

MEMORANDUM FOR THE CABINET AND HEADS OF ALL AGENCIES, BOARDS, AND COMMISSIONS

FROM: GOVERNOR JIM PILLEN

SUBJECT: Restraining Spending in State Government

In FY 2026, the State paid out \$307 million more in refunds than anticipated by the consensus cash flow developed in collaboration with the Legislature and in accordance with the Nebraska Economic Forecasting Advisory Board's certified projections. Higher refunds are great news for Nebraskans who have received money back in their pockets, but it also means we must double our efforts to reduce government spending to balance the budget and to protect the progress we've made in reducing income tax rates from 6.44% down to 3.99% and building property tax relief up to \$1.8 billion per year.

I am pleased with the progress we've made, but I am not satisfied. We must do better. We must run government like a business and embrace the innovation and change that is necessary to shrink the size of government. Bloated businesses don't survive for long, and it's our duty to make sure our State adapts and changes to stay competitive and resilient. It is more important than ever that we exercise fiscal discipline and deliver a balanced budget that shrinks government spending. It's what Nebraskans expect of us.

To accomplish this, I am ordering all agencies, boards, and commissions to exercise additional fiscal restraint. This includes restraint in travel, hiring, membership dues, implementing technology upgrades, and purchasing equipment. Furthermore, I am directing the following:

1. Effective immediately, no position shall be created or refilled without an exception approval from the State Budget Division following a review of the business case and justification. Sworn law enforcement officers and correctional officers are exempted.
2. The State Budget Division is directed to provide monthly allotment in amounts reduced by not less than five percent in aggregate in FY 2026-27 pending further consideration and determination of deficit budget adjustments by the Legislature during its upcoming 2027 legislative session.
3. All agencies, boards, and commissions are expected to submit monthly cash flow projections to the State Budget Division consistent with the current process for cabinet agencies. These projections should also identify appropriation that is anticipated to lapse as a result of your fiscal restraint initiatives. The State Budget Division will provide additional guidance for this process.
4. All agencies, boards, and commissions are expected to submit your plans and proposals for fiscal restraint and spending reduction initiatives to the State Budget Division by July 31st to collaborate and discuss viable ideas and approaches for reducing state spending.

As you contemplate the best pathway forward for implementing sustained budget reductions, please concentrate on approaches that accomplish the following:

- * increase throughput and quality by focusing on what matters the most, reducing and eliminating peripheral duties and services with the alignment to your agency's primary priorities;

- * propose statutory changes that reduce regulatory burdens, non-critical agency duties, and progress with underperforming outcomes;

- * set rates and assessments at regionally competitive levels that are sufficient to cover the cost of services provided;

- * eliminate redundant processes, services, regulation, and aid programs; and

- * reduce your physical footprint and consolidate teams and services.

While the projected budget reserve requirements relate directly to the General

Fund budget it is important that fiscal discipline also be exercised by state agencies financed from fees, assessments, or other tax revenue.

Please prepare for downward adjustments to appropriations for FY 2026-27 and also for the upcoming biennium years of FY 2027-28 and FY 2028-29. Your continued fiscal discipline and your assistance in making budget adjustments are important and necessary to protect tax relief while maintaining fiscal solvency.

State agencies are expected to cooperate in the implementation of these directives to the fullest extent possible under Nebraska law.

Questions should be addressed to your assigned budget management analyst in the Department of Administrative Services State Budget Division.

Dated: July 8, 2026