



Office of State Budget Director

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Frankfort, Kentucky 40601

Steven L. Beshear
Governor

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Mary E. Lassiter
State Budget Director

Governor's Office for Policy and Management
Governor's Office for Economic Analysis
Governor's Office for Policy Research

November 13, 2009

The Honorable Trey Grayson
Secretary of State
The Capitol Building, Suite 152
Frankfort, Kentucky 40601

Dear Secretary Grayson,

Faced with a potential \$160-170 million dollar additional General Fund shortfall for fiscal year 2010 (FY10), the Governor is asking state agencies to provide a plan to reduce FY10 General Fund spending by another 6%.

The Consensus Forecasting Group's October, 2009 preliminary revenue estimate for FY10 predicted that General Fund revenues would be \$161 million less than the official estimate.

Final decisions regarding development of the Governor's budget balancing plan for FY10 will take into account the impact of these further reductions to programs and services.

To aid in finalizing those decisions, please provide the Office of State Budget Director with an implementation plan for a 6% General Fund reduction for FY10 from the FY10 revised budget.

In that plan, please describe the actions necessary to implement the expenditure reductions by appropriation unit, including:

- Impact on programs and services, including any potential program eliminations,
- Potential reduction in workforce levels,
- Alternative options to include any potential mitigating impacts of substituting other fund sources,
- Impact on federal funds,
- Acknowledgement of legal mandates, and
- Impact on facilities.

The allocation of reductions within a Cabinet are not required to be distributed uniformly across all appropriation units. Some appropriation units are not subject to this exercise as they were either protected from further reductions in the first FY10 budget reduction or HB 4, or received additional funding in HB 4. The 6% amount is applied to the current General Fund baseline amounts which have already taken into account the first budget reduction for FY10, the mandated expenditure reductions required by the 2008-10 budget bill, and any debt service appropriated in FY10. In preparing the reduction plan, please also note that pursuant to HB 4 of the 2009 Special Session, "Any language provision that expresses legislative intent regarding a specific appropriation shall not be reduced by a greater percentage than the reduction to the General Fund appropriation unit for that budget unit."

Specific information reflecting the dollar amounts for this planning process will be provided to your staff from this Office. Please direct any questions your budget staff may have to your Policy and Budget Analyst in GOPM.

Please submit your response to the Office of State Budget Director in draft form by close of business November 30, 2009.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mary E. Lassiter".

Mary E. Lassiter
State Budget Director