



NC BUDGET **UPDATE**

June 9, 2017

HOW TO USE THIS TOOLKIT

StrongerNC is committed to making activism easy. We have put together this toolkit with the aim of educating you about the financial issues that North Carolina faces, as well as equipping you with key talking points to use as you discuss your concerns with the representatives tasked with our financial future. The welfare of our people and our state is at risk with this budget.

Getting North Carolina’s financial house in order shouldn’t involve tax policies that benefit the rich at the expense of the poor. We depend on you to utilize these messages in your communities. We know that your passion is strong and that your voice will be loud. Now let’s make some noise.

The North Carolina State Budget has reached the point where the Governor, the Senate and the House have all proposed and passed their own versions. It is now in Conference, to be negotiated by a group of Senators and Representatives, “Conferees”, and a final version will be submitted to Governor Cooper for signature. The timeline is unknown, but could take 1-3 weeks of debate, depending on how much negotiation is required. It is important to make your opinion known early, by calling, e-mailing or writing members of the Conference.

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BUDGET CONFEREES

The chairs are listed below, but any of the conferees on the full list will be voting on the budget items. *Note, out of 47 House Representatives there are 8 Democrats in the Conference. Out of 25 Senators there are 0 Democrats represented.*

House Chairs:

- [Rep. Nelson Dollar](#), 919-715-0795
- [Rep. Dean Arp](#), 919-715-3007
- [Rep. Justin P. Burr](#), 919-733-5908
- [Rep. John Faircloth](#), 919-733-5877
- [Rep. Linda P. Johnson](#), 919-733-5861
- [Rep. Donny Lambeth](#), 919-733-5747
- [Rep. Chuck McGrady](#), 919-733-5956

Senate Chairs:

- [Sen. Harry Brown](#), 919-715-3034
- [Sen. Kathy Harrington](#), 919-733-5734
- [Sen. Brent Jackson](#), 919-733-5705

[Full list of Budget Conferees](#)

“Don’t tell me what you value. Show me your budget, and I’ll tell you what you value.”

—Joe Biden

Any items that are identical in the House and Senate versions of the budget will not be up for review. We must assume that these will be automatically added into the budget as is. It is important to direct your focus on the items that differ between the House and the Senate. These are known as points in “controversy.”

Several of these differences are listed below, and a more complete comparative list can be seen on this chart: [Comparison of Cooper's, the Senate's and House's Budgets](#) and also [Here](#).

	GOV. COOPER'S BUDGET	THE SENATE BUDGET	THE HOUSE BUDGET
TOTAL BUDGET	\$23.4 billion, a 5.1% increase	\$22.9 billion, a 2.5% increase	\$22.9 billion, a 2.5% increase
TAX PLAN	No tax increases, and no tax cuts	Significant tax cuts: Increase the standard deductions and drop the personal income tax rate from 5.499% to 5.35%. Also cuts the state corporate income tax rate over 2 years.	Targeted, more modest tax cuts: Increase the standard deductions slightly less than Senate plan. Also includes a sales tax exemption for corporations for the purchase of large manufacturing (mill machinery) equipment, meant to entice large manufacturing businesses to the state.
TOTAL TAX CUTS	—	\$1 billion over 2 years	\$500 million over 2 years
TOTAL EDUCATION SPENDING	\$755 million	\$467 million	\$406 million
RAINY DAY CONTRIBUTION	\$300 million	\$363 million	\$263 million
RE-INVESTMENT IN NC	Significant re-investment in NC across the board in infrastructure and education. This budget aims to set NC on a path where future generations will benefit from sound investment.	Minimal re-investment in North Carolina, maximum tax cuts for the wealthiest; entrusting the citizens of the state to manage and grow the state economy with their personal choices.	Moderate re-investment in North Carolina; and minimal investment in public education. Seeking to balance tax cuts with limited spending in NC.

