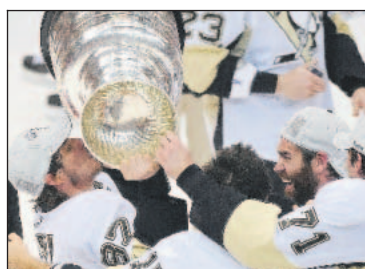




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MORE NEWS

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FDA WILL REGULATE TOBACCO PRODUCTS

The bill won final passage in the U.S. House, and Obama has said he will sign it. It is the end of a legislative battle that has lasted more than a decade. **1B**
 ■ Rep. Bob Etheridge struggled with his vote for the bill. **4B**

ARE YOU WATCHING FUZZ ON TELEVISION?

Triangle broadcasters went all-digital as part of a transition to technology that promises sharper pictures, better sound and new features. "Judge Judy" has never looked so good. **5B**

U.N. GETS TOUGH WITH NORTH KOREA

The Security Council unanimously imposed punishing sanctions, toughening an arms embargo and authorizing ship searches to thwart nuclear and ballistic missile programs. **3A**

TWO MOSQUES, TWO ASSASSINATIONS

■ The moderate leader of the largest Sunni bloc in Iraq's parliament was assassinated Friday after delivering a sermon. Harith al-Obeidi was an advocate for prisoners' rights. **3A**
 ■ Sarfraz Naeemi of Lahore, Pakistan, received threats after denouncing the Taliban as "a stigma on Islam." Friday prayers had ended when a bomber killed him. **5A**



Amanda Knox is on trial for the stabbing of her British roommate, Meredith Kercher. AP PHOTO BY STEFANO MEDICI

EXCHANGE STUDENT TESTIFIES IN KILLING

The tale of a junior year abroad gone bad, starring a fresh-faced American protagonist, has captivated Italy. There are complicated racial overtones and intimations of group sex. **9A**

WEATHER

Today: Slight chance of thunderstorms. High 90, low 67.

Sunday: Much the same as today. High 88, low 67. **10B**

INDEX

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 Business.....5B Real Estate.....1F
 Comics.....6D Puzzles.....2D
 Deaths.....8B TV.....4D



THE GENEROUS ASSEMBLY: WHY LEGISLATORS CAN'T FIX THE BUDGET

With the budget in chaos, lawmakers and Gov. Beverly Perdue still resist serious changes to state policy and spending. In five parts, The News & Observer examines difficult decisions the state could make to save hundreds of millions.

Pet projects quietly persist



The N.C. Center for Automotive Research, under construction near Roanoke Rapids, got half of its \$15 million in state money under the condition that a private partner promise to create jobs. That hasn't happened.

STAFF PHOTO BY SHAWN ROCCO

Teapots. An automotive center. An ACC museum. Even if lawmakers wanted to kill some of the questionable programs they've created, they've lost track of their options.

BY DAN KANE
STAFF WRITER

Four years ago, state legislators gave \$2 million to Greensboro to launch a "Hall of Champions" for the Atlantic Coast Conference. It was to showcase the ACC's athletic heroes, an idea pushed by Kay Hagan, then a state senator, and other legislators.

The project would cost \$23 million, and the legislators initially asked the state for all but \$3 million, which represented what the city would pay to buy an existing building that would become the hall's home.

Since that time, no additional money has been raised, even from the Greensboro-based athletic conference, which is among the wealthiest in the nation. Ac-

\$96 million Estimated annual savings from 2010 to 2015 if tax credits were repealed.
\$55 million Savings if seven of the state's agriculture research stations were closed and property sold. An additional \$3.7 million would be saved annually by consolidating the remaining research stations under two UNC schools.
\$15 million State lawmakers' investment in the N.C. Center for Automotive Research, plus an additional \$4.2 million in state, local and federal assistance.
\$16 million How much more center officials say they need to make the facility self-sustaining.
\$2 million Given to Greensboro in 2005 for a proposed \$23 million ACC Hall of Champions. It has not been built and has received no private funding.
\$400,000 Given to Sparta in 2005 for a teapot museum that has been scaled back and turned into a planned arts and crafts facility. It has yet to be built.

ording to the ACC's most recent tax return, it had \$30 million on hand and paid its commissioner, John Swofford, \$924,000 in salary, expenses and benefits.

The city bought the building

but backed out of using it for the hall. Yet the Greensboro City Council recently voted to spend the \$2 million to get started. Until

SEE **PROJECTS**, PAGE 10A

BY THE NUMBERS

THE SERIES

Sunday: Repeal the habitual felon law = **\$190 million** over 5 years
Wednesday: Mandate generic drugs for Medicaid = **\$28 million**
Thursday: Fix corporate tax laws = **\$100 million** a year
Today: Kill tax credits and untracked spending = **\$100 million-plus** a year
Sunday: Limit state employee benefits = **Tens of millions** a year

Read the whole thing: Find our series on why legislators can't fix the state budget at newsobserver.com/generous_assembly.

House takes up a tough budget

'We've gone to the brutal level'

BY BENJAMIN NIOLET
STAFF WRITER

RALEIGH - The state budget approved late Friday at the House provides residents the first real look at how deeply the recession may affect services and programs across North Carolina.

