



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

MICHAEL F. EASLEY
GOVERNOR

DAVID T. MCCOY
STATE BUDGET DIRECTOR

June 29, 2007

MEMORANDUM

TO: Department Heads, Chief Fiscal Officers and Personnel Directors

FROM: David McCoy *David McCoy*

SUBJECT: Continuing Budget Authority for the 2007-08 Fiscal Year

On June 29, 2007, the North Carolina General Assembly adopted House Bill 2044 authorizing continuing budget authority for state government operations through July 31, 2007.

Specifically, House Bill 2044 authorizes and directs the following:

1. State departments, institutions and agencies may expend funds at a level not to exceed the level of recurring expenditures authorized in Session Law 2006-66 as amended;
2. Funds shall not be allocated for any items that are identified as budget reductions in House Bill 1473 (fifth edition and eighth edition) that are not in controversy;
3. Vacant positions subject to the proposed budget reductions in House Bill 1473 (fifth edition and eighth edition) shall not be filled;
4. Public school employees paid on the teacher salary schedule and all other State-funded employees shall not move up on salary schedules or receive automatic increases, including automatic step increases, until authorized by the General Assembly;
5. Federal block grant funds shall be allocated at the levels provided in Sections 5.1 and 5.2 of Session Law 2006-52 as amended and as otherwise provided by law;
6. Appropriations in 2006-07 which are not to revert by directions of House Bill 1473 (fifth edition and eighth edition) or other statutes shall not revert; but, these funds shall not be expended until the 2007 law or statute directing the expenditure of these funds is enacted. These funds will revert in 2007-08 if the law or statute is not enacted; and,

7. The salary-related contributions for retirement shall remain the same as they are on June 30, 2007:

Teachers and State Employees	7.14%
Law Enforcement Officers	12.14%
University Employees Optional Retirement	11.16%
Community College Optional Retirement	11.16%
Consolidated Judicial Retirement	16.39%
Legislative Retirement	3.80%

Based on these directions, the July 2007 monthly allotment shall be calculated as follows:

1. Begin with the RK325 report as the basis for June 30, 2007 authorized appropriations;
2. Reduce RK325 appropriation for all 2006-07 nonrecurring appropriations;
3. Adjust appropriation as specified in numbers 2 and 3 above;
4. Do not add any expansion budget recommendations; and,
5. Arrive at total appropriation and request 1/12.

In addition to the items outlined above, departments, institutions and agencies shall:

1. Advise State employees in positions identified for elimination in both versions of House Bill 1473 of 30 days' notice of termination; and,
2. Advise State employees in positions funded with non-recurring funds in 2006-07 and not identified for continued funding in either version of House Bill 1473 of their 30 days' notice of termination.

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

cc: Governor Michael F. Easley
President Pro Tempore Marc Basnight
Speaker Joe Hackney
Thom Wright, State Personnel Director
Lynn Muchmore, Director, Fiscal Research Division