

**Sent:** Tuesday, October 14, 2008 9:42 AM  
**To:** Schowalter, James  
**Cc:** Budget Division  
**Subject:** Budget Reduction Target

Dear Commissioner:

Following the Cabinet meeting last week, we had additional conversations with the Governor's Office about our financial picture in FY 2010-11. Events in the financial and credits markets further underscore the serious problems that exist in our economy. As you know, the state faces a known deficit of nearly \$1 billion in the coming biennium with significant risk in the November forecast. In order for the Governor to have options for developing a balanced budget, we are establishing reduction targets for each Cabinet agency. Your plan for meeting this target should be provided in your Preliminary Budget Options submitted on November 3rd.

The preliminary options you submit on November 3rd should result in a 5% reduction in your total General Fund base as well as your direct appropriated Other Funds base for FY 2010-11 (excluding Federal Funds and Internal Service Funds). Unless otherwise directed by Commissioner Hanson, any proposed increases should be factored in so that the net impact results in the overall reduction target.

We understand that preparing these plans will be difficult. However, given the risks we are facing, this is a prudent starting point in developing options for the FY 2010-11 biennium. Through the Executive Budget Team (EBT) process, we will determine whether additional reduction options are needed. Please contact me or your Executive Budget Officer if you have questions. Thank you.

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