



## North Carolina's FY2017 Budget: WHAT IT MEANS FOR CHILDREN IN NORTH CAROLINA

### BUDGET & TAX CENTER FACT SHEET

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The state budget is a crucial tool to help children thrive now and in the future. Public investments—early childhood education, quality public schools, affordable healthcare and housing, and safe neighborhoods—not only support children's well-being but are also the essential building blocks of inclusive economic growth for us all.

Many children in the state live with families struggling to afford the basics. Despite recent improvements such as cutting the child un-insurance rate in half since 2008, we have some ground to gain when it comes to economic and educational outcomes:

- **Half of North Carolina children live in low-income homes**, and more than two-thirds of Black, Hispanic, and American Indian children live in low-income families.<sup>1</sup>
- **1 in 3 children** live in households that spend 30 percent or more of their income on rent, meaning their rent was unaffordable.<sup>2</sup>
- **85.6 percent** of public school students graduated from high school in the 2014-15 school year—up from 69.5 percent in 2006-07.<sup>3</sup>

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Poverty, the uneven economic recovery, and inequality of opportunity are North Carolina's greatest challenges—they are the biggest threats to the well-being of children as well as the state's economic future. Smart and strategic public investments, however, can help turn things around. The state budget can mean the difference between a child having a fair shot to get ahead and a child whose zip code dictates their destiny. When all children thrive, we all do better.

*The analysis below looks at how well lawmakers' FY2017 budget will enable children to leap ahead.*

#### **Enable Children to Develop Skills that Prepare Them for Success While Helping Parents Enter the Workforce and Stay on the Job**

Early childhood education (ECE) programs, like the state's NC Pre-K and Child Care Subsidy Program, enhance school readiness and build a pathway for more children to achieve economic security as adults. These programs also make it easier for parents to stay on the job and provide for their families. Lawmakers reinvested state dollars in these two crucial ECE programs at minimal levels in terms of what's needed to eliminate persistently long waiting lists. In the FY2017 budget, lawmakers:

- **Funded 260 additional slots in the NC Pre-K program**, which provides pre-school services to children who otherwise would likely start school lacking key social and academic skills. The program is serving 5,476 fewer kids today compared with FY2009, and the wait list surpassed 7,200 last year.<sup>4</sup>
- **Funded 260 additional child care subsidy slots**, which help low-income workers afford safe, quality care for their children at a time when costs can exceed college tuition.<sup>5</sup> This boost will help more children get the early education they need to thrive, but it will barely make a dent in providing access to the 20,350 eligible children stuck on the subsidy wait list.<sup>6</sup>
- **Increased the child care subsidy market rate (to help keep up with the cost) for children ages 3 to 5 in Tier 1 and 2 counties**, which are the most economically-distressed counties in the state. Yet, lawmakers failed to restore previous income eligibility guidelines for the child care subsidy program that made the program more accessible to moderate-income families with children ages 6-12.

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- **Relied more on federal block grants to fund ECE programs**, reducing the state’s commitment to these programs by \$12.8 million. That funding could have been used to leverage more federal aid and serve more children and families.
- **Directed state agencies to develop, implement, and measure progress for a statewide vision for early education and the transition from Pre-K to Kindergarten.** This is an opportunity for the state to create an ambitious plan that will allow North Carolina to lead on ECE investments, align the pay of educators in this field with what is needed to make ends meet, and produce substantial long-term educational and economic gains.

### **Equipping Children With a High-Quality 21<sup>st</sup> Century Education**

Education is the ticket to good jobs and prosperity—especially for low- and moderate-income students—and North Carolina’s economic progress depends on a well-educated population. Lawmakers made little progress in boosting state support for many areas of the public schools budget that are crucial to driving improved student learning, while several needs go unaddressed. Lawmakers:

- **Increased K-12 spending by 1.5 percent over FY16 levels but kept investments 2.9 below pre-recession levels when adjusted for inflation.** State support isn’t keeping up with enrollment growth either: state funding per student is still 8.1 percent below 2008 pre-recession levels.<sup>7</sup> Lawmakers provided additional funds for instructional supplies, digital learning plans, and textbooks but at reduced levels compared to the past and/or what’s required to meet the needs of all students today.
- **Provided a pay raise and/or a step increase for all teachers except for the most-experienced ones.** The budget document claims that teachers will receive, on average, a 4.7 percent raise based on questionable assumptions. Raises will likely be below an average of 4 percent.<sup>8</sup>
- **Relied more on Lottery dollars to support areas of the public schools budget than have been previously funded with General Fund appropriations.** The original purpose of the state-sponsored Lottery was to supplement state investments in public school, not replace it.
- **Lawmakers left some areas of the K-12 budget totally unaddressed, while redirecting public investments away from public schools to private schools.** They failed to boost funding for school nurses and get nurse-to-student ratio closer to the recommended national average, for example. Meanwhile, they expanded an existing private voucher program that is expected to cost \$170 million over the next five years, despite lackluster accountability measures that make it impossible to objectively determine whether voucher students are learning.

