



*Working to make North Carolina
the best place to be and raise a child.*

Building Brighter Futures

Renewing North Carolina's Commitment to Children and Youth

Every child deserves a fair chance to achieve his or her full potential. Regrettably, the economic downturn has created specific challenges that place our children at greater risk of reduced life outcomes, and threatens their ability to flourish.

North Carolina has the 10th worst child poverty rate in the country—ninth among children our most vulnerable children, those under the age of six.¹ Poverty is a significant impediment to children's healthy growth and development and is associated with poorer academic performance, reduced health and lower earnings potential during adulthood.² Even as child poverty in North Carolina has increased, state investments in the programs and supports that have been shown to be effective in easing the negative effects of poverty on children's lives has declined.

Without deliberate action, these challenges will grow and become more costly for the state to address in the future resulting in lower productivity, diminished wages and tax revenue, increased crime and poorer community health. Fortunately, North Carolina has a powerful tool to help improve the well-being of children and youth, while preserving future economic prosperity: the state budget.

State Policy Can Significantly Impact Child Well-Being

A recent study from the Foundation for Child Development compared the quality of life for children across the country. Researchers found states that made investments in key public policies to support children and their families experienced better outcomes, even when potential confounding influences were considered.³

Additionally:

- Of the estimated \$11,232 per capita public spending on children, just one-third came from the federal government. Two-thirds of all public investments in children are contributed by state and local governments, giving them substantial influence over efforts to preserve children's quality of life.⁴

¹ Annie E. Casey Foundation. KIDS COUNT Data Center. Available online at: datacenter.kidscount.org.

² Action for Children North Carolina (2011). Children in the Recession: Exploring the Impact of the Great Recession on NC Children and Youth. Raleigh, NC.

³ O'Hare, W. Mather, M. and Genevieve Dupuis (2012). Investing in Public Programs Matters: How State Policies Impact Children's Lives. Foundation for Child Development: Washington, DC.

⁴ Ibid.



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- Of the policies evaluated, state/local tax rates were found to be the most strongly associated with child well-being. Greater availability of resources enables states to invest in critical supports that help meet the basic needs of children and youth.⁵

Indeed, striking differences in child well-being were observed by state, reflecting the disparate levels of effort states commit to maintaining resources that support children's development. Resources like: per pupil spending on public education, access to health coverage and assistance to vulnerable families.⁶

Will North Carolina Lead or Be Left Behind?

Prioritizing the well-being of children and youth is smart fiscal policy. Public investments in children do more than just preserve children's quality of life in the short run; they improve the economic competitiveness of North Carolina in the long-run by generating the healthy, well-educated workforce that is essential to meet the demands of a competitive global economy. No economy can succeed without a high-quality labor force; and yet, cuts made during the FY 2011-13 biennium directly undermine North Carolina's ability to create the workforce of tomorrow:

- Funding to North Carolina's nationally award-winning pre-kindergarten program NC Pre-K, formerly More at Four, was slashed by 20 percent resulting in a reduced number of enrollment slots available to at-risk four-year-olds. The program has been shown to be effective in reducing achievement gaps between economically disadvantaged children and their peers, and has been linked to gains in the state's high school graduation rate.⁷
- School districts were asked to make \$429 million in discretionary reductions during the 2011-12 school year, leading to fewer support personnel and teachers, larger classrooms, and fewer advanced course offerings at many local schools. School districts now face an additional \$500 million in cuts and discretionary reductions during the 2012-13 school year which will likely result in reductions in the quality of education provided in North Carolina.⁸
- Support for post-secondary education as a percent of the state economy has hit a 40-year low.⁹ Allocations to post-secondary institutions in North Carolina declined by more than \$900 million during the FY 2011-13 budget biennium.
- At the same time, North Carolina lost nearly \$1 billion in revenue as the temporary sales tax enacted in 2009 to help fill budget gaps expired.

⁵ Ibid.

⁶ Ibid.

⁷ Peisner-Feinberg, E. and Jennifer M. Schaff (2011). Evaluation of the North Carolina More at Four Pre-Kindergarten Program. UNC FPG Child Development Institute: Chapel Hill, NC.