The House passed the bill 64 to 54 on its first vote about 11:30 p.m. The chamber was expected to take a final vote after midnight on the \$18.6 billion budget that includes \$780 million in new taxes. The budget also includes some \$3 billion in cuts to programs that were funded in the current

year's budget. The cuts are offset by \$1.3 billion in federal stimulus money. Those funds disappear in following years, effectively pushing the deficit forward.

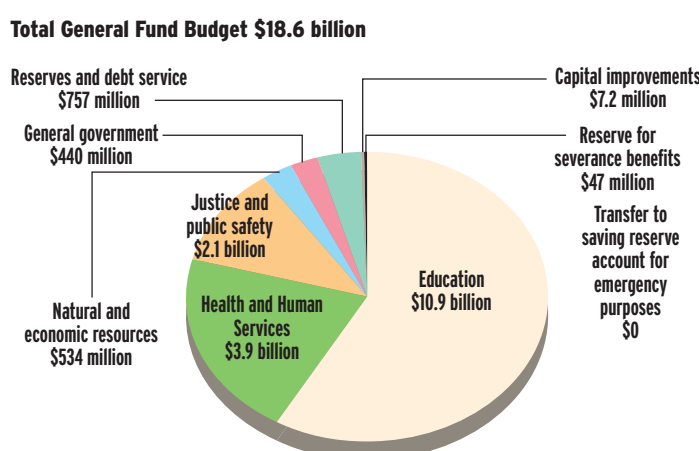
That proposal dwarfs cuts proposed by Gov. Beverly Perdue and the Senate; they advanced budget proposals before revenue dropped precipitously.

The House would cut thousands of teacher jobs to raise class sizes from fourth grade through high school. It would reduce funding to a host of social services and close eight

SEE **BUDGET**, PAGE 8A

THE HOUSE PLAN

Here's how the N.C. House would spend the state's money.



Source: N.C. General Assembly

The News & Observer

Iran's results are in dispute

President, rival both claim a win

By ANNA JOHNSON AND BRIAN MURPHY
THE ASSOCIATED PRESS

TEHRAN, Iran - Iran's Interior Ministry said today that President Mahmoud Ahmadinejad took a commanding lead with nearly 80 percent of all votes counted, but his rival countered that he was the clear victor and warned of possible fraud in the election.

The dispute rose up even before the votes were counted — sharply boosting tensions after an intense month-long race between the combative president and his main challenger, Mir Hossein Mousavi, who has the backing of a growing youth-oriented movement.



Ahmadinejad

Mousavi declared himself "definitely the winner" based on "all indications from all over Iran." He also alleged widespread irregularities, including closing polls with voters still waiting, suggesting he was ready to challenge the results.



Mousavi

But bringing any showdown into the streets would certainly face a swift backlash from security forces, which have already issued stark warnings against unrest or any threat to the Islamic regime. A series of cyber-strikes — text-messaging blackouts, blocks on pro-Mousavi Web sites and widespread Internet disruptions — also raised worries that authorities were prepared to exert further pressures on the communications lifelines of the rejuvenated reformist movement.

The messy and tense outcome capped a long day of voting. It was extended for several hours to accommodate a huge turnout that had people waiting for hours at polling stations in blistering heat and nighttime downpours.

Mousavi, a 1980s-era prime minister, had been counting on an outpouring from what's been called his "green tsunami" — the signature color of his campaign and the new banner for reformists seeking wider liberties at home and a gentler face for Iran abroad. He raised hopes that a new leadership might embrace President Barack Obama's invitation to open dialogue and take a less confrontational path with the West over Iran's nuclear program.

But moments after Mousavi

SEE **IRAN**, PAGE 14A



The Barrel Monster was seen on Hillsborough Street in Raleigh in late May. WWW.NOPROMISEOFSAFETY.COM

Cops collar a monster and his maker

BY SARAH OVASKA
STAFF WRITER

RALEIGH - The Barrel Monster is big, he's orange and white, and he's meant to amuse.

But Raleigh police don't see much humor in the towering creature made of construction barrels that spent less than a day on display in late May near a Hillsborough Street construction zone.

Officers filed misdemeanor charges this week against Joseph

Carnevale, a 22-year-old history major at N.C. State University. He is charged with larceny and damage to property — much to the dismay of a growing contingent of Barrel Monster fans.

Facebook pages such as "Don't Charge Joseph Carnevale" and "Art isn't Crime!" have formed, with Barrel Monster-backers urged to contact Wake District Attorney Colon Willoughby and ask that the charges be dropped. Willoughby himself questions

how serious the crime is. And workers for the construction company that owns the barrels say they were sad to see the monster go and don't want anyone criminally charged.

Carnevale couldn't be reached for comment, though an artist identified only as "uliveandyouburn" took credit for the monster, saying that the art was meant to amuse. Photographs of the artist on his blog, [\[In e-mail exchanges with The News & Observer, uliveandyouburn would not confirm whether he and Carnevale are one and the same.\]\(http://www.nopromiseofsaf-ty.com, closely resemble that of Carnevale's jail mugshot.</p>
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"I was very surprised that someone was actually charged, given that Raleigh is a large city which I am sure has a lot more serious crime, as well as an un-

SEE **BARRELS**, PAGE 14A