

State budget package clears first round

Lawmakers gave first-round approval this week to three components of the state's \$12.975 billion budget package. The state budget is structured on a two-year basis, with the budget enacted during legislative sessions held in odd-numbered years.

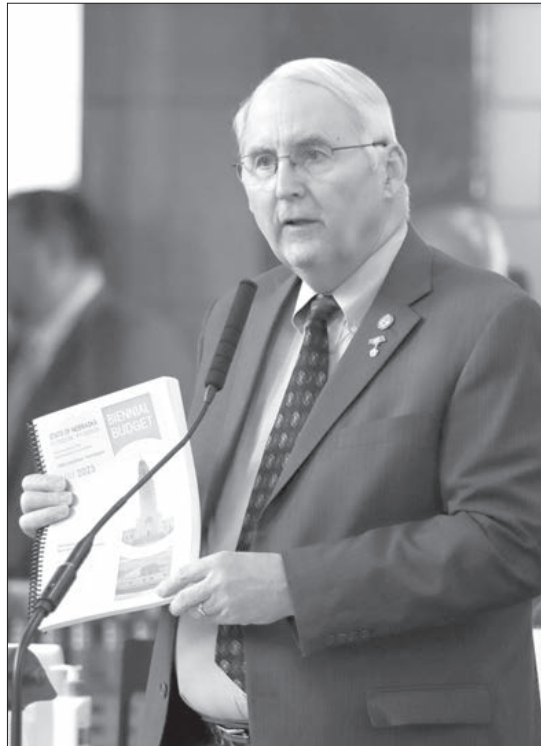
As introduced, the Appropriations Committee budget proposal would result in a projected ending balance of almost \$715 million above the 3 percent required minimum reserve. This amount would be available to fund proposals pending before the Legislature this session.

The state's Cash Reserve Fund — often referred to as the “rainy day” fund — would have a balance of almost \$990 million.

Elmwood Sen. Robert Clements, chairperson of the committee, said the budget package reflects a two-year average spending growth rate of 2.3 percent and would leave approximately 16 percent — or two months' worth — of the state's annual expenditures in the Cash Reserve Fund as a buffer against potential future economic downturns.

Lincoln Sen. Anna Wishart, committee vice-chairperson, expressed pride in the priorities chosen by the committee, including focusing on key infrastructure projects to support a second water source for Lincoln, a water project in northeast Nebraska and a sewer project in Sarpy County.

“We prioritized water,” Wishart said. “I don't know if there's anything more basic in terms of needs than access to water.”



Sen. Robert Clements, chairperson of the Appropriations Committee, presented the committee's budget package to the Legislature.

Sen. Lou Ann Linehan of Elkhorn also spoke in support of the overall budget package, pointing to the inclusion of \$1 billion in state general funds to provide foundation aid and additional special education funding for K-12 students through creation of the Education Future Fund.

“We funded a lot of good programs,” Linehan said, including hundreds of millions of dollars for economic development aid to east Omaha and increases in Medicaid provider rates.

“I'm tired of hearing that we don't take care of people here,” Linehan said. “The largest part of our budget is aid — by far and away.”

Mainline budget

LB814, introduced by Speaker John Arch on behalf of Gov. Jim Pillen, is the mainline budget bill. An Appropriations Committee amendment, adopted 37-4, replaced the bill and contains recommendations for state operations and aid programs.

Among the measures included in the committee amendment were provisions of the following bills brought by lawmakers:

- LB80, sponsored by Grand Island Sen. Raymond Aguilar, which would authorize transfers of \$4 million in each of the next two fiscal years from the Veterans' Aid Fund



Sen. Raymond Aguilar

to fund construction and improvements to a state veterans' cemetery in Grand Island;

- LB609, sponsored by Omaha Sen. Mike McDonnell, which would appropriate \$2.5 million in general funds in FY2023-24 to the state Department of Veterans' Affairs to award a grant to a nonprofit to help complete a memorial to the nearly 400 Nebraskans who



Sen. Mike McDonnell

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died in the Vietnam War;

- LB712, sponsored by Gering Sen. Brian Hardin, which would transfer \$10 million from the Cash Reserve Fund to the Site and Building Development Fund in FY2024-25 to fund grants to aid panhandle communities as they prepare for an influx of contractors to upgrade the area's aging ICBM missile system;



Sen. Brian Hardin

- LB741, introduced by Omaha Sen. Tony Vargas, which would transfer \$20 million in FY2023-24 and FY2024-25 from the Cash Reserve Fund to the Rural Workforce Housing Investment Fund and the Middle Income Housing Investment Fund; and
- LB817, introduced by Arch on



Sen. Tony Vargas

behalf of the governor, which would appropriate funds for reaffirmed and new capital construction projects.

