

## Building a State Budget: Exploring North Carolina's State Services and Funding

### Overview

Students will explore the budgeting process in North Carolina, gaining an understanding of the different categories of our state's budget, how they are funded, and the state's procedure for making a budget. Students will participate in an experiential activity in which they create a balanced state budget, determining what areas to prioritize and then defending their decisions to fellow legislators. Students will further discuss current events regarding how North Carolina is being affected by the nation's economic crisis and how legislators are addressing our states dire budget shortfall.

### Grade

Middle & high school

### Essential Questions

- How does North Carolina create a budget for our state?
- What are the requirements in the budget process? Who are the main actors in the budgeting process?
- How do legislators determine funding priorities? How do legislators adjust our state's budget in times of crisis?
- What are the major areas that are funded by the North Carolina state budget?
- What are various sources of revenue for North Carolina? How does the state government react when those sources are diminished?

### Materials

- *Understanding North Carolina's Budget* - notes and key, attached
- NC Budget Basics, short video summarizing the state budget at <http://www.osbm.state.nc.us/ncosbm/budget/budgetbasics.shtm> (optional)
- *Building a Budget* handouts for Legislator and Budget Officer (copy both roles on white paper), attached
- *Building a Budget* handouts for Governor and State Budget Director (copy both roles on colored paper), attached
- Budget Homework, attached
- Current events article on 2009 budget crisis, attached
- "North Carolina governor's budget veto overturned", Reuters article, attached

### Duration

60-90 minutes

### Procedure

#### How Much Does North Carolina Spend...and on What?

1. As a warm-up, ask students how much they think the state of North Carolina spends each year on its budget. As students offer numbers, write their responses on the board and give them clues to help lead them to the right answer (i.e. thumbs up to solicit a higher number, thumbs down if students need to guess lower). Finally, write on the board and share with students that the approximated total amount

spent by North Carolina is around \$19 to \$20 billion dollars. Ask students to share whether they are surprised by this number and why.

2. Next, ask students what services they think the state government provides with that kind of money. Teachers should solicit responses such as: education, health care, paying for the operations of government, retirement benefits, prisons, paying interest on previous investment debt, etc.

#### **Guided Notes – Understanding North Carolina’s State Budget**

3. Pass out the attached guided notes to students and explain that they will be exploring the different categories of our state’s budget, how they are funded, and the state’s procedure for making a budget. Teachers should convey the information in discussion format, asking questions to elicit the information from students as much as possible. Tell students that it is important they pay attention and ask questions should they arise, since they will soon be responsible for creating a budget for our state themselves! (Teachers may want to fill out a projected copy of the notes along with students, as well as provide the attached copy with the answers to students with special needs.)
- **Optional:** If you have Internet access, a helpful video is available to further explain the state’s budget process to students: <http://www.osbm.state.nc.us/ncosbm/budget/budgetbasics.shtm>

#### **Partner Activity - Building a State Budget**

4. Divide students into partners (if an uneven number of students are present, creating a group of 3 is fine – teachers should just explain to students which role will be shared and help those students divvy up the responsibilities of their shared role.) Hand out the attached “Building a Budget” assignment sheets. Partners should receive the role of *Legislator and Budget Officer* or *Governor and State Budget Director*. (Teachers should ensure there is an even number of partners working as the Legislator and Budget Officer compared to the Governor and State Budget Director, since these two sets of differing partnerships will be combining to make groups of four different roles in the second stage of this activity. It is recommended the handouts be copied on two different colors of paper to make this transition easier when partners merge into groups of four.)
5. Explain that the handout provided to them will explain their role, their responsibilities, and the steps they will take to create a budget. Give students a few moments to silently read their sheets and ask any questions. Tell students they will have approximately 15 minutes to develop a budget for the state of North Carolina with their partner. (Teachers should feel free to alter the time specifications depending on the academic level of students.) Once students are clear on their assignment, instruct them to begin their brainstorming as noted in the directions.
6. Teachers should circulate around the room and monitor partners as they work. Ensure students are abiding by the time recommendations given and staying on task.

