



NC Justice Center

Opportunity
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BTC Reports

Vol 17 No 4 • May, 2011

THE NEWSLETTER OF THE NC BUDGET & TAX CENTER

North Carolina
Budget & Tax Center

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THE HOUSE 2011-2013 BUDGET:

Reduced investments in public structures to pay for unspecified corporate tax cuts undermine vital place of government in North Carolina

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Executive Summary

- The North Carolina House of Representatives has proposed a \$19.3 billion General Fund budget for fiscal year 2011-2012 and a \$19.5 billion budget for fiscal year 2012-2013. The House budget, if enacted, would decrease total General Fund spending by \$669 million, or 3.4 percent, over estimated actual FY10-11 spending.
- A \$230 million reserve for an unspecified corporate tax cut in the House budget deepened the FY11-12 budget gap from \$2.4 billion to \$2.6 billion. The House closes the gap with \$1.9 billion in spending cuts; \$456 million in transfers from and diversions to non-General Fund accounts; and an anticipated \$403 million General Fund net credit balance from current-year savings and reversions.
- The House did not provide any details on their revenue plan in the budget. Revenue-based adjustments to availability include the \$230 million reserve for pending tax legislation and a \$57 million recurring loss from the expiration of the estate tax, partially offset by \$30 million in other tax receipts, for a net recurring loss of \$257 million.
- The House made 40 percent of its \$1.9 billion in FY11-12 spending cuts in the public education budget (\$759 million), 24 percent in health and human services (\$466 million), and 23 percent in the UNC system (\$447 million).
- Several praiseworthy fiscal policy suggestions in the House budget, including statutory deposits to strategic savings reserve accounts and full funding for state pension plans, are diminished by the fact that these changes are financed entirely by recurring cuts to core government programs and services rather than by raising fair and responsible revenue.

Fig. 1: FY11-13 House Budget Versus Governor's Proposed Budget

FY 10-11 Authorized Budget	\$	19,559,764,576	
FY 10-11 Revised General Fund Budget (S.L. 2010-31)	\$	18,958,293,337	
FY 10-11 Revised Budget + Federal Recovery Dollars	\$	20,376,346,455	
FY 10-11 Estimated Actual Spending	\$	19,970,328,358	
		House	Governor
		FY 11-12	FY 11-12
Proposed Budget	\$	20,820,687,612	\$ 20,820,687,612
Proposed Cuts to Budget	\$	1,913,953,008	\$ 1,342,363,900
Proposed Continuation/Expansion Spending	\$	394,241,729	\$ 424,224,385
Total FY 11-12 General Fund Appropriations	\$	19,300,976,333	\$ 19,902,548,097
% Change from FY 10-11 Authorized Budget		-1.3%	1.8%
% Change from FY 10-11 Revised General Fund Budget		1.8%	5.0%
% Change from FY 10-11 Revised Budget + Federal Recovery		-5.3%	-2.3%
% Change from FY 10-11 Estimated Actual Spending		-3.4%	-0.3%

Overview

The North Carolina House passed its recommended biennial budget for fiscal years 2011-2013 on May 5th after significant debate in subcommittees and on the floor. Ultimately, the House created a \$19.3 billion General Fund budget, a 3 percent decrease in aggregate spending from the governor's proposal, which included new revenue.

The House budget proposal represents a significant reduction in the investments made in the state's public structures—schools, courts and infrastructure—that sustain continued and shared economic growth and community stability. In addition, the proposal takes a cuts-only approach to a new extreme by not only cutting back on public investments but cutting taxes as well. Beyond the fiscal policies in the House budget, there are significant policy changes proposed through special provisions of the budget bill that would fundamentally alter the delivery of services.

This issue of BTC Reports analyzes the House's proposed budget in detail with a special focus on its potential impacts to low- and moderate-income North Carolinians and the long-term fiscal health of the state.

Budget Availability Changes

The House budget is in general agreement with Governor Beverly Perdue's budget on the question of overall availability, with the exception of anticipating higher end-of-year General Fund reversions. Session Law 2011-15 directs the governor to find \$132 million in reversions in addition to her \$406 million current-year agency holdback. The governor had not yet signed this legislation into law at the date of this publication, leaving it unclear what level of holdback can be expected to materialize.

The House relies heavily on a mix of one-time General Fund reversions and other non-recurring revenues to balance the budget in both years of the upcoming biennium. However, it does not make significant progress toward mending North Carolina's structural budget deficit. States with structural budget deficits earn recurring income from their revenue structures insufficient to maintain current investments and service levels over time.¹ In North Carolina anticipated tax and non-tax revenues fall significantly short of what would be needed to maintain the status quo. Numerous legislative commissions have created plans for modernizing North Carolina's revenue system to address its structural shortcomings, but the House did not include any of those recommendations in its budget proposal.

Fig. 2: House Budget Assumes Higher Credit Balance than Governor

House Determination of Credit Balance		Governor's Determination of Credit Balance	
Sources of Current Year Savings	FY11-12	Sources of Current Year Savings	FY11-12
Year-end unreserved fund balance*	\$ 111,902,394	Year-end unreserved fund balance	\$ 111,000,000
Anticipated reversions for FY10-11**	\$ 537,740,799	Anticipated reversions (3.5% reduction holdback)	\$ 406,018,097
Revenue collections over FY10-11 projections	\$ 156,300,000	Revenue collections over FY10-11 projections	\$ 156,300,000
House, Total FY11-12 Credit Balance	\$805,943,193	Governor, Total FY11-12 Credit Balance	\$ 673,318,097
House's Proposed Use of Credit Balance		Governor's Proposed Use of Credit Balance	
	FY11-12		FY11-12
Rainy Day Fund	\$ 201,485,798	Rainy Day Fund	\$ 150,000,000
Repairs & Renovations Reserve Account	\$ 201,485,798	Mental Health Trust Fund	\$ 75,000,000
		Equipment for Community Colleges	\$ 25,000,000
		Construction & Repairs Jobs	\$ 75,000,000
		Establish Consolidation and Efficiency Incentive Fund	\$ 25,000,000
NET General Fund Credit Balance	\$402,971,597	NET General Fund Credit Balance	\$ 323,318,097

* The House budget breaks out the \$125 million in Medicaid DSH receipts that must be repaid as an adjustment to unreserved credit balance. This chart rolls that action into the unreserved balance to reflect general agreement with the Governor on availability for this line item

** Assumes executive branch compliance with SL2011-15

Saving is Good Fiscal Policy When Financed with Revenues, Not Cuts

In accordance with existing state statute, the House budget deposits 25 percent of its estimated end-of-year credit balance (more than \$400 million) in the Rainy Day Fund (Savings Reserve Account) and the Repairs and Renovations Reserve accounts. While these actions would reflect sound fiscal management in a period of economic expansion, the timing of this action goes against recommended best practice. A report from the Center on Budget and Policy Priorities examining how states can strengthen their rainy day funds determined that, "given the depth of the current state fiscal crisis and the expected slow return to normal revenue levels, it is not yet time for many states to make deposits to these funds."²

The question of whether making reserve deposits should take precedence over the state's need to protect the jobs of public-school teachers is a legitimate one. Arguably, legislators should turn to the Savings Reserve Account for withdrawals, not deposits, until state revenues rebound.