Sen. John Cavanaugh of Omaha offered an amendment during general file debate May 3 that would strike \$14 million in transfers from the Nebraska Environmental Trust Fund to the Water Resources Cash Fund over the next two fiscal years.

Cavanaugh noted that the Nebraska Environmental Trust Fund was created in 1992 and receives 44.5 percent of the state's lottery proceeds under a constitutional amendment approved by Nebraska voters in 2004. He said the state constitution does not authorize the Legislature to transfer those funds or to appropriate the money for other purposes.

"The environmental trust is not a pass-through for agencies to use in lieu of general funds" Cavanaugh said,



Sen. John Cavanaugh encouraged senators to oppose a transfer from the Nebraska Environmental Trust Fund.

calling the provision "likely unconstitutional."

Clements opposed the amendment, saying LB814 includes intent language to restrict the department's use of the transfer to water projects that would be authorized uses of the Nebraska Environmental Trust Fund.

In addition, there is precedent for such transfers, Clements said, and the trust fund currently has a surplus,

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which ensures that a one-time transfer would not jeopardize the fund's long-term sustainability.

"With the increase in revenue from the Nebraska lottery, the fund is on track to continue to grow," he said.

The Cavanaugh amendment failed on a vote of 12-28.

Senators adopted an amendment brought by McDonnell, which would appropriate \$10 million in general funds to conduct a required actuarial study regarding changes to the Nebraska State Patrol retirement plan. The amendment was adopted 28-0.

Corrections proposals

Several amendments to LB814 focused on issues with the state's corrections system and \$335 million in proposed funding for a new prison to replace the aging Nebraska State Penitentiary.

Omaha Sen. Justin Wayne said the state's focus on building a new facility without a comparable focus on programming for incarcerated individuals or assistance with their reentry into society is not fiscally responsible.

"Our prison system is overcrowded," he said. "We are going to spend over \$300 million to build a new prison and nobody in this body can find me any data point that says that prison will not be full the first day it is open."

He brought an amendment, adopted 28-3, to add provisions originally outlined in his LB792, which would create a pilot program in a metropolitan class city to assess and treat post-traumatic stress disorder related to gun violence.

As introduced, the bill would have appropriated \$25 million in general funds to carry out the study, but Wayne said he would work with senators before the second round of



Sen. Justin Wayne said his proposed PTSD study would target some of the state's most vulnerable youth.

debate to ensure that funding for the current biennium is \$5 million per year from the Nebraska Health Care Cash Fund.

Wayne said he believed that research into and subsequent assistance for PTSD in North and South Omaha could benefit those communities as much as any economic development effort and would be a necessary step in curbing the cycle of violence and incarceration experienced by many area residents.

Lincoln Sen. George Dungan supported the amendment, calling PTSD one of the major root causes of involvement in the state's criminal justice system. A person who experiences numerous traumatic events as a child often is further traumatized by being incarcerated, he said, leading to a spiral of mental health issues.

"One of the things about PTSD is that it compounds upon itself," Dungan said.

Sen. Terrell McKinney of Omaha brought an amendment, adopted 29-8, to address the current grant reimbursement process for nonprofits that provide reentry services for individuals transitioning back to communities from the state's correctional system.

McKinney explained that many

such organizations operate on tight margins and cannot afford to provide extensive services upfront and then wait to be reimbursed by the state. The amendment would require that grants not be funded through a reimbursement process.

Another amendment offered by McKinney to strike funding for a new state prison failed on a 14-24 vote.

Dungan brought an amendment, adopted 31-1, to provide \$200,000 in general funds in FY2023-24 and FY2024-25 to increase payments for court interpreter services for deaf and hard of hearing individuals and those who are unable to communicate in English.

