

Gov. Easley Signs NC State Budget

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Gov. Mike Easley signed a \$14.5 billion state spending plan Wednesday, four days after lawmakers approved the plan in the longest legislative session in the state's history.

The bill signing puts a state budget place three months after the start of the fiscal year. It followed weeks of negotiations in Legislature over tax increase proposals and spending priorities.

Easley, who endorsed a tax increase, said the budget keeps North Carolina moving forward while other states are faltering in tough economic times.

He praised lawmakers for continuing to provide money to improve public schools despite the softening economy.

"With this budget North Carolina took a stand. With this budget, North Carolina gives our children - all of our children - every opportunity to succeed," Easley said during a signing ceremony at Wiley Elementary School in Raleigh. "North Carolina sent a clear message to the nation that our state will take care of its people, in good times and bad."

The budget was approved by lawmakers last week after they reached agreement on a \$620 million dollar tax increase. The tax package includes a half-cent sales tax increase and a temporary two-year increase in the income tax on the wealthy.

The budget will increase state employees' salaries by \$625 a year and give teachers a 2.86 percent pay raise.

It also provides \$25 million to reduce class size, including \$12 million for Easley's plan to reduce kindergarten class size. The governor's More at Four preschool initiative also receives \$6.4 million to begin a pilot program.

Before signing the budget bill, Easley met with teachers and students in two kindergarten classrooms at Wiley Elementary.

"The class size is getting a little smaller, thanks to you in the Legislature. And the smiles on the teachers' faces are getting a little larger," the governor said as the ceremony began.

More than two dozen lawmakers and several Easley administration officials attended the event. A couple hundred school children sat in the balcony of the school's auditorium and looked on.

State school Superintendent Mike Ward also praised lawmakers' efforts to protect public schools.

"The budget affirms the fact that legislators support high standards," Ward said.

Molly Broad, president of the 16-campus University of North Carolina system, said lawmakers also met the universities' top two priorities, providing \$28 million for enrollment increases and \$9 million in additional financial aid money.

Passage of a budget means lawmakers could begin concluding the legislative session within a few weeks. Some legislators, though, are predicting that putting together House and congressional redistricting plans could take another month.

Besides funding new education programs, the budget pumps \$181 million into the state rainy day reserves, \$125 million into a building repair and renovation fund, and \$47.5 million for a mental health trust fund to develop community-based programs for the mentally disabled.

Easley officials have yet to close the financial books on the previous fiscal year, but apparently will withhold the bulk of \$151 million in state employee pension funds pulled to help meet an \$830 million budget shortfall.

The state had \$601 million remaining at the end of the fiscal year June 30, but the money included \$426 million for the Hurricane Floyd relief effort.

The governor was also weighing how much money to restore to the state's rainy day fund, which had \$157 million.

Easley spokesman Fred Hartman said about \$130 million in the pension contributions could be retained to help balance the books. The decision on finalizing last year's accounts should be completed in the next week, he said.

North Carolina's largest employee group sued the state over the decision to withhold the pension contributions. A lower court dismissed the lawsuit filed by the State Employees Association of N.C.; the group is appealing the dismissal.

Dana Cope, executive director of the group, said Easley's decision means state government retirees will see smaller cost-of-living raises in future years.

"He's consciously making a decision to slap the state retirees and employees even further," Cope said.