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2010 Legislative Briefing Series

A partnership between United Way of North Carolina and the NC Justice Center



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What do Nonprofits Add to the Economy?



Nonprofits provide a safety net infrastructure

400,000 jobs in NC, or about 10% of the state's workforce

Nonprofits often deliver pivotal services at a lower cost – such as food, shelter, affordable child care, after school care, tutoring, job training, housing, and family and individual interventions

• Every \$1 invested in quality early childhood care and education saves at least \$7 by increasing the likelihood that children will be literate, employed, and enrolled in secondary education, and less likely to be school dropouts, dependant on welfare, or arrested for criminal activity.

Reduced money to provide these low cost/high quality services results in a decreased quality of life for many North Carolinians

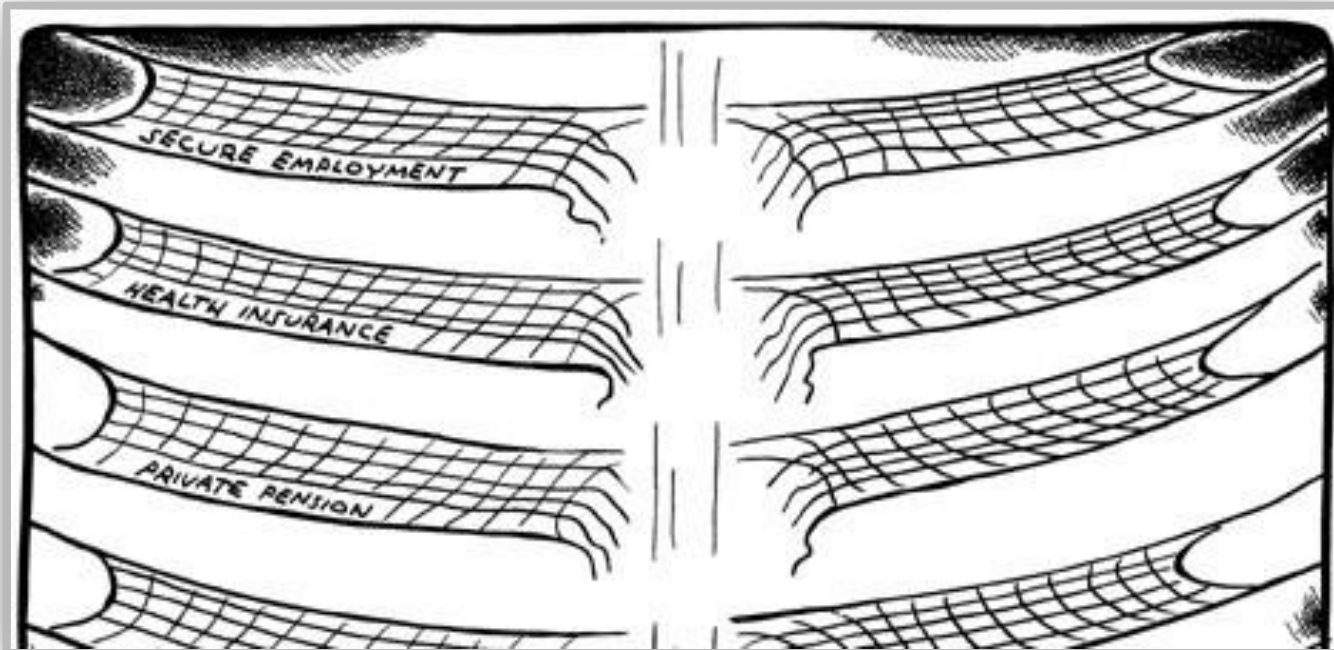




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The Safety Net is Fraying





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Impact of Economy on Nonprofits



The Safety Net is Fraying:

Nearly 50% of nonprofits reported a drop in individual donations

+ 58% received less from foundations

+66% received less from companies

+70% of state supported nonprofits reported a decrease in revenue from state grants and contracts in 2009, the 4th largest decline of any state.

+State grants to nonprofits dropped by more than 25% in 2009/10 – a decrease greater than 10 times the drop in the state budget in that year.

+In 2009, 52% of human service nonprofits faced budget deficits of their own.



Yet, demand for services has increased by 62%



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How are NC Nonprofits Adapting to the Changing Economy?



60% froze or reduced employee salaries

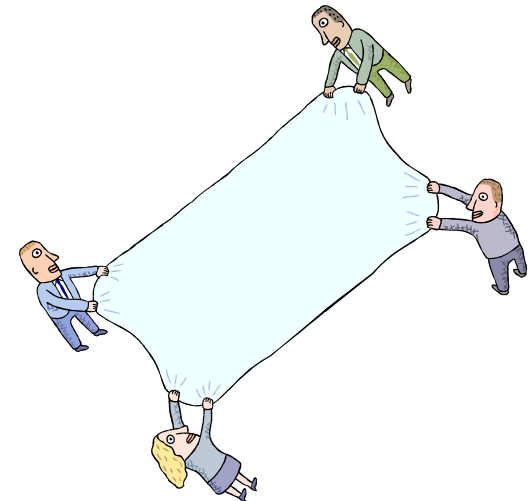
40% are drawing on reserve funds to fill the gaps

44% reduced their number of employees

23% reduced benefits, health care etc.

18% drew on larger lines of credit

ONLY 13% reduced services to people





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How Can We Save our Safety Net?



The Community Must Come Together

- By engaging in community conversations about important issues, we can develop understanding and consensus for tackling the tough issues facing NC.
- Investments in nonprofits provide high returns for local communities.
- Nonprofits provide cost effective delivery of high quality services.
- Nonprofits are an essential part of the economy. Cuts to nonprofits mean higher unemployment, fewer purchases, and less tax revenue.





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One Community Conversation Already in Progress: Education



Impacting our future begins with educating our children.

Does it have to cost more? Maybe not if the community comes together!

Research tells us that the greatest in-school impact on student success is the effectiveness of a teacher.

“ The goal of a competent, caring, qualified teacher for every child will be an unattainable goal so long as nearly half of all new teachers leave the profession before their fifth anniversary as teachers.”

National Commission on Teaching and America’s Future, Jan 2003

Fully 50% of beginning teachers in NC have left the classroom by then...

TEACHER

humor

INSPIRE

caring

knowledge

relationship

communicate

expectations

engage

performance

student

effective Encourage

flexible

differentiate

listen



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What is the Impact of Education on the Economy?



Salary potential

High School Graduate	Drop-Out	Difference
\$26,933	\$17,299	\$9,634

In North Carolina 300 students drop out every day resulting in an annual cost of \$169 million to the state.

By 2018, nearly 60 percent of all jobs in North Carolina will require some type of post-secondary credential or degree. In 2008, only 1 out of every 3 working age North Carolinians (33 percent) had an Associate's Degree or higher.

This impacts business, the economy and you.



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Tell-Tale Stories of Teachers

“Our teachers are teaching us to think creatively. They don’t know what our jobs will be like when we are grown, so they are teaching us to think outside of the box so that we will be able to take what we have learned in school and think in different ways to be able to do what we need to do in the future.” *Reflections of a 6th Grader*

OR

“In one of my classes, I raise my hand a lot because I WANT to answer, but the teacher NEVER calls on me...only her few favorites. It’s like I am not even there. So, In that class, my experience is a flat line instead of a heartbeat.” *Reflections of a High School Student*





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What teachers tell us they need:



HELP!

RESPECT!

SUPPORT!

ENGAGEMENT & PARTNERSHIP!

HIGH EXPECTATIONS!

ACCOUNTABILITY!



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Observations of a Business Leader:



“I see through all of the struggle that our school system is going through and we have to find a way to develop a common voice and goal. We have to put the child first in our thoughts and eliminate the other bias we have....If we can't find that common voice they (the children) will be the ones that are hurt.”





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Failing to Step Up is Not An Option!



United Way's Commitment to Education:

1.Reduce the drop out rate by 50% by 2018

2.Embrace teachers to increase their effectiveness so that every child has an effective teacher every day, in every classroom.

