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MEMORANDUM

TO: Secretaries, Commissioners, Deputies, and Business Managers
FROM: Neale F. Lunderville, Secretary of Administration
DATE: October 2, 2009
RE: Fiscal Year 2011 Budget Process

I appreciate all of your hard work over the last year and half in addressing the difficult – and seemingly constant – budget challenges presented by this deep and profound recession. Although I'd like to report the dark clouds have cleared, I cannot. The FY 2011 budget will be the most challenging we have crafted. We'll need your continued creativity, insight and innovation to find solutions to protect critical services and vulnerable populations while meeting the bottom line. While this process will not be easy, I have no doubt that we will be successful.

To put the FY 2011 challenge in context: the most recent General Fund (GF) revenue forecast for next year is below the final GF revenue for FY 2006. Further, we will be losing more than 40% of the federal recovery money that we used in FY 2010 to backfill declining revenues. Finally, the Emergency Board has reduced the GF revenue forecast in each of the last 6 fiscal quarters and there is further downside risk for the November 2009 and January 2010 forecasts.

As we transition into the FY 2011 budget cycle, our FY 2010 projected base expenditures exceed the FY 2011 revenue forecast before allowing for any upward pressures due to inflation, caseload growth, labor cost increases, among many others. I am asking you to develop a budget proposal for FY 2011 that stays within our projected available GF revenue forecast. The FY 2011 baseline equals an 8% reduction across state government from FY 2010 levels. We are acutely aware that this is a very difficult task, and will require reductions, and even eliminations, of programs and services as well as significant process changes in how we conduct state business.

It's important to remember that declining revenues stem from taxpayers simply having less income in a contracting economy. Vermont families and businesses are going through the same prioritization process that state government faces and making many difficult decisions along the way. We cannot – and will not – dodge our responsibility to live within our means by shifting the burden to already beleaguered taxpayers.

Attached are Finance Commissioner Jim Reardon's detailed budget instructions, including a timetable. As in previous years, your response **must be submitted electronically** to the Secretary of Administration's public mail folder ADM-BUDGET@state.vt.us, by October 19,

2009, with all additionally requested documentation and information included. Please include details on how your proposed budget will impact your department's mission and programs.

Please review any and all statutory changes or legislative action required to implement your proposed FY 2011 budget and provide draft language in your response. Your response should also include any current fiscal year budget changes that you would like included in the FY 2010 Budget Adjustment Act (BAA) and how you intend to address the funding of such adjustments.

Thank you for your service and dedication in these difficult times and we appreciate and applaud your efforts and those of your management team and staff.