BTC

The Untold Story of Governor McCrory's Budget Proposal for FY2013-15

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Governor McCrory released his budget proposal for FY2013-15 in mid-March, arriving just as North Carolina's economic recovery begins to take hold and revenue collections slowly recover. Despite the state's improving economic picture—which allows for some expansion items—his proposal does not provide the resources necessary to educate our children, support the health and well-being of our most vulnerable citizens, and ensure access to the courts.

The Budget & Tax Center's analysis of Governor McCrory's budget proposal released today finds FIVE important issues remain part of the untold story.

1. In historical context, his proposal reflects a diminished baseline budget when compared to pre-recession levels of spending. In fact, his proposal would make FY2013-14 the year that North Carolina spends the lowest in state General Fund dollars as a share of the economy in 42 years.
2. While representing a small step toward overall reinvestment, his proposal falls far short of what is needed to maintain existing levels of public services in 5 of the 6 major budget areas—the public K-12 system, Community Colleges, UNC System, Health and Human Services, Justice and Public Safety, and Natural and Economic Resources. Only Health and Human Services would experience a net increase.

   See the chart on the back page that contrasts the governor's proposal with the base budget (what is needed to maintain current service levels) and pre-recession levels of spending.
3. The Department of Commerce—whose core mission is to encourage economic development—would be converted into a public-private partnership under his proposal. His proposal appropriates $400,000 over the biennium for the development of a strategic economic growth plan, with a specific mandate to study the best way to implement this type of privatization. This sweeping policy change not only could make economic development less accountable to taxpayers but it has been proven ineffective in other states.[1]
4. A major uncertainty is whether the reserves in his proposal would be sufficient to cope with the first and potentially second rounds of sequestration cuts.[2] In addition, the federal budget passed by the US House of Representatives—known as the "Ryan Plan"— would make deep cuts (on top of the already-scheduled cuts) to federal support for schools, public safety, and a range of other state and local services.
5. The governor's proposal significantly underinvests in expanding economic opportunities for all residents.
   a. Under his proposal, there would be a shift away from economic development investments targeted at low-income, distressed populations and communities and toward encouraging general economic growth through industrial recruitment—an approach that often leaves distressed communities behind. Notable is the elimination of funding for programs serving minority communities that have historically been excluded from much of the economic gains in the state even though racial and economic inclusion helps foster a stronger state economy.
   b. There is no new funding for the Home and Community Care Block Grant to address the growing needs of a rapidly aging population at a time when demand for senior services far outstrips supply. Inadequate funding means many seniors do not have access to the proven and cost-effective senior services that would make it possible for them to live with dignity in their own homes as long as their health allows.
   c. Tuition would increase from $69 per credit hour to $70 per credit hour at community colleges under his proposal. There is no additional investment in need-based financial aid for UNC system students, which means that 8,400 fewer students would be served and aid packages would be reduced. Rising costs and cuts to financial aid impact students' ability to enroll in and complete their educational programs. And yet, a skilled workforce is critical to the state's economic future.

Without a comprehensive approach to restoring all areas of the budget, North Carolina will not be able to close the opportunity gap and ensure the health and well-being of all communities.

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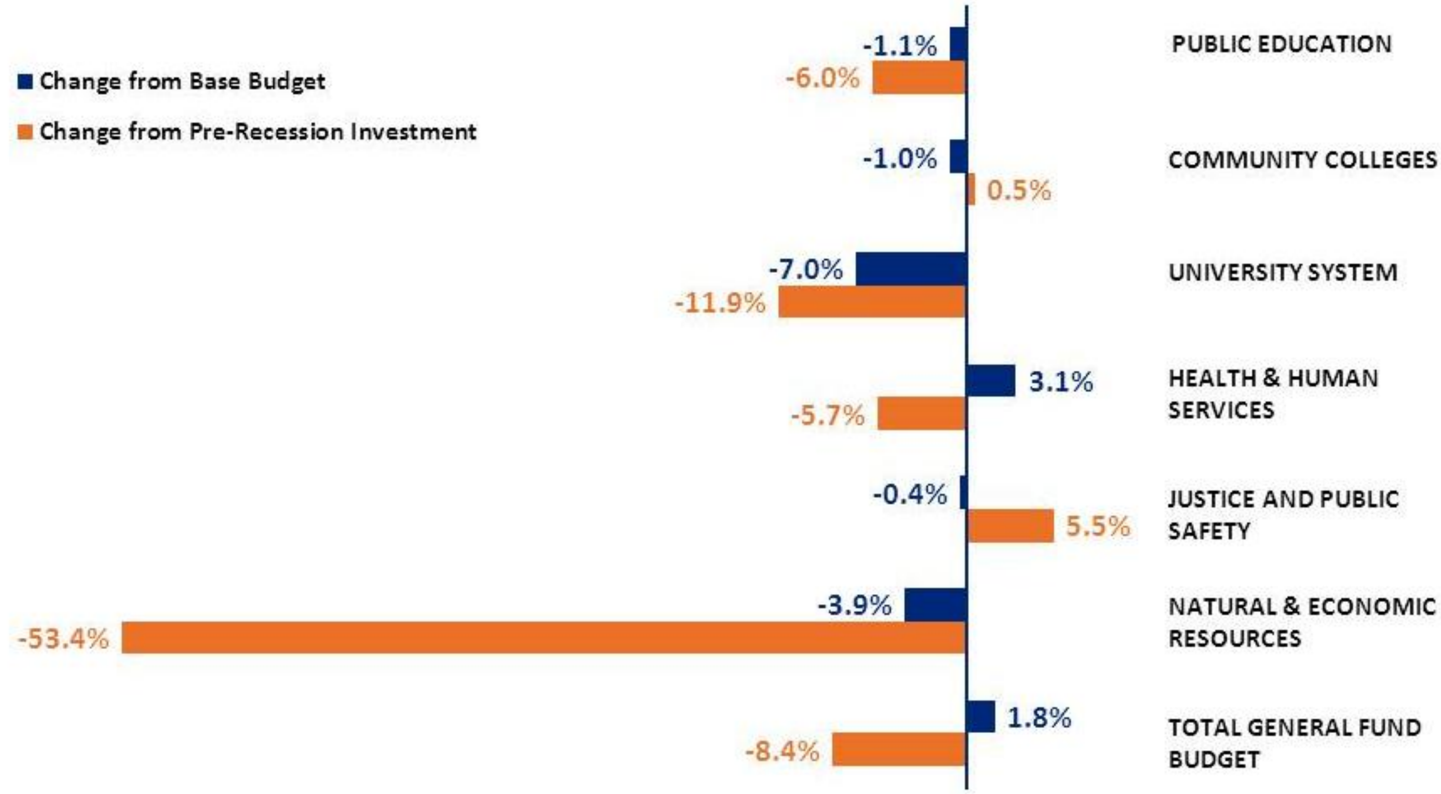
Governor McCrory's budget proposal for FY2013-14 would increase spending by 1.8% ($358 million) over the base budget, but spending would drop 8.4% ($1.9 billion) lower than pre-recession levels (FY2007-08, adjusted)



[1] Mattera, Philip et al. "Public-Private Power Grab: The Risks in Privatizing State Economic Development Agencies Good Jobs First Report." Good Jobs First. January 2011.

[2] The first round of spending cuts went into effect on March 1 and the second round is scheduled to go into effect on October 1, 2013.