After eight hours of debate, Arch offered a motion to invoke cloture, which ceases debate and forces a vote on the bill and any pending amendment. The motion was adopted on a 38-3 vote and senators advanced LB814 to select file 36-4.

Fund transfers

Fund transfers

LB818, also introduced by Arch at the request of the governor, would provide for fund transfers and change and eliminate provisions regarding fund transfers. A committee amendment, adopted 39-0, replaced the bill.

Debate focused on proposed funding for the Perkins County Canal Project, which would divert South Platte River water from Colorado to Nebraska in accordance with a 1923 interstate compact. The state Department of Natural Resources originally requested \$449 million for a 500 cubic feet per second canal. The committee increased that request to \$574.5 million for a 1,000 cfs canal.

Senators rejected an amendment offered by Omaha Sen. John Cavanaugh to revert to the original funding

outlined by the department.

Cavanaugh said the expanded project could jeopardize the state's ability to exert its rights under the compact by provoking backlash from Colorado over expanded eminent domain claims. Additionally, the department has failed to explain why the larger canal is necessary, he said, and building it likely would result in extensive legal battles.

"I remain skeptical whether the canal is worth the cost to the state, both in terms of construction and the inevitable litigation it will bring," Cavanaugh said.

Clements opposed the amendment, saying the larger canal would result in Nebraska obtaining 100 percent more water capacity for only 28 percent more cost. He said the expanded canal also would send a message to Colorado that Nebraska is serious about exerting its water rights under the compact.

Dunbar Sen. Julie Slama said Nebraska is "wholly dependent" on flows from others in order to irrigate land and provide drinking water across the entire state. Speaking in opposition to the amendment, she said the expanded canal is necessary



Sen. Mike Moser successfully removed a proposed transfer from a fund meant to ensure access to telecommunication services.

to preserve agriculture and secure the state's prosperity.

"Water is the gold of the future," Slama said.

The Cavanaugh amendment failed on a vote of 11-32.

Omaha Sen. Terrell McKinney offered an amendment to require that \$70 million of any transfers from the Cash Reserve for a new state prison must first go into the Nebraska Prison Overcrowding Contingency Fund, to be released only on completion of several studies regarding classification, staffing requirements and programming needs and efficacy.

McKinney said funding for the prison should not be approved without some level of oversight and accountability for the state Department of Correctional Services, which has yet to complete a classification study required by the Legislature in 2021.

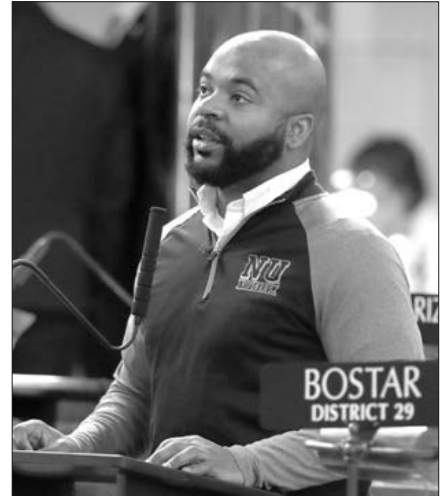
Wishart said she understood the frustration expressed by several lawmakers that the Legislature has not passed meaningful criminal justice reform in recent years and agreed that, without such reform, the state's prison overcrowding crisis will continue even after construction of a new prison.

She said she was committed to working on an amendment for the next round of debate that would build in greater accountability for the department.

McKinney's amendment failed on a 16-16 vote.

Columbus Sen. Mike Moser offered an amendment, adopted 36-0, to remove a \$40 million transfer from the Nebraska Telecommunications Universal Service Fund to the Cash Reserve Fund. Moser said the current fund balance of roughly \$120 million is dedicated to a number of ongoing projects and should not be used to bolster the state's "rainy day" fund.

Lincoln Sen. Danielle Conrad



Sen. Terrell McKinney offered amendments to place conditions on funding for a new state prison.

supported the amendment, saying the state's robust fiscal position means there is no need to "shake the couch cushions" and "raid" cash funds looking for money in order to avoid cutting state services or raising taxes.

"If and when we face an economic downturn — and there's a great deal of economic uncertainty on the horizon — if we utilize and sweep those cash funds today, in a time of unprecedented economic prosperity, we have no place to go in the future," Conrad said.

