

OYA *In the Loop*

November 21, 2008

As I shared with you in last week's Bulletin, belt-tightening times are upon us. I participated in the Governor's Cabinet on Wednesday and learned about our revenue forecast.

To begin to understand the budget situation, please keep in mind that we are addressing two different budgeting periods: the current (2007-09) two-year cycle and the next (2009-11) two-year cycle.

When our current budget (2007-09) was determined, it was based on projected revenues – the amount of money economists predicted would come into the state treasury through taxes and fees.

Because of the economy, money coming into the state's bank account has not met these expectations. Therefore, to compensate for the decline in revenue and balance the budget by June 30, 2009 (the end of the current two-year cycle), all agencies have to adjust (reduce) their current budgets and spending.

The only tool given by law to the Governor is across-the-board reductions – in other words, every agency receiving General Fund dollars (like us) has to make proportionally equal cuts. The Governor has asked agencies to make plans to absorb those reductions.

Therefore, all agencies that receive General Fund dollars have to reduce their two-year (biennial) budget by about 1.2 percent. Since we are already 17 months into the biennium, and have already spent 17 months' worth of budget, we only have less than seven months to make up the 1.2 percent.

To achieve this reduction, we have to reduce our spending by 5 to 6 percent for the last few months of this biennium. In dollars, here's what that means: The state shortfall is roughly \$140 million. Our share of that is roughly \$3.1 million.

Our Cabinet will be meeting to consider options to achieve the \$3.1 million in reductions. Although we are uncertain right now what path we'll choose, my firm direction and priorities will be to preserve services and staffing levels.

Next biennium's budget is also on the front burner right now. On December 1, the Governor will make his budget recommendations to the Legislature. Although we don't know what his specific recommendations will be, we do know that the budget will be tight. Therefore, it only makes sense that whatever reductions we take in the near future

be carried over into the next biennium. The Cabinet will keep that in mind as we explore budget reduction options.

So, there you have it. I firmly believe that we can achieve the savings this biennium by investing in efficiencies and working smarter. Stay tuned – when I know more I will share the news with you.

~Bobby