

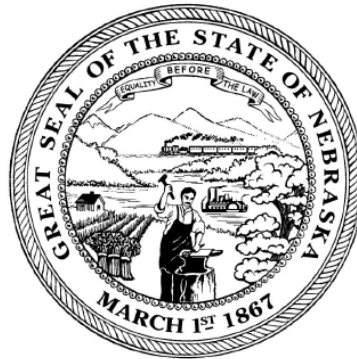
State of Nebraska

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**Governor's Budget
Recommendations**

FY 2016-17 Budget Adjustments

One Hundred Fifth Legislature



Pete Ricketts
Governor

January 5, 2017

Context for the Challenge

- Current fiscal challenge is defined and resolved within a three year budget window—FY 2016-17 and the 2017-2019 biennium (FY 2017-18 and FY 2018-19)
- Expedited work on the FY 2016-17 budget adjustments will provide a solid foundation for the next biennial budget and ensure agencies operate within context of adjustments.

Status of General Fund Tax Receipts

- Actual FY 2015-16 tax receipts below certified forecast by \$95 million
- NEFAB October 2016 FY 2016-17 forecast revised downward by \$172 million
- Total biennial receipt shortfall and forecast revision of \$267 million
- Tax receipts continue to lag with November down \$19 million below the revised forecast

Governor's July Budget Communication

- In July 2016, directed Cabinet and urged all state agencies, boards, and commissions to exercise fiscal restraint
- State agencies, boards and commissions were instructed to submit 2017-2019 biennial budget requests including possible budget reductions of eight percent
- Reduced allotments of FY 2016-17 appropriations one percent each quarter beginning in July 2016
- Only allotted 24 percent of FY 2015-16 carryover appropriations and restricted use

Governor's October Budget Communication

- In October 2016, directed Cabinet and requested that all agencies apply additional fiscal restraint including only filling positions that are mission critical and curtailing out-of-state travel that is not mission critical
- Accelerated the reduction in allotment of FY 2016-17 appropriations setting the third fiscal quarter at 71 percent, four percent less than customary

Budget Building Process

- Approach to cabinet agency budgets started with a new, iterative process in early summer.
- Sought cabinet agency input on budget priorities and adjustments.
- Budget Office worked closely with cabinet agencies to ensure they can manage adjustments.

FY 2016-17 General Fund Budget Adjustments by Type

Adjustment Type	Amount
<u>Appropriations</u>	
FY 2016-17 Reappropriation Reductions	77,454,598
FY 2016-17 New Appropriation Reductions	93,763,944
- Across-the-Board Reductions	42,369,058
- Specific Reductions	51,394,886
- less FY 2016-17 Agency Deficit Appropriations	(20,054,965)
Total Net Appropriation Reductions	151,163,577
 <u>Revenues</u>	
Specific Fund Transfers to the General Fund	21,509,103
Cash Reserve Fund Transfer to the General Fund	92,000,000
Additional revenue	11,201,000
Total Transfers In/Revenues	124,710,103
Total FY 2016-17 Adjustments	275,873,680

General Fund Financial Status – Governor’s Expedited Recommendations

	Current FY2016-17	Next Biennium FY2017-18 FY2018-19	
1 <u>Beginning Balance</u>			
2 Beginning Cash Balance	\$531,652,199	\$263,176,405	\$189,693,465
3 Cash Reserve Fund transfer-Automatic		(32,710,103)	
4 FY2015-16 carryover obligations/reappropriations	(310,603,783)		
4a Reduce FY2015-16 reappropriations	77,454,598		
5 Allocation for potential deficits		(5,000,000)	(5,000,000)
6 Unobligated Beginning Balance	298,503,014	225,466,302	184,693,465
7 <u>Revenues</u>			
8 Net Receipts (October NEFAB)	4,395,000,000	4,538,000,000	4,730,000,000
9 General Fund transfers - out	(216,660,000)	(237,050,000)	(237,050,000)
10 General Fund transfers - in (usual and customary)		48,250,000	48,250,000
11 Additional revenue	11,201,000	28,218,000	31,344,000
12 General Fund transfers - in (Transfers/Lapses)	21,509,103		
13 Cash Reserve Fund transfers	92,000,000		
14 General Fund Net Revenues	4,303,050,103	4,377,418,000	4,572,544,000
15 <u>Appropriations</u>			
16 Appropriations (2016 Session)	4,411,690,837	4,411,690,837	4,411,690,837
17 2017 Claims Bill	394,854		
18 FY2016-17 Base Appropriation Across-the-Board Reductions	(42,369,058)		
19 FY2016-17 Base Appropriation Specific Reductions	(51,394,886)		
20 FY2016-17 Agency Deficits	20,054,965		
21 Next Biennium - Net Appropriation Changes Allowed for 3% Minimum Reserve		1,500,000	77,500,000
22 General Fund Appropriations	4,338,376,712	4,413,190,837	4,489,190,837
23 <u>Ending Balance</u>			
24 Dollar ending balance	263,176,405	189,693,465	268,046,628
25 Minimum Biennial Reserve Requirement	263,019,963		267,391,116
26 Variance from Minimum Reserve	156,442		655,512
27 Biennial Reserve (%)	3.0%		3.0%
28 Annual % Change - Appropriations	1.7%	1.7%	1.7%
29 Two Year Average	2.7%	--	1.7%
30 Annual % Change - Net Receipts (Nominal)	2.7%	2.8%	4.2%
31 Two Year Average	1.3%	--	3.5%
32 Structural Receipts v. Expend./Approps.	(127,326,609)	(35,772,837)	83,353,163

Cash Reserve Fund Status – Governor’s Expedited Recommendations

	Current FY2016-17	Next Biennium	
		FY2017-18	FY2018-19
1 Beginning Balance	730,655,108	545,639,649	578,349,752
2 Transfer Amounts Above Forecasts		32,710,103	
3 To/From General Fund	(92,000,000)		
4 To NCCF for Central NE Veterans Home	(43,015,459)		
5 To Transportation Infrastructure Bank	(50,000,000)		
6 To NCCF for Capitol HVAC (all planned future amounts)			(20,436,714)
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Ending Balance	545,639,649	578,349,752	557,913,038

Protecting Strategic Investments

- Our team has taken a thoughtful approach to these budget adjustments which protect key priorities.
- Key highlights:
 - TEEOSA, state aid to K-12, untouched
 - Collaborated with University to determine priorities
 - Protected investments in Corrections, HHS programming
- 70 percent of budget excluded from across-the-board.
- Review full list of exclusions on pages 9-10.

Objectives

- Recommendations re-establish a three percent General Fund reserve—an essential starting point for building the 2017-2019 biennial budget
- Unobligated Cash Reserve Fund balance remains above \$500 million

Closing Comments

- Quick action will help ensure that state agencies are able to manage their budgets and absorb these cuts.
- Delivering next biennial budget during State of the State address next week.
- Question and answer?