Following a successful cloture motion adopted 36-2, lawmakers advanced LB818 to select file on a 35-0 vote May 4.

LB813, the final component of the budget package, would make adjustments to funding for state operations, aid and construction programs in the current fiscal year ending June 30, 2023. Omaha Sen. Machaela Cavanaugh offered a series of amendments to extend debate on the measure, none of which were adopted.

Following a successful cloture motion from Arch, lawmakers adopted a committee amendment May 5 on a 38-0 vote. LB813 then advanced to select file 36-2. ■

MEET THE SENATOR

Dungan seeks new way to serve

Lincoln Sen. George Dungan has spent his professional life striving to bridge the gap between the voiceless and the powerful. Now he's ready to bring that spirit to the Nebraska Legislature.

It started back in law school in Washington, D.C., where Dungan had the opportunity to teach classes at several area high schools on constitutional rights and how they apply to youth. His time in the classroom opened Dungan's eyes to the vast diversity of individual experience and its implications.

"I was able to learn a lot from my students who came from entirely different walks of life than me," he said. "It really shaped a lot of my continued desire to give back and amplify the voices of others."

Dungan carried that passion back to his hometown of Lincoln, where he continued working in youth advocacy in the juvenile division of the Lancaster County Public Defender's Office. Working on a broad range of issues as a public defender helped Dungan connect with his local community and better understand the challenges that young people face.

Everyone has unique experiences, ideas and stories that have a right to be told, Dungan said, but far too often people feel their voices are not heard in the Capitol and other places of power.

"Each and every client I have represented was a sum of so many different parts of their past," he said. "Whether it was mental health issues, substance use disorders or trauma — I

knew that each of my clients had a story that needed telling."

Now that he's been elected to the Legislature, Dungan hopes to continue serving as a bridge — this time between the community and lawmakers. Being a public defender requires the ability to find common ground and commonsense solutions that work for everyone, he said, and that is something that the Unicameral also could use.

"There needs to be some sort of middle ground between elected officials and the citizens of Nebraska," Dungan said. "This seemed like the perfect opportunity to throw my hat in the ring and fight for the voices in my community."

That community spirit is evident in the new senator's life outside the Capitol as well.

Dungan currently serves on the Lincoln Pedestrian Bicycle Advisory Committee and the Lincoln Bar Association board of trustees. He also was inducted into the TeamMates Mentor Hall of Fame for his work



Sen. George Dungan enjoying the rural Nebraska scenery during the Tour de Nebraska — a five-day annual cycling event — in 2021.

mentoring youth.

When he's not out serving his community, you can likely find Dungan on the city's bike trails, playing music or spending time with his fiancée, Britta, and their dog, Redford. Although they'll play just about anything that they can sing along to, Dungan said Fleetwood Mac and Joni Mitchell are staples in their household.

"We are a big music family," he said. "Having nights at home where we can relax, play music and enjoy each other's company is so important — especially during session." ■

Education lottery allocation bill expanded, advanced

A bill distributing state lottery funds to education programs received first-round approval May 2 after lawmakers amended it to include nearly two dozen other education-related proposals.

Current law sets aside a portion of state lottery proceeds for education. LB705, as introduced by Sen. Dave Murman of Glenvil, would allocate those funds to various education programs over the next several years.

An Education Committee amendment, adopted 35-1, replaced the bill with a modified version of the original proposal as well as the provisions of 17 other bills heard by the committee this session. Senators adopted further amendments containing the provisions of five additional bills.

Murman, the committee's chairperson, said the proposals included in the committee amendment are intended to address four key issues: teacher recruitment and retention, school safety, special education funding and increased parental and student involvement.

Lottery funds

The committee amendment would allocate lottery funds to a number of new and existing education programs for fiscal year 2024-25 through FY2028-29.

The Nebraska Opportunity Grant Fund, which provides financial aid to low-income Nebraska residents enrolled at postsecondary educational institutions, would receive 58 percent of the funds.

Under one new program, which would receive 8 percent, the Educational Service Unit Coordinating Council would ensure that annual behavioral awareness training is avail-



Sen. Dave Murman said the Education Committee amendment contains proposals that would help every public, private and home school student in Nebraska.

able statewide beginning in school year 2024-25. The ESUCC also would develop, implement and administer a statewide teacher support system.

