



STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
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MICHAEL F. EASLEY
GOVERNOR

June 7, 2007

The Honorable Marc Basnight
President Pro Tem, Senate
Room 2007 Legislative Building

The Honorable Joe Hackney
Speaker of the House of Representatives
Room 2304 Legislative Building

Dear President Pro Tem Basnight and Speaker Hackney:

As you begin the conference process to resolve your differences on the 2007-08 budget adjustments, I wanted to share my views on necessary components of the final budget agreement that I would be proud to sign. I appreciate all of the hard work that you and your colleagues have done thus far, and want to work closely with you to finish the job before the end of the fiscal year. We all have a lot of work to do to reconcile these differences.

On education, we must invest in disadvantaged students to ensure that all children have the opportunity to develop their knowledge, talent and skill to compete in the global economy. This includes investments in the DSSF and in adding academic pre-kindergarten slots to serve more four-year olds. These investments are not only the right and appropriate thing to do, but are necessary to meet our obligations under the *Leandro* court order.

Literacy coaches are also a necessary step to address the lack of progress in middle school test scores and to reduce the high school dropout rate, one of our most pressing problems. The Learn and Earn Online initiative has met with interest from over 270 high schools across the state. Therefore, the support of 20,000 online course slots will all be used. I appreciate the support of both chambers in the EARN Grant, which states across the nation are trying to emulate. We need to make sure that it can be sustained in the long term, given the demands on the Escheats Fund.

Both the House and Senate have already made the right investments in teacher pay, and I commend you for these efforts.

President Pro Tem Basnight
Speaker Hackney
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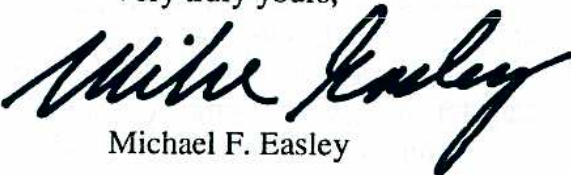
On fiscal discipline, we have fixed the deficits of the past by acting prudently. We cannot provide recurring tax cuts that are replaced with one-time revenues. The investments that we all wish to make in education and human services must be supported with recurring money. Nor can we enact budget cuts that are based on an arbitrary examination of vacant positions. The Departments of Correction and Health and Human Services, to use two examples, are dependent on the vacant positions to pay for overtime, temporary workers, and other mandatory costs. Moreover, we cannot base our budget on the possibility of cuts in existing programs based on future reviews, as the cuts have not been justified. The budget must have the discipline necessary to keep our AAA bond rating and to avoid the same type of budget gaps that we experienced in 2001.

We are all committed to providing Medicaid relief to those counties most in need. I will work with you to fashion a plan that keeps both the state and local governments fiscally sound, and provides options for local governments to meet their needs without resorting to unaffordable property tax hikes.

I know that we all have the same goals and will be able to work together to forge a plan in which we can all take pride. Please let me know what I can do to be of assistance and do not hesitate to contact me with any questions. I appreciate your time, your hard work, and your leadership on behalf of all our citizens.

With kindest regards, I remain

Very truly yours,



Michael F. Easley

MFE/ab

c: Conference Co-Chairs
Finance Chairs