



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

BEVERLY EAVES PERDUE  
GOVERNOR

CHARLES E. PERUSSE  
STATE BUDGET DIRECTOR

January 15, 2009

**MEMORANDUM**

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

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

RE: Fiscal Year 2008-09 Budget Management

The impact of the national economic downturn, credit crunch and overall volatility in the financial markets has been extreme. The Office of State Budget and Management's (OSBM) analysis of General Fund collections through December 31, 2008 indicate that the most-likely budget shortfall for FY 2008-09 is \$2.0 billion, with a range of \$1.8 to \$2.2 billion.

Earlier this fiscal year, OSBM identified measures to restrict spending that minimize the impact on the delivery of services. Unfortunately, additional expenditure restrictions are now necessary. The Governor has directed, under Article III, Section 5(3) of the North Carolina Constitution and Executive Order 6, that the measures outlined below be taken.

1. Generally, allotments on an annualized basis will be reduced by seven percent of each agency's budget. OSBM will work with agencies that have unique spending patterns or circumstances on a case-by-case basis. Your OSBM analyst will advise you of your required reversion amount and provide any assistance you may need in managing this effort.

2. No purchase orders will be issued for goods or services that will require the expenditure of general fund appropriations except as specifically approved by the department head as an exception to this directive. Purchase orders that have been signed but not executed prior to the date of this memorandum are not included in this directive. This limitation does not apply to the purchase of supplies, equipment and materials required for classroom instruction.

3. All travel and training requiring appropriations is to be limited to instances involving public safety, public health, job requirements, economic development opportunities and emergency situations related to the custody and/or care of persons for whom the state is responsible, except as specifically approved by the department head as an exception to this directive.

4. All FY 2008-09 pay-as-you-go appropriations for capital improvement and repair and renovation projects are placed on hold.

Memorandum  
January 15, 2009  
Page 2

5. Vacant positions, except those for which prior commitments have been made, shall not be filled except as specifically approved by the department head as an extraordinary exception to this directive. A prior commitment is defined as a verbal or written communication between the hiring agency and the prospective employee detailing salary and EOD. Required reversions for state agencies will not be modified as a result of any such exceptions granted by department heads under this directive. In applying this directive, agencies may make special exceptions for education and emergency situations; positions critical to law enforcement, public health, public safety and custody and/or care of persons for whom the state is responsible. Specific guidelines for administration of this directive are attached.

The Office of State Budget and Management is available to provide guidance and assistance to you and your respective staffs as we work together to move North Carolina forward to resolve this critical situation. Please be assured that where it is consistent with meeting the challenge of a balanced budget for FY 2008-09 every effort will be made to accommodate agency specific circumstances.

Thank you for your immediate attention to this matter.

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