FEDERAL BUDGET IMPLICATIONS FOR NC

North Carolina needs to be prepared for drastic reductions in Federal funds across the board. We need to lobby our Federal Representatives to maintain important funding for states and refuse to concede to Trump’s budget proposals. [Federal Budget Implications to NC](#) & [NC Could Lose \\$306 million in Fed. Grants](#)

BUDGET CONTROVERSY POINTS

(Pick 1-3 to focus your efforts on, by calling, emailing and tweeting the Budget Conferees)

EDUCATION

Teacher Pay: The Senate budget increases average teacher pay 3.7% next year and less than 10% over the next two years. The House Budget calls for a 3.3% increase. Demand the highest possible increase for teachers. Cooper has called for 5% a year for two years.

Community College: The Senate budget does **not** include a plan for tuition free community college. The House plan only offers 10% of Cooper's proposed \$20million to fund NC Grow. Ask for tuition free community college for eligible high schoolers in good standing. In addition, the Senate budget allows for less than ½ of Cooper's overall community college funding while the House allows for ⅓ funding.

Pre-K Waitlists: The Senate budget only adds 2,350 new pre-k slots, leaving thousands of children on the waitlist. The House budget matches the Governor's call to eliminate the pre-k waitlist. Ask your rep to support eliminating the wait list for at risk children. Funding for the SmartStart early childhood education program is also much lower in the Senate than Cooper's proposal and even lower in the House.

Education Lottery Funds: The House allocates \$50 million of lottery receipts to replace equivalent state funding cuts for transportation services. This is a new expenditure of education lottery receipts. Again, the lottery is supplanting funding, not supplementing it!

Additional Budget Details on Education line items can be found [Here](#) and [Here](#) and more [Here](#).

You can also [sign this petition here](#).

SIGN THE PETITION!

Ask the Budget Conference Committee to:

- Eliminate the pre-K waitlist
- Fully fund specials
- Raise teacher pay
- Increase per pupil expenditure

www.PublicSchoolsFirstNC.org/current-petitions/



JOBS

State Employees Pay: The House answered Governor Cooper's call to provide state employees with a \$1000 raise, as well as a Cost of Living Adjustment (COLA) bonus to retirees. However, the Senate's raise was 25% smaller and they offered nothing to retirees. If this personally concerns or affects you, demand that state employees get their fair share.

Rural Infrastructure Development: The Senate provides none of the funds requested for "Ready-Sites" while the House looks to add just 1/3 of the \$30 million in Cooper's plan. Our poorer communities have no hope for building themselves up if we don't give them access to the resources found in urban areas.

Small Business Funding: Cooper requested \$3 million but the Senate offered \$0 and the House budget includes just \$1 million for the One NC Small Business Fund, which supports matching grants to small businesses that receive federal small business innovation and research grants.

Support Small Farms and Minority Farmers: The Governor and the House agree to retain \$237,000 for a small farm program, while the Senate eliminates this program.

HEALTHY COMMUNITIES

Mental Health and Opioid Prevention Funding: The Senate budget cut more than \$100 million statewide from mental health offices. They also cut education programs in *Democratic* districts to provide \$2 million per year for opioid prevention pilot programs in *Republican* districts while this epidemic ravages the whole state. While the House offers more funding than the Senate, it offers less than half of the Governor's \$14 million to advance efforts in this area. Demand more funding be put towards mental health programs and opioid use prevention.

Food and Nutrition Services: The Senate budget is the only one proposing to cut eligibility for the SNAP program, eliminating benefits such as food stamps for up to 133,000 people, inc. 50,000 children. The House budget does not include this cut, so ask the conferees to leave SNAP alone. This is a federally funded program and should not be included in the State Budget.

Promoting Safe Communities: The Governor's and Senate's (less so) budgets provide funds to expand access to reentry services to help former inmates reintegrate into local communities. The House has **no** funding to help former inmates re-settle.

ENVIRONMENT

Environmental Education Program: Compared to the Gov's \$2.9m funding, the Senate eliminates a program that educates North Carolinians about the environment and natural world, while the House keeps the program with just \$165,000.