Join us. Take the pledge and take the plunge because everyone has a stake in this game.



YouTube: Tell the story of your effective teachers on our YouTube page: <http://www.youtube.com/user/NCUnitedWay>

Watch for *the Teachers Matter Report* being released 1/25/11



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Recovery 2010: North Carolina Economy & Budget Overview

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Economic Snapshot

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•The Great Recession

- Unemployment and Job Loss
- Demand for Public Services
- Economic Hardship



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The Great Recession



**Housing Bubble Bursts &
Financial Markets Collapse**

**Jobs are Lost &
Consumer Spending Declines**

**Personal and Corporate
Incomes Decline**

**Demand for Public Services Increase &
Revenue Collections Plummet**

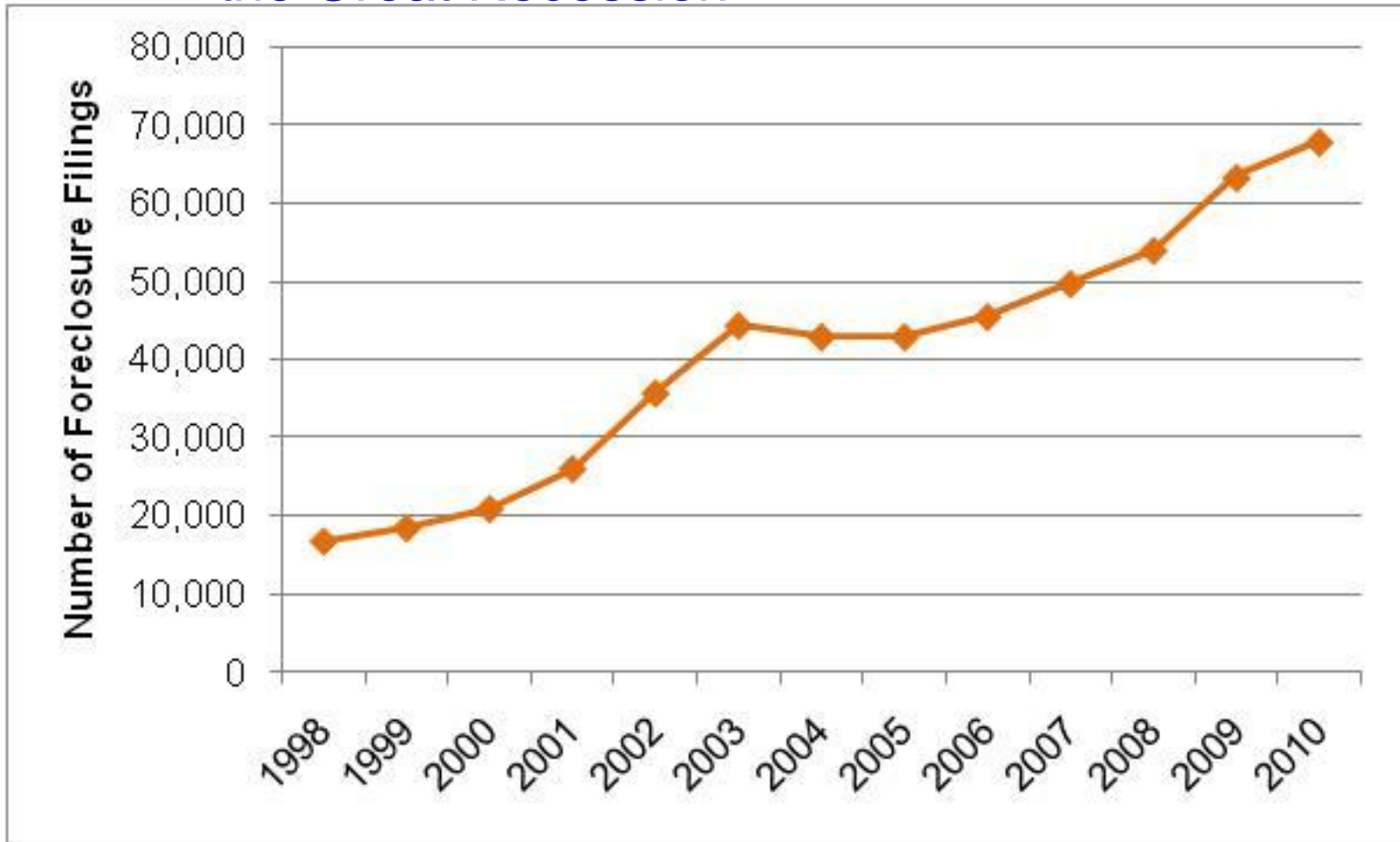
Budget Shortfall



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Foreclosures increased by 36 percent across North Carolina since the start of the Great Recession.



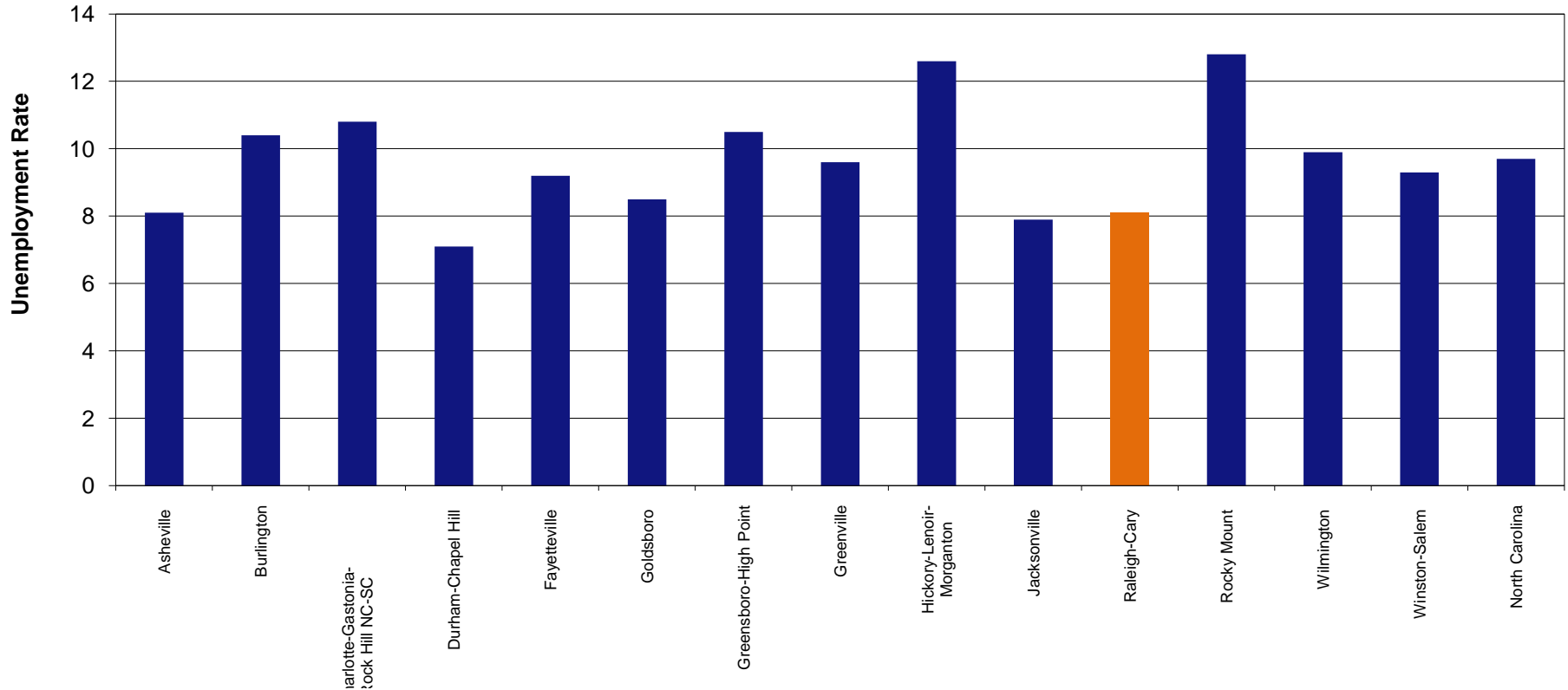
Source: N.C. Administration of the Courts data on foreclosure filings.