Instead, the House balanced the annual budget for both years with one-time money, rather than recurring money. For balance, the House budget relies on \$403 million in one-time money from the projected FY10-11 General Fund credit balance and \$456 million in fund transfers from special revenue funds and diverted transfers to special funds. However, the questionable nature of several major line-item cuts in agency budgets could call the overall budget balance into question (see Health & Human Services).

Fig. 3: House Budget Relies on Fund Transfers and Diversions

Multi-Year Fund Transfers and Diversions	FY11-12	FY12-13
Highway Fund Transfer to General Fund for Highway Patrol	\$ 193,527,300	\$ 190,394,000
Repeal Wildlife Resources Commission Sales Tax Earmark	\$ 22,970,000	\$ 23,920,000
Suspend Corporate Tax Earmark for Public School Building Construction Fund	\$ 72,110,000	\$ 74,750,000
Increase in Judicial Fees (General Fund portion only)	\$ 57,319,466	\$ 57,319,466
Redirect Dispute Resolution Fee	\$ (205,535)	\$ (205,535)
Diversion of Golden LEAF Funds	\$ 67,563,760	\$ 67,563,760
Tobacco Master Settlement Agreement Funds	\$ 16,585,466	\$ 16,697,818
Subtotal, Multi-Year Fund Transfers and Diversions	\$ 429,870,457	\$ 430,439,509
One-Time Fund Transfers and Diversions	FY11-12	FY12-13
Transfer from E-Commerce Reserve Fund	\$ 4,483,526	\$ -
Divert Funds from Parks & Recreation Trust Fund	\$ 8,435,000	\$ -
Divert Funds from Recreational/Natural Heritage Trust Fund	\$ 8,000,000	\$ -
Transfer from Commerce - Enterprise Fund	\$ 500,000	\$ -
Transfer from Mercury Prevention Pollution Fund	\$ 250,000	\$ -
Divert Funds from Scrap Tire Disposal Account	\$ 2,268,989	\$ -
Divert Funds from White Goods Management Account	\$ 1,951,465	\$ -
Subtotal, One-Time Transfers and Diversions	\$ 25,888,980	\$ -
Total, Fund Transfers and Diversions	\$ 455,759,437	\$ 430,439,509

The Revenue Plan

The baseline General Fund revenue forecast assumes 4.6 percent growth in FY11-12 and 5.5 percent growth in FY12-13. The House budget assumes the expiration of the temporary sales tax (a one-cent increase passed in 2009) as well as the 2- to 3-percent income tax surcharge on wealthy families. The 3-percent surtax on corporate income would also expire.

Additionally, the House budget includes a reserve of \$230 million for tax cuts that will be introduced as freestanding legislation at a later date. House leadership has indicated their

intent to use part of that reserve for a reduction to the corporate income tax and the remainder for an unspecified tax benefit for other types of businesses. No further details on the forthcoming tax package were available at the time of this report.

While the House budget includes no tax changes, it raises more than \$100 million in fees, primarily through new and increased fees within the court system. Under the House plan, \$57 million in increased court fees would go to the General Fund, and the remainder would be retained by county governments to partially offset other state funding reductions to local governments.³

Fig. 4: House Budget Relies Heavily on One-Time Money

	FY11-12	FY12-13
Recurring Money	\$ 18,565,530,000	\$ 19,406,880,000
Recurring Revenues	\$ 18,822,630,000	\$ 19,884,080,000
Revenue Changes (Net)	\$ (257,100,000)	\$ (477,200,000)
minus Recurring Expenses (Net)	\$ 19,737,222,276	\$ 20,290,567,921
Continuation Budget	\$ 20,820,687,612	\$ 20,817,534,214
Recurring Expansion	\$ 304,603,018	\$ 584,345,375
Recurring Reductions	\$ (1,388,068,354)	\$ (1,111,311,668)
Recurring Balance	\$ (1,171,692,276)	\$ (883,687,921)
Non-Recurring Money	\$ 858,731,034	\$ 1,210,938,510
minus Non-Recurring Expenses	\$ (63,487,208)	\$ (166,035,555)
Non-Recurring Expansion	\$ 68,155,716	\$ 34,894,647
Non-Recurring Reductions	\$ (131,642,924)	\$ (200,930,202)
Non-Recurring Balance	\$ 922,218,242	\$ 1,376,974,065

The Spending Plan

The House chose to address the \$2.6 billion shortfall in the first year of the biennial budget by taking a cuts-only approach, pursuing an aggressive initial spending target of \$18.3 billion that increased to \$19.3 billion by the time the budget passed the House.

The House proposal spends more than \$600 million less than the governor's proposal and is substantially different in most respects. The two largest expansion items in the House budget are the combined pension contributions (\$732 million over the biennium) and the unspecified revenue package (\$635 million over the biennium).

Fig. 5: How Does the House Pay for Its FY11-12 Budget Compared to the Governor?