Promoting Renewable Energy: Where the Governor appropriated \$1.7 million towards this effort, the Senate decreases the current funding by two-thirds, to \$636,000 and the House decreases funding by \$87,000. By not promoting this sector we are forfeiting our role as a future leader in renewables and missing out on many new jobs in NC.

Funding Clean Energy Research at 3 Public Universities: The Governor allots \$1 million towards this research while the Senate eliminates all State funding and the House appropriates just \$150,000 each fiscal year. Lack of clean energy research will hurt our state for years to come.

Dept. of Environmental Quality: The Governor's budget allowed for a 3% increase to this agency (totalling \$84.8 million), while the Senate passed a 10% **decrease** and directs the NC DEQ Secretary to identify \$4.5 million in cuts for departmental efficiency. The House budget provides \$6.8 million less than Cooper but does include some small project funding inc. \$1.3 million to chemically treat Jordan Lake.

By Nelle Dunlap, pulse.ncpolicywatch.org :

BUDGET COMPARISON

Office of the Governor vs House vs Senate, 2017

ECONOMIC DEVELOPMENT

Megasite growth

Governor Cooper's budget provides \$20 million next year for the Site Infrastructure Development Fund, to help create large economic development sites (e.g. 'Megasites') and attract large employers.



Governor Cooper
\$20 MILLION
House \$12.7M **Senate** \$12.5M

Rural businesses revitalization

Governor Cooper's budget provides \$5 million for Main Street Solutions, a fund to support small business in rural areas and revitalize downtowns. For every \$1 invested by the state, more than \$6 are invested by the local community.



Governor Cooper
\$5 MILLION
House \$450,000 **Senate** \$1M

Technology grants for small business

The Governor's budget provides \$3 million for the One NC Small Business Fund, to offer early stage technology development grants for small businesses that receive federal awards.



Governor Cooper
\$3 MILLION
House \$0 **Senate** \$1M

Rural internet access

Governor Cooper's budget provides \$20 million next year to help expand access to broadband in rural areas, including a \$14.5 million grant program to pay for middle and last mile projects across the state. High-speed internet access is crucial to help North Carolina's rural areas.



Governor Cooper
\$20 MILLION
House \$250,000 **Senate** \$250,000

Rural industry infrastructure

Governor Cooper's budget provides \$30 million next year to help fund infrastructure for 'ready sites'—50 to 200 acre economic development areas that could help rural areas of our state attract industry.



Governor Cooper
\$30 MILLION
House \$0 **Senate** \$0

AN ECONOMY FOR ALL

NC'S STATE BUDGET SHOULD BUILD AN ECONOMY FOR ALL.

Adapted from ALEXANDRA F. SIROTA, BTC DIRECTOR; [NC Budget & Tax Center](#)

The upcoming biennial budget debate will be the first one since all of the tax changes written into statute in 2013 have gone into effect, and budget writers will once again feel the constraints of a state tax code that fails to support smart public investments that allow all communities in the state to thrive.

The final tax change from 2013 was the reduction of the corporate income tax rate from 4 to 3 percent on January 1, 2017, which will annually reduce the dollars available to the state by \$500 million. Subsequent additional cuts to the personal income tax rate passed in 2015 will mean that rate also dropped this year from 5.6 to 5.499 percent.

Policymakers face a self-imposed challenge of meeting the needs of a growing population, a changing economy and an opportunity infrastructure that fails to reach every community and neighborhood in the state. The decision to reduce revenue that could have been invested in schools, affordable housing, healthcare, and community economic development has had a cumulative effect on the ability of families and communities to get ahead.

RURAL COMMUNITIES WILL CONTINUE TO BE HURT BY THE SENATE TAX CUT PROPOSAL.

Not only will rural communities continue to be among the hardest hit from the loss of state revenue (many infrastructure, economic development and educational investments made by the state are not possible under current austerity policy making), most rural North Carolinians would see little to no change in their tax payments.

