



Larry D. Hall
House of Representatives
29th District



December's Preview

From the Office of Representative Larry D. Hall

December 2, 2008

During this time of economic uncertainty, the North Carolina General Assembly has worked diligently to protect our state from the worst consequences of the economic slowdown. As it became apparent earlier this year what was happening in housing markets and in people's lives, we took several steps to help those in need. I hope this week to update you on how state government continues to respond to the financial problems we face.

Our governor acted quickly to cut state spending as revenue began to fall and we anticipate his early actions will put the state in a stronger position when we return in January to begin crafting our next budget. We also have nearly \$800 million in reserves to help us meet our needs until the economy rebounds.

A few signs offer proof that North Carolina is in a stronger position than many other states. Our foreclosure rate is less than a third of the national average. Our average home prices have grown slightly, while nationally home prices have fallen 8 percent over the past year or so. And for the seventh time in 8 years we were recognized by Site Selection Magazine as the state with the top business climate.

I look forward to serving you in the session ahead. As always, please let me know if you have any questions or concerns that I can assist with and thank you for your interest in our state.

Last session - Expanding job opportunities and increasing personal income are vitally important to safeguarding our state from the downturn. Last session, we continued to invest in programs that help attract jobs in this state and we continue to look after the rural and economically distressed areas of the state that need our help. We invested \$20 million in economic development programs that attract businesses that commit to creating skilled jobs in our state. Since 2002, North Carolina has won almost 100,000 jobs and \$14.65 billion in investment from these business recruitment efforts.

_ The General Assembly has strengthened our mortgage protection and foreclosure prevention programs with infusions of millions of dollars. We expanded the Home Protection Program statewide, which provides counseling and mortgage assistance to those in danger of losing a home due to job loss. We also made a strong investment in the Housing Trust Fund, which finances home ownership and rental apartments, new construction, rehabilitation, and emergency repairs. New consumer protection laws limit the ability of mortgage brokers to charge customers above-market rates and prepayment penalties.

_ We expanded on tax relief to help low-income North Carolinians by increasing the Earned Income Tax Credit (EITC) to 5 percent. The initiative will cut taxes for as many as 700,000 North Carolina families struggling to make ends meet.

The Present- The first budget measures were taken in mid-September when the state budget office required agencies to hold back (or reserve) 2 percent of their budgets to cover a then estimated \$700 million shortfall.

_ Upon reviewing actual September collections in mid-October, the office strongly encouraged state agencies to consider: (1) holding positions vacant except those for which prior commitments had been made; (2) limiting travel to the maximum extent possible; and (3) restricting the purchase of some goods or services.

_ Currently, the governor has proposed trimming the state's total budget by about \$1.2 billion, or about 5 percent, to ensure that the next administration has sufficient money to cover any shortfall.

_ Public schools and the university system expect to cut smaller percentages than the statewide average. Public schools will cut about 1.5 percent of their total budget, while the University of North Carolina system is projecting a 4 percent cut. Student aid is not expected to be harmed.

Future Projections - The budget revenue forecast for FY 2008-09 assumes slow economic growth throughout the year with improvement beginning in 2010. There are a number of factors that point to an eventual strengthening of the economy.

_ The \$700 billion bailout package passed by the federal government is intended to reinvigorate credit markets and allow capital to flow more freely.

_ Fuel and utility costs have declined sharply, which should result in lower commodity prices.

_ The federal government is discussing a stimulus package for states. If passed, the package would include a Medicaid match increase, funds for infrastructure projects and rebates for taxpayers.

_ We are still faced right now with the challenge of improving our transportation infrastructure. This will be expensive and we have been looking at several new ways to raise the money the state needs to repair existing roads and relieve congestion with new roads. The 21st Century Transportation Committee has discussed several options for financing road work across the state

and recently issued a report to the legislature.

_ The state must also address a possible shortfall in the State Health Plan and there will undoubtedly be other challenges in keeping our budget balanced while still moving our state forward. In order to do this, the state government will look for new ways to cut costs. For example, last session the state created a new grant program to pay for energy efficient projects in state buildings. The General Assembly spent \$5 million on the improvements last year. This year, we expect to recoup all of that money and come out about \$1.5 million ahead because of reduced energy costs.

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Please remember that you can use the General Assembly's website at <http://www.ncleg.net> to look up bills, view lawmaker biographies and access other information. The site also contains detailed information about the state budget and legislative schedules.