



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT
Employment First State for Individuals with Disabilities

ROY COOPER
GOVERNOR

CHARLES PERUSSE
STATE BUDGET DIRECTOR

June 3, 2020

MEMORANDUM

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

FROM: Charles Perusse *Charles Perusse*
State Budget Director

SUBJECT: Budget Management for FY 2020-21

The impact of the COVID-19 pandemic on the world's economy and our own state budget has been severe. The consensus General Fund revenue forecast anticipates a \$2.6 billion decline for the fiscal year beginning July 1, with revised revenues totaling \$23.47 billion. The state, through a series of mini budgets, has an adopted budget of \$24.7 billion for FY 2020-21. As we estimate revenues, including the FY 2019-20 cash balance, additional federal stimulus support, and monies in the Savings Reserve Account (as a last resort), we anticipate that the state would remain in balance and could support this current budgeted spending level.

We must be prudent with our resources, while at the same time knowing that North Carolinians need assistance now more than ever. From those battling COVID-19 and those caring for them, to those who have lost their jobs, to local school systems stretched to continue to deliver a quality education to all students, services that the state provides or pays for cannot afford cuts or declines in service levels.

In the coming weeks, once more certainty is provided by the federal government, the Governor will release a more detailed plan and set of recommendations for the FY 2020-21 budget. The Governor will work with the General Assembly to modify the FY 2020-21 budget to adapt to our changing circumstances, including any additional federal stimulus assistance.

Earlier this fiscal year, OSBM identified measures to restrict spending that minimize the impact on the delivery of services. We will continue with those measures, modified slightly, as the new fiscal year begins so that we can ensure a balanced budget. Those measures include:

1. Limiting the purchase of goods and services to mission critical and COVID-19 items only. This limitation does not apply to the purchase of supplies, equipment, and materials required for education instruction.

2. Limiting travel and training to instances involving public safety and health, job requirements, economic development opportunities, and emergency situations related to the custody and/or care of persons for whom the state is responsible, except as specifically approved by the department head as an exception to this measure.
3. Keeping open vacant permanent or temporary positions, except those deemed mission critical or related to COVID-19 activities, as specifically approved by the department head. This limitation does not apply to vacancies existing because individuals are on, or obtain, leave without pay in accordance with personnel policies. Agencies may make exceptions for positions that provide education instruction, as well as positions critical to law enforcement, health care, public safety, and/or related to the custody and care of persons for which the state is responsible.
4. Prohibiting reallocations (position reclassifications), career-banding adjustments, in-range adjustments, or other salary adjustments (except formally documented trainee or step progressions) unless the adjustment is set in statute or action is associated with COVID-19 activities. Special exceptions to this measure up to 5% may be approved by the department head. Increases greater than 5% may be requested by the department head and will be reviewed by the Office of State Human Resources and OSBM on a case-by-case basis.

The Office of State Budget and Management is available to provide guidance and assistance to you and your respective staffs as we work together to move North Carolina forward.