Those tax returns with adjusted gross income who would conservatively be in the top 20 percent of taxpayers as calculated by total income represent a greater share of urban tax returns filed. Nearly half of taxpayers in rural counties have income that is too low to see any benefit or only an average tax cut annually of \$15.

TAKE ACTION

Your voice is critical. You can share your priorities for your community in a few different ways:



Tell your lawmaker how the budget will help or hurt you, your family, or your community.



Meet the lawmakers on Appropriations subcommittees. They determine the funding for various programs and services.



If it sounds like it'll be difficult to get the funding you need, now is the time to make your voice heard! Join with members of your community to start a lobbying campaign, for instance.



Follow the NC Budget & Tax Center at [@ncbudgetandtax](https://twitter.com/ncbudgetandtax), or sign up for our Rapid Response Email list to keep up to date and find out what you can do every week!

GLOSSARY OF TERMS

Credit: [NC Budget & Tax Center](#)

APPROPRIATIONS

the amount of money approved by the General Assembly for a certain purpose.

BUDGET DEFICIT

the amount by which revenues fall short of expenditures in a given period, usually a scal year.

BUDGET SURPLUS

the amount by which revenues exceed expenditures in a given period, usually a scal year.

CORPORATE INCOME TAX

a tax on the entire net income of every corporation located in North Carolina or deriving income from sources within North Carolina.

EARNED INCOME

money received in payment for a job or through self-employment.

FEDERAL FUNDS

U.S. government money approved by Congress to support a program or project.

FEDERAL POVERTY MEASURE

(also called the poverty line) – standard used by the U.S. government to classify people as low-income.

FISCAL YEAR

(FY) – an annual accounting period. North Carolina's scal year runs from July 1 to June 30. For example, the 2016 scal year runs from July 1, 2016 to June 30, 2017.

FLAT TAX

(also called proportional tax) – a tax levied at the same rate on all levels of income.

GENERAL FUND

the state's primary account. It includes revenue from North Carolina's personal/individual income tax, corporate income tax, and sales tax. The money in the General Fund is spent on state priorities like education, public safety, and job growth.

GRADUATED TAX

a type of progressive tax in which the tax rate is higher as the value of the taxed income or item increases.

HOUSEHOLD INCOME

annual income of all family members living in the same home.

INCOME TAX

a tax on earned and unearned income.

LIVING INCOME STANDARD

the amount of money a family needs to earn annually to afford housing, food, childcare, health care, transportation, taxes, and other necessities. An alternative to the poverty measure.

MEDICAID

a health insurance program, funded by federal and state governments and operated by the state, for persons below a certain income level.

MEDICARE

a federal health insurance program for the elderly and disabled.

PAYROLL TAX

a tax on wages that is used to nance unemployment insurance, worker's compensation, disability insurance, Social Security, and Medicare.

GLOSSARY OF TERMS

Credit: [NC Budget & Tax Center](#)

PROGRESSIVE TAX

a tax that requires people who make more money to pay a bigger share of their income than those who make less. A tax can be made progressive by the use of graduated rates, exemptions, deductions, or credits.

PROPERTY TAX

a tax levied by state or local government on the assessed value of property.

RAINY DAY FUND

If North Carolina gets more revenue from taxes than the General Assembly budgeted for, that extra money goes straight into the Rainy Day Fund. Lawmakers can choose to use the money in this fund for things like natural disasters or to cover obligations if the General Fund runs low.

REGRESSIVE TAX

a tax that requires people who make less money to pay a bigger share of their income than people who make more money.

SALES TAX

a tax levied by a state or locality on the retail price of an item, collected by the retailer.

TAX BASE

the total value of income, goods, properties, services, or activities subject to a particular tax or group of taxes.

TAX RATE

the percentage of tax paid for a given level of income or value.

TAXABLE INCOME

amount of income subject to income tax.

UNEARNED INCOME

income such as dividends, interest, or rental fees that does not result directly from the recipient's labor.