



Dave Heineman
Governor

State of Nebraska

DEPARTMENT OF ECONOMIC DEVELOPMENT

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January 15, 2010

Chairman Lavon Heidemann
Appropriations Committee of the Nebraska Legislature
1004 Nebraska State Capitol Building
Lincoln, NE 68509

Dear Chairman Heidemann and Members of the Appropriations Committee:

Please find enclosed the Department of Economic Development's (DED) budget plan for the remainder of fiscal year 2009-2010 and next fiscal year, 2010-2011. This report was assembled as part of the requirements of Legislative Bill 1 to outline budget reductions within Legislative Bills 1, 2 and 3 passed during the 2009 Special Session.

This report summarizes the reductions that the Department began implementing in 2007 to present, as well as reductions planned for the coming months. The reductions are also detailed in a matrix, by fiscal year, for ease of understanding.

Please feel free to contact me directly if you have any questions. My direct line is 402.471.3747 and my email is richard.baier@nebraska.gov.

Sincerely,

Richard J. Baier
Director

CC: Governor's Budget Office
Governor's Policy Research Office
Legislative Fiscal Office

DEPARTMENT OF ECONOMIC DEVELOPMENT
BUDGET REDUCTION PLAN PRESENTED TO THE
NEBRASKA LEGISLATURE APPROPRIATION COMMITTEE

January 15, 2010

In response to the budget reductions signed into law as part of LB 1, 2 and 3 during the 2009 Legislative Special Session, the Department of Economic Development (DED) is pleased to submit this overview and budget plan to the Appropriations Committee.

Beginning in July 2007, the management team at DED began to recognize the economic downturn that was facing our private sector partners. As a result, DED started implementing significant cost saving measures at my direction. These measures included: significant telecommunications restructuring, travel limitations, restrictions on overtime, program consolidation and elimination, state auto use changes, and personnel vacancies, among others. These changes have served as a catalyst for making many DED programs more efficient and effective. Every effort was made to limit the budget impact on DED's core mission of *providing quality leadership and services that enable Nebraska communities, businesses, and people to succeed in a global economy.*

Looking ahead to 2.5% (\$114,401 general fund and \$21,042 cash fund) and 5% (\$228,468 general funds and \$42,645 cash funds) budget reductions during the next two fiscal years, DED will continue to streamline its operations and programs as it pursues additional cost saving measures. We do not anticipate implementing any employee furloughs.

To achieve our required budget reductions, DED will eliminate two existing job vacancies (one each in Administration and Business Development), make additional reductions in travel and training costs and focus and target our marketing efforts utilizing lower-cost electronic media. Subsequently, we will convert the administrative support position for the Rural Development Commission from a full-time position to a part-time position.

DED will successfully manage these reductions while maintaining our commitment to enhancing our progressive Nebraska communities, stimulating statewide travel and tourism, and assuring that businesses and industries continue to thrive and grow in today's highly-competitive and technology-driven global environment. Please refer to the following narrative and spreadsheet to better understand our 2008-2009 carryover reductions and proposed budget modifications for both this and next fiscal years:

Fiscal year 2008-09 Carryover

- ❖ We plan to honor all existing 2008-09 contractual obligations at their full contracted amount, utilizing remaining carryover funds as well as program funds from fiscal year 2009-10, thus reducing funding available for contractual services in fiscal years 2009-10. Examples of this include DED's contracts with Invest Nebraska, Building Entrepreneurial Communities Act grants and Value-added Agriculture grants.
- ❖ Remaining carryover dollars will be pooled with funds from other partners to complete several targeted marketing and research efforts and to cover the 2.5% budget reduction in fiscal year 2009-10.

Below is a more specific breakdown of our 2008-2009 carryover reductions.

ACTIVITY	GENERAL FUNDS		CASH FUNDS	
	AID/OTHER	OPERATIONS	AID/OTHER	OPERATIONS
Program 600 Administration		\$72,068.00		\$78,120.00
Program 601 Community & Rural Development	\$581,816.00	\$62,766.00	\$4,419,745.00	\$116,229.00
Program 603 Business Development	\$215,651.00	\$237,079.00	\$12,209,453.00	
Program 618 Tourism	\$268,616.00			
Program 655 Convention Fund			\$286,773.00	
TOTALS	\$1,066,083.00	\$371,913.00	\$16,915,971.00	\$194,349.00

Fiscal year 2009-2010:

- ❖ As referenced above, DED has already implemented numerous cost saving measures that have provided a cost savings to the Department. We anticipate these changes will allow us to conserve additional dollars during the current fiscal year, potentially up to \$37,587 in savings.
- ❖ Currently, we have three vacant positions that are included within our budget. As noted above, we will permanently eliminate two of these positions. We will maintain one vacant position within our Business Development Division. As the economy begins to rebound and project activity increases, this position will be filled.

Fiscal Year 2010-2011:

- ❖ To manage the 5% reduction to our fiscal year 2010-11 budget, coupled with previously approved wage and benefit increases, DED will continue the budget reductions from FY 2009-2010 plus savings from the sunset of the Innovation Zone Commission and reduction of expenditures in the International Office operations.
- ❖ The Rural Development Commission, for which DED has budget and administrative oversight, will need to reduce their existing staff assistant position from full to part-time to meet the adopted budget reductions.
- ❖ DED will make 5% reductions in all state aid programs it administers.
- ❖ Existing staff members will be cross-trained to perform additional duties, thus increasing our ability to meet customers' needs and expectations in a professional and timely manner.
- ❖ With the planned reductions in staff and operations expenses, there will be no impact on federal funds as a result of matching or other requirements.
- ❖ The Department does not charge any fees for services provided to constituents, so none can be impacted.

