



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT

PAT MCCRORY
GOVERNOR

ART POPE
STATE BUDGET DIRECTOR

December 12, 2013

MEMORANDUM

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

FROM: Art Pope *Art Pope*
State Budget Director

SUBJECT: Instructions for FY 2014-15 Budget Preparation

The Office of State Budget and Management (OSBM) is beginning the process for the review and preparation of Governor McCrory's supplemental budget recommendations to the 2014 Legislative Session. Governor McCrory has established his agenda to focus on three primary budget priorities: Economy, Education and Efficiency of services.

The sum total of each general fund agency's reduction recommendation and expansion requests must equate to a net savings of a minimum of two percent (2%) of the agency's FY 2014-15 BD 307 certified appropriation. The general fund appropriation expansion requests shall not exceed two percent (2%) of your agency's FY 2014-15 BD 307 certified appropriation. These net savings in appropriations, along with additional availability, may be applied toward compensation increases for teachers and state employees, while fully funding the state's overall obligations and future priorities. The reductions should be prioritized and should not be across-the-board reductions or management flexible reductions. Agencies should consider the following when developing the reduction recommendations:

- Elimination of duplicative and underperforming programs.
- Streamlining and consolidation of programs, offices and services.
- Reductions of operating funds due to service efficiencies or reduced layers of management and administration.
- Budgeting receipts where appropriate to offset appropriation requirements.

The following expansion items are excluded from the agency's net reductions.

1. Statutorily mandated enrollment increases or entitlement programs.
2. Continued phase-in of new programs initiated in a previous fiscal year.
3. IT projects funded entirely through receipts.

Please note that these requests are the starting point for preparation of the Governor's supplemental budget recommendations, and may or may not be included in the final budget recommendations for FY 2014-15 to the General Assembly.

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Expansion requests and reduction recommendations should be submitted to OSBM as soon as possible and no later than Monday, February 10, 2014. All expansion and reduction recommendations must be entered and submitted in IBIS using the Worksheet II form. This form will be available in IBIS on Friday, December 20, 2013. For instructions on how to use the form, please refer to the Worksheet II user guide available on the IBIS website.

Special Provisions Requests

Agencies must submit a draft of all proposed legislation or special provisions to OSBM as soon as possible, and no later than Monday, February 10, 2014.

All final requests to the Governor for consideration in the FY 2014-15 budget preparation process must be submitted in hard copy and accompanied by a transmittal letter from the agency head.

As always, I would like to thank you for your continued cooperation. Your overall leadership and continued management of the budget is to be commended. We look forward to working with you in the coming weeks. Please do not hesitate to contact your OSBM budget analyst at (919) 807-4700 if you have any questions about the information in this memorandum. Thank you.