



STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
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BEVERLY EAVES PERDUE
GOVERNOR

June 2, 2011

The Honorable Phil Berger
President Pro-Tempore of the North Carolina Senate
2008 Legislative Building
Raleigh, NC 27601-2808

The Honorable Thom Tillis
Speaker of the North Carolina House of Representatives
2304 Legislative Building
Raleigh, NC 27601-2808

Dear President Pro-Tempore Berger and Speaker Tillis:

Based on comments you recently made at a press conference, you seem to be unclear about my views regarding what constitutes an acceptable budget for North Carolina. While I believe I have addressed this matter quite directly on previous occasions, please allow me to do so again now.

North Carolina's pre-school, K-12, community colleges and universities should be held to the spending levels I proposed in my budget. The same is true for Medicaid and public safety.

We can achieve these levels of funding by maintaining $\frac{3}{4}$ cent of the ongoing sales tax. If you find this revenue source unacceptable, then I am open to discussing other revenue sources. But we must avoid budget gimmicks and the use of one-time revenues to address long-term challenges. Maintaining fiscal responsibility and accountability must be a priority.

Also, with regard to gimmicks, it is not acceptable to offer a budget that alleges to fully fund education—particularly teachers and teacher assistants—while substantially increasing the required LEA adjustment so that school districts will be forced to lay off the very personnel you are claiming to have protected.



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If you need further guidance, let me remind you that my own budget proposal, presented to the General Assembly in February, accomplished all these goals while also making significant cuts to state spending. My budget included \$3.2 billion in savings throughout state government, including reductions to 139 programs and the elimination of thousands of positions. It reorganized and maintained the rest of state government's core as a better and more efficient entity. My budget proposed recurring savings rather than one-time actions. The choices were difficult, but essential to ensure the long-term financial health of North Carolina. My approach allowed North Carolina to continue our tradition as a national leader in fiscal management and would enable us to continue to hold our coveted Triple-A credit rating.

Since I have taken office, our state has grown by more than 400,000 citizens. Community colleges and universities have grown by 64,000 students. K-12 has grown by nearly 5,000 students. This continued growth has and will continue to place strains on our public education system. My budget provided appropriations of \$11.25 billion for K-12, community colleges and universities. This was done without the elimination of any state-funded teachers or teacher assistants. Your proposed budget for education (at levels combined) is a quarter billion less, and passes down reductions to local school districts that will result in the layoff of thousands of teachers and teacher assistants.

Other reductions highlighted in your plan are problematic, as they will create management problems in their implementation. Specifically, your budget relies on over \$750 million in reductions to Medicaid over the course of the biennium. When the loss of federal Medicaid matching funds are accounted for, your cut is actually \$2 billion in real money taken out of the North Carolina economy and away from vulnerable citizens needing medical assistance. It is anticipated that over \$200 million of these reductions will not be achievable due to technical mistakes and overestimating of savings, which may require me to call the General Assembly back into session, creating unnecessary costs and causing further delay and uncertainty. My budget was careful in providing realistic savings in regards to Medicaid.

Secondly, reductions within the public safety arena are troubling. Today marks the official start of what is predicted to be an unusually active hurricane season; cuts of 15 percent proposed to Emergency Management seem particularly imprudent. Additionally, eliminating law enforcement personnel should cause you great concern. I ask you to revisit reductions you have made in the public safety arena and to review my budget proposal, which did not have significant reductions in these areas.

I ask you to address all of these concerns for the people of North Carolina. Overall, I presented a balanced budget plan that filled the deficit by identifying reductions that accounted for 70 percent of the deficit while calling for a continuation of the $\frac{3}{4}$ cent sales tax revenue to fill the remaining 30 percent of the deficit. Mine is a fiscally responsible way to manage the \$2 billion plus anticipated shortfall. And this fiscally responsible approach enables us to avoid the unacceptably deep cuts in the crucial areas cited at the top of this letter.

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On a number of occasions, I have offered myself, my staff, and the cabinet to work with you on the development of a budget for North Carolina that will keep us moving forward.

Unfortunately, although my administration will have to manage your proposed budget, it was developed with little input from the executive branch. Therefore, I raise once again the concern that the budget as currently proposed will cause severe and avoidable damage to fundamental services of state government and will endanger education, health and public safety for our citizens. I am available to meet with you at any time to work constructively together so that we can build a better budget and a better future for our state.

Sincerely,

A handwritten signature in black ink, appearing to read "Beverly Eaves Perdue". The signature is written in a cursive, flowing style.

Beverly Eaves Perdue