

>>> Larry Nielsen and Charles Leffler (Charles Leffler) 4/10/2009 3:01 PM >>>

The Office of State Budget and Management has indicated that additional expenditure restrictions are necessary to ensure a balanced budget on June 30, 2009. Therefore, the Governor has directed OSBM to issue mandatory spending restrictions on hiring, other employee related increases, purchases of goods/materials/services, and travel for the balance of the 2008-09 fiscal year. All state agencies, including the University, are subject to these restrictions.

We are attaching a memo from Charles Perusse, State Budget Director, outlining the restrictions. Also attached are Emergency Budget Guidelines dated April 10, 2009, which immediately replace the Budget Guidelines issued on January 20, 2009. These new guidelines have been posted on the Budget Central website.

Larry A. Nielsen  
Charles D. Leffler

cc: Chancellor James L. Oblinger



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

BEVERLY EAVES PERDUE  
GOVERNOR

CHARLES E. PERUSSE  
STATE BUDGET DIRECTOR

April 9, 2009

**MEMORANDUM**

TO: Department Heads and Chief Fiscal Officers

FROM: Charles Perusse *Charles E. Perusse*

RE: Additional Fiscal Year 2008-09 Budget Management Restrictions

I am writing to provide further guidance on budget management restrictions for fiscal year 2008-09. The Office of State Budget and Management's (OSBM) analysis of General Fund cash indicates that additional expenditure restrictions are necessary to ensure a balanced budget on June 30, 2009. To that end, the Governor has directed this Office, under Article III, Section 5(3) of the North Carolina Constitution, to implement the following measures:

1. Allotments will only be approved for mandatory obligations, including payroll, utilities, financial aid, required State Aid, and debt service. Required state aid is defined in North Carolina General Statutes as compulsory or required for public safety and welfare. The fact that it is in the appropriations bill does not make it required.
2. No purchase orders will be issued for goods or services that will require the expenditure of General Fund appropriations, or other funds, which will revert if unexpended. Purchase orders for goods or services that have been ordered but not received by April 16, 2009 must be cancelled. This restriction includes information technology purchases and personal services contracts. Purchase orders for food and drugs necessary to operate or provide services through the end of the fiscal year can be issued. Only minimum inventories of these items should be maintained.
3. All travel requiring appropriations shall be terminated for the remainder of the fiscal year. Instances involving public safety, public health, economic development opportunities and situations related to the custody or care of persons for whom the state is responsible may be allowed but must be preapproved by the agency head and reported to OSBM. No out of state travel will be authorized. Any other exceptions to this directive must be preapproved by OSBM.

4. Vacant permanent or temporary positions, except those for which commitments have been made prior to the date of this directive, may not be filled. A prior commitment is defined as a verbal or written communication between the hiring agency and the prospective employee detailing salary and EOD. This limitation does not apply to vacancies existing because individuals are on, or obtain, leave without pay in accordance with personnel policies. In applying this directive agencies may make special exceptions for positions that provide direct classroom instruction as well as positions critical to law enforcement, health care, public safety and/or are related to the custody and care of persons for whom the state is responsible.

5. No promotions, reallocations (position reclassifications), career-banding adjustments, in-range adjustments or other salary adjustments may be made. This limitation includes positions now filled by an employee in training where the position is currently budgeted at a higher level.

6. Carry forwards will be discussed in more detail in a future directive from this office. However, your agency should not plan for any carry forwards except those required by law and these carry forwards are still subject to cash availability.

Measures 2, 3, 4 and 5 under this directive apply to all non-federal funds in Special Revenue or Trust Fund accounts. Agencies shall not transfer funds from the General Fund to a Special Revenue or Trust Fund account without prior approval from OSBM. In addition, funds may not be transferred by agencies from Special Revenue or Trust Fund accounts to the General Fund to help cash flow operating expenses in their General Fund budget code.

In applying this directive, special exceptions may be made for direct classroom instruction expenses, federal recovery act compliance and emergency situations related to law enforcement, health care and public safety. Any request for exception must be accompanied by written justification as to the nature of the proposed expenditure and will be reviewed on a case-by-case basis. Any exception to this directive must be approved by the OSBM.

Our challenge is great and I know that the Governor and I can rely on you and your staff to help us through these most difficult times. The Office of State Budget and Management is available (919-807-4700) to provide guidance and assistance as we work together to move North Carolina forward.

