



## New State Budget Short-changes Investments that Support Early Childhood Development

### BUDGET & TAX CENTER FACT SHEET

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North Carolina's youngest people represent the promise and potential for the future overall health and well-being of our state. Accordingly, investments that we make today to promote and ensure access to early childhood learning and development, regardless of where families and toddlers reside in the state, directly impact the ability of communities to thrive—today and in the future. Unfortunately, state support for initiatives that promote the healthy development of children in the early years of their lives has eroded. Rather than expand these initiatives to serve more toddlers, state lawmakers have instead made state budget decisions in recent years that short-change investments that prepare one of our most valuable assets – toddlers – for future success as students, adolescents, adults, and citizens.

#### Prioritizing Tax Cuts at the Expense of Investments that Promote Early Childhood Learning

The nearly \$1 billion of tax cuts in the new state budget builds onto costly tax cuts passed since 2013. These tax cuts have largely benefited the very highest income earners in the state and profitable corporations that, combined, result in the state's tax system raising \$3.5 billion less in available annual revenue compared to the tax system in place in. The significant reduction in available revenue means that North Carolina continues to fall behind in boosting state funding for early childhood learning initiatives that would serve more toddlers and help create bridges to opportunities for families.

- **NC Pre-K Program:** Under the new budget, lawmakers provide additional funding to reduce an existing waitlist by half. However, the majority of these additional dollars (two-thirds) are federal block grant dollars, which are in jeopardy of being cut, threatening access to the Pre-K program at risk for North Carolina families. This means that more than 3,500 4-year-olds remain on the existing waitlist, and more than 35,000 eligible 4-year-olds who are not on the Pre-K waitlist are not being served by the program.
- **Child Care Subsidies:** The new budget does not increase state funding to increase the number of families and children served by the Child Care Subsidy Program. Instead, lawmakers replace existing state funding with federal block grant dollars, which are also in jeopardy of being cut at the federal level.
- **Smart Start Initiative:** The new budget fails to boost state funding for the Smart Start initiatives, which would support organizations in local communities that provide services and help families to ensure that every child in North Carolina's 100 counties has all they need for healthy growth and development.

#### Missed Opportunities

An initiative is underway in North Carolina that aims to ensure that all North Carolina children are reading on grade level by the end of third grade. The [NC Pathways to Grade Level Reading](#) recognizes that realizing this vision means ensuring that critical infrastructure is in place to support families and children: safe housing, community supports, access to early childhood development services, and environmentally safe communities, among others. Unfortunately, the new state budget fails to ensure that budget priorities support this laudable initiative that will help move the state forward.

- Boosting annual state funding for the Pre-K Program by \$203 million would provide a slot to every 4-year-old in North Carolina. This is more than possible, considering the nearly \$1 billion cost of the latest tax cuts in the new budget.
- Expanding the Child Care Subsidy program to serve more eligible families helps to ensure that adults are able to secure and keep jobs to support their families.
- State funding cuts to environmental protection programs in recent years pose environmental risks (e.g. access to clean water and air) for the children in North Carolina families that can hinder the healthy development of children.
- Inadequate disaster relief funding to help counties devastated by Hurricane Matthews challenges the ability for affected communities to rebuild and provide core public services that support the healthy development of children.