***For Release Wednesday, May 17, 2023***

**Capitol View**

***Commentary by J.L. Schmidt***

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**State Budget Drags Forward**

With less than two weeks left in the session, the 108th Legislature is dragging an overburdened $12.975 billion budget to the finish line.

Passing the budget is the only thing lawmakers are constitutionally required to accomplish. As introduced by the Appropriations Committee, the 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.

That would leave almost $990 million in the Cash Reserve Fund, said committee chair Sen. Robert Clements of Elmwood. He said the budget 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.

Sounds good, right? But don’t forget that this budget includes more than $300 million for a new prison and nearly $575 million for a long-discussed canal in Perkins County to divert water from the South Platte River for Nebraska irrigators relying on a 1923 interstate compact with Colorado.

Can’t say that I’m warming up to the prison idea because it will simply be a replacement for the more than 100-year-old Nebraska State Penitentiary in Lincoln and do little or nothing to alleviate overcrowding in the nation’s most crowded prison system. By the time it is open, there will be a need for a second new prison.

Several senators have tried to amend that expenditure by requiring extra review of the funds before they are spent on bricks and mortar. But so far, to no avail.

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Judiciary Committee Chair Sen. Justin Wayne of Omaha 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.”

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.

**Senator John Cavanaugh of Omaha tried to reduce the amount of money earmarked for the canal.**

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 but Cavanaugh wanted to go back to the lower expenditure.

He said, and I agree, that 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.

In my humble opinion, either amount is likely just enough to line the lawyers’ pockets before a shovel of dirt is turned. Senators rejected the Cavanaugh amendment.

An even bigger budget burden is the $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.

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“We funded a lot of good programs,” said Revenue Committee Chair Lou Ann Linehan of Elkhorn. That includes 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.”

My observation, it all sounds great until they money runs out and future Legislatures have to cut programs and services to make the cashflow work.

Promise me that you’ll remember my caution a few years from now.

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*J.L. Schmidt has been covering Nebraska government and politics since 1979. He has been a registered Independent for more than 20 years*.