



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

BEVERLY EAVES PERDUE
GOVERNOR

CHARLES E. PERUSSE
STATE BUDGET DIRECTOR

April 9, 2009

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers

FROM: Charles Perusse *Charles E. Perusse*

RE: Additional Fiscal Year 2008-09 Budget Management Restrictions

I am writing to provide further guidance on budget management restrictions for fiscal year 2008-09. The Office of State Budget and Management's (OSBM) analysis of General Fund cash indicates that additional expenditure restrictions are necessary to ensure a balanced budget on June 30, 2009. To that end, the Governor has directed this Office, under Article III, Section 5(3) of the North Carolina Constitution, to implement the following measures:

1. Allotments will only be approved for mandatory obligations, including payroll, utilities, financial aid, required State Aid, and debt service. Required state aid is defined in North Carolina General Statutes as compulsory or required for public safety and welfare. The fact that it is in the appropriations bill does not make it required.
2. No purchase orders will be issued for goods or services that will require the expenditure of General Fund appropriations, or other funds, which will revert if unexpended. Purchase orders for goods or services that have been ordered but not received by April 16, 2009 must be cancelled. This restriction includes information technology purchases and personal services contracts. Purchase orders for food and drugs necessary to operate or provide services through the end of the fiscal year can be issued. Only minimum inventories of these items should be maintained.
3. All travel requiring appropriations shall be terminated for the remainder of the fiscal year. Instances involving public safety, public health, economic development opportunities and situations related to the custody or care of persons for whom the state is responsible may be allowed but must be preapproved by the agency head and reported to OSBM. No out of state travel will be authorized. Any other exceptions to this directive must be preapproved by OSBM.

4. Vacant permanent or temporary positions, except those for which commitments have been made prior to the date of this directive, may not be filled. A prior commitment is defined as a verbal or written communication between the hiring agency and the prospective employee detailing salary and EOD. This limitation does not apply to vacancies existing because individuals are on, or obtain, leave without pay in accordance with personnel policies. In applying this directive agencies may make special exceptions for positions that provide direct classroom instruction as well as positions critical to law enforcement, health care, public safety and/or are related to the custody and care of persons for whom the state is responsible.

5. No promotions, reallocations (position reclassifications), career-banding adjustments, in-range adjustments or other salary adjustments may be made. This limitation includes positions now filled by an employee in training where the position is currently budgeted at a higher level.

6. Carry forwards will be discussed in more detail in a future directive from this office. However, your agency should not plan for any carry forwards except those required by law and these carry forwards are still subject to cash availability.

Measures 2, 3, 4 and 5 under this directive apply to all non-federal funds in Special Revenue or Trust Fund accounts. Agencies shall not transfer funds from the General Fund to a Special Revenue or Trust Fund account without prior approval from OSBM. In addition, funds may not be transferred by agencies from Special Revenue or Trust Fund accounts to the General Fund to help cash flow operating expenses in their General Fund budget code.

In applying this directive, special exceptions may be made for direct classroom instruction expenses, federal recovery act compliance and emergency situations related to law enforcement, health care and public safety. Any request for exception must be accompanied by written justification as to the nature of the proposed expenditure and will be reviewed on a case-by-case basis. Any exception to this directive must be approved by the OSBM.

Our challenge is great and I know that the Governor and I can rely on you and your staff to help us through these most difficult times. The Office of State Budget and Management is available (919-807-4700) to provide guidance and assistance as we work together to move North Carolina forward.

Cc: Governor Beverly Eaves Perdue
Representative Joe Hackney, Speaker of the House of Representatives
Senator Marc Basnight, President Pro Tempore of the Senate
Marilyn Chism, Fiscal Research Division Director