#### **Group Activity – Defending Your State Budget & Reaching a Compromise**

7. Once all partners have finished steps 1-3, have students form groups of 4. Each group should contain a Legislator and Budget Officer, as well as a Governor and State Budget Director.
8. Tell students that they will now have approximately 10 minutes to present their budgets to the opposing partnership then freely discuss and debate each other’s budgets in an attempt to come to an agreement on a final version of the state’s budget. Go over the instructions as noted on student handouts, noting that the Legislator will first have up to 2 uninterrupted minutes to explain the budget created by the Legislator and the Budget Officer, attempting to convince the Governor and State Budget Director of its importance and validity. (The State Budget Director should watch the clock and let the Legislator know

when his/her time has reached 2 minutes. Students should be allowed to finish the sentence they are on.) While the Legislator presents, the Governor and State Budget Director should respectfully listen and take notes on what they hear, writing down any questions, opposing points they hope to make, etc. Then, the group will repeat the same process with the Governor presenting the budget created by he/she and the State Budget Director in up to 2 uninterrupted minutes, with the Legislator and Budget Officer likewise writing down questions and thoughts. (The Budget Officer should watch the clock and let the Governor know when 2 minutes are up.)

9. Tell students that after both budgets have been presented, the groups will openly discuss and debate their two budgets, which will likely be quite different since the partnerships had different budget priorities. Remind students that if the Governor's team presents a budget that the Legislator's team does not agree with, the Legislator has the power to vote against that budget. Likewise, the Governor can veto the Legislator's budget. However, because both the Governor team and the Legislator team will face re-election, it wouldn't make much sense for either team to completely give up on their priorities, not fund a department, or refuse to compromise, since none of that would look good to the voters. Tell students they must thus attempt to reconcile their two budgets and varying priorities with one another, creating a final budget that they can all live with (students should write their revised group-determined budget allocations in Column II on their handouts.)
10. Tell students that at the end of 5-6 minutes, they will report to the people of North Carolina (meaning, the remainder of class) in "press conference format" regarding whether they were able to reach a compromise on the state budget, or if they are still locked in disagreement, and what their reasoning is behind their final budget allocations or their lack of a finalized budget. (It is recommended that teachers instruct the student playing the role of Governor in each group to be this spokesperson.)
11. Once students have finished the activity and the Governors have summarized their group's discussion to the remainder of class, further discuss:
  - What was difficult about creating the state's budget?
  - How realistic was this exercise? Who do you think is missing from the picture? (teachers might suggest lobbyists, the federal government, local governments, university officials, etc.)
  - Do you think the General Assembly and Governor could actually handle such huge amounts of money with a staff of two? (The purpose of this question is to discuss the reality versus fiction of the activity students participated in. For example, the State Budget Director is a real position, but has a large staff when dealing with the budget. The Budget Officer is a personification of the Fiscal Research Division, which provides support to the legislature on the budget. In actuality, when the state budget is created, it isn't just partners or groups of four having discussions and making final decisions.)
  - Do you think state officials can just move money around however they feel? (Discuss with students that the state has requirements on some of the funds it receives - such as federal highway funds, grants for needy populations, etc.)
  - How does the state determine the size of its budget (in this case, \$19 billion)? (Explain that in the budgeting process, revenues are estimated early on, and a budget is made based on those estimates.)
12. Show students Governor Beverly Perdue's suggested budget for 2011 - 2013, or do an internet search and replace these numbers with current amounts:

<b>Fund Type</b>	<b>2011-2012 Amount (millions)</b>	<b>2012-2013 Amount (millions)</b>
Public Schools (K-12)	\$7,572 million	\$7,598 million

Community Colleges	\$1,016 million	\$1,022 million
UNC System	\$2,651 million	\$2,670 million
Health and Human Services	\$4,715 million	\$4,937 million
Public Safety	\$2,207 million	\$2,209 million
Gen. Gov't and Natural Resources	\$431 million	\$433 million
Debt Service	\$698 million	\$784 million
Capital Funding	\$5 million	\$ 0

Discuss:

- What categories does it appear that Governor Perdue and the General Assembly prioritized? Do you agree that these should be areas of priority, or would you have allocated more funds to different categories? Explain.
- How does North Carolina's actual budget compare/contrast with the one you created?
- How much flexibility do you believe the Governor has in changing the budget?
- Does the state have the option of not making payments on its debt? (Explain that failing to meet debt payments would hurt the state's bond rating, and people would be less willing to buy North Carolina's debt. That would mean North Carolina would finance less projects because it wouldn't be able to borrow as much money. If students are having a hard time understanding, this concept can be linked to car payments. If a student finances their car, but is late or misses a payment, their credit rating goes down and they are less likely to be able to borrow in the future).

