



**State of North Carolina
Office of the Governor**

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Governor Perdue's Prepared Remarks Regarding State Budget

With North Carolina facing the toughest economic crisis since the Depression, there are no easy solutions to the budget crisis. I've made my priorities clear to the people and the General Assembly:

- **Raise revenue to shield North Carolina's public school system and core services from massive cuts**
- Avoid raising across-the-board income taxes on working families in North Carolina.

And while the process has taken far too long and the General Assembly has not come as far as I would have liked, this budget has taken some steps forward in last few weeks. A few months ago, the Senate proposed a class size increase of two students per class in all grades. Then the House started working on a plan that would raise ZERO new revenue, causing horrific cuts to education and other vital services.

Just two weeks ago, lawmakers wanted an across the board income tax hike that would have hurt working families – families who are already struggling to deal with the recession.

None of those proposals were acceptable to me. The future of our state depends upon us maintaining a top notch system of education for our children – even in times like this when it's hard. And we need to do it without adding an across the board income tax burden on the backs of middle-income families.

I made that clear, and the General Assembly has made some efforts to respond to those concerns.

The budget passed today is far from perfect. In fact, it falls short in several areas that are critical to the future of our state:

- **Although it no longer mandates class size increases, it regrettably still includes cuts to LEAs.**
- Local agencies that provide mental health services face cuts, jeopardizing crucial services mental health services for patients across North Carolina.
- Our public safety system is not funded at an adequate level.
- And this budget does not include additional help for working families like an increase in the Earned Income Tax Credit.

But there are also some areas where we've made improvements to the budget.

- **Children in grades K-3 won't see their class sizes increased, and K-3 teachers and teachers' assistants are protected.**
- **There are protections for at-risk students, especially those in low-performing schools.**
- 87% of all North Carolina families are protected from an income tax surcharge.
- The budget adds contract acute care beds for mental health services in communities across North Carolina.
- There are investments for JobsNOW job training, College Promise, more kids have access to health insurance, and there's some help for small businesses.

Throughout the budget process, **I fought for two basic principles: protecting our classrooms** and making sure working families were not saddled with an across-the-board income tax increase. This is a better budget as a result of those efforts, but it does have many flaws.

It's now several weeks beyond the budget deadline, teachers go back to school in two weeks, and it's clear that the General Assembly has gone as far as they are willing to go.

And so, after this long difficult budget process, North Carolina must move forward. I will sign this budget but I will do so with reservation.

This year's budget battle is nearly over, but the fight to protect and improve our schools does not end with a budget document. I will continue to do everything in my power to work with education leaders, the business community, and most importantly moms and dads to protect and strengthen our schools and give our children a brighter future.

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