

STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
20301 MAIL SERVICE CENTER • RALEIGH, NC 27699-0301

BEVERLY EAVES PERDUE
GOVERNOR

May 27, 2011

The Honorable Thom Tillis
Speaker of the North Carolina House of Representatives
2304 Legislative Building
Raleigh, NC 27601-1096

The Honorable Philip Berger
President Pro Tempore
2008 Legislative Building
Raleigh, NC 27601-2808

Dear Speaker Tillis and President Pro Tempore Berger:

In light of the budget passed by the House and the budget plan put forth this week by the Senate, I want to be clear and direct with you about items I support and the objections and concerns I have about your budgets, and the impacts they will have on North Carolina.

First, let me begin by concurring with you on the importance of a tax proposal to cut either individual, small business or corporate income taxes. Responsible tax cuts must be balanced with equally responsible investments in North Carolina's core. Most important among these investments is education.

Now, let me speak to the rest of that core, and to the proposed cuts in the House and Senate budgets. I am deeply concerned that some cuts go too far and will irreparably harm North Carolina. Now is not the time to move this state backward. Let me be specific.

The House and Senate budgets cut education severely. If you make those cuts:

- 20,358 public school personnel will lose their jobs, including more than 2,100 of our children's teachers; nearly 15,000 teacher assistants for kids in first, second and third grades; more than 550 principals and assistant principals; and more than 2,800 career technical education teachers, custodians, instructional support staff and director;
- per pupil spending in our K-12 schools will propel North Carolina to near last in the nation;
- some of our neediest youngsters will not be able to continue to participate in high-quality pre-school programs. National model early childhood education programs Smart Start and More at Four will sustain a harsh 20% cut, resulting in elimination of critical education and health programs (like dental and nutrition programs) for at-risk pre-school children; and



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- doors will be shut to our workers and students looking for job training. Community colleges and universities, which are recognized as among the best in the world, will be forced to eliminate faculty and staff, close programs, and end scholarships programs.

The House and Senate budgets harm economic development and North Carolina's competitiveness:

- An estimated 40,000 private sector jobs will be lost due to the \$2 billion in cuts to Medicaid, putting medical providers and companies at risk of going out of business;
- Rural areas in particular will struggle to compete for new businesses and jobs if funds destined for economic development through the Golden Leaf Foundation are eliminated. Smart investments by the Golden Leaf Foundation have created or retained more than 37,000 jobs, trained or upgraded worker skills for over 40,000 North Carolinians, been responsible for \$211 million in new payroll, and caused nearly \$2.5 billion in new investments to be made in our state;
- cutting \$1 million from the state's marketing budget to attract tourists and visitors will cost our state and local governments an additional \$17 dollars in revenue for every dollar we cut; and
- businesses will have to go farther and wait longer for air, land and water permits. Cuts to DENR will mean federal permit requests may have to go through Atlanta or Washington, instead of through local offices right here in North Carolina.

The House and Senate budgets will debilitate health care, especially for our most vulnerable citizens:

- by slashing nearly \$750 million in state funds from Medicaid, the state loses \$2 billion in combination with federal funds. This means provider rates will be cut and services eliminated, such as:
 - Personal care services, home infusion therapy, over-the-counter drugs, adult dental coverage, routine eye exams for adults, optical services and supplies, respiratory services, physical, occupational and speech therapy, podiatry for non-diabetics, and chiropractic care;
- technical errors and over-estimates of savings in the budget amount to well over \$100 million in additional cuts to Medicaid;
- extraordinarily ambitious savings from Community Care of North Carolina are required which, if not achieved, will result in even more optional services being reduced or eliminated and provider rates cut;
- mental health care is attacked, cutting up to \$60 million from community mental health and setting us back from the progress we have made in rebuilding that system in the last 2 years; and
- eliminating the Health and Wellness Trust Fund (HWTF), which has been responsible for a tremendous reduction in teen smoking, means teens are at risk – despite a growing population, there are 53,000 fewer youth smokers in our state today than when HWTF began its efforts in 2003.

The House and Senate budgets put our citizens at risk, and weaken our public safety system:

- law enforcement officers will lose their jobs; up to 100 fewer sworn personnel will be on our streets;
- a 15% cut to the nation's best emergency management program leaves in doubt the operational readiness to respond to a natural disaster, such as the recent tornadoes that struck our state and many other states, killing hundreds of people and causing millions of dollars in damages;
- budget cuts to our court system are more than \$100 million; cutting the Sentencing Services program actually costs the state money, because that program has saved the state \$9 for every \$1 spent;

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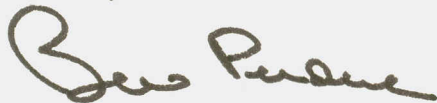
- closing two youth development centers will create a shortage of at least 75 beds for potentially dangerous youth is a public safety threat;
- another public safety threat is the elimination of 39 court counselor positions – effectively, youth probation officers – that would not allow adequate supervision of youth released from youth development centers; and
- cuts of 87.5% by the Senate and 90% by the House to the Clean Water Management Trust Fund will stop the ability of communities across North Carolina to access water and sewer funds to assure clean water for everyone.

Obviously, there are other specific items in the budgets developed by your respective chambers that raise concerns for me, but I make the issues in this letter known to you now in the sincere hope that we will agree to work together to make changes to the final budget that will reverse the severity of the cuts proposed. I stand ready to work with you on issues that will not cut the core out of what has made North Carolina the model among southern states and the envy of the world. I urge you to either support the continuation of the ¾ cent sales tax or to propose alternate revenue sources to preserve and protect that which has defined North Carolina – our education, workforce, health care, system of justice, public safety and protection of our environment and quality of life. I stand ready to work with you to do whatever is possible to craft a final budget I can support.

For generations, private-sector and public-sector North Carolina leaders, both republicans and democrats, have worked together to make far-sighted investments and choices for the good of the people of this state. Particularly in the difficult times, North Carolinians have had the wisdom and the courage to work together, to bridge their differences and continue to blaze a path towards progress and prosperity. It is that wisdom and courage that has brought us so far and made North Carolina the envy of the nation and the world. As a state and nation, we have endured difficult times these last few years, and although many are still distressed, the possibility of better days ahead is clearly visible.

I am available to meet with you at any time to work constructively together. Like generations before us, I ask you to work with me so that together we can to build a better future for our state.

Sincerely,



Beverly Eaves Perdue