Beginning with the 2026-27 school year, each school district would ensure that administrators, teachers, paraprofessionals, school nurses and counselors receive the training.

The amendment also would require the state Department of Education to develop and adopt a model policy relating to behavioral intervention, behavioral and classroom management and removal of a student from a classroom. School districts would be required to adopt their own policies consistent with or comparable to the model policy by Aug. 1, 2025.

The new College Pathway Program Cash Fund would receive 2 percent of the lottery funds. Under the new program, the department would provide grants to qualifying service providers that help low-income and underrepresented students graduate from high

school, apply to college and complete the requirements to receive an associate or bachelor's degree.

The amendment also would allocate 1.5 percent of the funds to a new mental health training grant program administered by the department.

Under another new program, the Coordinating Commission for Postsecondary Education would provide up to \$250,000 in grants each year to teachers enrolled in education pathways leading to qualification to teach dual-credit and career and technical education courses.

One percent of the funds would be allocated to the new Door to College Scholarship Act, under which the commission would provide grants of up to \$5,000 annually to eligible students for their educational expenses at public or private postsecondary educational institutions in Nebraska.

Eligible students would have to receive a high school diploma from an accredited education program at

a youth rehabilitation and treatment center or from a public, private, denominational or parochial school within one year of being discharged from a YRTC.

Teacher recruitment and retention

The amended provisions of LB385, introduced by Sen. Lou Ann Linehan of Elkhorn, would create a grant program administered by the state Department of Education intended to recruit and retain Nebraska elementary and high school teachers.



Sen. Lou Ann Linehan

Under the proposal, teachers who have signed a contract to complete their second, fourth or sixth year of full-time employment as a teacher at a Nebraska school could apply for a \$2,500 grant.

Teachers who obtain an endorsement in special education, mathematics, science, technology or dual credit could apply for a \$5,000 grant.

The amended provisions of LB603, also sponsored by Linehan, would require the commissioner of education to issue an alternative certificate to teach full time to applicants with a bachelor's degree who have successfully completed a qualifying alternative teacher certification program.

Alternative certificate holders would have to participate in a school district clinical experience during their first semester of employment as a teacher.

Under the amended provisions of LB724, introduced by Omaha Sen. Tony Vargas, applicants for an entry-level teaching permit or



Sen. Tony Vargas

a temporary certificate to teach on a full-time basis no longer would have to demonstrate basic proficiency in reading, writing and math by passing a standardized test designated by the State Board of Education.

The amended provisions of LB762, sponsored by Sen. Wendy DeBoer of Bennington, would require the state Department of Education to create a program intended to help paraprofessionals and paraeducators become certified teachers.



Sen. Wendy DeBoer

Under the program, those individuals could apply to the department for a grant not to exceed \$3,000 for expenses related to training or education required to obtain a Nebraska teaching certificate.

School safety and discipline

The amended provisions of LB516, introduced by Fremont Sen. Lynne Walz, state legislative intent to appropriate \$870,000 in state general funds to the state Department of Education to administer the Safe2HelpNE report line, beginning with fiscal year 2024-25.



Sen. Lynne Walz

Walz also introduced an amendment to add other provisions originally included in LB516.

The amendment, adopted 26-1, would require the commissioner of education to administer a grant program to provide funding for security-related infrastructure projects including surveillance equipment, door-locking systems and double-entry doors for school buildings.

The proposal would transfer \$10 million from the state's Cash Reserve Fund to a new School Safety and Security Fund, which would be used to provide the grants. It also would require the department to provide an annual report that includes the number of schools that received grant funding, how the grant funds were used and other information.

Under the amended provisions of LB632, introduced by Sen. Terrell McKinney of Omaha, an elementary school could not suspend a student in pre-kindergarten through second grade unless the student brings a deadly weapon on school grounds.



Sen. Terrell McKinney

McKinney's proposal also would require school districts to develop a policy that includes disciplinary measures inside the school as an alternative to suspension.

Vargas introduced an amendment to include provisions of his LB774, which would make several changes to the hearing process related to long-term suspension, expulsion or mandatory reassignment of public school students.

Among other updates, the proposal would allow the student's parent or guardian to request a hearing examiner other than the one recommended by the superintendent.

The amendment, adopted 25-6, also would require school districts to give suspended students an opportunity to complete classwork and homework missed during the suspension.

