



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

BEVERLY EAVES PERDUE
GOVERNOR

CHARLES E. PERUSSE
STATE BUDGET DIRECTOR

September 2, 2010

MEMORANDUM

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

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

SUBJECT: Budget Reduction Options for FY 2011-13

The challenge we face together in developing the FY 2011-13 budget will be significant. The cumulative impact of the national economic downturn, expiration of federal recovery dollars and sun setting of recent revenue changes leaves our shortfall at approximately \$3.3 billion.

To that end, I am requesting that each State agency develop 5%, 10% and 15% reduction options based on your recurring Worksheet I/Base Budget for FY 2011-12. The North Carolina Integrated Budget Information System (NC IBIS) reductions template will be available for input on Friday, October 1, 2010.

Across-the-board reductions have already been taken. This budget cycle we need to focus on supporting mission critical services and eliminating programs that have out-lived their usefulness. Specifically, reduction strategies should focus on the following:

- Eliminating duplicative and underperforming programs.
- Reducing layers of management and administration.
- Streamlining and consolidating programs, offices and services.
- Reducing operating funds due to service efficiencies.

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 shall 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; and where appropriate, how mission critical services will be met.
3. Reductions to capital improvements projects are not allowed.
4. Negative reserves are not allowed without prior approval from OSBM.

Agencies shall work with their OSBM budget analyst when developing their budget reduction options. **Agency reduction options are due to OSBM by Friday, October 29, 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.

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