



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**

MICHAEL F. EASLEY
GOVERNOR

CHARLES E. PERUSSE
STATE BUDGET DIRECTOR

September 18, 2008

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers
FROM: Charles E. Perusse *Charles E. Perusse*
RE: Fiscal Year 2008-09 Budget Management

During Short Session budget deliberations, the Governor recommended lowering revenue expectations for FY 2008-09 because of a slowing national economy. We are not immune from the nation's economic slowdown and are implementing measures now to give as much time as possible to manage a revenue shortfall should it arise.

Our budgeted revenue forecast for FY 2008-09 assumes slow economic growth in the first half of the year, with strengthening to begin in spring 2009. The timing of the expected strengthening coincides with the large April individual and corporate income tax collections, which are notoriously volatile.

In order to deal with the possibility of a weaker than expected April, the Governor has directed OSBM to take the steps necessary to ensure that the budget is balanced on June 30, 2009. The Governor is committed to ensuring that the next administration has sufficient reserves to manage this potential situation. Specifically, allotments (on an annualized basis) will be reduced by two percent of each agency's authorized budget. The attached document provides more detail.

OSBM will monitor the revenue situation monthly. If the economy and revenues outperform expectations by December 31, 2008, we will adjust budget management strategies appropriately.

If you have any questions, please contact your OSBM budget analyst at (919) 807-4700.

cc: Senator Marc Basnight, Senate President Pro Tempore
Representative Joe Hackney, Speaker of the House
Susan Morgan, Fiscal Research Division Director

Office of State Budget and Management
Budget Management Guidelines for FY 2008-09

OSBM will allow agency and education managers the flexibility to determine how to best manage their budgets. Without imposing mandatory spending restrictions, our office strongly encourages your agency to consider the following:

1. Holding positions vacant except those for which prior commitments have been made.
2. Limiting travel to the maximum extent possible.
3. Restricting the issuance of purchase orders for goods or services that will require the expenditure of General Fund appropriations which will revert if unexpended.

Special exemptions will be made for constitutionally mandated programs (such as public education), entitlement programs and student financial aid as well as emergency situations related to law enforcement, health care and public safety. Any request for exception should be accompanied by justification and will be reviewed on a case-by-case basis.