	HOUSE	%	GOVERNOR	%
Baseline Revenue Forecast	\$ 18,822,630,000		\$ 18,822,630,000	
Initial Appropriation Requirements	\$ 21,214,929,341		\$ 21,244,911,997	
Recommended Base Budget	\$ 20,820,687,612		\$ 20,820,687,612	
Recommended Continuation/Expansion Budget*	\$ 394,241,729		\$ 424,224,385	
Projected Budget Shortfall or Surplus	\$ (2,392,299,341)		\$ (2,422,281,997)	
+ Revenue Changes (Net)	\$ (257,100,000)		\$ 756,600,000	
Subtotal, Budget Shortfall + Revenue Changes	\$ (2,649,399,341)		\$ (1,665,681,997)	
+ Fund Transfers and Deposit Diversions**	\$ 455,759,437	16.4%		
+ Net General Fund Credit Balance	\$ 402,971,597	14.5%	\$ 323,318,097	19.4%
+ Spending Cuts	\$ 1,913,953,008	69.0%	\$ 1,342,363,900	80.6%
Public Education	\$ 759,051,894	39.7%	\$ 357,061,035	26.6%
Community Colleges	\$ 110,956,354	5.8%	\$ 98,432,804	7.3%
UNC System	\$ 447,117,332	23.4%	\$ 271,373,332	20.2%
Health & Human Services	\$ 465,517,107	24.3%	\$ 221,540,168	16.5%
Justice & Public Safety***	\$ (32,872,151)	-1.7%	\$ 94,605,575	7.0%
Environment & Natural Resources	\$ 91,397,119	4.8%	\$ 53,081,318	4.0%
General Government	\$ 55,837,358	2.9%	\$ 34,445,791	2.6%
Debt Service	\$ 16,947,995	0.9%	\$ -	
Cuts in Governor's budget not included in House	N/A		\$ 211,823,877	15.8%
Total Available to Address Shortfall	\$ 2,772,684,042		\$ 1,665,681,997	
Unappropriated Balance Remaining	\$ 123,284,701		\$ -	

* See Figure 6 for detail on the House budget's continuation and expansion spending items.

** See Figure 3 for detail on fund transfers and diverted deposits to special funds

*** See Figure 9 for detail on shifting the Highway Patrol budget to the Crime Control & Public Safety within JPS. As a result, the total JPS line item shown above reflects an increase in overall General Fund spending despite major cuts to all other JPS agencies.

The House budget would significantly cut state investments in hundreds of critical public structures, including public schools, health care, public safety, the justice system, and others. The House proposes sweeping reductions to the public education and postsecondary education budgets that would result in thousands of layoffs, overcrowded second- and third-grade classrooms, and higher tuition and fees at most public postsecondary institutions. The plan also calls for deep cuts to Medicaid with the understanding that, should savings not materialize as projected, the Department of Health and Human Services is authorized to make a number of major policy decisions usually reserved for the General Assembly in order to save money, including cuts to provider reimbursement rates and cuts to mandatory and optional services. Steep increases in court fees and deep cuts to the Office of Indigent

Fig. 6: Continuation/Expansion Spending in the House Budget

Pension Contributions	FY11-12	FY12-13
State Retirement System Contributions	\$ 297,400,000	\$ 404,200,000
Judicial Retirement System Contribution	\$ 7,900,000	\$ 9,000,000
Firemen & Rescue Squad Workers Pension Fund	\$ 5,800,000	\$ 6,900,000
National Guard Pension Fund	\$ 263,000	\$ 523,000
Subtotal, Pension Contributions	\$ 311,363,000	\$ 420,623,000
State Health Plan Contribution	\$ 11,725,587	\$ 109,480,158
Non-Recurring Expansion Items		
Severance Expenditure Reserve	\$ 75,000,000	\$ -
Review of Compensation Plans (consultant)	\$ 2,000,000	\$ -
Continuation Review Reserve	\$ -	\$ 36,738,931
Job Development Investment Grants	\$ (7,000,000)	\$ -
Information Technology Fund	\$ (3,381,858)	\$ -
Water Resources Development Projects	\$ 4,535,000	\$ -
Subtotal, Non-Recurring Items	\$ 71,153,142	\$ 36,738,931
Total, House Budget Continuation/Expansion	\$ 394,241,729	\$ 566,842,089

Defense would result in a higher financial burden to North Carolinians using the court system and fewer attorneys willing to represent low-income individuals in court, thereby making the state's system of justice less accessible to those with limited resources. Overall, the House budget makes significant cuts to public investments in the structures and services that create social and economic opportunities for individuals and businesses in North Carolina.

Unlike the governor's budget,⁴ the House budget would make the

full annual required contribution to all state-funded pension plans. Although these contributions are good public policy, the House chose to pay for them by cutting deep into programs and services and by shifting state cost burdens to communities and local governments.

STATE AND LOCAL JOB CUTS

THE GOVERNOR ESTIMATED that her budget would result in a total of 10,000 jobs cut, but the House budget would likely result in thousands more jobs lost in both the public and private sectors. The budget identifies for elimination 1,705 state-funded positions in FY11-12,⁵ both vacant and filled, but the total number of jobs lost would be much greater because the House budget also cuts state support for local-level jobs and requires state agencies to make discretionary cuts that would result in hundreds, if not thousands, of layoffs.

House leaders have claimed that their proposed tax cuts will create thousands of jobs, but research shows that such tax cuts—particularly tax cuts for high-income households and corporations—are unlikely to result in net job creation.⁶

House leaders have not publicly acknowledged the depth and nature of position cuts, particularly in education, that would result from their budget. However, their budget plan does include a \$75 million Severance Expenditure Reserve – more than twice as large as the governor's \$30 million set-aside for state employee reductions-in-force.

PUBLIC EDUCATION

THE HOUSE'S PLAN would cut the public school budget by \$1.5 billion, or 9.4 percent, over the biennium. The largest line-item reductions in the public school budget are the elimination of all teacher assistant positions in grades two and three (\$505.9 million), reductions in funding for school textbooks (\$185.5 million), and provisions directing local school districts statewide to find \$42 million in additional "discretionary" cuts in FY11-12 and \$102 million in FY12-13.

North Carolina allocates state funds to local schools based on a multitude of allotment formulas, only one of which is designated as the allotment for classroom teachers. While the House leadership did not cut this allotment, several allotments that the House did cut also

Fig. 7: House Recommended Education Appropriations

	HOUSE	GOVERNOR	FY11-12 BASE	% Change from Governor	% Change from FY11-12 Base
Public Instruction	\$ 7,164,492,057	\$ 7,572,712,912	\$ 7,923,543,951	-5.4%	-9.6%
Community Colleges	\$ 991,518,860	\$ 1,016,629,522	\$ 1,102,475,214	-2.5%	-10.1%
UNC System	\$ 2,440,375,132	\$ 2,657,835,835	\$ 2,887,492,464	-8.2%	-15.5%
FY11-12 TOTAL	\$ 10,596,386,049	\$ 11,247,178,269	\$ 11,913,511,629	-5.8%	-11.1%
Public Instruction	\$ 7,188,174,120	\$ 7,598,568,534	\$ 7,923,543,951	-5.4%	-9.3%
Community Colleges	\$ 991,518,860	\$ 1,022,312,530	\$ 1,102,475,214	-3.0%	-10.1%
UNC System	\$ 2,439,731,176	\$ 2,670,455,384	\$ 2,886,730,386	-8.6%	-15.5%
FY12-13 TOTAL	\$ 10,619,424,156	\$ 11,291,336,448	\$ 11,912,749,551	-6.0%	-10.9%
BIENNIAL TOTAL	\$ 21,215,810,205	\$ 22,538,514,717	\$ 23,826,261,180	-5.9%	-11.0%

fund classroom teachers at the discretion of local school districts. Therefore, while House leaders claim they did not cut teacher positions, they did instead push some of the hardest decisions regarding position cuts onto local officials. The NC Department of Public Instruction estimates that under the House budget, 12,780 public school employees, including almost 9,500 teaching assistants and 431 teachers, would lose their jobs.⁷