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

# Emergency Budget Guidelines

April 10, 2009

## **SPENDING FREEZE EFFECTIVE IMMEDIATELY**

**Effective April 9, 2009 and until further notice, the State Budget Director, acting on behalf of the Governor, and under Article III, Section 5(3) of the North Carolina Constitution, has implemented hiring and spending restrictions on all state-appropriated funds (16030 Academic Affairs, 16031 Agricultural Research Service, 16032 Cooperative Extension Service, and Appropriated Receipts).**

**Actions contrary to these guidelines will result in the transfer of expenditures to non-appropriated funding sources.**

## **Personnel Expenditures**

**Any action that does not meet these guidelines requires the approval of the Provost or Vice Chancellor for Finance and Business. Any request for exception must be sent to your assigned budget analyst in the University Budget Office.**

- 1) Hiring of faculty positions directly related to classroom instruction is still permitted, both tenure-track and non-tenure-track faculty positions, using the normal approval process. Hiring of positions that are in research and/or extension -- AND that are paid entirely from non-state appropriated resources -- is also permitted using the normal approval process.
- 2) Hiring of public safety officer positions may continue to be filled using the normal approval process.
- 3) All other EPA and SPA vacant positions funded entirely or partially from state appropriated funds are frozen, except those for which there was a verbal or written communication with the prospective employee through April 9, 2009 detailing salary and anticipated start date.
- 4) Creation of a new position that is funded fully or partially with state appropriations is not permitted.
- 5) Salary reallocations to state appropriated funds are not permitted.
- 6) Any salary increases for any reason on incumbent personnel that include state-appropriated funds are not permitted.
- 7) Any new personal service and fixed term contracts are not permitted.

- 8) Current staffing contracts with employment agencies and contractors (e.g., temporary staffing, IT contractors, etc.) may not be renewed at the expiration of the current contract period if it is prior to 6/30/2009.
- 9) Current temporary labor appointments, including students, may be continued, but no new temporary appointments may be made.
- 10) Recruitment and selection processes
  - a) Searches officially underway may be continued but only appointments of teaching faculty may be made with an effective date prior to July 1, 2009
  - b) New searches may be initiated, but no advertising or recruitment expenditures are permitted from state appropriated funds
  - c) No employment offer for non-teaching positions may be extended with an effective hire date prior to July 1, 2009. Any such offer effective July 1, 2009 or later must be consistent with the unit's 2009-10 budget reduction plan at the 5% level.

## **Non-Personnel Expenditures**

**No purchases may be initiated or made for goods or services that will require the expenditure of state appropriated funds except as noted below. Any expenditure that does not meet these guidelines requires the approval of the Provost or Vice Chancellor for Finance and Business. Any request for exception must be sent to your assigned budget analyst in the University Budget Office.**

1. Expenditures related to the purchase of supplies, equipment and materials required for direct classroom instruction are permitted.
2. Expenditures directly related to the health and safety of employees, students or the general public are permitted.
3. Purchases of computers for new faculty members are classified as permissible expenditures related to the classroom, as they are necessary for class preparation, for responding to student emails and for performing other instruction-related activities.
4. Purchase orders for goods or services that have been ordered but not received by April 16, 2009 must be cancelled. This restriction includes information technology purchases and personal services contracts.
5. Commitments made to incoming faculty for start-up packages (e.g., scientific equipment, lab renovations and related expenses) should be honored if the faculty member will have classroom responsibilities.
6. No transfers of expenditures from non-state funds to state appropriated projects are permitted.
7. Postage, printing, copying, telecommunications and other costs should be kept to a minimum and should address required university operational needs.
8. Expenditures that provide direct matching funds to secure federal or other non-state funds are permitted.
9. Purchases of gasoline, other fuels and other supplies required to operate maintenance equipment and delivery vehicles are permitted.

10. Continuing payments on existing contractual obligations (maintenance contracts, service contracts, insurance premiums, software licenses and ongoing maintenance and repairs) are permitted.
11. Expenditures related to commencement (program printing, postage and other costs) are permitted.
12. Payments of internal charges from campus service units that are related to contractual arrangements that cannot be terminated or are essential to day-to-day operations are permitted.

## **Travel Expenditures**

**No travel or training funded by state appropriations, except for travel necessary for public safety, public health or economic development, is permitted. Travel for public safety, public health, and economic development opportunities and emergency situations related to the custody and/or care of persons for whom the state is responsible requires the prior approval of the Chancellor. Any requests for exception must be sent to your assigned budget analyst in the University Budget Office.**

1. Travel directly related to delivering classroom instruction is permitted.
2. Out of state travel will not be authorized
3. In cases where the university has already expended state appropriated funds that is not refundable, the trip may only be completed with non-appropriated funds
4. In-state travel directly associated with the recruitment of potential students is permitted.
5. In-state travel by employees engaged in extension activities is not permitted.

## **Capital Expenditures**

**Appropriated capital improvement funds designated for repair and renovation projects are on hold unless they are obligated by contract. Emergency repair needs should be reported to Facilities. Exceptions for capital expenditure must be approved by the Vice Chancellor for Finance and Business.**