Other K-12 measures

Under the amended provisions of LB153, introduced by DeBoer,

school districts could apply to the state Department of Education for payment from a new fund intended to help small school districts cover large, unexpected special education expenditures.

The proposal states legislative intent to transfer \$2.5 million to the fund for fiscal year 2023-24.

The amended provisions of LB372, sponsored by Murman, would require school boards to establish policies and procedures allowing a homeschool student who is a resident of the district to participate in extracurricular activities to the same extent as a student enrolled in a public school governed by the board.

The policies and procedures would require a homeschool student who participates in extracurricular activities to be enrolled in no more and no less than five credit hours offered by the school district in any semester.

The amended provisions of LB414, introduced by Lincoln Sen. Danielle Conrad, would require school districts to adopt specific capacity standards for acceptance and rejection of option enrollment applications and determine capacity for special education services on a case-by-case basis.



Sen. Danielle Conrad

If the application of a student with an individualized education program or a diagnosed disability is rejected, the proposal would require the school district to provide written notification to the student’s parent or guardian describing the required services and accommodations that the district does not have the capacity to provide.

Beginning in 2024, Conrad’s measure also would require each district to provide the department certain

information relating to all option enrollment applications rejected by the district each year.

The provisions of LB520, sponsored by Walz, would require public school students to complete at least five high school credit hours in computer science and technology education prior to graduation beginning in school year 2027-28 rather than 2026-27.

Walz said the measure also includes a technical change that would allow a broader selection of courses to meet the requirement.

Under the provisions of LB647, introduced by Sen. Mike McDonnell of Omaha, the department would be required to purchase and loan textbooks – including digital, electronic or on-line resources – to children enrolled in kindergarten to twelfth grade of an approved private school. Currently, school boards are responsible for purchasing and loaning textbooks to Nebraska private school students upon request.



Sen. Mike McDonnell

McDonnell said the amended provisions of his LB648 would authorize the department to fund a workforce diploma program to provide dropout recovery services to adults and youths 16 and older who are not required to be enrolled in secondary school.

The provisions of LB708, introduced by La Vista Sen. John Arch, would require the state Department of Education, the state Department of Health and Human Services, the Office of Probation Administration and the State Court Administra-



Sen. John Arch

tor to enter into a memorandum of understanding for data sharing to improve educational opportunities for students who are under the jurisdiction of the juvenile court.

The amended provisions of LB787, introduced by Sen. Justin Wayne of Omaha, would require the State Board of Education to establish an innovation grant program to procure or purchase an annual license for a three-dimensional, game-based learning platform to engage middle and high school students in coursework and careers in science, technology, engineering, entrepreneurship and mathematics.



Sen. Justin Wayne

Elkhorn Sen. R. Brad von Gillern introduced an amendment, adopted 35-2, to include the amended provisions of his LB805.



Sen. R. Brad von Gillern

The amendment would require each school district to allow a representative of certain youth organizations, including the Girl Scouts and Boy Scouts, to provide information, services and activities to students in a school building or on school grounds at least once during each school year.

A representative would be subject to a background check and could provide oral information to students only during non-instructional time.

Von Gillern said some Nebraska schools have been “resistant” to accommodating the organizations, which he said have a history of teaching life and leadership skills to Nebraska youth.

Conrad opposed the amendment, saying youth organizations have a

number of other ways to provide information to students and parents. If certain schools have policies denying access to external groups, she said, those groups should petition the school boards to change their policies rather than ask the Legislature to intervene.

Murman offered an amendment to include provisions of LB585, introduced by Sen. Jana Hughes of Seward, which would expand a current requirement that certain school personnel receive suicide awareness and prevention training each year.



Sen. Jana Hughes

The amendment, adopted 34-0, would require that all school employees who interact with students receive at least one hour of behavioral and mental health training annually with a focus on suicide awareness and prevention.

Postsecondary education measures

The provisions of LB356, introduced by Walz, would make technical

changes to the Nebraska Opportunity Grant Act. She said the measure would update a term to match a federal change related to the Free Application for Federal Student Aid and clarify a definition to account for online universities.

Under the provisions of LB698, sponsored by Murman, a member of the U.S. Space Force who enrolls in a public college or university in Nebraska would be considered a resident student.