Over the past two years, state policymakers have required local school districts to identify more than \$300 million in cuts to school personnel and expenses and refund the “savings” to the state. As a result of these cuts and declining local revenues, local school districts have eliminated more than 10,000 public school personnel positions. In addition, temporary federal support to school districts will soon expire, making retaining teachers and teacher assistants even more difficult in the coming biennium. The cumulative effect of these funding losses and the House budget cuts would undermine the progress North Carolina’s public schools have made over the past two decades.

Requiring additional discretionary budget cuts at the local level while simultaneously cutting funding for teaching assistants, administration and non-teaching positions; textbooks and supplies; and transportation will make it virtually impossible for local school districts to avoid laying off teachers and other critical public school personnel. Making matters worse, many of the areas targeted for cuts have already been reduced as part of local school districts’ discretionary cuts over the past two years. Thus, school districts that cut teacher assistants in grades two and three in response to the required discretionary cuts in previous years will be forced to find new discretionary cuts.

Community Colleges

North Carolina’s community colleges have continued an open-door policy despite the increased financial pressure of serving an additional 30,000 students since the start of the Great Recession. The House budget proposal cuts the community college system by 10 percent over the FY10-11 budget and by more than 25 percent when compared to the governor’s proposal.

The 10 percent in cuts would be primarily delivered through a management flexibility reduction (\$44 million), changes to the formula by which funding for curriculum and continuing education programs is determined (\$22.6 million), cuts to institutional and academic support (\$8.5 million) and cuts to customized training programs (\$7.6 million). In contrast to the governor’s proposal to eliminate a number of specialized centers and programs, the House budget reduces investment in these connectors to the regional economy by 10 percent. The NC Community College System estimates it would lose 1,000 faculty positions.⁸

House Budget Dismantles Early Childhood Education

The House budget cuts \$16 million in recurring funding for North Carolina's nationally acclaimed More at Four program and reduced lottery funding for the program by an additional \$16 million, for a total cut of \$32 million. It also moves the program from the Department of Public Instruction's (DPI) Office of Early Learning to Department of Health and Human Services (DHHS), where it would be consolidated within the Division of Child Development (DCD). The More at Four program currently serves 30,767 four-year-old children across North Carolina in 2,254 classrooms.⁹ In contrast to More at Four, Smart Start, which is housed within DCD, serves children between ages 0 and 5, and its broader programmatic focus encompasses child health and child care as well as early education. (For details on budget and policy changes to Smart Start, see box on page 12.)

More at Four and Smart Start, which are subject to ongoing annual programmatic review, are proven to be excellent investments that raise children's reading comprehension levels and result in significant state cost savings over the long term.¹⁰ Since its first full year in 2002-03, More at Four has been closely scrutinized by independent researchers at the Frank Porter Graham Child Development Institute at UNC-Chapel Hill. These evaluations have consistently shown that quality in More at Four classrooms is high and that More at Four students at the greatest risk of academic failure exhibit the highest rates of learning growth.

Consolidation and leverage of early childhood educational funding within DPI is advantageous. More at Four funding is integrated with multiple federal sources of funding for pre-kindergarten, including Title I Pre-K, Even Start, Head Start and Preschool Exceptional Children (Title II IDEA), within DPI's Office of Early Learning. These funding connections are of vital importance to local agencies and classrooms for the following reasons:

- While local education authorities have no legal obligation to spend Title I funds on pre-kindergarten programs, educators and children's advocates have persuaded many school districts to set aside a portion of Title I funding to support pre-kindergarten activities over time.
- Many local districts use all or part of their More at Four funding to pull down federal matching funds through Head Start at a match of \$4 in federal money to every \$1 spent at the local level. Cutting this longstanding source of local matching funds puts the future of pre-kindergarten programs in communities at serious risk for elimination.
- When there is no conscious coordination of state and local pre-kindergarten funding, competition for Head Start funds may arise. This is inefficient and can result in Head Start grantees remitting grant funds back to the federal government, leading to under-provision of pre-kindergarten services.
- Children who are not themselves eligible for More at Four often benefit directly from the program if they are in a classroom funded in part by the program. If More at Four funds are used to support teachers in any given classroom, those teachers must meet the higher-than-average credentials required by More at Four regardless of whether every child in their classroom is eligible for the program.

In addition to these concerns, as a result of the House budget 20 percent of the families served by More at Four funds would not be from low-income families, and a co-pay for More at Four services would be introduced on a rate scale the same as child care subsidies, meaning that the more vulnerable children would not be able to afford the program.

The House budget nearly doubles the tuition increase proposed by the governor (\$5.50 per credit hour) to \$10 per credit hour, making post-secondary education less affordable, especially to low-income students. The budget bill also diverts lottery funds away from the NC Community College Grant program, directly impacting an estimated 15,000 students who receive financial aid to get skills training and education. The budget also cuts funding for critical student supports like the male minority mentoring program and institutional and academic support. All together, these cuts would undermine the system's goal of ensuring access and successful completion of education and skills training so students can succeed in the labor market.

Adult Basic Education

Nearly 500,000 North Carolinians between ages 25 and 54 do not have a high school diploma.¹¹ Increasingly, these working-age adults will need diplomas so they can get ahead in the labor market and earn enough to support their families. Despite the widespread need for the critical education and skills training that community colleges provide, the House budget proposes a cut of \$10 million, or 12.4 percent, to adult basic education funding. This cut could jeopardize the N.C. Community College System's ability to fully implement Basic Skills Plus, a nationally recognized effort that would connect students enrolled in adult basic education with accelerated job training.

