

# Introduction

**N**orth Carolina is facing its worst financial crisis since the Great Depression. Grappling with it in a realistic way requires more than just a sea of slogans.

Can we cut taxes? Or should we raise them? Can spending be reduced without affecting key government services like education? A series of questions will guide you through the maze that is the budget process, and help you see how it affects you.

This primer on North Carolina's budget is intended to provide our citizens and taxpayers with straightforward, unbiased information on the state's taxing and spending policies so they can decide for themselves what can—and should—be done.

## WHO WE ARE

We are the North Carolina Progress Board. We were created in 1995 by the General Assembly. Our charge is to “...encourage understanding of critical global, national, state, and local...trends that will affect North Carolina in the coming decades...” and further, we are expected to:

- define a long-term vision for the state's future in eight critical “issue areas”(we call them imperatives);
- set measurable goals for attaining that future;
- keep score and report progress to the General Assembly and the people of North Carolina; and
- increase the accountability of government and promote a more active and informed citizenry.

There is a list of current and former board members on the back cover of the guide, and if you'd like to know more about us, please visit our website at [www.theprogressboard.org](http://www.theprogressboard.org).

We hope you'll find this guide interesting and useful.

## WHY WE DID THIS

As far as we know, this is the first-of-a-kind budget guide ever offered to the people of North Carolina.

All sorts of formal, technical documents are available to people in all branches of state government; to the press, lobbyists, legislators, and interested citizens if they care to get on the Web or go to the legislative building in Raleigh and pick up handouts or copies of legislation. The state budget

prepared by the executive branch is issued in several volumes and contains about 20,000 lines of budget information and code. When stacked up, these volumes are about a foot high.

But a non-technical, straightforward, nonpartisan “primer” written for the people who pay the taxes has not been available from the state of North Carolina—or from any other organization, institution or entity. Until now.

## MOVING TOWARD ACCOUNTABLE GOVERNMENT, ACTIVE CITIZENSHIP

That's why the North Carolina Progress Board has published this citizens' guide. The Board's statutory authority charges us with addressing issues involving “accountable government and active citizenship.” Many good examples of how this is done can be found in reports and guides printed by cities and counties, public school systems, and so forth. As a matter of fact, this guide is modeled after one developed by the Charlotte-Mecklenburg school system.

Our idea behind this guide is simple, and it is centered on the “accountable government/active citizenship” statutory mandate we just mentioned: North Carolinians can only be “active” about the state budget when they are armed with information about the state budget.

As we began to sketch out how we would put together something about North Carolina's budget, it seemed critical that we avoid assigning blame of any sort to anyone for our current predicament, and that instead we should focus our efforts of crafting a description of how the budget affected us as citizens. Next, we decided to identify where the money comes from and where it goes, and hit the “high spots” of how the budget is put together; what the budget was like several years ago; what was done to build the budget in the recent past; and what is likely to be needed in the years ahead, given population changes.

What has become clear is that our current condition—while severe—is not unique. Our income stream is low, while overall annual budget expense has been driven up. Why? It's not necessarily because state executives and legislators

are spendthrifts, but because our revenues have decreased in this weak economy. At the same time, enrollments in public schools, community colleges, and universities has increased; the state costs for Medicaid have exploded; and salaries for teachers and healthcare costs for all state employees have continued to rise. In other words, it sometimes simply costs more to do the state's business—even in tough times.

State government is big business. The total annual budget of the state of North Carolina is over \$26 billion, when all the money from state and federal funds, receipts, interest income, and so forth are accounted for (see page 22). The business of state government is service—public service.

Coming up with strategies and decisions to provide these services and produce a balanced budget—especially when the economy is weak and money is in short supply—is full of tough choices. The more you know about the state budget, the more you will understand and be able to influence future choices.

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