### **Ensure Families and Communities Have Adequate Resources to Support Healthy Child Development in Their Homes and Neighborhoods**

Children are more likely to reach their full potential when they have access to safe, nurturing, and stable environments. Investments in programs that ensure the safety of children, prevent child abuse and neglect, and provide essential services to families are crucial to a child’s life chances. Lawmakers made considerable progress in some areas of social services while barely moving the needle in other programs that enable more children to grow up in stable, healthy and affordable environments. Lawmakers:

- **Boosted investments in child welfare and foster care programs in response to problems unearthed in a federal review.** The funding aims to enhance children’s safety while keeping families together and reducing the likelihood of children entering foster care. Funds will also support a foster care program for young children whose families are temporarily unable to care for them due to a crisis.
- **Failed to significantly expand access to affordable housing programs, which help ensure that families can pay for housing expenses and still pay for other necessities like food and clothing.** Lawmakers boosted the Workforce Housing Loan Program by \$5 million, but, even with that modest boost, overall state support for affordable housing programs has significantly eroded since 2007.<sup>9</sup>

- **Provided several one-time expansions to improve public health outcomes but fails to fund Medicaid expansion, which would be good for parents and children.** Lawmakers boosted investments in crisis centers serving children who experience trauma and/or have behavioral health needs as well as a smoking prevention and cessation program for pregnant and postpartum women. They also invested in efforts to make healthy food options more accessible in food deserts. Without Medicaid expansion, however, fewer parents will get the care they need to stay healthy and be more economically secure when a medical emergency strikes.<sup>10</sup>
- **Fails to devote sufficient resources to ensure that everyone who wants to work can get the training they need to find a job—at a time when the economy is producing too few jobs.** Parents' economic security is crucial for supporting children's healthy development, but too few investments in job training programs does nothing to help parents facing substantial barriers to work make ends meet.

### **Tax Cuts Hamper the State's Ability to Build the Infrastructure of Opportunity**

Tax breaks since 2013 are projected to cost \$1.4 billion in FY2017—a price tag that will balloon to more than \$2 billion annually once fully implemented. These are resources that the state will not have for public education, affordable housing, the court system, and other vital services that help children, families, and communities thrive. Instead, these multiple rounds of tax breaks will primarily benefit the wealthy and profitable corporations who are already doing well in today's uneven economic recovery.

What could have been possible with \$1.4 billion? That is enough funding to:

- Eliminate the NC Pre-K Waiting List;
- Restore funding for public education to pre-recession levels on a per-student basis;
- Fund an additional 960 nursing positions to achieve the ratio of one nurse to every 750 students, as recommended by the National Association of School Nurses;
- Restore literacy coaches in middle schools;
- Support the implementation of nutrition standards in the Child Nutrition Program, per the suggestion of the NC Department of Public Instruction; and
- Invest \$500 million in affordable housing programs, job training programs for adults facing barriers to work, and other ECE initiatives.

*See the NC Budget & Tax Center's full analysis of the FY2017 state budget here:*

<http://www.ncjustice.org/?q=budget-and-tax/btc-reports-2017-fiscal-year-budget-falls-short-being-visionary-plan-north-carolina%E2%80%99s>

<sup>1</sup> The Annie E. Casey Foundation. 2016. KIDS COUNT Data Center (data reflects 2014 American Community Survey).

<sup>2</sup> The Annie E. Casey Foundation. 2016. KIDS COUNT Data Center (data reflects 2014 American Community Survey).

<sup>3</sup> North Carolina Department of Public Instruction, 4-Year Cohorts for 2006-07 and 2014-15.

<sup>4</sup> North Carolina Treasurer's Office Audit of the NC Pre-Kindergarten Program, 2013; and special data request to the North Carolina Fiscal Research Division. Latest estimate available is for September 2015.

<sup>5</sup> EPI analysis of NCES (2014) and EPI Family Budget Calculator (Gould, Cooke, and Kimball 2015). Retrieved from: <http://www.epi.org/publication/child-care-affordability/#epi-toc-6>

<sup>6</sup> Child Care Service Association's NC ECE Data Repository. Data reflects March 2016 data reflected in the May 2016 report. Retrieved from:

<http://www.childcareservices.org/repository/documents/ChildCareSTATEWIDE2016May.pdf>

<sup>7</sup> See the Appendix of the following report on how we looked at the numbers to provide accurate overtime comparisons: Mitchell, Tazra, and Johnson, Cedric. 2016. 2017 Fiscal Year Budget Falls Short of Being a Visionary Plan for NC's Economic Future. NC Budget & Tax Center. Retrieved from:

<http://www.ncjustice.org/sites/default/files/BTC%20Reports%20-%20FINAL%20BUDGET.PDF>

<sup>8</sup> Nordstrom, Kris. July 2016. 2016-17 Budget Includes False Statements on Average Teacher Salaries. NC Education & Law Project, NC Justice Center. Retrieved from:

<http://pulse.ncpolicywatch.org/2016/07/07/2016-budget-includes-false-statement-on-average-teacher-salaries/>

<sup>9</sup> For more details, see Mitchell and Johnson.

<sup>10</sup> Georgetown University Health Policy Institute. 2014. Medicaid Expansion: Good for Parents and Children. Retrieved from: <http://ccf.georgetown.edu/wp-content/uploads/2013/12/Expanding-Coverage-for-Parents-Helps-Children-2013.pdf>