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Unemployment rates in metro areas continue to vary by county in November 2010.



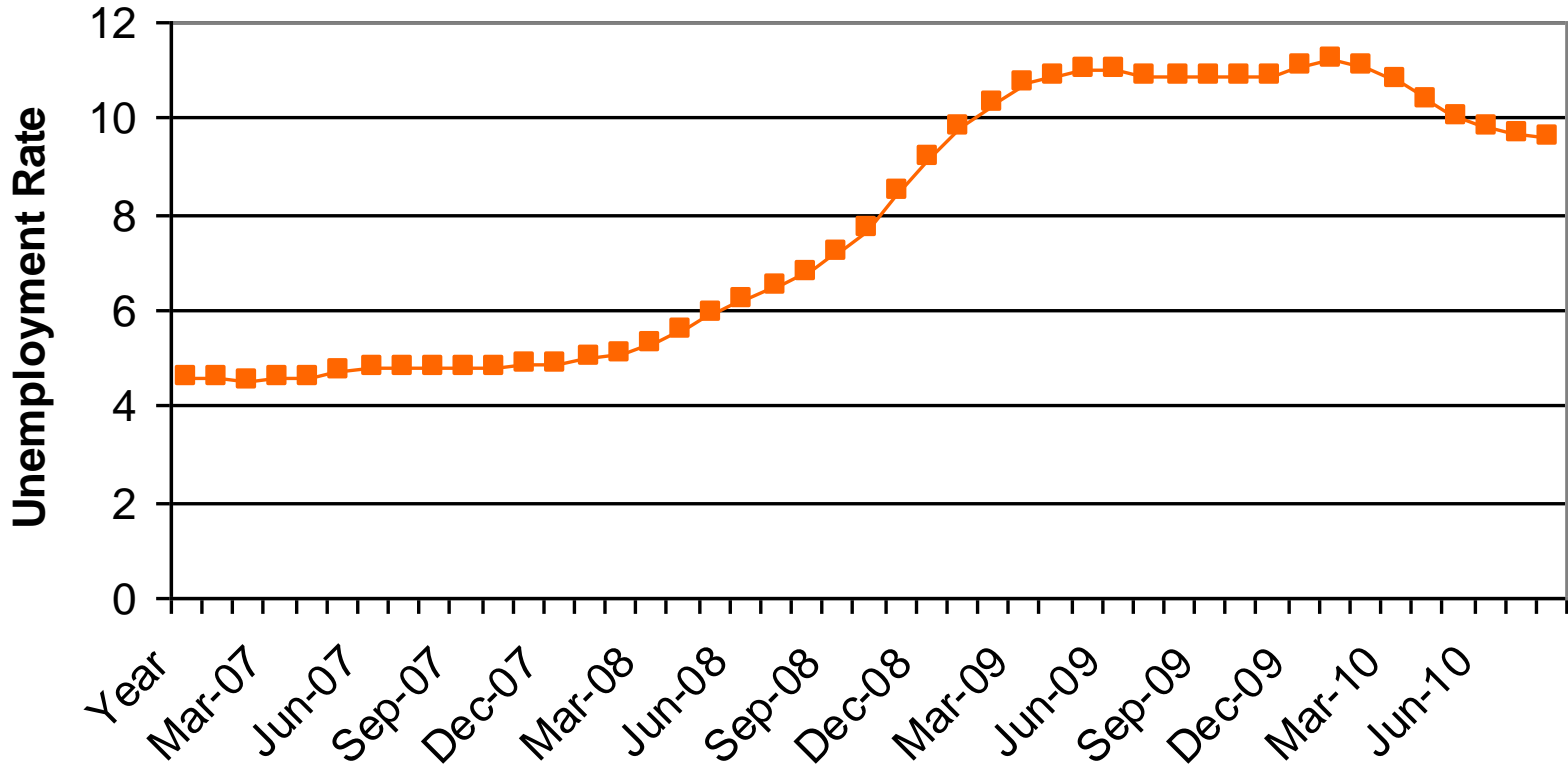
Source: Employment Security Commission North Carolina for Local Area Unemployment Statistics and the Bureau of Labor Statistics.



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North Carolina's unemployment stayed higher longer than in the four most recent recessions.



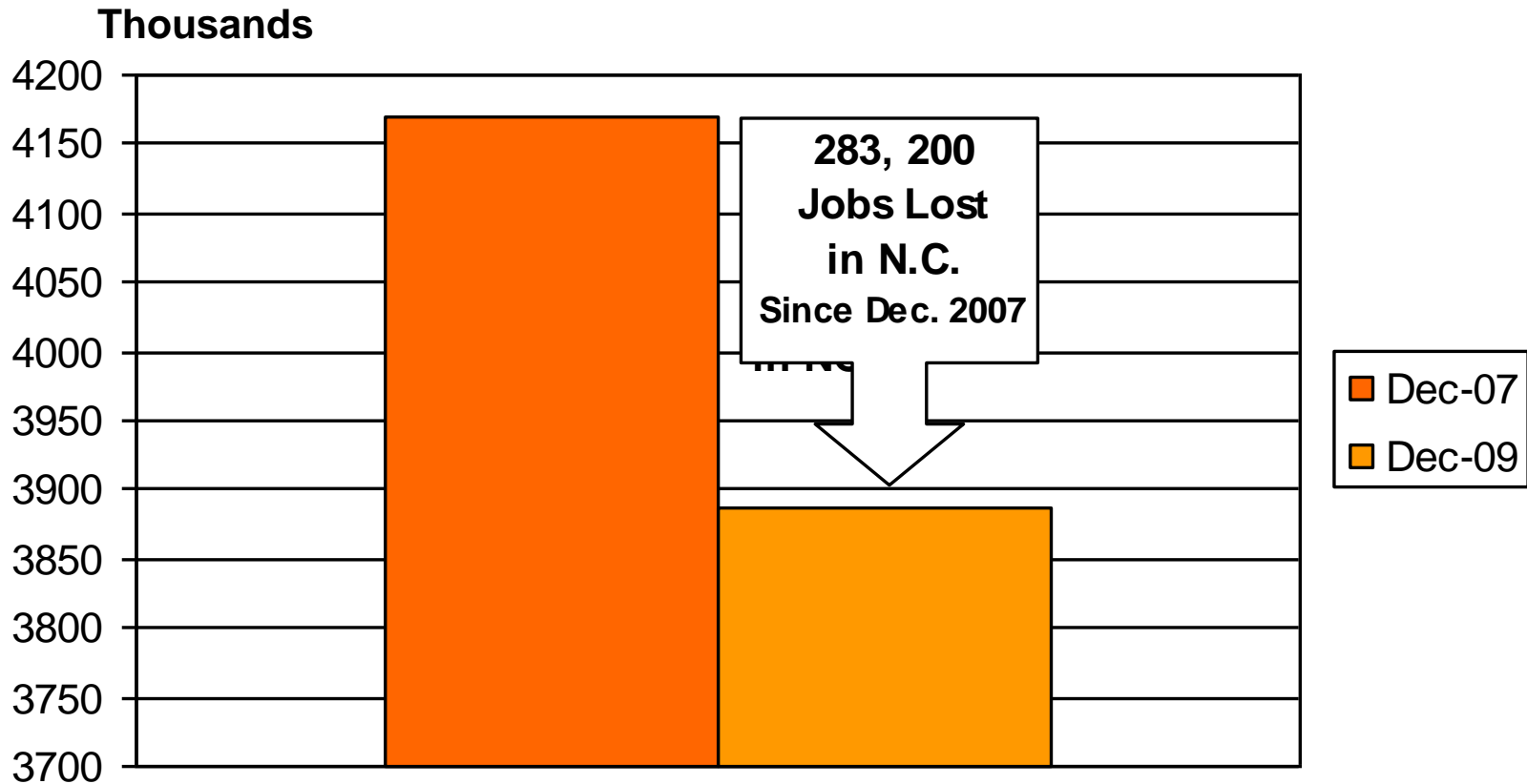
Source: Economic Policy Institute, Recession Watch, September 2010.



