



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

BEVERLY EAVES PERDUE
GOVERNOR

CHARLES E. PERUSSE
STATE BUDGET DIRECTOR

April 28, 2009

MEMORANDUM

TO: Agency Heads and Chief Financial Officers
All State Departments, Agencies and Universities

FROM: Charles E. Perusse *Charles E. Perusse*

RE: Implementation of Flexible Furlough Program for All State Employees

The Office of State Budget and Management's (OSBM) analysis of General Fund revenue collections indicate that the budget shortfall for FY 2008-09 may exceed \$3 billion. In order to ensure a balanced budget on June 30, 2009, the Governor has directed under Executive Order Number 11 that all employees paid in whole or in part from funds appropriated by the 2008 Appropriations Act (Session Law 2008-107) shall participate in a flexible furlough program. The program is designed to identify savings, protect essential state services and provide employees and supervisors maximum flexibility to manage work schedules. The general parameters of the program include the following:

1. All teachers and state employees' compensation will be reduced by an annualized amount equivalent to 0.5% over the remainder of the fiscal year. Full-time employees will be credited with 10 hours flexible time off. Non full-time employees will receive a pro-rated portion of flexible time off.
2. Base salaries will be adjusted to reflect the unpaid flexible time off, but benefits will remain the same. The furlough will not impact longevity pay, payouts for unused leave, service credit, or health and retirement benefits. The Governor will work with the General Assembly to pass legislation that hold these benefits harmless.
3. Employees may use their flexible time off beginning June 1, 2009. All flexible time off must be taken by December 31, 2009.
4. Flexibility time off can not be cashed out when an employee leaves state service.

The flexible furlough program applies to all full-time, part-time, temporary and contractual employees funded from the general fund, highway fund, federal funds, special funds, trust funds or other receipts that flow through the state. Split funded employee salaries or contracts shall be reduced by the same proportion as the base salary.

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The Office of State Personnel (OSP) will post additional program information on its website later this week. A formal policy will be developed by the State Personnel Commission and will be distributed by OSP to all agency human resource directors by May 25, 2009.

OSBM and OSP are available to provide guidance and assistance to you and your staff as we work together to ensure that the Governor meets her constitutional mandate to balance the budget.

Thank you for your cooperation in this matter.

cc: Governor Beverly Eaves Perdue
Senator Marc Basnight, President Pro Tempore
Representative Joe Hackney, Speaker of the House
Marilyn Chism, Director of the Fiscal Research Division