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To: Members, Joint House-Senate Appropriations Subcommittees

From: Senator Keith Bales, Chairman, Senate Finance and Claims
Representative Jon Sesso, Chairman, House Appropriations

RE: Guidelines for Joint Subcommittees

Thank you all for your hard work thus far to begin crafting the 2010-2011 state budget. Given the volatile economic conditions, our task is daunting as we strive to balance an ever-changing revenue outlook with planned expenditures. To help ensure the subcommittees are operating in a reasonably consistent approach, we wanted to communicate the following guidelines and ask for your cooperation in moving forward with executive action.

As most of you are aware, the latest revenue estimates arrived on Friday, and they have confirmed our fears: revenues will be down by another $85 million. There will be another set of numbers in about two weeks and it is entirely likely we may need to reduce revenue expectations further. With that in mind, we should continue with our hearings on various agencies and programs and proceed with executive action, keeping in mind that we are faced with the difficult task of reducing the budget further. We recommend taking the following actions:

- **Approve:** Move ahead with those packages that have strong support, are well documented in terms of proven performance, and where decisions are unlikely to change regardless of new revenue data. For example, programs with limited general funds, or mostly state special funds, or mostly federal funds unlikely to be impacted by anticipated federal action (jobs stimulus legislation).

- **Reject:** Vote down those packages that have little support, are not well documented and are unlikely to survive the process under any revenue scenario.

- **Defer:** Move to set aside those packages that will likely be impacted as conditions change, for example: 1) those with large amounts of general funds; 2) those that may be linked to federal action on jobs-stimulus; 3) those that may need better performance documentation.

Subcommittee chairs, with staff support, will create working lists of those packages that are deferred, by section and agency, by fund type and amount. These deferral lists will provide the framework for continued discussions with the Governor and Budget Office on suggested cuts, particularly as the Revenue Estimate changes and more specific information arrives on the federal stimulus package. It is entirely likely (and many experts agree) that the economy will not turn around for a couple of years, and we may need to reduce funding levels accordingly.

As we work through the process, we need to be sensitive to the inequities caused between departments and agencies that are supported by the different funding sources, i.e., general fund vs. state special vs. federal special, etc. Nonetheless, taking action is important to begin shaping the final product.

Thank you for the long hours and hard work that you are all committing to this process. There will be many challenges in the weeks to come. We can overcome those challenges with hard work and cooperation.