

Published: Sep 25, 2008 11:58 AM
Modified: Sep 25, 2008 02:56 PM

Easley tells state agencies to cut budgets

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RALEIGH - Gov. Mike Easley's top budget officer has told state agency heads to cut their budgets by 2 percent in the current fiscal year in case the economic downturn takes a toll on revenues.

A memo from State Budget Director Charles Perusse to state agency heads last week says that "allotments ... will be reduced by two percent of each agency's authorized budget."

"We are not immune from the nation's economic slowdown and are implementing measures now to give us as much time possible to manage a revenue shortfall should it arise," Perusse wrote.

Kennon Briggs, the executive vice president and chief of staff for the N.C. Community College system, said Perusse met with community college officials last week and told them there would be an across-the-board cut of two percent, with the possible exception of public schools.

A two percent cut amounts to roughly \$400 million from a \$21.4 billion state budget that lawmakers passed in July. The total will probably be lower because public schools and Medicaid are exempt from the cuts.

The colleges were told in a system memo released Friday to comply with the cuts by Oct. 17.

The memo also said that agencies are being asked to hold back an additional one percent of their budgets in case further cuts "are required later this year."

The memo indicates that a two percent cut would slice \$924,312 from Wake Technical Community College's \$61.6 million state funding and trim Durham Tech's \$24.8 million state funding by \$398,000.

Briggs said the cuts will be tough on the system. Early projections show enrollment will grow roughly five percent this academic year. That's about 7,900 full-time equivalent students, pushing total enrollment to nearly 209,000.

Wake Tech officials have said enrollment growth at the start of the academic year jumped 13 percent among those seeking degrees since last fall.

The community college system is the state's top resource for people seeking retraining, or new skills to cope with a tough economy.

"Every time there's a downturn we get more students," Briggs said.

According to the legislature's fiscal research division, state tax collections are sluggish, but the most unpredictable taxes won't start coming in until the second half of the fiscal year.

Sales and income tax collections were approximately \$60 million to \$70 million below expectations in July and August, according to a report prepared by Barry Boardman, an economist with the research division.

The state staved off economic hardship experienced last year by other states because revenue projections were conservative and budget writers had anticipated a downturn in the economy.

Perusse said in his memo that his office's forecast assumes slow economic growth in the last six months of 2008, with the tide turning in spring.

"The timing of the expected strengthening coincides with the large April individual and corporate tax collections, which are notoriously volatile," Perusse wrote in the memo.

Dan Gerlach, a senior economic advisor to Easley, said calling for these cutbacks now makes it easier for state agencies to adjust.



Gov. Mike Easley heads a Council of State meeting.
Staff Photo by Shawn Rocco

"The thing to do was to do something as soon as we thought there might be a problem and give agencies maximum flexibility to deal with the problem," Gerlach said. "It's a lot easier to deal with this spread over 10 months than over two months."

State Rep. Mickey Michaux, a Durham Democrat and chief budget writer, said the cutbacks are an attempt by the governor to stay ahead of the national economic situation.

"We are maybe falling a little bit below our expectations on a monthly basis," Michaux said. "He may be doing something that we need to do in order to try to stave off any problems as a result of the national situation."

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