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Division of Budget and Analysis
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Michael F. Easley, Governor
Dempsey Benton, Secretary

James B. Slate, Jr., Director

MEMORANDUM #2008-12k

TO: Division Directors
Office Directors

FROM: James B. Slate Jr.

Jim Slate

DATE: November 25, 2008

RE: Potential Reductions in the 2009-11 Biennium

As you are all aware, state revenues continue to fall below projections and this trend is expected to continue into the 2009-11 biennium. As a result, we anticipate that Governor Elect Perdue and/or the General Assembly will ask agencies to provide a list of possible reductions to state appropriations for the 2009-2011 Biennium. In preparation for this contingency, we are asking each division and office to prepare proposals for meeting three levels of permanent reductions to budgeted appropriations for SFY 2009-10. Specifically, this will include constructing a plan for meeting 5%, 7% and 10% reductions to budgeted state appropriations.

Considerations for Reductions

Consideration should be given to taking reductions to non-program areas wherever possible. However, given the size and scope of these reductions, it is likely that program funding will also be impacted by proposed reductions.

To determine which areas to consider for reduction, we encourage you to utilize information from the DHHS program management database in order to evaluate which programs provide the highest relative return on investment. Additionally, you may also wish to refer to your Division's business plan to determine which programs are core your overall mission. It may make sense to make larger reductions to less critical or less effective programs in order to assure that key Division programs are able to remain viable. Reductions may include the elimination of programs. In these cases you will need to include in your reduction totals all funding associated with the eliminated program. This should include all local and state level administrative funding as well as state level FTEs associated with the discontinued program.

Form Instructions

Please use the attached spreadsheets to develop your plan. In this workbook you will find 3 tabs titled *Certified*, *Summary* and *Reduction Option*.

Certified. For this effort, we will be using state appropriated budgets from the SFY 08-09 Certified budget to provide a baseline for reductions. A worksheet labeled *Certified* has been provided which details the dollar amounts associated with each percentage level of reduction. The certified budget amount for your agency will need to be carried forward for entry onto the *Summary* worksheet

Summary. Once you enter your certified appropriation total into cell F10 on the Summary worksheet, this spreadsheet will also detail the reduction targets by dollar amount for each reduction percentage level. In order to meet these reduction targets, you will need to provide an itemized list of proposed reductions. These should be entered by title and provide the level of appropriated reduction for each item.

Reduction Option. The third tab labeled *Reduction Option* is for capturing details related to each proposed item on the "Summary" page. On this worksheet you will need to provide reduction descriptions, information about program impacts, financial data and other details for each proposed reduction option. Separate *Reduction Option* worksheets will need to be completed for each reduction item and for each reduction plan level (5%, 7% and 10%). Please indicate in the appropriate box on row 8 of this form to which plan each worksheet applies. Note that if an individual reduction item is identical in title and proposed reduction amount as it applies to more than one plan (5%, 7% 10%), you do not need to fill out separate forms in these instances. For these items you may denote all plans to which that reduction detail sheet applies by checking multiple boxes on Row 8 of the form.

Please provide this information to your analyst in the Division of Budget and Analysis by no later than close of business on Friday, December 12. If you have any questions about this request, please contact your analyst in this Division. Thank you in advance for your assistance.

Attachments