



# RAISING THE BAR

What we should pursue  
in the 2015-2017  
Biennial Budget process

**NORTH CAROLINA CAN HAVE**

*quality schools, accessible health care,  
a sound transportation system,  
affordable housing and safe neighborhoods  
—all of the things necessary to  
strengthen the economy and promote  
a strong middle class.*

*We just have to make the choice to build this*

**INFRASTRUCTURE OF OPPORTUNITY**



In recent years, state policymakers have failed to prioritize our public systems, instead enacting tax cuts that primarily benefit the wealthiest taxpayers and profitable corporations. Because of those tax cuts and a slow economic recovery, the state doesn't have enough revenue to adequately support the systems that fuel economic growth.

That's not how it worked in the past. Coming out of previous recessions, North Carolina quickly reversed the cuts made when times were tight and increased investments in roads, schools, and universities that paved the way for an economy that outpaced many other Southern states (see Figure 1). In fact, returning to pre-recession spending levels as a part of the economy means that the state would have \$3.2 billion more to invest in core public services.

Today, instead of making investments, policymakers are using the tax system and the state budget to bulldoze the infrastructure of opportunity.

As state leaders create the Fiscal Year 2015-

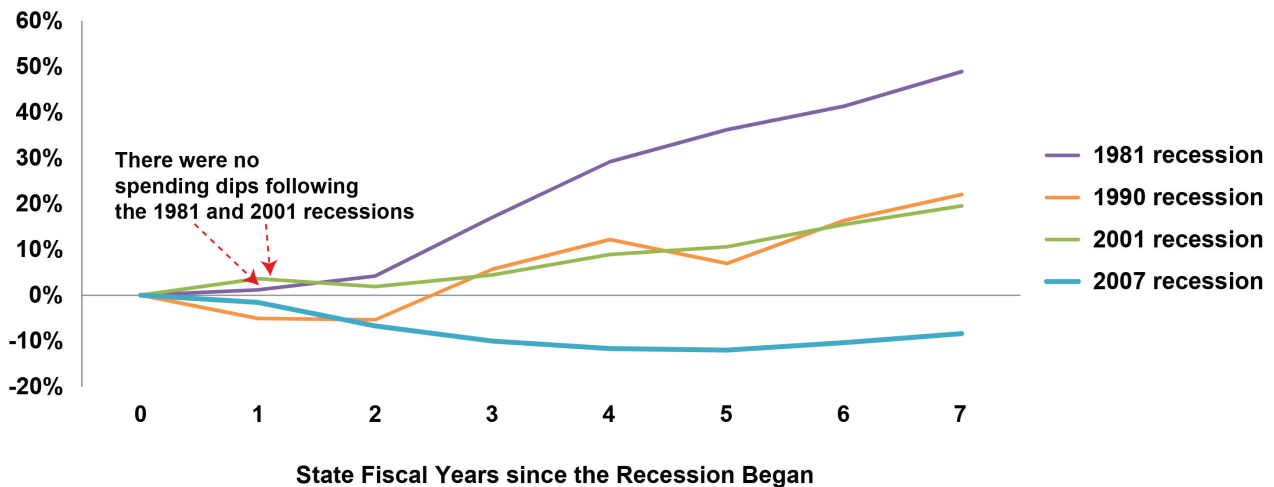
2017 biennial budget, we can encourage them to make investments that are proven to grow our economy and promote financial stability for families and the state government. But we have to acknowledge that they can't make those investments without the necessary revenue.

## North Carolina's Revenue Picture

In 2013, the NC General Assembly and Governor McCrory implemented tax giveaways that will cost North Carolina at least \$1 billion annually. These tax changes include huge cuts in personal and corporate income taxes, which primarily benefit wealthy individuals and corporations, and an expansion of the sales tax. Middle- and low-income families saw their overall tax responsibility go up on average, but not by enough to cover the enormous cuts given to the wealthy and corporations. So the net result—most working families are paying more but getting less from their state government.

**FIGURE 1: State Investments Very Slow to Bounce Back Relative to Past Recoveries**

*Percent change in spending since recession began*



SOURCE: Spending levels reflect total General Fund spending. Office of State Budget and Management Post-Legislative Summaries and enacted FY2014 and FY2015 budgets; adjusted for inflation in FY2014 dollars.

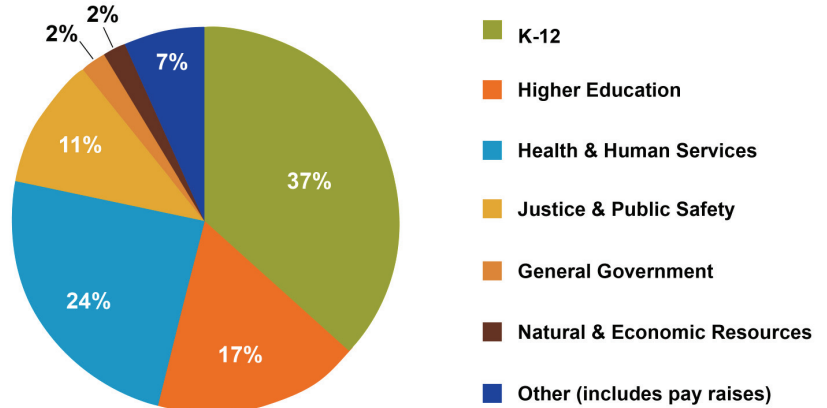
## Where the Money Goes

Since the start of the Great Recession, state leaders have been making cuts in every department of state government. As we've seen in public education and health and human services, budget cuts are hurting core services. The result is a reduction in the quality and efficiency of our public services.