⁸ North Carolina Department of Public Instruction (2012). State Board of Education to Meet with Local Superintendents for Budget Discussion. Available online at: <http://bit.ly/IP5RCw>.

⁹ Sirota, A. and Brenna Burch (2012). *Underpreparing for the Future: North Carolina's Divestment in Post-Secondary Education*. North Carolina Budget & Tax Center: Raleigh, NC.



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State budgets, and the taxes that fund them, operate on a forward-exchange. The choices legislators make today, on our behalf, not only impact the current quality of life of North Carolina's citizens, they affect the state's economy for generations to come. Divesting from the programs and protections that promote the well-being of children and youth is not a budget solution; it's a budget problem--one that threatens the very prosperity of North Carolina.

Budgeting for a Brighter Future

North Carolinians have long understood the importance of making responsible investments in shared prosperity. More than a fiscal document, the state budget is a blueprint for North Carolina's vision of the future for our state. And yet, the current budget fails to reflect the values North Carolinians hold dear. A budget that is reflective of North Carolina's shared values would:

- *Prioritize Children.* When children do well, the entire state benefits. In the coming weeks, North Carolina will face tough choices about where to invest resources. Put children first to ensure North Carolina has the right building blocks to win the future.
- *Preserve Progress.* North Carolina must collect sufficient revenue to preserve the programs and benefits that protect children and youth.
- *Protect Opportunity.* Where children are born, or live, should not limit their opportunities in life. Invest in policies that help level the playing field for all children in North Carolina and their families.
- *Promote Growth:* If small businesses are the economic engine of our state, a highly-skilled workforce is the fuel that keeps the state's economy growing. Investing in North Carolina's education continuum, from pre-kindergarten to post-secondary education, prepares our children for success in the labor market, and improves the global competitiveness of our state.

Success Strategies

As the Governor and both chambers of the General Assembly prepare to release their revised budget proposals for the 2012-13 fiscal year, it is imperative that they make responsible decisions to adequately fund the programs and services that have been shown to help improve the well-being of children and their families.

- **Renew the Earned Income Tax Credit.** The Earned Income Tax Credit (EITC) has been called the most-effective tool for lifting children and their families out of poverty. Last year, the EITC helped lift an estimated 6.6 million people across the country out of poverty—3.3 million of whom were children.¹⁰ The EITC helps working families make ends meet by reducing their tax and putting money back into their pockets. More than 880,000 households claimed the credit in

¹⁰ U.S. Department of the Treasury, Internal Revenue Service (2012). About the EITC. Available online at: <http://bit.ly/HRr9eA>.



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North Carolina, and the EITC helped pump \$100 million back into struggling local economies across the state.¹¹

- **Restore State Investments in Early Education.** A mountain of evidence demonstrates investing in early childhood education for at-risk children is an effective strategy for reducing social costs.¹² Currently, North Carolina serves less than one-third of all eligible four-year-olds through NC Pre-K, leaving an estimated 30,000 children without access to critical interventions that can help prepare at-risk children for success in school and in life. Every dollar of investment in early education yields \$7 to \$10 dollars in return based on school and career achievement as well as reduced costs in remedial education, health and criminal justice system expenditures.
- **Fully fund K-12 education.** In the 2012-13 school year, North Carolina will lose federal stimulus funds that have served to prop up school districts during the economic downturn. State effort in public education, as measured by public school's share of the General Fund has stagnated at early recession levels, despite increased student enrollment.¹³ North Carolina ranks near the bottom of the states for educational spending. In fact, North Carolina would have to increase investments in education by 29 percent just to reach average educational expenditures per pupil.¹⁴

¹¹ Action for Children North Carolina. Earned Income Tax Credit and Other Asset Building. Raleigh, NC.

¹² The Heckman Equation. Invest In Early Childhood Development: Reduce Deficits, Strengthen The Economy. Available online at: <http://bit.ly/HRuaeV>.

¹³ North Carolina Department of Public Instruction, Division of School Business (2012). Highlights of the North Carolina Public School Budget, February 2012.

¹⁴ In 2009, the most recent year for which data are available, education spending per student totaled \$9,024 compared to the \$11,665 national average. National Center for Education Statistics (2011). Revenues and Expenditures for Public Elementary and secondary Education, 2008-9.