Below is a more specific breakdown of our budget modification plans. Please contact us if we can answer any additional questions about our budget modification plan, or if you would like additional detail.

ACTIVITY	FY '09-10	FY '10-11	FY '09-10	FY '10-11
GENERAL FUNDS			CASH FUNDS	
Program 134 Rural Development Commission				
Eliminate one RDC meeting per year.	\$1,500.00			
Reduce FTE for support staff from 1.00 to 0.85.		\$8,238.00		
Reduce expenditures for printing and publication expenses. Increase use of Internet to distribute information.	\$1,372.00			
Reduce staff travel. Increase use of video and audio conferencing.	\$1,150.00			
Reduction of state aid for Building Entrepreneurial Communities program.	\$3,750.00	\$7,500.00		
Program 134 general fund total reductions	\$7,772.00	\$15,738.00		
Program 600 Administration				
Eliminate Vacant Federal Aid Administrator Position.	\$30,615.00	\$62,839.00		
Reduction of state aid for Mainstreet Program.		\$5,000.00		
Program 600 general fund total reductions	\$30,615.00	\$67,839.00		
Reduce expenditures for rental of conference meeting space. DED will utilize more on-line training to limit cash flow impact within this fund.			\$6,791.00	\$13,602.00
Across the board reduction of state aid support.			\$375.00	\$750.00
Program 600 cash fund total reductions			\$7,166.00	\$14,352.00
Program 601 Community & Rural Development				
Reduce Intern Services Expense.	\$6,273.00	\$5,000.00		
Delay purchase of computer hardware.		\$2,566.00		
Reduce staff travel. Increase use of video and audio conferencing.		\$5,000.00		
Across the board reduction of state aid for microenterprise loans.		\$24,875.00		
Program 601 general fund total reductions	\$6,273.00	\$37,441.00		
Utilize federal funds to support previously cash funded personnel expense.				\$12,070.00

ACTIVITY	FY '09-10	FY '10-11	FY '09-10	FY '10-11
GENERAL FUNDS			CASH FUNDS	
Reduce expenditures for management consultant services.			\$10,820.00	\$9,875.00
Program 601 cash fund total reductions			\$10,820.00	\$21,945.00
Program 603 Business Development				
Eliminate Vacant ED Business Consultant Position.	\$67,241.00	\$67,768.00		
Reduce travel budget for International Business Marketing Consultant by 14%.		\$8,057.00		
Eliminate land lines in selected field service staff offices.		\$1,000.00		
Reduce Intern Services Expense.		\$3,000.00		
Reduce expenditures for staff training and development – Basic ED Training and Economic Development Institute.		\$4,000.00		
Reduce expenditures for SOS temporary services personnel.		\$3,000.00		
Reduce Business Recruitment Travel (one less out-of-state special event). Increase use of video and audio conferencing.		\$8,000.00		
Sunset of Innovation Zone Commission and International Office expenditure reduction.		\$33,500.00		
Reduce contract with Invest Nebraska.	\$6,250.00	\$12,500.00		
Reduce Foreign Language Interpreter Budget.		\$4,000.00		
Program 603 general fund total reductions	\$73,491.00	\$144,825.00		
Reduce expenditures for management consultant services.			\$1,500.00	\$4,000.00
Reduce staff travel. Increase use of video and audio conferencing.			\$431.00	\$1,000.00
Reduce expenditures for staff training and development.				\$2,098.00
Delay purchase of computer hardware.			\$1,500.00	
Program 603 cash fund total reductions			\$3,431.00	\$7,098.00
Program 618 Tourism Promotion				
Eliminate appropriations for 2013 Senior Open.	\$250,000.00			
Program 618 general fund total reductions	\$250,000.00			
Across the board reduction of state aid for tourism promotion.			\$2,700.00	\$5,400.00
Program 618 cash fund total reductions			\$2,700.00	\$5,400.00

ACTIVITY	FY '09-10	FY '10-11	FY '09-10	FY '10-11
GENERAL FUNDS			CASH FUNDS	
Program 655 Local Civic and Convention Finance				
Across the board reduction of state aid for Local Civic and Convention Finance.			\$16,250.00	\$32,500.00
Program 655 cash fund total reductions			\$16,250.00	\$32,500.00
TOTAL	\$368,151.00	\$265,843.00	\$40,367.00	\$81,295.00

Below is detail of cash fund transfers to the General fund authorized in LB1, LB2 or LB3.

ACTIVITY	FY '09-10	FY '10-11
Local Civic, Cultural and Convention Center Fund	\$16,250.00	\$32,500.00
Job Training Cash Fund	\$5,000,340.00	\$680.00
Administrative Cash Fund	\$6,112.00	\$12,242.00
Nebraska Agricultural Products Research Fund	\$375.00	\$750.00
Affordable Housing Trust Fund	\$340.00	\$680.00
TOTAL	\$5,023,417.00	\$46,852.00