

9. Why So Much Change?

North Carolina's budget has seen dramatic growth in the last two decades, due in part to increases in government services, the growth of the state's population, and to the changing nature of that population.

TIGHTENING THE STATE'S "BELT"

When their budgets get tight, individuals or businesses tighten their belts to reduce their spending as much as they can. Families eat out less, reduce their entertainment expenses, or put off trading in their car for another year. In a serious pinch, they may delay medical or dental expenses, or shift at least some of their spending from cash to credit cards.

Businesses may quit offering expensive services that attract customers but eat away at the bottom line. Or they may cease making products or offering services that do not produce enough profits. Large programs or expansions may be delayed or cancelled until the economy improves.

CONSTRAINTS ON THE PUBLIC SECTOR

In some respects, government must operate like families or businesses—managing its money carefully and avoiding, where possible, spending that it ultimately will be unable to afford. But government does not have all of the options available to families or businesses when economic times are hard.

For one thing, tough economic times *increase* the demand for state services. Workers who have lost their old jobs seek training for new ones through the community college system. Medicare costs increase as workers who barely stayed above the poverty line see their jobs lost or their hours reduced. Increased stress and poverty leads to more crime, raising the spending on law enforcement, courts, and prisons. At the same time, revenues from income taxes and sales taxes, the backbone of the state budget, decline.

For another thing, the state simply cannot reduce some services no matter how bad the economy becomes. Take public schools, for instance, which already take nearly half of the state's General Fund. State law requires that children must attend school until they are 16, and the state constitution guarantees that every child will receive a basic education no matter

where they live in the state.

Experts say that because of increasing numbers of children born or moving into North Carolina, teacher retirements, general attrition, and the like, the state will need to hire about 9,000 additional teachers each year for the foreseeable future. At a basic starting salary of \$25,000 a year, that means the state budget will have to increase by at least \$225 million a year. And that will cover only teacher salaries, not the associated costs for additional school buildings, administration, support staff, benefits, school buses, supplies, books, or utilities.

North Carolina, by law, cannot turn away the children that show up at its schoolhouse doors. Nor would it want to, since our economy is rapidly shifting from an agriculture and manufacturing base to a service and knowledge base. A basic education, including at least some college training, is required for virtually every existing job and will become even more critical to jobs created over the next few years.

OUR RESPONSIBILITY

In its *NC 20/20* report, the Progress Board noted that the Census Bureau, the Bureau of Labor Statistics, and the Hudson Institute each reported that well over 60% of 21st century jobs will require 14 not 12 years of schooling—at a minimum. In July 2003 the governor and the superintendent of public instruction reported student test scores in writing skills exceeded national norms. It will be important to continue investments that reinforce that sort of real educational progress.

North Carolina has a proud history of rising to the challenges before us. Just as previous generations made the choices that have resulted in our quality of life, today we now have the responsibility to act on behalf of the generations that follow. We can make choices. Choices that will:

- improve our schools;
- protect the public;
- improve our health;
- stimulate diverse economic development;
- keep our communities clean and safe; and
- construct and sustain a quality of life second to none in this great state we call "Home."