



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT

BEVERLY EAVES PERDUE
GOVERNOR

CHARLES E. PERUSSE
STATE BUDGET DIRECTOR

December 17, 2010

MEMORANDUM

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

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

SUBJECT: FY 2010-11 Budget Management

I am writing to provide your office guidance concerning budget management activities for the remainder of FY 2010-11. Each dollar we save in the current fiscal year lessens the impact of the estimated \$3.5 billion shortfall North Carolina faces in the next biennium.

To that end, all Cabinet agencies shall implement the following budget management strategies immediately with the goal of reducing General Fund appropriations by an additional 2.5% of your agency's certified budget. This annualized 2.5% savings to your certified budget is in addition to the 1% Management Flexibility Reduction outlined in our budget guidance memorandum dated August 24, 2010. The heads of all Non-Cabinet agencies are strongly encouraged to implement these measures immediately as well.

1. Vacant positions shall not be filled except as an extraordinary exception to this directive. Extraordinary exceptions may be made for positions that are deemed mission critical, provide direct classroom instruction as well as positions in law enforcement, public safety or involved in the direct custody and/or care of persons for whom the state is responsible. For Cabinet agencies, all requests for exceptions to this measure must be submitted for approval to the Office of State Personnel (OSP) and the Office of State Budget and Management (OSBM) prior to the position being advertised. A detailed justification shall accompany any exception request including a copy of the job description or proposed posting.
2. No career-banding adjustments, in-range adjustments or other salary adjustments may be made. Allowable compensation adjustments only include promotions and reclassifications. Reclassifications are limited to increased higher level responsibilities where there is clear documentation that an agency will have recurring savings by eliminating a position or positions. This limitation excludes positions now filled by an employee in training where the position is currently budgeted at a higher salary. For Cabinet agencies, all exceptions to this measure must be approved by OSP.

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3. Purchase orders for goods or services shall be limited to the maximum extent possible (only minimum inventories for necessary items should be maintained).
4. Travel and training shall be limited unless it is deemed essential to meet documented job requirements. Instances involving public safety, public health and emergency situations related to the custody and/or care of persons for whom the state is responsible are not subject to this directive.

The agency head or their designee is responsible for approving exemptions to these budget management measures. Appropriate internal controls shall be put in place to ensure these strategies are adhered to. Documentation of exemptions shall be maintained and be available to OSBM upon request.

Each of you has done an outstanding job of managing your budget and I personally appreciate the support you have provided to this office.

If you have any questions about the information outlined in this memorandum, please contact your OSBM budget analyst at (919) 807-4700.

cc: Governor Beverly Eaves Perdue
David McCoy, State Controller
Marilyn Chism, Fiscal Research Division Director