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The number of jobs lost continues to be more than in any of the four most recent recessions.



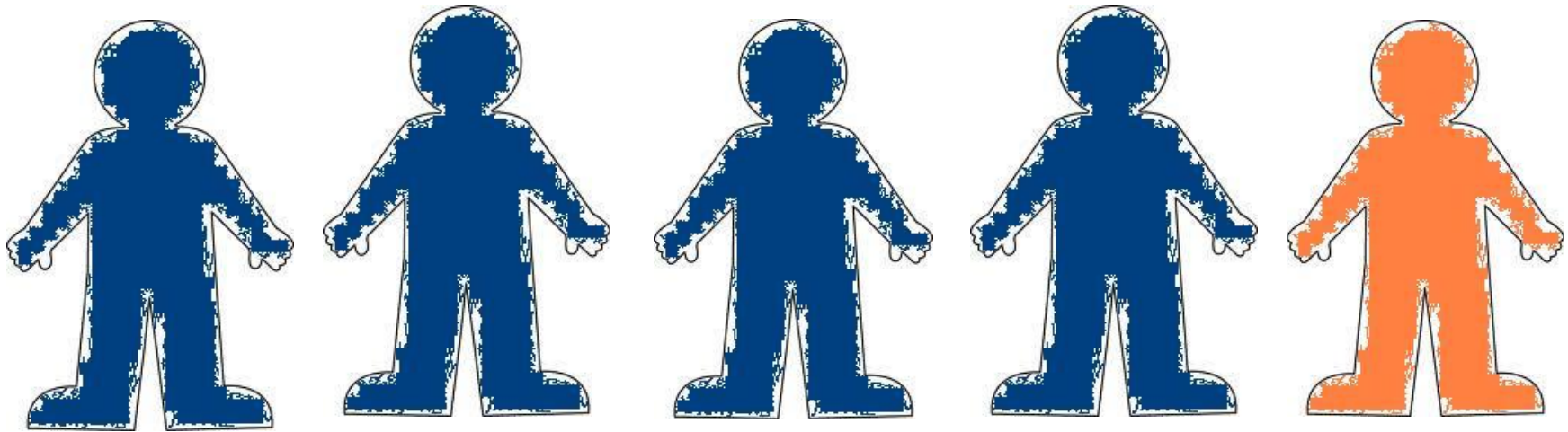
Source: Economic Policy Institute, Recession Watch, September 2010.



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For every four out of five workers, there simply are no jobs.



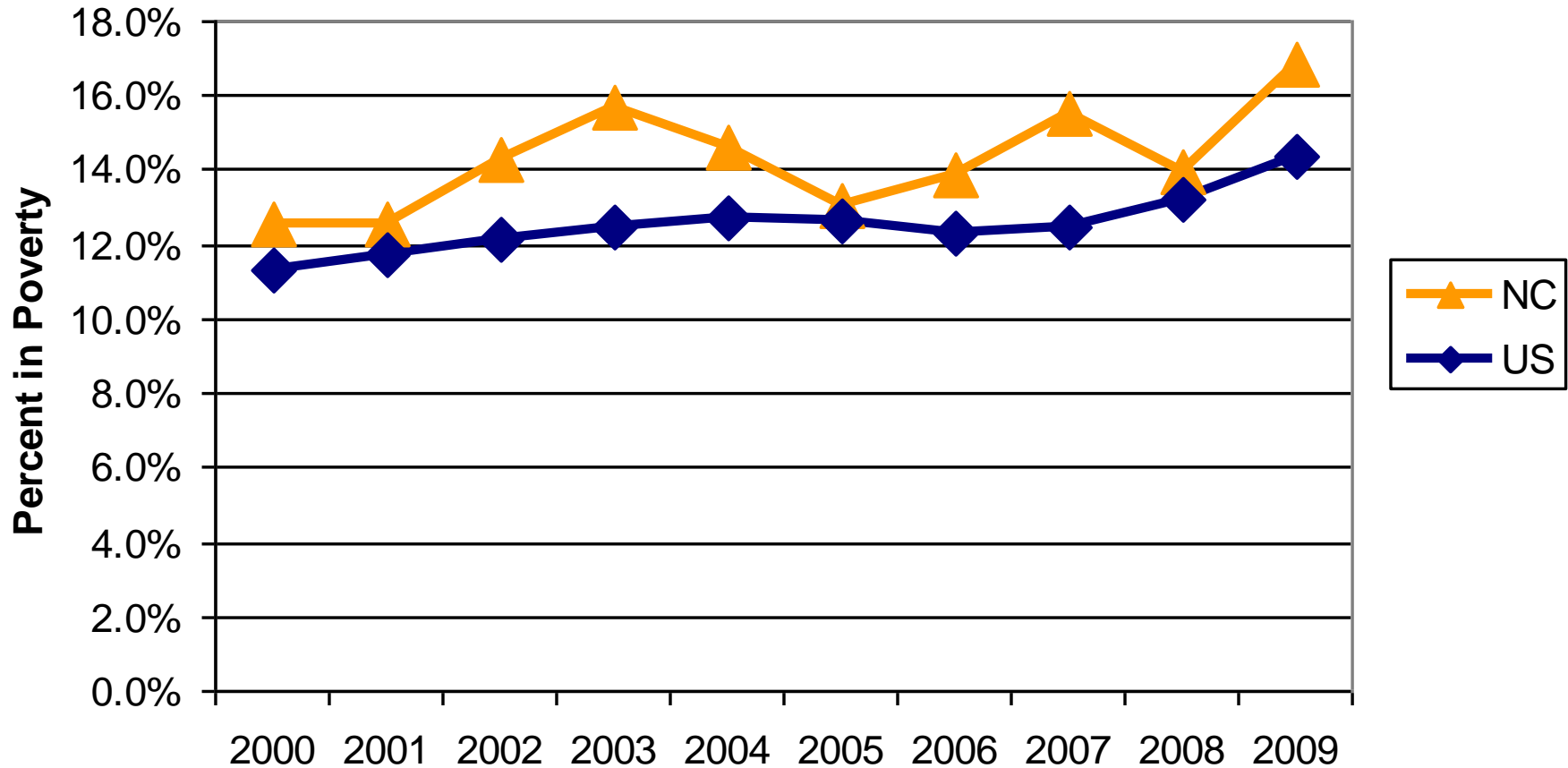
Source: Economic Policy Institute Analysis of JOLTS Data from the Bureau of Labor Statistics, September 2010.



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North Carolina's poverty increased over the course of the 2000s.



