



STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
20301 MAIL SERVICE CENTER • RALEIGH, NC 27699-0301

MICHAEL F. EASLEY
GOVERNOR

June 26, 2008

Dear House and Senate Appropriations Chairs:

I realize you are working hard to complete the 2008-09 budget. In order to make sure we are able to adopt a balanced budget that is fiscally sound, I want to update you on the latest data about revenues.

It has become apparent that 2007-08 revenue collections will not meet the May consensus \$151.5 million surplus estimate. Our best estimate, as of noon today and with only a few days left in the fiscal year, is that we will be \$70 million short of this target. Therefore, we have to reduce our beginning nonrecurring availability by that amount.

The sales tax and the income tax are the major causes of this downward revision. Both withholding and sales taxes are off the pace by more than we anticipated after April collections.

Assuming that we keep the same economic growth rate of 3.5 percent agreed to after April collections, this decline would translate into a recurring reduction of \$45 million in 2008-09 revenues which must be addressed for the budget to balance.

I and my staff stand ready to assist you in any way. We understand that this information makes your job, and ours, more difficult.

With my kindest regards, I remain

Very truly yours,

A handwritten signature in black ink, appearing to read "Mike Easley".

Michael F. Easley

MFE/ab

c: Senator Marc Basnight, President Pro Tempore
Speaker Joe Hackney
Senator Tony Rand
Representative Hugh Holliman
Representative Bill Owens

