



**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