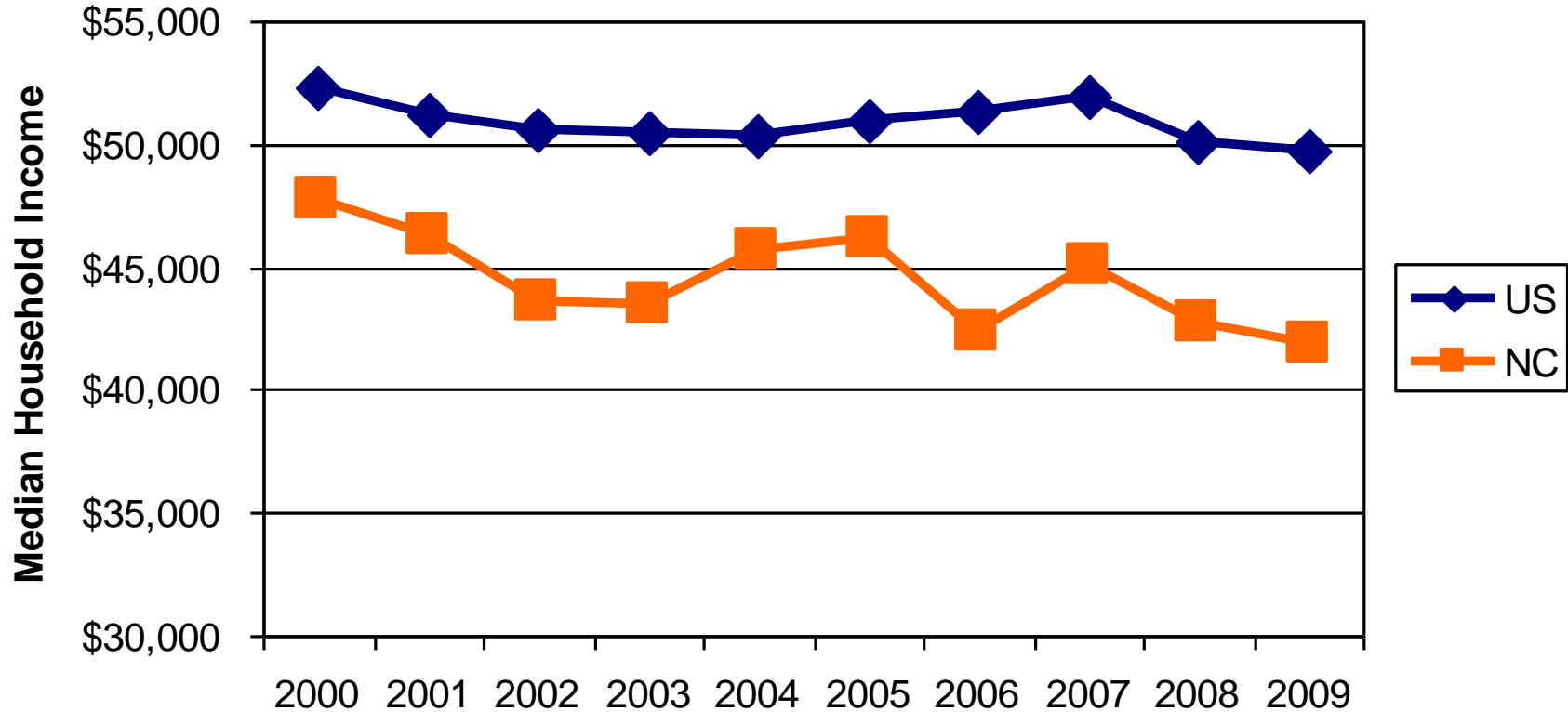
Source: Economic Policy Institute Analysis of American Community Survey Data.



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North Carolina's median household earned significantly less at the end of the decade than at the beginning.



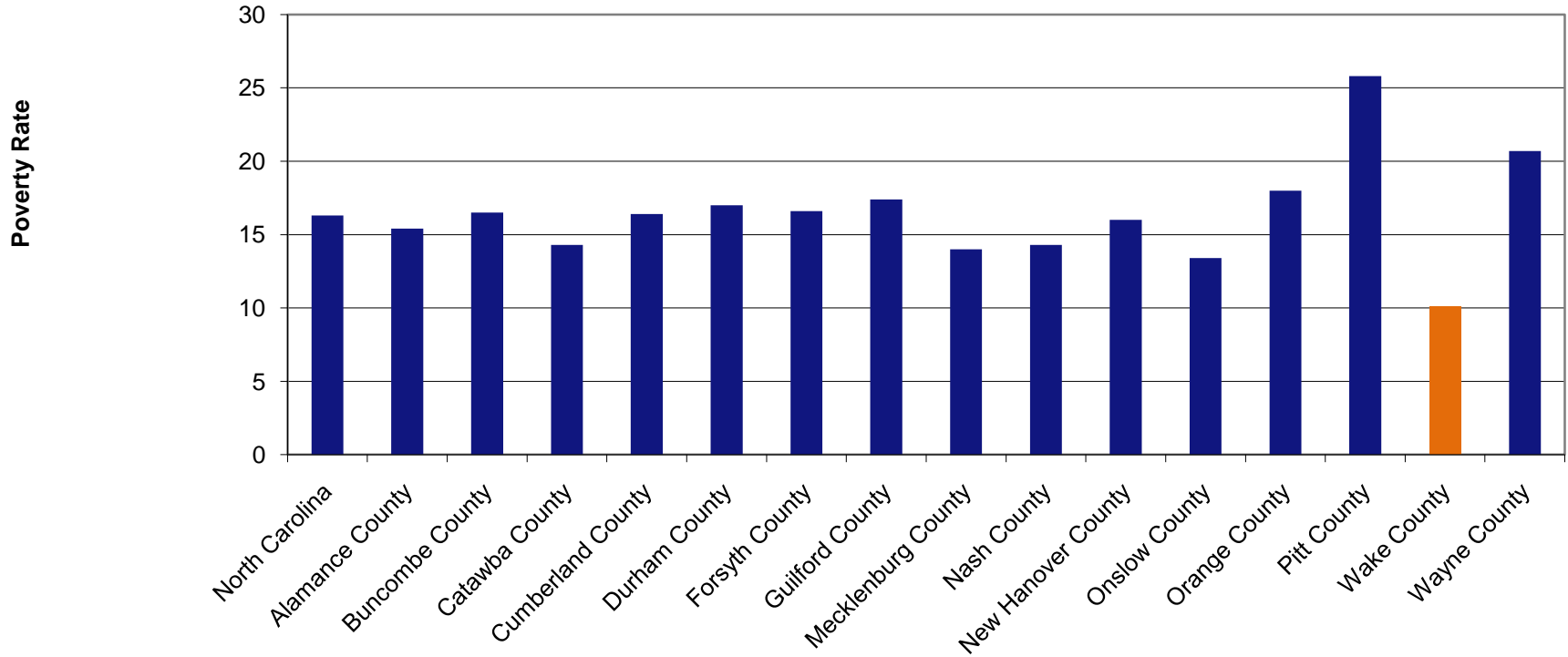
Source: American Community Survey, 2000 to 2009.



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Poverty rates continue to vary by county in 2009.



Source: American Community Survey, 2009.



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Demand for services grew in the Great Recession.



- 315,000 more North Carolina residents
- 33,000 more K-12 pupils
- 20,000 more students enrolled in community colleges
- 550,000 more North Carolinians receiving food stamps
- 200,000 more Medicaid recipients
- 2,400 more prisoners



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When the economy sneezes...

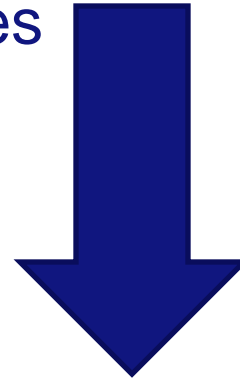


...revenues get the flu.

2008 → 2009

State total personal income ↓ 0.8%

State general fund revenues ↓ 11.2%





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Budget Snapshot



- **The State Budget**
 - The Size of the Budget Shortfall
 - Closing the Gap
 - Spending Cuts
 - Revenue Collection
- **Challenges for Economic Recovery**



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North Carolina has experienced shortfalls in the Great Recession.



\$4.6 billion budget shortfall for FY 09-10

- 20% of current services budget
- Addressed through spending cuts, tax increases and federal recovery dollars

\$1.2 billion budget shortfall for FY 10-11

- The state's ability to provide services at FY 08-09 levels was reduced by an additional 9 percent.

