spending. When state revenues are down, state government should reduce its spending," he said.

Christensen said while the overall economy is struggling, personal savings has been on the increase.

While that's not a boost for the economy, it means that people are better prepared for some economic downturn. "That's a great thing," he added.

Governor's plan

The governor is looking to four components to help make up for lower revenue: agency savings, general fund transfers, specific reductions and across-the-board reductions.

State agency savings totalling \$65 million.

A total of \$37 million would be transferred from numerous cash funds into the general fund. The proposal includes transfers from the Securities Cash Fund, the Insurance Cash Fund, the Tobacco Products Cash Fund, the Waste Reduction and Recycling Fund, the Job Training

Cash Fund, the Enhanced Wireless E-911 Fund and the Motor Vehicle Cash Fund.

The third component includes adjustments totalling \$154 million for specific expenditures including: state aid to education, provider rates, Medicaid, corrections and the State Patrol.

The fourth component comes in the form of across-the-board reduction of 2.5 percent in the current fiscal year to most state agencies and a five percent reduction in fiscal year 2010-11.

These reductions will apply to the Governor's Office, the Nebraska Legislature and the Nebraska Supreme Court.

Due to the requirements of the federal stimulus law, the across-the-board reductions for the University of Nebraska and higher education institutions will be 1.8 and 3.4 percent.

Across-the-board reductions, including those for cash funded agencies, total \$80 million.

The governor's actions will keep intact tax relief programs enacted during the past four years and continues the property tax credit program begun two years ago. In fiscal year 2010 and 2011, the program will provide \$230 million in tax credits to property owners.

Session an opportunity

Christensen said the special session will also give him the opportunity to see what kind of water legislation he can gain support for.

Christensen said he will be sharing some ideas with colleagues and the governor's office to deal with a variety of issues facing irrigators in the Republican Basin and elsewhere in the state.

Christensen said the earliest the session could end would be next week. However, it's anticipated the session may last into Thanksgiving week.