Education (K-12, community colleges, and the UNC system), health and human

**FIGURE 2: Majority of State Dollars Fund K-12 and Higher Education**

*FY15 General Fund Budget*



*Assumes Salary Raises are in Salaries & Reserves to Follow Precedent*

If North Carolina policymakers were investing at pre-recession levels as part of the economy, we would have

**\$3.2 billion more**

to support our economy by ensuring:

- Every 4-year old could enroll in pre-Kindergarten
- Every graduating senior could enroll in public university or community college at no cost
- All seniors who need it could receive in-home meal services
- All North Carolinians who qualify could access affordable health care
- Counties with lower employment levels than before the recession could have a wage subsidy program to boost employment opportunities
- Courts could ensure representation of indigent clients and efficiency of trials

services, and justice and public safety all together make up nearly 90% of the 2015 fiscal year state budget (see Figure 2). Any more cuts to those areas of the budget would only further erode the infrastructure of opportunity. Without additional revenue, the only way to increase investments in one program is to cause pain and problems somewhere else.

Raising more revenue is essential, and it must be done in a way that doesn't hurt low- and moderate-income families who are struggling in a labor market dominated by low-wage jobs and little opportunity to move into the middle class.

Reversing the tax cuts passed in the 2013 legislative session would be a smart way to begin fixing North Carolina's revenue problem.

## What North Carolina Could Do with New Revenue

North Carolina's leaders have cut investments to many of the programs that make up the infrastructure of opportunity in order to pay for their tax cuts package. By raising revenue, North Carolina could reinvest in its people and communities simply by providing adequate funding to the programs that have enabled generations of Tar Heels to work their way to better lives.

## High-quality Pre-K through 12th Grade Education

- Fully fund pre-K for at-risk four-year olds
- Ensure that NC teachers' pay reaches the national average
- Restore funding for textbooks, teacher professional development, and school bus repair and replacement
- Restore teacher assistant positions that were eliminated in 2013
- Restore funding for Limited English Proficiency programs
- Reestablish the Teaching Fellows program

## Affordable, Quality Higher Education

- Increase funding for need-based financial aid
- Restore more than \$1 billion in management flexibility cuts in order to prevent additional tuition increases and loss of faculty
- Prevent additional tuition increases at community colleges
- Increase investments in the community colleges' Basic Skills Plus and Back to Work programs and the NC Biotech Center, which align workforce training with economic development and industry needs

## Work Supports and Re-employment

- Fund re-employment services at NC Works Career Centers and ensure that jobless workers and low-income workers have access to high-quality training opportunities
- Eliminate the waiting list for child care subsidies that benefit low-income families
- Reverse the eligibility restrictions put on child care subsidies that reduce access to after-school care

## Public Health and Healthy Living

- Expand Medicaid
- Fully fund Medicaid without cutting services, raising provider fees, or increasing co-pays

- Fully fund the Home and Community Care Block Grant so older, low-income adults who aren't eligible for Medicaid can stay in their homes

## Infrastructure for Communities of Opportunity

- Reinvest in minority economic development programs and community development finance institutions
- Invest in public transit in urban areas
- Reform the Strategic Mobility Formula to allow transit projects to compete equally with roads for state, regional and local funding
- Restore funding to the Housing Trust Fund
- Reinstate the low-income housing loan fund
- Increase funding for the Corner Store initiative, which supports private-sector delivery of quality food to residents in distressed communities

## Equal Access to Justice and Efficient Operation of Courts

- Invest in drug treatment courts
- Fund crime labs so they can process evidence in a timely fashion
- Fund defense services for poor people accused of crimes
- Fund local reentry efforts that help ex-offenders reintegrate into their communities

## Environmental Protections

- Fund technology improvements for better water-quality testing
- Fund field inspectors through state appropriations, rather than through fees alone
- Fund land conservation, farmland preservation, and wildlife protection
- Lead a transition to a sustainable energy economy by purchasing more power from renewable sources and buying electric cars and trucks for its motor fleet

## Raising the Bar in the Budget Debate

The state budget is a reflection of our values and our priorities. The funding priorities listed above aren't a wish list—they are reasonable and necessary investments in North Carolina's

people and future.

North Carolina can repair and strengthen its infrastructure of opportunity. But first it must commit to creating a fair and adequate revenue system. ■



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