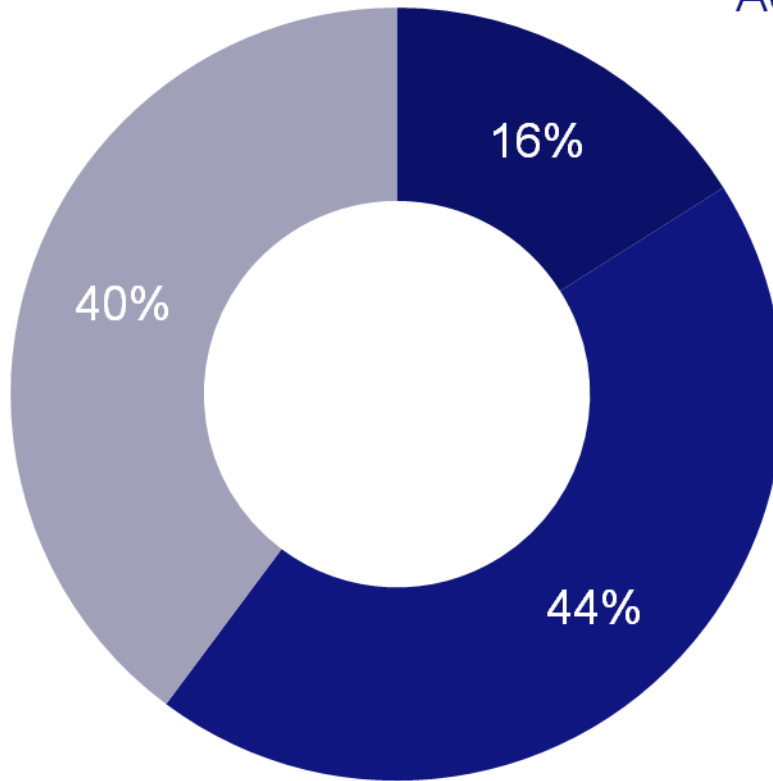


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The FY 2010-2011 budget was balanced with spending cuts, transfers & adjustments and federal recovery dollars.



Additional Shortfall = \$1.2 Billion



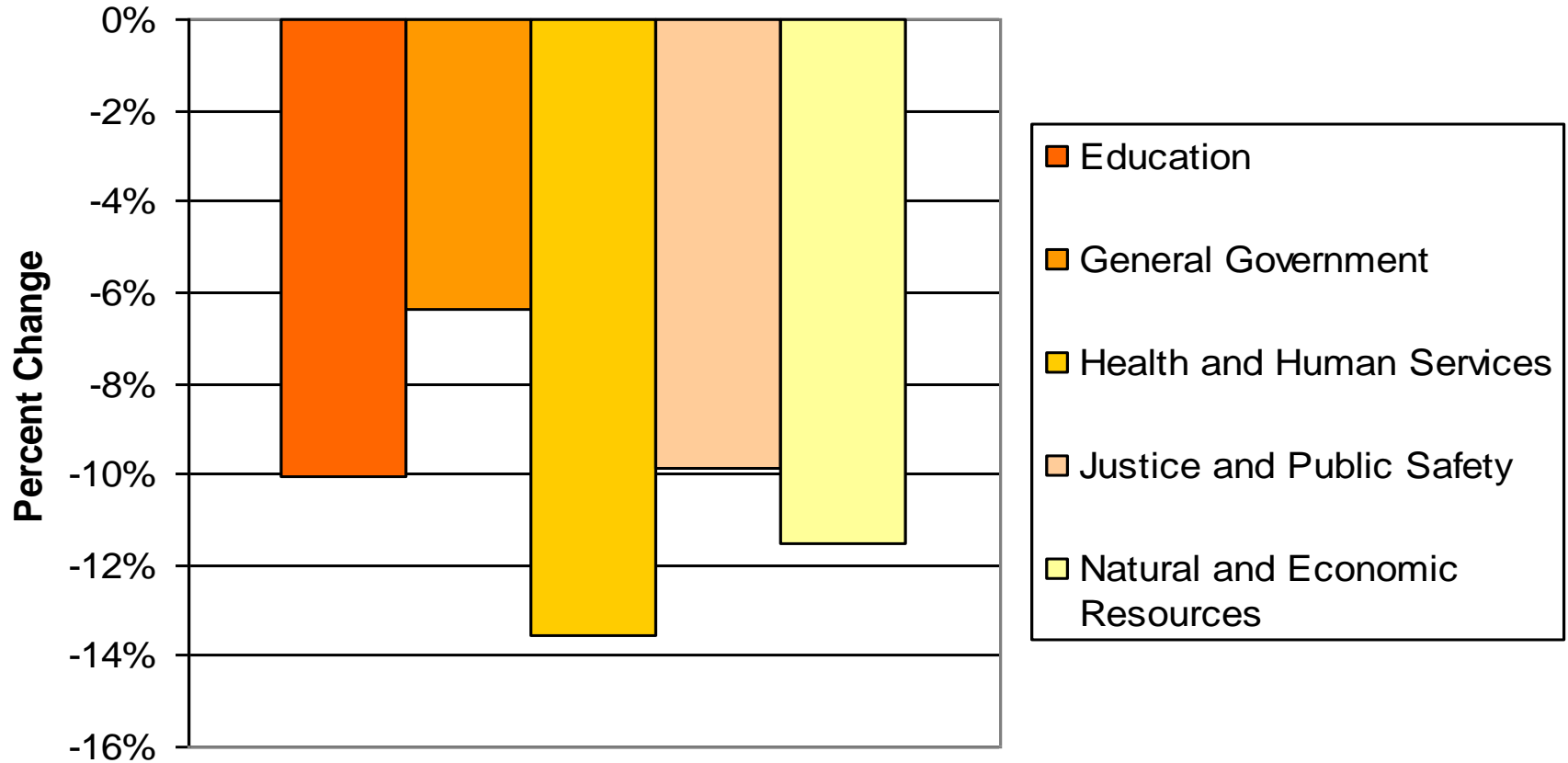
- Transfers & Adjustments
- Net Spending Cuts
- Additional Federal Aid



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FY 2010-2011 budget cuts impacted all public sector services.



Source: N.C. Budget and Tax Center Analysis of FY 2010-2011 Final Budget and Continuation Budget.

