EXHIBIT

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Pete Ricketts
Governor

STATE OF NEBRASKA
OFFICE OF THE GOVERNOR
P.O. Box 94848 • Lincoln, Nebraska 68509-4848
Phone: (402) 471-2244 • pete.ricketts@nebraska.gov

MEMORANDUM

DATE: October 14, 2016

TO: All Agencies, Boards, and Commissions

FROM: Governor Pete Ricketts

SUBJECT: Spending Restraint

I advised you in July that actual net General Fund tax receipts for fiscal year 2015-16 were $95.0 million, or 2.2% below the certified forecast upon which the first year of the current biennial budget was based. At that time, I shared a copy of a memorandum I sent to code agency directors asking them to closely review all spending decisions and exercise fiscal restraint. I asked other agency directors and the members of their boards and commissions to exercise the same scrutiny and restraint that was expected of the members of my cabinet.

The Department of Revenue reported today that net general fund tax receipts were $25 million below the forecast for the month of September; actual tax receipts were $42 million below the forecast for the July through September fiscal quarter. The Nebraska Economic Forecasting Advisory Board (NEFAB) meets on October 28, 2016, to review the current FY2016-17 forecast and to make its initial estimate of net general fund tax receipts for the 2017-2019 biennium: FY2017-18 and FY2018-19.

Today, I issued a new memorandum (attached) to code agency directors instructing them to exercise additional spending restraint. It is apparent from the current tax receipt shortfall that a significant downward revision in the forecast of tax receipts for the current FY2016-17 budget will likely be made by the NEFAB at its October meeting. I again am asking other agency directors and the members of their boards and commissions to exercise this additional restraint that is expected of the members of my cabinet.

As noted in July, any FY2015-16 appropriations unspent by state agencies on June 30, 2016 will be reserved for payment of prior year obligations or justified one-time expense. These carryover appropriations remain allotted at 24%.

As you are aware, I instructed the State Budget Division in July to reduce allotments of fiscal year 2016-17 appropriations to state agencies, boards, and commissions by 1% each quarter to cause additional spending restraint and to prepare for possible reductions to current budgets. The second quarter (October through December) allotment was recently made at 48% of total new appropriations, 2% less than customary for the second quarter. The third quarter allotment will be made at 71%, 4% less for that fiscal quarter. The fourth and final quarter allotment will be made at no greater than 96% pending further consideration of adjustments to FY2016-17 appropriations by the Legislature. It is important that you exercise spending restraint and make adjustments to your budget plans to prepare for budget reductions that will be necessitated by continued shortfalls in actual tax receipts and the upcoming revision to the FY2016-17 forecast.

While the focus of this communication is on the state budget financed from General Fund tax receipts, I continue to urge good fiscal discipline by state agencies on spending financed from fees, assessments, or other tax revenues. Again, fees and assessments should be reduced to eliminate excess fund balances and spur economic activity.

I appreciate your submission of 8% budget reductions to general fund appropriations as required in the 2017-2019 budget instructions for my and the Legislature's consideration as we prepare for the 2017 legislative session.

Non-code agencies, boards, and commissions operate independently under our constitution or laws. I thank you for your attention and good stewardship as you continue to prepare for downward adjustments to the FY2016-17 budget and our further considerations for the next biennium.

Questions should be addressed to your assigned Budget Management Analyst in the Department of Administrative Services State Budget Division.

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TO: Code Agency Directors

FROM: Governor Pete Ricketts

SUBJECT: Spending Restraint

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It is apparent from the current tax receipt shortfall that a significant downward revision in the forecast of tax receipts for the current FY2016-17 budget will likely be made by the NEFAB at its October meeting. It is now important that you exercise additional spending restraint:

Hiring Freeze: Only refill positions that are mission critical to the effective delivery of services.
Travel Ban: Eliminate all non-essential out-of-state travel.
Technology and Equipment: Limit technology and equipment purchases to that necessary for continued service delivery or to achieve immediate operational savings.
Grants in Aid: Reduce or defer discretionary distributions of grants in aid.

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Please continue to prepare for downward adjustments to the FY2016-17 budget and our further considerations for the next biennium.

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