The House budget would also shift entirely to receipts the General Education Development (GED) testing administration, which is critical to the completion of adult basic education and a milestone in the education and career pathway. The fee for individuals taking the GED exam could increase by 100 percent to \$75. In combination, these changes in the House budget to investment in adult basic education could make it more difficult to students with the greatest need for education and skills training to complete their program.

UNC SYSTEM

THE UNC SYSTEM received a cut of 15.5 percent in the House proposal. Individual campuses are given discretion to cut \$478 million from their budgets – almost a quarter of the entire state contribution to the universities. As a result, the UNC system would likely cut more than 3,200 positions, and individual campuses will be required to develop individual plans for implementing budget reductions which could include reduction in course offerings, larger class sizes and fewer student support and academic resources. While enrollment in the UNC system is fully funded in 2011-2012, the funding level is held constant for the following fiscal year.

University students from low-income families would have to make greater financial contributions under the House's proposed changes to tuition levels and the need-based financial aid program (See Box on Education Lottery Scholarship Program). The UNC Need-Based Financial Aid program received a cut of 21 percent in the House Budget which the system estimates will reduce the average award payment to \$333 and eliminate support for 5,500 income-eligible students. The House FY12-13 budget would additionally limit a student's ability to receive financial aid after nine semesters, a barrier that would significantly impact students who must work while they study and must spread their courses out over more than 4½ years. Especially in combination with additional cuts to course offerings and student supports, such changes to the availability of financial aid will make it harder for students to complete their degree programs at a critical time when the labor market is projected to require more workers with college education.

Another important change to state funding would likely have implications for patients in the

HEALTH AND HUMAN SERVICES

UNC Hospital system. The House budget would reduce the UNC Hospital subsidy, which supports the hospital's charity care, by \$44 million. UNC Hospital serves a critical role in providing care to poor families, often treating patients from across the state because of the breadth and specialization of its medical care.

THE HOUSE BUDGET proposal would cut almost \$1 billion, a full 9.5 percent, from the Health and Human Services (HHS) budget over the biennium. The Medicaid program and NC Health Choice, the State's Children's Health Insurance Program (SCHIP), both would

receive deep cuts, and the budget for the Division of Central Management and Support, which directs operations, provides support for HHS agencies, and increases public awareness of HHS services, would be cut by 25 percent.

Mental Health

Notably, individuals and families who participate in the Community Alternatives Program for Persons with Mental Retardation / Development Disabilities (CAP-MR/DD) and the Community Alternatives Program for Children (CAP/C) would now be required to pay a cost-share if their income is higher than Medicaid eligibility limits. While most local management entities (LMEs) charge a variety of co-payments for various services in practice, there is no set of uniform requirements for co-payments for either entitlement or non-entitlement services and no explicit requirement in State law that LMEs require co-payments from clients.

Two cuts to Community Service Funds are also of concern to mental health providers; a \$25 million cut that supplants State funds in lieu of fund balances from LMEs not part of integrated county governments, and direct \$20 million cut (\$45 million, total). These cuts could reduce access to certain services disallowed under Medicaid but provided by the State, including developmental therapy; various outpatient therapy services; psychiatric therapy; and the room and board portion of certain residential treatment facilities.

Medical Assistance

However, these are only the obvious cuts; there are accounting maneuvers and special provisions in the budget that could result in a greater loss of funding for HHS programs. The House HHS budget uses questionable accounting to administer a cut to the Division of Medical Assistance, where Medicaid and Health Choice are. The Medicaid program is periodically subject to a "rebase," or reset, that adjusts the projected increased cost of the program in response to factors such as increases or decreases in Medicaid program

Education Lottery Scholarship Changes Reduce Funds for Need-Based Financial Aid

A late amendment to House Bill 200 eliminated funds for need-based financial aid provided to students attending community colleges, the UNC system and private colleges and universities. This \$34.6 million will be shifted to the Public School Building Capital Fund to be administered at the county level as policy decisions on the corporate income tax have shifted resources from that function.

These dollars represent a significant support to North Carolina's students with the greatest financial need. In 2009-2010, more than 30,000 students received Education Lottery Scholarships across all sectors of the post-secondary education community.¹² Half of the state-supported need-based aid to community college students is provided through the Education Lottery Scholarship.

enrollment; demographic changes in Medicaid participants; and a number of fiscal pressures beyond DMA's control, such as expanded required coverage for new medical procedures and pharmaceuticals and inflationary increases in the cost of providing medical care. Medicaid is not rebased every year, but program analysts within DHHS developed a recommended rebase amount for FY12-13 based on extensive data and analysis. The governor's budget fully funds the Medicaid rebase at \$252 million in FY12-13, but the House only funds \$109 million of the FY12-13 rebase – \$122 million less than required to meet the program's projected obligations. Since Medicaid is an entitlement program, this item is a budget cut, but the House also included a separate line item for a "Medicaid inflationary reduction" in the amount of \$63 million in FY11-12 and \$110 million in FY12-13.¹³ Discussions with DMA revealed that there is no separate inflationary increase budget – or "automatic increase" – for Medicaid provider reimbursements other than the rebase independent of the fact that certain providers are reimbursed on a different basis (fixed versus cost-component) than others. As a result, the House budget made an unspecified, \$232 million cut to the Medicaid program by double-counting the elimination of inflationary increases for providers in FY12-13, and an unspecified \$63 million cut in FY11-12.

Another cut within the DMA budget is predicated on an unrealistic savings target that, if not fully achieved, would require DMA to "undertake whatever actions necessary to affect the savings, including reducing provider rates, and eliminating or reducing the level or duration of optional Medicaid services."¹⁴ The House budget projects a \$90 million recurring savings by expanding Community Care of North Carolina (CCNC), the state's Medicaid managed care program. Discussions with service providers and patient advocates reveal a general consensus that, while CCNC has successfully achieved significant cost savings in many instances, yielding such large savings in a single year from extending the CCNC model to new high-cost patient groups is unlikely. Pursuant to the budget bill, DHHS would be required to monitor and report to the Joint Appropriations Subcommittee on Health and Human Services on cost savings achieved by CCNC on a quarterly basis, and if savings fall short of projections, DHHS will be directed to cut provider reimbursements by up to 2 percent on top of all other provider reimbursement cuts in the budget, and eliminate or reduce the level or duration of optional Medicaid services. Health care advocates are concerned that further cuts to reimbursement rates will cause some providers to stop taking patients with Medicaid, reducing their access to needed care.

