



COMMONWEALTH OF VIRGINIA
Office of the Governor

Wayne Turnage
Chief of Staff

March 13, 2009

MEMORANDUM

TO: Commonwealth IT Services Suppliers

CC: Cabinet Secretaries
Lem Stewart, Chief Information Officer
Peggy Feldman, Chief Applications Officer

FROM: Wayne M. Turnage
Chief of Staff

SUBJECT: Commonwealth Budget Crisis

Over the past three fiscal years, the Governor and the General Assembly have taken action to address revenue declines of around \$2.3 billion for FY 2008, FY 2009, and FY 2010. Further, the introduced budget for this 2009 General Assembly session addressed an additional revenue shortfall of \$2.9 billion. This means the total revenue actions taken by the Governor to submit a balance budget at the beginning of the 2009 General Assembly session was nearly \$5.3 billion.

In February 2009, due to additional revenue challenges, the Governor brought the forecast down by an additional \$821 million for FY 2009 and FY 2010. Thus, before any of the mandated spending items were factored in the budget, the Commonwealth faced a revenue shortfall of more than \$6.0 billion. Because the Governor and the General Assembly had to take actions to address this shortfall, spending in virtually every area of State government was substantially reduced. The one area that did not experience major retrenchment was Information Technology.

Although the General Assembly recently passed a budget for the remainder of this fiscal year and the next, the revenue situation remains uncertain. Accordingly, we are requesting the assistance of the Supplier Community to undertake the following action immediately:

- Voluntary 10% rate reductions for ALL Information Technology contractors or consultants currently engaged with the Commonwealth. These new rates will be in place from this point forward for new engagements for contractor or consultant services.

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In closing, let me say that I wish this memo carried more favorable news. I want to thank you for partnering with the Commonwealth and for your assistance in these challenging times. I trust that you will take the appropriate actions to ensure that the request of this memo is carried out expeditiously.