



Jim Pillen  
Governor

## STATE OF NEBRASKA

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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 261e and LB 264e with my signature, but with line-item reductions.

I appreciate your collaboration and advancement of an extraordinarily conservative budget which solves the \$432 million reported shortfall and honors the state's commitment to tax relief for all Nebraskans. We are cutting government spending, clearing out excess pillowcase money, and making important investments in education, developmental disability support, and national security. It is critical that we continue to treat nickels like manhole covers, and I urge you to sustain four additional reductions to improve our fiscal position.

Before I specifically address those line-item reductions, I join with the overwhelming majority of Nebraskans in expressing my disappointment that the Legislature failed to deliver new property tax relief with the failed vote on LB 170 on May 19, 2025, refusing to close even the most obvious special interest tax loopholes like carveouts for pool cleaners, dating services, interior designers, and pop and energy drinks. Due to our hard and courageous work of the last two-and-a-half years, last year Nebraska homeowners for the first time ever saw a year-over-year *decrease* in the amount they owe the government on their property tax statements. The Legislature's failure this session means Nebraskans will not enjoy a repeat of this success. Fortunately, due to our hard work controlling spending, property tax increases will be minimal due to our enhancement of existing property tax relief programs within the budget. The Legislature has missed an opportunity; however, to do more, and I will continue to work to deliver the tax relief Nebraskans deserve.

Turning to the line-item reductions I have delivered to you today, I have made a small number of modifications to the biennial budget which I view as necessary to honor our commitment to fiscal restraint. To be sure, the small number of line-item reductions is a direct reflection of the depth of the fiscal conservatism this budget represents, and the Appropriations Committee and Legislature as a whole have my gratitude for that work.

First, I have made a reduction to the appropriation to the Supreme Court. My veto holds the courts to an equitable increase mirroring the University's 0.625% and 1.25% rate of growth. The line-

item veto results in a reduction of \$4,156,502 General Fund appropriation in FY 2025-26 and \$7,830,626 in FY 2026-27 for Supreme Court operations. Every branch of government must contribute to balancing our state budget. By comparison, my office was held flat, and the Legislature was held to less than 1% growth, but the Judicial Branch was approved a 2.7% increase in the first year of the biennium and a 4.8% increase in the second year. *Spending by the courts has grown by 36% over the past five years.* Despite operational growth, the Supreme Court's administrative leadership has not yet taken the necessary steps to reduce spending.

Additionally, I have line-item vetoed \$168,903 General Fund appropriation in FY 2025-26 and \$343,069 in FY 2026-27 for Fire Marshal salary and health insurance premium increases. This agency has sufficient funding to accommodate these increases.

I have also vetoed the \$1 million General Fund appropriation in FY 2025-26 and FY2026-27 for public health departments that was not fully reduced as had been recommended. The purpose of this line-item veto is simple: the COVID-19 pandemic is over, and the government public health apparatus that grew to address it must be shrunk to its pre-pandemic size.

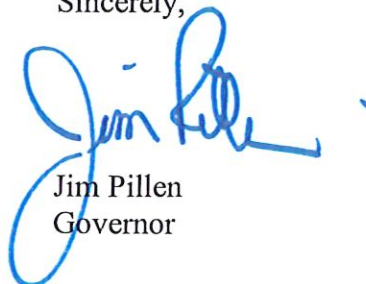
LB 264 includes a FY 2026-27 transfer from the Cash Reserve Fund to the General Fund to support the General Fund appropriation provided in the biennium. These first three reductions result in a total General Fund reduction of \$14,499,100 for the biennium, and my veto includes a corresponding reduction to this transfer to account for the line-item vetoes summarized above.

Finally, I have vetoed a \$18 million cash fund reappropriation in FY 2025-26 for Lake McConaughy recreational upgrades and have adjusted the proportional distribution of Water Recreation Enhancement funds accordingly. The scope of this project has continued to change over the years and deserves further discussion about how the upcoming infusion of local casino-driven revenue can support these proposed road improvements. This decision will still leave \$37 million intact for the Lewis and Clark Marina upgrade project.

As with all current decisions surrounding our state budget, as stewards of the public's resources we must prioritize what is necessary over what would be nice to have. We must be conservative in good times as well as during fiscally challenging times. Reducing spending is hard work, but Nebraskans expect us to exercise common sense and discretion in achieving a balanced, fair and operative budget. Together we can reduce government growth, invest in our kids, provide tax relief to hardworking Nebraskans, and remain true to our conservative values to make sure our state is the greatest state in the union to live, work, and raise a family.

I urge you to sustain my line-item reductions.

Sincerely,



Jim Pillen  
Governor