NC Health Choice (SCHIP)

The House plans also cuts spending on NC Health Choice, the State's Children's Health Insurance Plan (SCHIP), but claims that services would not be impacted due to savings derived from expanding CCNC. As discussed above, however, should savings not materialize as projected, DHHS would have to make changes to this program and others in order to meet these overly optimistic savings targets.

CHILD DEVELOPMENT

THE DIVISION OF Child Development is targeted with several cuts, including consolidation with the reduced More at Four program, a 20 percent recurring cut to Smart Start, and a cut to child care subsidy transportation funding. In terms of policy, the reductions to funding for early childhood education in both DHHS and DPI are extremely significant, but reduced funding for transportation will also negatively impact children and families access to affordable, quality child care.

As a final note to this overview of the Health & Human Services budget, the House has directed DHHS to reduce the amount of funding directed to nonprofit organizations by \$5 million. While this amount is relatively minor in the greater context of the HHS budget, it is unclear how these cuts will be distributed amongst the hundreds of nonprofit organizations that are sub-grantees of DHHS.

Cuts to Smart Start

The House budget cuts the Smart Start program by 20 percent annually, or \$38 million, for a total of \$76 million over the biennium. In addition, the budget would mandate that the state pay for no more than 8 percent of the total administrative costs for all partnerships; salaries for statewide partnership employees would be capped at \$80,000 per year for statewide partnership and \$60,000 per year for local partnerships; a 13 percent total match – 10 percent cash and 3 percent in-kind – would be required; and no state funds could be used for marketing campaigns.

These reductions and changes to Smart Start, especially in conjunction with proposed cuts and changes to the More at Four program (see page 8), would have a direct and negative impact on thousands of local jobs as well as a direct impact on children and families who depend on access to quality child care. Child care in North Carolina is a significant industry in its own right, generating \$1.77 billion in revenues and creating more than 47,000 jobs; facilitating success in other industries by enabling parents work productively outside the home and attend higher education programs to update their skills; and enabling future economic success by assisting in the preparation of young children for opportunities in the new economy.¹⁵

Fig. 8: House Recommended Health & Human Services Appropriations

	HOUSE	GOVERNOR	FY11-12 BASE	% Change from Governor	% Change from FY11-12 Base
Central Management & Support	\$ 52,152,812	\$ 69,184,819	\$ 70,229,335	-24.6%	-25.7%
Aging Division	\$ 37,019,667	\$ 36,859,667	\$ 37,419,667	0.4%	-1.1%
Child Development*	\$ 266,102,933	\$ 236,503,341	\$ 261,759,600	12.5%	1.7%
Public Health	\$ 157,538,834	\$ 147,901,363	\$ 161,930,589	6.5%	-2.7%
Social Services	\$ 185,077,068	\$ 188,616,402	\$ 202,245,063	-1.9%	-8.5%
Medical Assistance	\$ 2,958,388,184	\$ 3,180,907,603	\$ 3,314,539,538	-7.0%	-10.7%
NC Health Choice / Childrens Health	\$ 79,452,317	\$ 79,452,317	\$ 88,373,806	0.0%	-10.1%
Services for the Blind	\$ 7,889,110	\$ 8,198,149	\$ 8,389,110	-3.8%	-6.0%
Mental Health / DD / SAS	\$ 665,342,797	\$ 714,335,617	\$ 723,675,112	-6.9%	-8.1%
Health Service Regulation	\$ 16,133,031	\$ 16,133,031	\$ 17,925,590	0.0%	-10.0%
Vocational Rehabilitation	\$ 37,125,788	\$ 37,125,788	\$ 41,252,238	0.0%	-10.0%
FY11-12 TOTAL	\$ 4,462,222,541	\$ 4,715,218,097	\$ 4,927,739,648	-5.4%	-9.4%
Central Management & Support	\$ 46,553,422	\$ 65,987,717	\$ 70,229,335	-29.5%	-33.7%
Aging Division	\$ 37,019,667	\$ 36,859,667	\$ 37,419,667	0.4%	-1.1%
Child Development*	\$ 266,102,933	\$ 236,503,341	\$ 261,759,600	12.5%	1.7%
Public Health	\$ 157,538,834	\$ 147,901,363	\$ 161,930,589	6.5%	-2.7%
Social Services	\$ 185,077,068	\$ 188,351,712	\$ 202,245,063	-1.7%	-8.5%
Medical Assistance	\$ 2,907,276,302	\$ 3,399,767,507	\$ 3,314,539,538	-14.5%	-12.3%
NC Health Choice / Childrens Health	\$ 83,717,865	\$ 85,947,512	\$ 88,373,806	-2.6%	-5.3%
Services for the Blind	\$ 7,872,886	\$ 8,181,925	\$ 8,389,110	-3.8%	-6.2%
Mental Health / DD / SAS	\$ 710,342,797	\$ 714,335,617	\$ 723,675,112	-0.6%	-1.8%
Health Service Regulation	\$ 16,133,031	\$ 16,133,031	\$ 17,925,590	0.0%	-10.0%
Vocational Rehabilitation	\$ 37,528,128	\$ 37,528,128	\$ 41,252,238	0.0%	-9.0%
FY12-13 TOTAL	\$ 4,455,162,933	\$ 4,937,497,520	\$ 4,927,739,648	-9.8%	-9.6%
BIENNIAL TOTAL	\$ 8,917,385,474	\$ 9,652,715,617	\$ 9,855,479,296	-7.6%	-9.5%

*Increase in House appropriation to DCD reflects provisions shifting More at Four to DHHS. Existing DCD program Smart Start is cut by 20 percent (\$37.5 million), and funding for More at Four is cut by \$32 million

GENERAL GOVERNMENT

THE HOUSE PROPOSED \$56 million in cuts to state agencies in FY11-12 and \$60 million in FY12-13. In total, more than 536 state positions would be eliminated a result of these changes. While many of these positions are currently vacant, many others are filled. The House General Government budget would also do the following:

- Cut \$8.9 million from the Cultural Resources budget, eliminating both filled and vacant positions and shifting other positions to receipt support
- Eliminate the Performance Audit division within the Office of the State Auditor, cutting 19 jobs and creating 3 positions for auditors in the legislative Performance Evaluation Division
- Shift the State and Local Government Finance Division within the Office of the State Treasurer to receipt support, for savings of \$3.3 million

JUSTICE AND PUBLIC SAFETY

THE HOUSE BUDGET effectively cuts the Justice and Public Safety budget by \$307 million, or 6.7 percent, over the biennium, not accounting for the transfer of the Highway Patrol to the Crime Control and Public Safety budget. It creates a new Department of Public Safety by consolidating the Division of Juvenile Justice and Delinquency Prevention, the Department of Corrections, and the Department of Crime Control and Public Safety. While the newly created Secretary of Public Safety would control the Highway Patrol, for budgeting purposes this is primarily an accounting change. Additionally, the House budget directs the Secretary to cut \$1.4 million in administration costs from the Highway Patrol budget. However, when included as part of total Justice and Public Safety spending, the Highway Patrol shift makes overall cuts to all budgets under Justice and Public Safety, including cuts to the Highway Patrol itself, appear as a net aggregate spending increase. When the transfer is included, the total JPS budget shows a net spending increase of 1.7 percent, or \$76 million, over the biennium.