### North Carolina's Budget Troubles

13. Ask students to share what they have heard recently regarding budgets and the economy. Likely, a student will note that there has been much attention given to the national economic crisis, which is also affecting state budgets. Many states have less money to allocate to all of their pressing needs. Provide students with the following scenario: the Governor's office projected budget shortfalls of 10% of the \$19 billion dollar budget (approximately \$1.9 billion in cuts) in the upcoming budget. Discuss:
  - How do you imagine this loss of billions of dollars will affect our state?
  - How will this affect the budgetary process?
  - If you were tasked with going back to the budget you and your partner or group created and shaving 1.9 billion off of it, how would you do this? (Teachers may want to give students a few moments to ponder this scenario in their groups and report back their ideas.)
14. Explain to students that our state developed across the board cuts of 3%, 5%, and 7% to account for the lack of funds. The state eventually assumed budget cuts across the board of 7%, reduced travel, and stopped hiring new employees. There are a number of ways to cut the budget that are often explored in a time of crisis. Sometimes the cuts are across the board and sometimes department specific.
15. **Optional Activity #1:** Distribute the attached news article (or another current event article) that details the state's economic situation shortly after the 2008 Financial Crisis, before the American Reinvestment and Recovery Act (colloquially known as "the Stimulus") was implemented. Have students read, either individually or in pairs, then discuss:
  - How has Governor Perdue handled the state budget crisis thus far?
  - As the budget crisis worsens, what types of programs are vulnerable?

- What do you think of the proposed cuts to mental health services? What do you think the consequences would be to the patients? To the larger population?
- Can budget cuts be a “good” thing? In what way would cutting a budget be “good”?
- What do you think the author’s opinion of Governor Perdue’s actions is? Do you agree or disagree?
- Who would be impacted by the proposed \$19.6 million cut in public transportation?
- Why does the author say to “pray for rain” from Washington? How might the stimulus package affect state governments facing budget deficits?

16. **Optional Activity #2:** Distribute the attached “Senate completes override of budget veto” article that details the disagreements over the 2011-2013 budget between Governor Perdue and the Legislature. Have students read, either individually or in pairs, then discuss:

- What is the total budget?
  - *\$19.7 billion*
- How did the Republican controlled legislature balance the budget?
  - *They balanced the budget without increasing taxes.*
- Why is this budget considered a “historic feat”?
  - *It’s the first time that the Governor has ever vetoed a budget and the first time the Governor’s budget veto has been overridden.*
- Why did Governor Perdue veto the budget?
  - *She felt that it cut too much from education.*
- How did Republicans respond to the accusation that the budget would harm education?
  - *The budget is fiscally responsible and that “children are going to continue to learn. Everything is going to be fine.”*
- Who do you agree with, Governor Perdue or the Legislature? Why?
- Why might tax cuts be difficult to pass during an economic crisis where the unemployment rate is close to 10%?
- What might happen to government services if the cuts are too deep?

17. Distribute the “Review a Budget” worksheet to be completed for homework.

### **Additional Activities**

- “Balance the Budget Challenge” Online Game:
  - Students are assigned the task of helping Governor Bev Perdue’s dog, Charlie, balance the state’s budget and eliminate the deficit.
  - <http://www.governor.state.nc.us/budgetapp/>

## Understanding North Carolina's Budget – Side 1

Name:

Period:

Date:



### Item 1: The Categories of the Budget

There are \_\_\_\_\_ major categories of North Carolina's budget. They are:

- |    |    |
|----|----|
| 1. | 2. |
| 3. | 4. |
| 5. | 6. |
| 7. | 8. |

### Item 2: What does each category include?

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.

## Understanding North Carolina's Budget – Side 2

### Item 3:

The budget has some very important rules. The budget must be \_\_\_\_\_.

You can't \_\_\_\_\_ more than your \_\_\_\_\_.

State revenues come mostly from four areas:

- 1.
- 2.
- 3.
- 4.

North Carolina makes budgets in \_\_\_\_\_ year increments. Every other year the legislature gathers to revise the budget.

