

# Budget Cuts Snag School Construction Funds

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After news this week that the state's revenue shortfall for the current fiscal year has grown to \$2 billion, Governor Beverly Perdue ordered most state agencies on Wednesday to cut another 2 percent from their 2008-2009 spending, and she transferred \$300 million from various funds to create an emergency account for state operations.

The additional cuts mean most agencies now have to reduce their spending during the 2008-09 fiscal year by a total of 9 percent. The size of the cuts has been rising steadily since former Gov. Mike Easley ordered 2 percent cuts in September.

In this latest round of cuts, the Governor did not ask for an additional reversion from public schools, whose cuts in state operating funds to date total \$158,948,312 and include 2 percent in reversions from school districts and 6 percent in cuts from the Department of Public Instruction.

Perdue did, however, call for \$37,632,989 in state lottery receipts earmarked for school construction and \$5,621,104 from undistributed corporate taxes to be redirected to address the state's budget shortfall. This combined \$43,254,092 is the total amount that school districts statewide expected to receive in their next quarterly payment from the Public School Building Capital Fund (commonly called the ADM Fund) that assists school districts with school construction and renovations. This reduction is a permanent loss of that quarterly payment, according to information that State Associate Superintendent Philip Price provided to the Joint Appropriations Subcommittee on Education earlier today, and the cut brings the total public school reductions to \$202,202,404 for 2008-2009.

In addition to the school construction funding cut and other state agency reductions, Governor Perdue is using \$100 million each from the Clean Water Management Trust Fund and the Public School Building Capital Fund and \$50 million each from the Education Lottery Reserve Fund and the Public School Textbook Fund to create an emergency reserve for state operations. The state faces a cash-flow crunch every spring until corporate income tax payments are made on April 15, and the emergency fund is intended to help cover expenses until then.

According to Price, the \$100 million set-aside from the Public School Building Capital Fund is from "un-obligated funds" that have not been earmarked by counties and school districts for specific school building projects.

To view a summary of the public school cuts that have occurred in this fiscal year, a copy of Governor Perdue's press release announcing her latest budget actions and other information regarding school budget reductions that are being considered, please view the following link: <http://www.ncasa.net/displaycommon.cfm?an=1&subarticlenbr=199>.