The House budget significantly cuts funding for vital justice system functions and

Fig. 9: House Recommended Justice & Public Safety Appropriations (Adjusted)

	HOUSE	GOVERNOR	FY11-12 BASE	% Change from Governor	% Change from FY11-12 Base
Corrections	\$ 1,340,202,159	\$ 1,366,710,846	\$ 1,421,644,768	-1.9%	-5.7%
Crime Control & Public Safety*	\$ 29,101,711	\$ 32,327,610	\$ 34,175,427	-10.0%	-14.8%
Judicial	\$ 439,752,763	\$ 461,053,029	\$ 477,189,575	-4.6%	-7.8%
Judicial - Indigent Defense	\$ 109,353,574	\$ 122,610,185	\$ 122,770,246	-10.8%	-10.9%
Justice	\$ 81,817,912	\$ 83,907,465	\$ 89,670,944	-2.5%	-8.8%
Juvenile Justice	\$ 135,862,879	\$ 140,316,196	\$ 151,295,187	-3.2%	-10.2%
FY11-12 JPS APPROPRIATIONS	\$ 2,136,090,998	\$ 2,206,925,331	\$ 2,296,746,147	-3.2%	-7.0%
Corrections	\$ 1,350,623,300	\$ 1,373,058,448	\$ 1,418,867,332	-1.6%	-4.8%
Crime Control & Public Safety*	\$ 29,307,034	\$ 32,178,336	\$ 34,175,427	-8.9%	-14.2%
Judicial	\$ 439,752,763	\$ 458,309,107	\$ 477,189,575	-4.0%	-7.8%
Judicial - Indigent Defense	\$ 109,353,574	\$ 122,371,148	\$ 122,770,246	-10.6%	-10.9%
Justice	\$ 81,817,912	\$ 83,046,671	\$ 89,670,944	-1.5%	-8.8%
Juvenile Justice	\$ 135,862,879	\$ 139,736,263	\$ 151,295,187	-2.8%	-10.2%
FY12-13 JPS APPROPRIATIONS	\$ 2,146,717,462	\$ 2,208,699,973	\$ 2,293,968,711	-2.8%	-6.4%
BIENNIAL TOTAL	\$ 4,282,808,460	\$ 4,415,625,304	\$ 4,590,714,858	-3.0%	-6.7%

* The House budget breaks out the \$125 million in Medicaid DSH receipts that must be repaid as an adjustment to unreserved credit balance. This chart rolls that action into the unreserved balance to reflect general agreement with the Governor on availability for this line item

** Assumes executive branch compliance with SL2011-15

Indigent Defense a State Obligation

In 2000, the General Assembly established the Office of Indigent Defense (IDS), which was charged with providing legal representation to defendants who were “financially unable to secure legal representation and to provide all other necessary expenses of representation in an action or proceeding.” The IDS provides such representation through either public defenders or private assigned counsel. Since 2000, IDS has served hundreds of thousands of North Carolinians.

The House budget would cut IDS funding by \$11.3 million from the continuation budget amount for FY11-12. In addition, a shortfall in FY11-12 funding would leave an estimated \$13 million in unpaid fees that would be carried over into FY12-13, creating long payment delays for private counsel this fiscal year. Thus, the combined underfunding for the Office of Indigent Defense Services next fiscal year would be more than \$32 million.

The state’s indigent defense system is already doing more with less when it comes to ensuring that the state’s court system delivers justice and fulfills its commitment to representation regardless of income status. The case count handled by attorneys within IDS, including private assigned counsel and defender offices, is projected to be 22 percent higher in FY11-12 than it was in FY07-08. Under the House budget proposal, funding for IDS would reflect only a \$1.1 million, or 1 percent, increase over FY07-08 appropriations. Currently, private assigned counsel average \$17 per hour in net income for providing indigent defense services, while the average operating expense for a one- to four-person law firm in North Carolina is \$58 per hour; therefore, these small businesses lose money when they provide these services. As of this publication date, almost 100 lawyers have crossed their names off a list of attorneys willing to represent indigent persons in court.¹⁶ Further reductions to their compensation will result in the loss of qualified representation and a reduction in the pool of private assigned counsel in communities across the state.

responsibilities, particularly within the Department of Juvenile Justice and Delinquency Prevention, the Administrative Office of the Courts and the Office of Indigent Defense.

The House plan reduces funding for the Juvenile Justice system by more than 10 percent, or \$33 million, over the biennium, and cuts 281 positions. The plan closes two Youth Development Centers, cuts detention beds, and consolidates districts while cutting 39 court counselors and 8 chief court counselors.

Several programs within the Administrative Office of the Courts budget would be cut or placed on continuation review under the House plan. State funding for all non-profit mediation centers operated via the Dispute Resolution program would be eliminated (\$1.1 million, recurring). The Drug Treatment Court (\$2 million) and Family Court (\$2.9 million) programs would

be placed on continuation review. As in other agencies, 289 vacant and filled positions would be eliminated under the House plan in FY11-12, increasing to 411 positions in FY12-13.

NATURAL AND ECONOMIC RESOURCES

THE HOUSE’S APPROPRIATIONS for Natural and Economic Resources—which includes Environment and Natural Resources, Agriculture and Consumer Services, Commerce, and Labor—are 19 percent below the recommended continuation budget in the next fiscal year and nearly 28 percent below the recommended continuation budget in the second fiscal year of the biennium.