The amended provisions of LB703, also introduced by Murman, would allow Nebraska state colleges and the University of Nebraska to manage the liquidation of surplus property.

Sen. John Fredrickson of Omaha introduced an amendment to include amended provisions of his LB222.



Sen. John Fredrickson

Under the amendment, adopted 27-5, a public college or university could not inquire about or consider a person's criminal history or juvenile court record as part of its application and admission process for disciplines not requiring

licensure or clinical field placements.

Schools still could inquire about or consider that information to the extent required by state or federal law when voluntarily submitted by an applicant.

The restriction would not apply to inquiries or consideration of criminal history or juvenile court record information in any application or other process relating to student housing or any athletic program.

Fredrickson said inquiring about an individual's criminal history during the college admission process can deter applicants, preventing them from receiving the education needed to reintegrate into society.

Dunbar Sen. Julie Slama opposed the amendment, saying it would create a "loophole" that prevents colleges and the university from screening out applicants who have a history of violence and sexual assault.

After eight hours of debate on general file, Murman filed a motion to invoke cloture, which ends debate and forces a vote on the bill and any pending amendments.

The motion succeeded on a vote of 39-0. Thirty-three votes were needed.

Lawmakers then advanced LB705 to select file on a vote of 40-0. ■



**★ UNICAMERAL YOUTH ★
LEGISLATURE**

High school students with an interest in law, government, leadership or public speaking are encouraged to register for the 2023 Unicameral Youth Legislature, which will convene June 11-14.

The Unicameral Youth Legislature is a four-day legislative simulation conducted at the State Capitol Building and coordinated by the Clerk's Office of the Nebraska Legislature. Student senators will sponsor bills, conduct committee hearings, debate legislation and discover the unique process of the nation's only unicameral.

Students will learn about the inner workings of the Legislature directly from senators and staff. Bills will be based on legislation considered during the current legislative session.

The University of Nebraska-Lincoln's Extension 4-H Youth Development Office coordinates housing and recreational activities

for the camp as part of their Big Red Summer Camps program.

Registration forms can be obtained through the Legislature's Unicameral Youth Legislature page: NebraskaLegislature.gov/uyl. The registration deadline to receive the regular tuition rate is May 12. ■

CRAFTING THE STATE BUDGET

The primary constitutional duty of the Legislature is to pass the state budget. Before a budget is passed, however, the Legislature must consider hundreds of funding requests for the creation, maintenance or improvement of government services, programs, equipment and infrastructure.

This lengthy process is governed and guided by provisions of the Nebraska Constitution, state statutes and legislative rules.

BIENNIUM Nebraska's budget cycle consists of two fiscal years, called a biennium. Biennial budgets are enacted during regular 90-day legislative sessions held in odd-numbered years. Budget adjustments are made during regular 60-day sessions held in even-numbered years. Consequently, the volume of issues and dollar value of decisions during short sessions typically are less.

The Legislature's Appropriations Committee is responsible for reviewing budget requests and presenting a budget recommendation to be considered by the full Legislature. Before submitting its recommendation, the committee considers recommendations from the governor, requests from state agencies and fiscal impacts of bills sponsored by senators.

The process begins when state agency requests come to the Legislative Fiscal Office in the fall prior to each session. Fiscal Office staff study the requests and prepare briefings for the Appropriations Committee. At the same time, budget analysts from the executive branch are reviewing agency requests and working with the governor to formulate his or her budget recommendation.

Revenue forecasts generated by the Fiscal Office are reviewed by the Nebraska Economic Forecasting Advisory Board along with forecasts developed by the state Department

of Revenue. The board's estimates become the basis for planning general fund budget conditions for the current and next biennium.

GOVERNOR'S RECOMMENDATION The governor is required to submit his or her budget recommendation by Jan. 15 in odd-numbered years, except that in the first year of office a governor may submit a proposal on or before Feb. 1. The governor communicates his or her proposals through a state of the state address and formally submits his or her recommendation to the Legislature through one or more bills, introduced by the speaker of the Legislature at the request of the governor.

The governor's appropriation bills routinely are referred to the Appropriations Committee. Other substantive bills that are instrumental to the governor's budget recommendation are referred to the standing committee having subject matter jurisdiction. Such substantive bills are not subject to the Jan. 15 deadline.