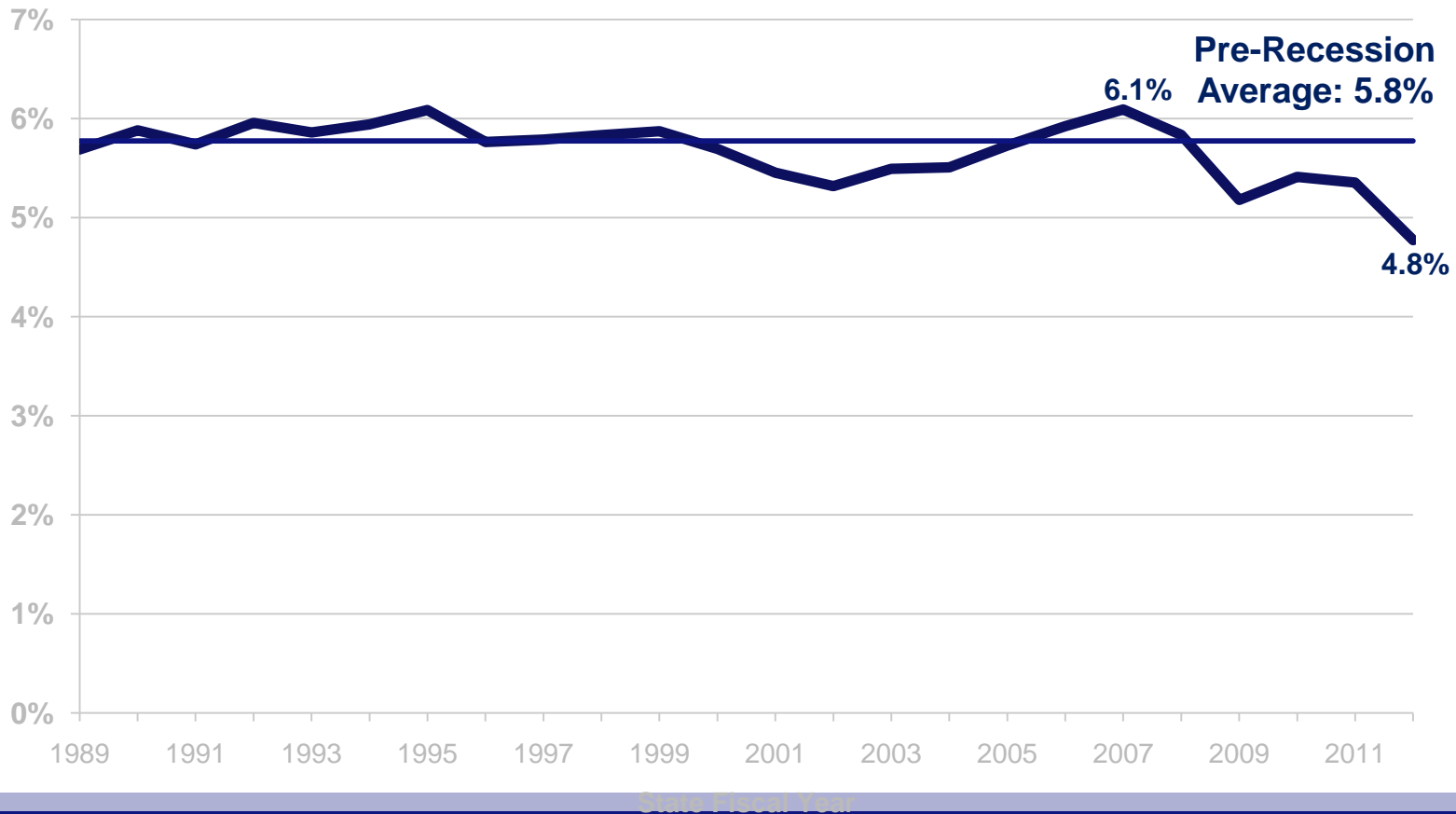


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North Carolina tax revenues projected to reach historic lows.

State Tax Collections Will Dip Below 5 percent of State Personal Income in FY 2012

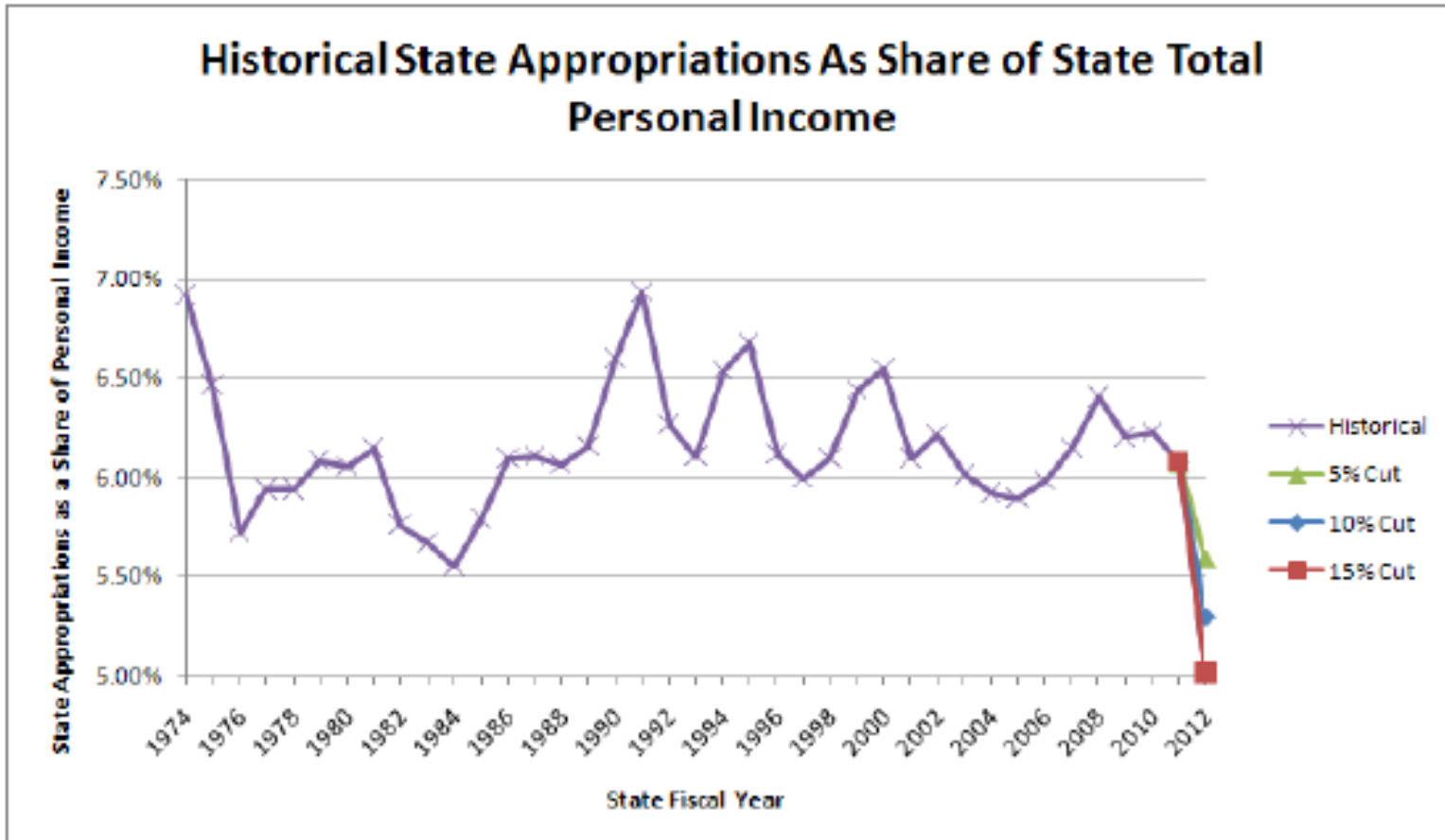




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State spending could reach its lowest point in 40 years.



SOURCE: US Bureau of Economic Analysis - State Personal Income - <http://www.bea.gov/regional/spi/>



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Proposed cuts submitted by state agencies to Governor would be devastating.



- State spending would reach the lowest point in 40 years.

Proposals include:

- 1,000 teachers laid off at our community colleges
- Closure of four state parks and additionally closing most of the remaining state parks on Tuesdays, Wednesdays, and Thursdays.
- Firing more than 5,000 teachers and 13,000 teacher assistants in NC's public schools.
- Loss of prescription drug services, eyeglasses, prosthetics for sick and elderly
- An estimated 21,000 public sector jobs would be lost.
 - Could result in up to 6,500 private sector jobs lost

