



Dave Heineman
Governor

STATE OF NEBRASKA

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MEMORANDUM

DATE: October 7, 2009
TO: All Agencies, Boards, and Commissions
FROM: Dave Heineman, Governor
SUBJECT: Spending Restraint

On February 22, 2008, I communicated with you about economic reports indicating a stagnant or contracting national economy. At that time, I issued a directive asking all state agency directors and members of boards and commissions to undertake actions to promote the greatest restraint and economy possible while delivering services to citizens across Nebraska. In 2008, you were asked to prepare your 2009-2011 biennial budget requests with a recognition that forecasted state general fund tax revenues would only be able to support a state budget plan that was flat or represented very low growth in state general fund appropriations. State agencies financed in whole or part from other fees or tax sources were also asked to operate with restrained fiscal practices. These requests were made in anticipation of the effects of a stagnant or contracting national economy on state government general fund tax receipts and its effect on our citizens and their capacity to finance public services during difficult economic times regardless of the source of public funds.

Later in 2008, national economists and government officials declared the national economy entered a recession in December 2007. The economic difficulties confronting our country have not ended and they are now having a direct effect on state tax receipts.

My budget recommendations in January 2009 to the Nebraska Legislature and the Legislature's enacted appropriations for the 2009-2011 budget biennium provided for less than 2 percent growth in state general fund appropriations. Since that time, State government ended FY 2008-09 on June 30, 2009, with general fund tax revenues falling \$36.5 million short of projections, a 4.4 percent decline over the prior year. Actual general fund tax receipts for FY 2008-09 were \$147 million less than collected in FY 2007-08, \$51 million less than collected in FY 2006-07, and nearly equal to the amount collected three years earlier in FY 2005-06.

Actual general fund tax receipts through September 30, 2009, the end of the first quarter of the current budget biennium, are below projections for the first quarter by \$56.8 million. The shortfall in the first three months of this fiscal year is greater than the total increase in general fund tax receipts currently forecasted for all of FY 2009-10. The careful fiscal discipline that has

been practiced within State government has positioned us to address the immediate and direct effect that reduced tax receipts has on the State's general fund cash position and our ability to meet its current obligations. However, the likelihood of continued tax receipt shortfalls and further downward revisions to current tax receipt forecasts will require changes to the current budget for State government. The national economic slowdown is clearly having an effect on Nebraska. We need to prepare for downward adjustments to the enacted appropriations for the 2009-2011 budget biennium.

Today, I am asking the following:

1. Do not fill existing or new vacant positions unless absolutely essential.
2. Do not incur travel costs that are not immediately required or otherwise necessary for the maintenance of current direct service requirements.
3. Do not lease or purchase additional space or capital equipment unless an emergency exists.
4. Do not initiate programs, contracts, or services that require additional appropriations.
5. Initiate discussions within your organizations and begin making plans for a significant reduction in your current state appropriations. This planning should occur with regard to all appropriations: operations, aid, and capital construction for fiscal years 2010 and 2011.

The dramatic reduction in tax receipts of 11.2% versus projections for September and a cumulative shortfall of 6.5% for the first quarter of the fiscal year requires a mid course correction to our current biennium budget.

cc: Members of the Nebraska Legislature