During the first 10 days of session, senators introduce other bills, which may require an appropriation to implement.

In January and February, the Appropriations Committee reviews

the Fiscal Office analysis of each agency budget request. Under legislative rules, the committee must submit its preliminary recommendations in a report to the Legislature 20 to 30 legislative days after the governor's budget submission.

The report includes preliminary funding levels and an overall analysis of the state's spending capacity based on current revenue forecasts, tax rate assumptions and compliance with the statutory minimum reserve, which must fall between 3 and 7 percent of available general funds. The estimates in the preliminary report become the basis of discussion during subsequent public hearings with state agencies and other interested parties.

"A" BILLS During this time, other standing committees are conducting hearings on bills referred to them. Each bill has an accompanying fiscal note, which is an estimate of the financial impact of the legislation, including expenditures and revenues.

The fiscal note becomes the basis for estimating what appropriation may be necessary if the bill becomes law. When a committee advances a bill that has a financial impact, a companion bill authorizing an appropriation is introduced. This bill is assigned the same number as its companion along with an "A" suffix.

COMMITTEE RECOMMENDATION

After issuing its preliminary report, the Appropriations Committee conducts public hearings on the budget and then reviews all preliminary decisions, information obtained during the hearings and any other information brought to its attention.

The committee meets for about two weeks to complete a set of recommendations that is offered to the full Legislature in the form of amendments to the governor's legislation or new bills.

During a long session, the committee has until the 70th legislative day to place its budget bills on general file. During a short session, the deadline is the 40th day. If the committee fails to introduce its bills by the deadline, legislative rules require that senators consider the appropriation bills as introduced by the governor.

At a minimum, the Legislature must consider three appropriation bills: one for legislators' salaries; another for the salaries of constitutional officers, which generally includes other elected officials and judges; and a third to make appropriations for all other expenditures.

However, the committee typically introduces several bills that fall under broad categories. One large bill appropriates most state funds for operations and state aid. A second bill typically is offered to make appropriations for capital construction projects. Another bill provides for deficit appropriations, which are adjustments to appropriations previously authorized for the

current year. It is not unusual for the deficit bill to be considered early in the session because some of the adjustments may be emergencies that apply to the current year.

Other bills also may be offered, including bills making appropriations for salary increases, increased benefit costs or substantive law changes — such as authorization for a fee and creation of a fund — that implement some aspect of the committee recommendation.

STATUS REPORT

After the committee's bills are placed on general file, a daily financial status report of the general fund accompanies the daily agenda. The status report indicates the amount of budgeted funds under the committee recommendation and the amount of additional spending that could be accommodated beyond the statutorily required minimum reserve.

For planning purposes, the status also indicates financial conditions for the biennium under consideration plus the two following years. Although the Legislature considers only the first two years for appropriations, simulating impacts for two additional years provides useful information on the state's ability to sustain future obligations.

During long sessions, all other bills having a general fund expenditure or a general fund revenue loss are held on final reading and may not be read until the Appropriations Committee's budget bills pass. During short sessions, other bills may be read after the 45th day.

By rule, the Legislature must pass

appropriation bills by the 80th day in a long session or the 50th day in a short session. There is no penalty for not passing appropriation bills as provided by rule, other than the holdup of bills during a long session. Circumstances such as volume of amendments, length of debate and full discussion of appropriations matters can extend passage of the appropriation bills beyond the prescribed deadlines. Appropriation bills usually carry the emergency clause, which requires 33 votes for passage on final reading. This also is true of deficit bills. Bills without the emergency clause need 25 votes to pass.

VETOES

On appropriation bills, the governor has the option of signing the bill, letting the bill become law without his or her signature, vetoing the bill or returning the bill to the Legislature with one or more line-item vetoes. Within a day of the return of appropriation bills to the Legislature with total or line-item vetoes, the Appropriations Committee must report on the impact of the vetoes and may offer a motion to override all or some of them.

Individual members of the Legislature may then offer their own veto override motions. For an override motion to succeed, two-thirds of the Legislature must vote for it.

All final appropriations ultimately enacted take effect July 1 of the designated fiscal year or, if passed without the emergency clause, three calendar months after the end of the legislative session. Deficit bills making adjustments to current-year appropriations with the emergency clause are effective immediately. ■

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