



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

BEVERLY EAVES PERDUE
GOVERNOR

CHARLES E. PERUSSE
STATE BUDGET DIRECTOR

December 18, 2009

MEMORANDUM

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

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

SUBJECT: Instructions for FY 2010-11 Budget Preparation

The Office of State Budget and Management (OSBM) is beginning the process for the review and preparation of Governor Perdue's supplemental budget recommendations to the 2010 Legislative Session. Governor Perdue has established her agenda to focus on the following budget priorities.

- 1. Position North Carolina to save and create jobs.**
- 2. Continue to improve our children's education so they are college and career ready.**
- 3. Set state government straight – open, effective and transparent.**
- 4. Healthy and safe communities.**

Budget Reduction Options

Each state agency shall develop 3%, 5% and 7% reduction options using the attached template (based on December 31, 2009, authorized budget). These reduction options should attempt to minimize the impact on direct services to citizens, as well as the impact on statutorily mandated or "core mission" government services. Specifically, reduction strategies should address the following:

- Eliminating duplicative and underperforming programs.
- Streamlining and consolidating of programs, offices and services.
- Reducing operating funds due to service efficiencies.
- Reducing layers of management and administration.
- Budgeting receipts where appropriate to offset appropriation requirements.

In addition, agencies may suggest alternatives, where appropriate, for recovering a full or higher percentage of the cost of providing a specific service from receipts.

To evaluate the reduction options and provide on-going savings, agencies' reduction options must adhere to the following guidelines:

1. Reductions should be recurring.
2. Proposals to eliminate programs, offices, or services should include specific plans for phasing out positions.
3. Reductions to capital improvements projects are not allowed.
4. Negative reserves are not allowed.

Agencies shall work with their OSBM budget analyst when developing their budget reduction options. **Agency reduction plans are due to OSBM by Monday, February 15, 2010.**

Expansion Budget Requests

As the state's economic environment stabilizes, expansion requests for FY 2010-11 will be limited to the following:

1. Continuation items included in the 2009-11 Governor's Recommended Budget that were not included in the budget enacted by the General Assembly.
2. Statutorily mandated enrollment increases or entitlement programs.
3. Continued phase-in of new programs initiated in a previous fiscal year.
4. IT projects funded entirely through receipts.

The detailed instructions for completing expansion budget requests are outlined below.

A. Worksheet II: Expansion Requests Summary

In this worksheet, summarize each request in priority order including item number, short title, brief description, total requirements, receipts and appropriation, and position change (worksheet attached).

B. Worksheet II: Expansion Budget Request Form

In general, please use the instructions outlined in the *Instructions for Preparation of the 2009-2011 Recommended State Budget* distributed by OSBM in July 2008 as the basis for completing the form.

Each expansion request shall include the following information.

1. A thorough justification for funding the request using the attached form. *All elements of the justification section are required. For each expansion request, the justification should clearly identify the public need being addressed, the agency goal that is supported, the relationship to the Governor's agenda and the expected performance impact or outcome.*
2. Expenditures at the following detail:
 - 1XXX Salaries and Benefits – 4 digit detail level,
 - 2XXX-5XXX – 4 digit detail level (list all individual accounts),
 - 6XXX State-aid – 4 digit detail level,
 - 7XXX Reserves – 4 digit detail level,
 - 8XXX Transfers – 4 digit detail level, and
 - All receipts.
3. The Actual Appropriation Expended for FY 2008-09, the Authorized Budget for FY 2009-10 (as of December 31, 2009), and the long-term budgetary impact and positions for the program or project for fiscal years 2010-11 to 2014-15.
4. Expansion requests that require legislative changes must be accompanied by a draft of the proposed legislation or special provision.
5. Each expansion request that requires additional space under G.S. 120-36.7(c), or requires additional vehicles from the state motor pool, should include the appropriate information on Worksheet II.
6. For IT requests, please include the required information on Worksheet II as well as submitting an IT project request in the IT project portfolio tool located at <https://www.ppm.state.nc.us/UMTNC/>. Information over and above what is captured in Worksheet II is required to meet the new requirements outlined in Section 6.12(a) of House Bill 1473. The additional information outlined in the link below will facilitate the required review of IT expansion requests by the State Chief Information Officer and assist OSBM in review of the requests. Submissions in the online tool shall be completed by the same due dates as all other budget request information outlined in this memorandum. The Worksheet II information should be attached to the submission in the online tool. For further information on how to submit a request in the online tool please see the 2010-11 IT Expansion Budget Request Instructions at: <http://www.epmo.scio.nc.gov/PortfolioManagementInitiative/ITExpansionBudgetRequests.asp>.

7. Capital Improvement Requests

A Capital Improvement Budget will be developed based on the 2009-2011 Capital Improvement requests. There will be an opportunity for your agency to update project information submitted last year on Worksheet III and to request new, emergency or high-priority capital projects. The worksheets and accompanying instructions for requesting these changes to your agency's capital budget requests will be sent electronically by OSBM's Capital Improvement Section.

8. Submit two (2) **HARD COPIES** of Worksheet II information to your OSBM analyst and electronic data submissions including:
- expansion attachments,
 - special provisions,
 - block grant plans, and
 - appropriate IT attachments.

The sum total of all general fund appropriation expansion requests (excluding capital improvement requests) **shall not exceed three percent** of your agency's FY 2010-11 certified appropriation. Agencies may submit requests that exceed this three percent threshold if they are supported by non-general fund, unbudgeted, or dedicated receipt sources. Specific issues related to statutorily mandated enrollment increases or entitlement programs should be discussed with your OSBM analyst. **The expansion requests should be submitted to OSBM as soon as possible and no later than Monday, February 22, 2010.**

Please contact your OSBM budget analyst at (919) 807-4700 if you have any questions about the information in this memorandum. Thank you for your cooperation.