### A Map of the Budget Process in North Carolina

START



## Understanding North Carolina's Budget – Side 1

Name: **Key**

Period:

Date:



### Item 1: The Categories of the Budget

There are **eight** major categories of North Carolina's budget. They are:

1. **Public Education (K-12)**
2. **Community Colleges**
3. **University of North Carolina System (16 schools)**
4. **Health and Human Services**
5. **Public Safety**
6. **General Government/Natural Resources**
7. **Debt Service Payments**
8. **Capital Budget**

### Item 2: What does each category include?

1. **Public Education - Teachers, Principals, Custodians, etc. Also DPI. This is not completely funded by this part of the budget, just like many others receive federal and local money.**
2. **Community Colleges – The state pays about \$5,000 per student to local community colleges. A lot of the costs of community colleges is borne by the counties (and the local property taxes).**
3. **UNC System – This is paid for entirely by the state and the students' tuition. The state puts around \$13,000 per student into the UNC system. This pays for professors, programs, etc. Sports teams are not paid for by the state.**
4. **Health and Human Services – Public Health, Children's Health, Mental Health Services,**
5. **Public Safety – Prisons, Juvenile Justice, Court System, Police Officers, Etc.**
6. **General Gov't/Natural Resources – Governor's Office, General Assembly, Councils of State, Environment and Natural Resources Department**
7. **Debt Service Payments – What must be paid for outstanding debt (interest that we pay on a loan for capital projects)**
8. **Capital Budget – "Brick and Mortar Projects." These are buildings and other things that are built. These are usually financed through long-term debt, so won't appear in each year's budget.**



## Understanding North Carolina's Budget – Side 2



### Item 3:

The budget has some very important rules. The budget must be **“balanced.”**

You can't **spend** more than your **revenues (money you bring in)**. Although you can **use bonds to finance debt**.

State revenues come mostly from four areas:

1. **Income Tax** – State tax that everyone pays on their total earnings per year.
2. **Sales Tax** – Paid on purchases made. North Carolina collects 4.25%, the rest goes to the counties.
3. **Corporate Tax** – Paid by corporations to the state. Different rates for different sized businesses.
4. **Federal Government (and other sources)** – The Federal Government gives money to the states, with conditions attached (for example, this money we gave you has to be spent on health care). Other sources include fees that you will pay the state (like driver's license fees)

North Carolina makes budgets in **two** year increments. Every other year the legislature gathers to revise the budget.

### A Map of the Budget Process in North Carolina

START

In January, the Governor's Office begins collecting information to make its budget. Between August and October, the Governor receives their budget. The Governor offers a budget in February of the next year.

The House gets the budget first. The Appropriations Committee makes adjustments. The full House votes on the budget. If passed, it is sent to

The Senate starts with the House's version and sends the bill to the Senate Appropriations Committee. Changes are made, and then the full Senate votes

The House and the Senate form a conference committee to reconcile the different versions of the bills and negotiate other differences. If agreement is met, they send the budget to the Governor.

The Governor may sign the bill, and it becomes law. He/she may veto the bill, which can be overridden by a 3/5 majority in the House and Senate. If the veto stands, return to step 2.

The bill is usually law by July. Adjustments are made each year by agencies to ensure the budget is balanced.



## Building a Budget! – Legislator

It is that time of year when a budget must be created for the state of North Carolina. You and a Budget Officer must work together to create a balanced budget that will serve our state's needs. Remember, "balanced" means that the amount you spend will be equal to the amount North Carolina collected from taxes, fees, and other revenues. Using what you learned in your class notes and your own inferences, you and your Budget Officer will create a budget that you will later attempt to convince the Governor and the State Budget Director to pass at an important budgetary meeting.

As a **Legislator**, you have decided to prioritize three areas of the state's budget: paying above the minimum amount on debt service payments, funding capital projects in your district (capital projects are physical assets like buildings, parks, and roads), and funding more public safety officials (police, firefighters, etc.) (Remember, it is required to use a minimum of \$1 billion to pay down the debt ).