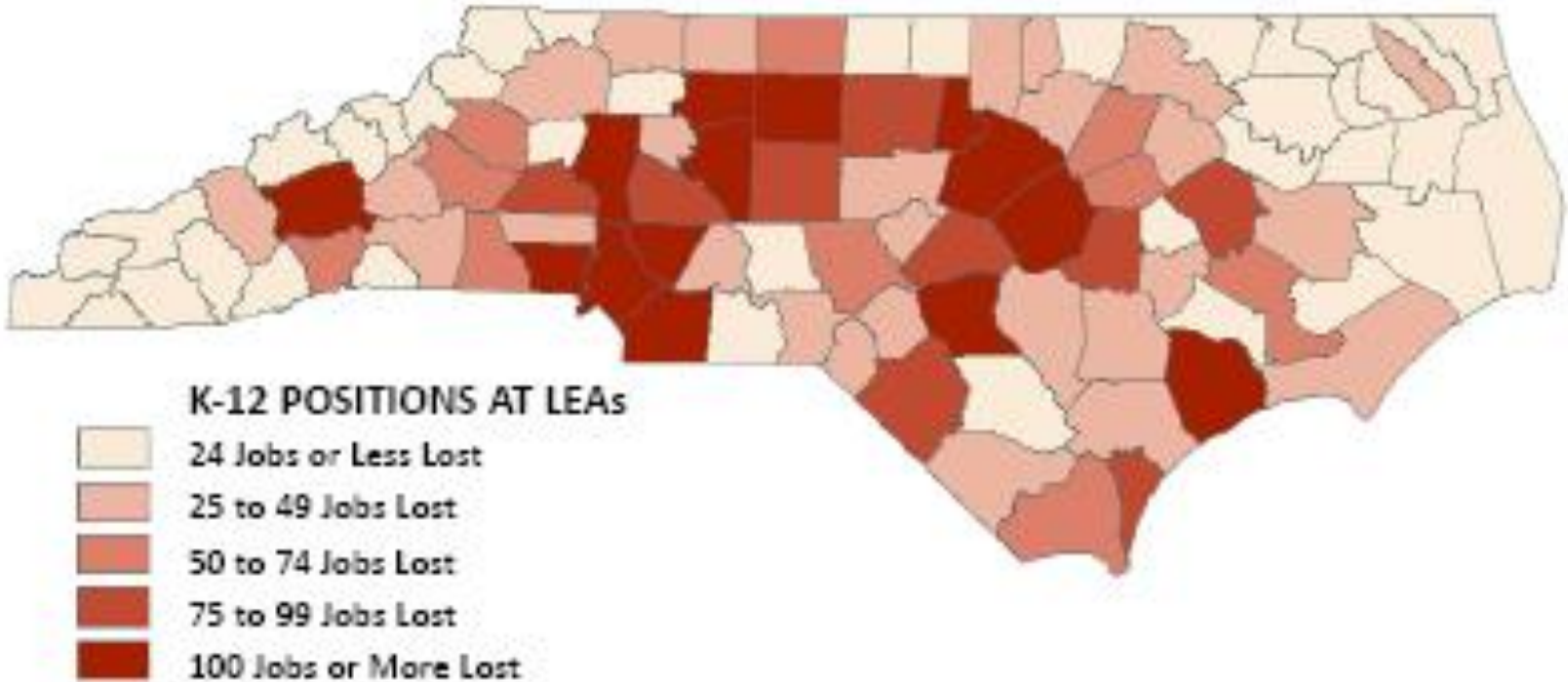


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Communities across the state will see the capacity and quality of programs and services diminished.



STATE BUDGET CUTS WILL HAVE A LOCAL IMPACT



SOURCE: NC Dept. of Public Instruction, Effect of 10% Reduction on Positions/MOE Categories



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Economic recovery will likely be slow.



- The jobs shortfall as of September 2010 was **424,129**.
- To return to pre-recession employment levels by 2015, North Carolina needs to **create 13,000 jobs a month**.
- On average, just **4,500 jobs** have been created in each of the past six months.



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Policy Update: Highs, Lows & Moving Forward

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Highs & Lows of 2010 session

- State Budget funding
- Policy changes
- What's Ahead this year

Plotting an economic recovery

- An agenda for a state-level response
- Inside the Beltway: federal policy



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Access to Affordable Housing



Budget:

- Sustained recurring \$10 million for Housing Trust Fund

Policy victories to protect consumers:

- SB 1015 - Homeowner & Homebuyer Protection Act
- SB 1216 – Expansion of Foreclosure Prevention Program
- Hardest Hit Fund – NC received \$482 million in US Treasury TARP Funds that will provide resources to the N.C. Foreclosure Prevention Fund

2011: NC Housing Trust Fund at risk, many consumer protections



K-12 Education



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Budget: Additional reduction of \$275 million (3.7% cut to continuation budget)

- Filled \$121 million hole in K-12 with lottery \$
- Used \$30.5 million from TANF Emergency funds to supplant More at Four funding

Remembering 2 year budget passed in 2009:

- \$305 million in flexibility cut to school districts for FY 10-11

Additional cuts this year:

- Mentoring programs (teacher prof. development): \$9 million cut
- Delay school bus replacement: \$11 million cut
- Limited English Proficiency programs: \$4 million cut

School districts given authority to furlough school employees earning > \$32k annually.



K-12 Education cont'd



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Policy Change: Corporal punishment

Legislation unanimously passed that allows parents of children with disabilities to opt their children out of corporal punishment in school.

Race to the Top funds: North Carolina awarded \$400 million in federal funds. To be used for:

- recruiting and retaining quality teachers and administrators,
- a comprehensive turnaround plan for low performing schools, and
- 21st century technology for assessing students' needs.

2011:

- Large budget cuts across the board but also targeted to program like More at Four.
- Raising charter school cap likely; merit-based pay for teachers?



Higher Education



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Community Colleges: Net expansion of \$42.6 million (4.6%)

- Enrollment growth fully funded: \$81 million
- Partial restoration of Prisoner Education program: \$21 million

But this expansion offset by cuts, some unspecified:

- Additional Management flexibility reduction: \$15 million
- Additional tuition increase of \$6.50 per credit hour: \$30 million

2011: Politically more popular than most state investments but broad budget cuts on the table. Specifically areas that support working students in school.



Higher Education cont'd



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University System: net expansion of \$10 million (0.4%)

- Enrollment growth funding: \$5 million
- Increase for need-based financial aid: \$8 million
- Partial restoration of building reserves for new & renovated buildings: \$24 million

But offset by cuts:

- \$70 million “management flexibility reduction”
- \$34.7 million reduction offset by tuition increase from 2009 staying in effect, with add'l option for universities to raise tuition by \$750/student

2011: Target of large cuts. Talk of closing entire campuses.



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Health & Human Services



Total HHS Budget: \$371 million in net reductions, 32% in state \$ or 13% with one-time federal aid.

Early Childhood (Div. of Child Development): cut by 17%

- EBT system for child care subsidy: \$6 million reduction (anticipated savings)
- Smart Start: \$5 million reduction (2.5%)
- State funding for Child care subsidies supplanted by one-time federal funds of \$23.6 million

NC Health Choice: \$6.5 million expansion. Raised cap by 2% and will serve 2,750 children



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Health & Human Services Continued



Medicaid (Division of Medical Assistance): \$351 million reduction (12.9%) but partially offset by FMAP

* This is a 3 to 1 federally matched program

- Community Care Network of North Carolina (CCNC): estimated savings of \$45 million (cut)
- Anti-fraud initiatives: \$40 million cut
- Adding mental health drugs to Preferred Drug List: \$10 million cut
- Rate utilization & management: \$41 million cut
- Reforming In-Home Personal Care Services: \$51 million cut
- **Expansion of Medicaid by \$430 million due to rising caseloads**

2011: Medicaid optional services particularly at risk. ? About health insurance exchange



HHS continued (final slide)



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Mental Health Services: holding on

- Expand in-patient bed capacity for mental health services: \$9 million expansion
- Partial restoration of 2009 mental health cuts: \$40 million expansion

But, remember 2009: mental health services cut by \$152.2 million

AIDS Drug Assistance: \$14 million expansion to fully serve waiting list

2011: ??? DHHS officials struggled to come up with 5, 10, 15% cuts for Gov. Perdue.



Justice & Public Safety



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JPS Budget: Net reduction of \$224.8 million (includes federal stimulus receipts) or 10%. Additional \$64 million in cuts from last year's budget

- Reductions to programs such as NC Prisoner Legal Services, Center for Death Penalty Litigation
- Medicaid Fraud Criminal Investigation: \$600,000 expansion

Corrections:

- Savings to inmate medical costs (linked to Medicaid/Medicare): \$20.5 million cut
- Lower prison population than projected: \$22 million cut

Juvenile Justice:

- Management flexibility reductions: \$2.7 million cut
- Restoration of Samarkind YDC: \$3.5 million expansion

2011: Consolidation, prison closures, reduced funds for prevention



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Economic Recovery \$: Still a Lifeline



Like last year, staved off even worse cuts:

- Medicaid assistance
- Fiscal stabilization fund for education
- Other targeted ARRA funds
- Child care subsidies

Pumped money directly into economy:

- Food stamps and Unemployment insurance payments have generated billions significant economic activity each since ARRA payments began

Job creation/savers in education and transportation



How to spur economic recovery?



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- Maintain and build upon public investments—such as public schools, community colleges, and public safety personnel—that are essential to our economy.
- Consider all options on the table at the state level, including new revenues.
- Congress should consider additional aid to the states
- Consider joining an effort called Together NC. Check it out at www.togethernc.org.





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Questions?

And, share your stories: how are budget cuts impacting your community?