


STATE OF NORTH CAROLINA  
OFFICE OF THE GOVERNOR  
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MICHAEL F. EASLEY  
GOVERNOR

December 10, 2008

**MEMORANDUM**

TO: Department Heads and Chief Fiscal Officers  
All State Departments, Institutions and Agencies

FROM: Governor Michael F. Easley 

RE: Budget Reduction Options for FY 2009-11

The impact of the national economic downturn, credit crunch and overall volatility in the financial markets are significantly impacting revenue collections nationwide. The nation lost over 530,000 jobs in November, which means North Carolina's unemployment rate will spike this month. The challenge we face together in developing the FY 2009-11 biennial budget will be significant. Reducing agency expenditures will be an essential component of providing a balanced budget to Governor-elect Perdue and the General Assembly.

To that end, I am requesting that each State agency develop 3%, 5% and 7% reduction options using the attached template (based on October 31, 2008 authorized budget). These reduction options should attempt to minimize the impact on direct services to citizens. Specifically, reduction strategies should address the following:

- Funding priority should be given to statutorily mandated or "core mission" government services
- Elimination of duplicative and underperforming programs
- Streamlining and consolidation of programs, offices and services
- Reduction in operating funds due to service efficiencies
- Reduction in layers of management and administration
- Budgeting receipts where appropriate to offset appropriation requirements

In addition, agencies may wish to suggest alternatives, where appropriate, for recovering a full or higher percentage of the cost of providing a specific service from receipts.



In order to provide greater consistency and to better evaluate the reduction options, the following guidelines should be adhered to.

1. Reductions should be identified as recurring or nonrecurring. Seventy-five percent of reduction option recommendations shall be recurring.
2. Proposals to eliminate programs, offices, or services should include specific plans for phasing out positions.
3. Reductions to capital improvements projects are not allowed.
4. Negative reserves are not allowed without receiving prior approval from OSBM.

**Agencies shall work with their OSBM budget analyst when developing their budget reduction options. Agency reduction plans are due to OSBM by Wednesday, January 14, 2009. In addition, please provide any recommended special provisions associated with budget recommendations by Wednesday, January 21, 2009.**

Our vision cannot be singularly focused with an outlook toward today's immediate issues but must be forward looking for the long term good of state government. Those of us who have led state agencies for the past 8 years are in the best position to create options for the incoming administration. You successfully completed this duty in 2001-03 and I am confident you will do so again.

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If you have any questions about the information outlined in this memorandum, please contact your OSBM budget analyst at (919) 807-4700.

Thank you for your cooperation.