The largest single cuts are to the state’s Clean Water Management Trust Fund, which will see its typical appropriation of \$100 million reduced to \$10 million each year, and the Department of Environment and Natural Resources (DENR), which faces recurring reductions of 19 percent of annual appropriations. Especially hard-hit are DENR’s regional offices, which would eliminate nearly 100 positions that handle regulatory issues and

Public Information on Effectiveness of Incentive Subsidies

In the special provisions of the budget bill, the House proposes investment in an on-line, publicly accessible database on economic development subsidies to companies with the aim of tracking the outcomes of this spending. This is a valuable and important step forward in transparency efforts around economic development that have led North Carolina to consistently rank high in the accountability index produced by Good Jobs First.¹⁷

The database will include data on the exact location of recipients of economic development subsidies and the goals for job creation, including the wage standards stipulated at the outset of the agreement with the state and local governments. Such data is critical to understand whether North Carolina is getting a good return on its economic development investments and is creating good, quality jobs that can support families and build local economies for the long term.

permitting for air and water quality and waste management. Several other DENR functions would be transferred to other agencies, including Agriculture and Consumer Services, Health and Human Services, and Commerce.

Among the other agencies and programs in Natural and Economic Resources, one of the more notable cuts is the 10-percent reduction in funds for the NC Rural Economic Development Center, which provides grants and programming to economic development projects in North Carolina's 85 rural counties.

TRANSPORTATION

UNLIKE VIRTUALLY EVERY other area of the budget, both the Highway Fund and the Highway Trust Fund would see increased appropriations over the course of the next biennium compared to the recommended continuation budget. The Highway Fund would receive appropriations totaling \$1.92 billion in the upcoming fiscal year and \$1.96 billion in the second fiscal year of the biennium. The Highway Fund's appropriations will equal \$1.07 billion and \$1.03 billion in the next two fiscal years, with more than \$486 million dedicated to the new Mobility Fund, of which \$273 million is a transfer from funding for urban loops.

Although not expected to have a fiscal impact in the coming biennium, the House budget directs the Department of Transportation to eliminate 194 positions through privatization and outsourcing work in areas such as preliminary engineering and design as well as general services such as janitorial work.

The House Budget would also do the following:

- Cut \$8.7 million for driver education at public schools and authorize local districts to replace funding by assessing a fee to students of up to \$75.
- Increase tolls at state ferries enough to raise \$5 million in FY12-13 and \$7.5 million in FY13-14, with both the Currituck-Knotts Island ferry and the Hatteras-Ocracoke ferry remaining toll-free
- Cut \$2.5 million per year from state grants for public transportation

Conclusion

From the beginning of the legislative session, House leaders have rejected the possibility of continuing the temporary taxes created in 2009 or raising new revenues. As a result, they have created a budget that makes deep cuts to human services and public education at all levels. If implemented, the House budget would mean fewer teachers in North Carolina classrooms, fewer children served in early education programs, and decreased access to postsecondary education for the state's current and future workforce. In addition, North Carolina's low-income families would have significantly less access to medical care and the court system. All totaled, these cuts would not only undermine the quality of life and the economic climate in North Carolina, they could result in legal challenges from those who are denied justice in the state's courts and from families whose children cannot get the quality education promised by the state constitution.

- 1 Annual budget deficits, as opposed to structural budget deficits, may be caused by factors such as declining revenues due to a slowing economy; unexpected loss in revenue due to state actions; increases in debt obligations; costs due to one-time occurrences such as natural disasters; increased costs related to mandated programs, such as Medicaid; increases in non-discretionary expenses, such as energy or fuel; or other unanticipated expenses such as legal costs or settlements. For more on annual versus structural state budget deficits, see
- 2 McNichol, Elizabeth, and Boadi, Kwame. "Why and How States Should Strengthen Their Rainy Day Funds," Center on Budget and Policy Priorities, February 3, 2011. Available online at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3387>
- 3 NCGA Fiscal Research Division, schedule of fees in House Bill 200 available online at <http://www.ncleg.net/documentsites/committees/HouseFinance/Meeting%20Documents/4-26-2011/H%20200%20Fees%20Summary%20Chart.pdf>
- 4 For comparison, the Governor's budget proposed creation of a state retirement reserve on a 15-year amortization schedule, partially funding the reserve in FY11-12 (\$115 million) and fully funding it in FY12-13 (\$230 million).
- 5 This figure does not include the transfer of 2,186 Highway Patrol personnel to General Fund support in order to reflect net position eliminations independent of that change.
- 6 Mazerov, Michael. "Cutting State Corporate Income Taxes Is Unlikely to Create Many Jobs," Center on Budget and Policy Priorities, September 14, 2010. Available online at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3290>
- 7 DPI, Major Reductions to Public Schools as Proposed in House Budget, <http://www.ncpublicschools.org/docs/fbs/finance/legislation/budget/impactofhousecuts.xls>
- 8 President's Report, April 2011. Available online at https://ncccs.cc.nc.us/pr/PresidentsReports/2011/2011_April_PresidentsReport.pdf
- 9 DPI Office of Early Learning, "More at Four Pre-Kindergarten 2010-11 Facts and Figures." Available online at http://legislative.ncpublicschools.gov/resources-for-legislators/20110225more_at_four
- 10 Bartik, Tim. "New evidence for large state and local returns from investments in preschool and child care: Duke University study of North Carolina's programs." Available online at <http://investinginkids.net/2011/03/18/new-evidence-for-large-state-and-local-returns-from-investments-in-preschool-and-child-care-duke-university-study-of-north-carolina%E2%80%99s-programs/>
- 11 Working Poor Families Project, 2011. Analysis of American Community Survey data for 2009 by Population Reference Bureau.
- 12 College Foundation, Inc., 2009-2010, Report on Education Lottery Scholarship Award
- 13 House Bill 200, version 4, section 10.43.
- 14 House Bill 200, version 4, section 10.47(a) – (d).
- 15 Traill, Saskia. "The Economic Impact of the Child Care Industry in North Carolina: 2008 Update," The Insight Center for Community Economic Development in conjunction with the North Carolina Partnership for Children. Available online at <http://hugh.ncsmartstart.org/wp-content/uploads/2010/05/NCEIR-08-4pp.pdf>
- 16 Bonner, Lynn. "Fewer lawyers for poor people," News & Observer, May 9, 2011. Available online at http://projects.newsobserver.com/under_the_dome/fewer_lawyers_for_poor_people#storylink=misearch
- 17 Mattered, Philip, Thomas Cafcas, Leigh McIlvaine, Caitlin Lacy, Elizabeth Williams and Sarah Gutschow. December 2010. Show Us the Subsidies: An Evaluation of State Government Online Disclosure of Economic Development Subsidies. Good Jobs First: Washington, DC.

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