



## ENJOY READING THESE REPORTS?

Please consider making a donation to support the Budget & Tax Center at [www.ncjustice.org](http://www.ncjustice.org)

### MEDIA CONTACT:

ALEXANDRA F. SIROTA  
919/856-1468  
[alexandra@ncjustice.org](mailto:alexandra@ncjustice.org)

### BUDGET & TAX CENTER

a project of the  
north carolina  
JUSTICE CENTER

P.O. Box 28068  
Raleigh, NC 27611-8068

[www.ncjustice.org](http://www.ncjustice.org)

## SEVEN FISCAL PRIORITIES FOR NORTH CAROLINA IN 2017

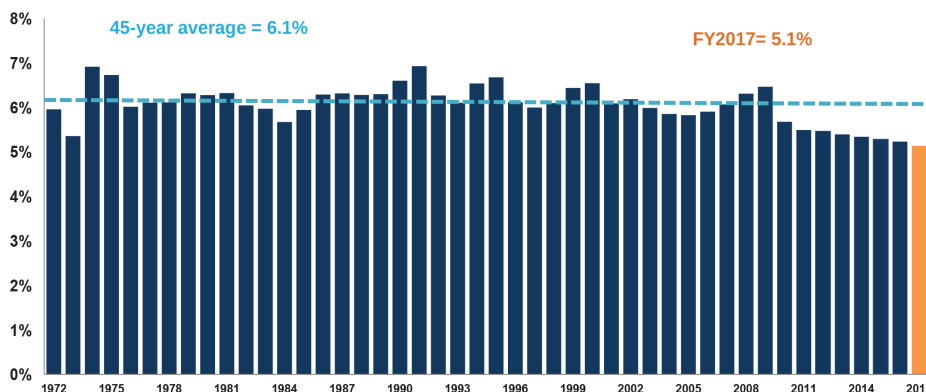
**NC's state budget should build an economy for all.**

**BY ALEXANDRA F. SIROTA, BTC DIRECTOR**

With the start of the 2017 North Carolina General Assembly long legislative session, policymakers will begin the task of crafting a two-year budget where state leaders set forward a vision for our state. In 2017, there should be some clear priorities for policymakers to address, as public investments have fallen short of community needs and failed to ensure that every community can build a stronger economy.

### A New Low that Hurts All North Carolinians

*State Spending as a Part of the Economy Continues to Shrink, Remains Below the 45-Year Average*



SOURCE: NCGA-Approved General Fund budgets, FY1972-FY2017; and BLS State Personal Income and Projections using May 2015 Consensus Revenue Forecast.

Ahead of the debate, the Budget & Tax Center offers some priorities and principles to guide the budget debate, in an effort to make sure our public investments help build an economy that works for all.

**1 Budget based on community needs, not arbitrary formulas.** The last state budget passed by lawmakers and signed by former Governor McCrory followed the arbitrary and flawed formula of population plus inflation to hold spending down. This approach failed to meet many needs in communities across the state. Foregone investments can create lasting harm to people, communities and entire states,<sup>1</sup> so budget writers should focus on understanding the scope of community needs and align investments to meet those needs.

**2. Recognize the case for smart public investments.** Public investments play a critical role in stabilizing economies, boosting economic opportunity and improving the way that the private sector operates in the market.<sup>2</sup> For too long, policymakers have failed to acknowledge these realities. Fortunately, the ongoing debate around education has begun to recognize that investments in this area matter to our shared economic goals as a state. This recognition should extend to other smart public investments that support families, our environment and our communities.

**3. Commit to using savings to help communities in crisis.** Lawmakers convened for a special session in December and began the process of addressing the damage to communities as a result of Hurricane Matthew and wildfires in western North Carolina. The investment priorities were the right ones, but the level of state support fell short of meeting the needs of communities and ensuring that the investments extend to people and communities that have historically been excluded from investments that promote opportunity and sustainable economic growth. Moreover, policymakers required that Rainy Day Fund dollars must be replaced this year, demonstrating an unwillingness to truly use savings set aside for rainy days when disaster strikes – which is the purpose of these dollars.<sup>3</sup> Given this unwillingness to use the fund, it remains unclear why policymakers continue to build up the state's Rainy Day Fund other than to simply hold down spending and forego investments that promote broadly shared prosperity. A strong commitment to meeting the needs of families, business and communities impacted by unexpected disasters is needed.

**4. Address the issues families' face that hamper broadly shared economic well-being.** There are many issues facing North Carolina families that hurt their ability to achieve economic security and support the economic mobility of their children. The state budget can help address many of these issues, such as ensuring the availability of affordable housing, making child care more affordable and boosting the wages of state workers who deliver public services in communities across the state.

**5. Reject untested financing tools.** The self-constrained fiscal picture has led to the proliferation of creative financing mechanisms to support goals that once were funded with state appropriations. Any new financing tools should be reviewed for effectiveness and ability to deliver additional benefits beyond just reducing the state's commitment to building safe, healthy, and vibrant communities.

**6. Recognize the importance of federal and local commitments and collaboration with the state.** North Carolina has already experienced the challenges of failing to recognize the interdependence of state and local policy. In the year ahead, federal policymakers will likely consider significant changes to the way it invests in states. These proposals could hurt state budgets, which would add to the challenges North Carolina faces.<sup>4</sup> In addition, it is important for state policymakers to ensure that local governments keep their flexibility to meet their community needs and for the federal government to continue its commitment to meet core service needs in our state.

**7. Take a long-term view.** The state's immediate fiscal picture remains constrained, which calls into question state leaders' approach in recent years of holding back public investments while continuing to pursue tax cuts. Beyond the importance of tracing out the long-term implications of our choices,<sup>5</sup> policymakers must also set forward a vision for a thriving North Carolina that everyone can embrace, participate in, and contribute to. Without this long-term view, we will fall short of the shared goal of a stronger economy for our state, the South and the nation that includes everyone and reaches every community.

1. Bivens, Josh, August 2016. Why is recovery taking so long—and who's to blame?. Economic Policy Institute: Washington, D.C.

2. Williams, Erica, April 2016. A Fiscal Policy Agenda for Stronger State Economies. Center on Budget and Policy Priorities: Washington, D.C.

3. McNichol, Elizabeth, April 17, 2014. When and How States Should Strengthen Their Rainy Day Funds. Center on Budget and Policy Priorities: Washington, D.C.

4. Park, Edwin. November 30, 2016. Medicaid Block Grant Would Slash Federal Funding, Shift Costs to States and Leave Millions More Uninsured. Center on Budget & Policy Priorities: Washington, DC.

5. McNichol, Elizabeth, Iris J Lav and Michael Leachman, October 15, 2015. Better State Budget Planning Can Help Build Healthier Economies. Center on Budget & Policy Priorities: Washington, DC.