### Your Responsibilities in the Budget Work Session:

You and the Budget Officer will have approximately 15 minutes to create your budget, write a speech in defense of your budget, and practice delivering this speech to the Governor and the State Budget Director, who you will be meeting with later. Throughout your budget work session:

- **Both of you** are responsible for offering thoughts and ideas on the budget, finalizing the budget, and composing a convincing speech that will get the Governor to support your budget.
- **You** will be responsible for paying attention to the time and ensuring you both stay on track and focused.
- **You** will also be responsible for delivering a short speech to the Governor and the State Budget Director that convinces them to support and pass your budget.
- The Budget Officer will be responsible for taking notes throughout the brainstorming, final budget decisions, and speech writing. The Budget Officer will also be responsible for answering any follow-up questions regarding your budget and offering additional convincing arguments to the Governor and the State Budget Director.

### Steps to take in the Budget Work Session:

1. The state currently has **19 billion dollars** to allocate in the budget. First, you and your fellow Budget Officer should brainstorm thoughts and ideas for how to allocate funds to the various categories you have prioritized, as well as the additional categories noted. Keep in mind that the budgetary decisions you make can affect how your constituents view you, and thus can affect whether you are re-elected. You should thus balance your own opinions with what is best for the "common good." **(2 minutes)**
2. After brainstorming, together make your final decisions regarding how much money to assign to the various categories. The Budget Officer will write these final numbers on the back of this sheet. **(8 minutes)**
3. You and your Budget Officer should discuss what can be said to the Governor regarding why he/she should agree with your decisions and why your budget should be passed. Write a one or more paragraph speech (this can last up to 2 minutes when spoken) that you will say to the Governor which defends your budget and convinces him/her to agree with your decisions. You will be responsible for delivering this speech to the Governor and the State Budget Director. The Budget Officer will answer any questions he/she has and be responsible for any follow-up statements. **(5 minutes)**
- .....
4. After 15 minutes, you will meet with the Governor and his/her State Budget Director. You will have up to 2 uninterrupted minutes to explain your budget to the Governor and his/her State Budget Director.
5. Upon finishing, the Governor and his/her State Budget Director will present their budgetary ideas to you. They will also have 2 uninterrupted minutes. You and the Budget Officer should write down any questions, thoughts, or disagreements you have as you listen to the Governor's budget.
6. The four of you will then have 5-6 minutes to openly discuss and debate your two budget versions. Your goal is to reconcile your budget with the Governor's budget (who can veto your budget if he/she does not

like it). If the Governor presents a budget you do not approve of, you also have the power to vote against that budget. At the end of 5 minutes, you will report back regarding whether you were able to reach a compromise, or if you are locked in disagreement. (As you discuss and debate your versions, all of you should consider what being unable to compromise will look like to the constituents of our state!)

7. Assuming you are able to compromise, write your final budgetary allocations in Column II of the budget chart.



## Building a Budget! – Budget Officer

It is that time of year when a budget must be created for the state of North Carolina. You and a Legislator must work together to create a balanced budget that will serve our state's needs. Remember, "balanced" means that the amount you spend will be equal to the amount North Carolina collected from taxes, fees, and other revenues. Using what you learned in your class notes and your own inferences, you and your Legislator will create a budget that you will later attempt to convince the Governor and the State Budget Director to pass at an important budgetary meeting.

As a **Budget Officer**, you serve at the will of the legislature. You are to provide support to the Legislator you are working with. You will help the Legislator calculate a budget that matches his or her priorities. You must also help the Legislator stay within the legal constraints of the budget (meaning you will make sure to pay at least the minimum debt requirement of \$1 billion).

### Your Responsibilities in the Budget Work Session:

You and the Legislator will have approximately 15 minutes to create your budget, write a speech in defense of your budget, and practice delivering this speech to the Governor and the State Budget Director, who you will be meeting with later. Throughout your budget work session:

- **Both of you** are responsible for offering thoughts and ideas on the budget, finalizing the budget, and composing a convincing speech that will get the Governor to support your budget.
- **You** are responsible for taking notes throughout the brainstorming, final budget decisions, and speech writing.
- **You** will also be responsible for answering any follow-up questions regarding your budget and offering additional convincing arguments to the Governor and the State Budget Director.
- The Legislator is responsible for paying attention to the time and ensuring you both stay on track and focused. The Legislator will also be responsible for delivering a short speech to the Governor and the State Budget Director that convinces them to support and pass your budget.

### Steps to take in the Budget Work Session:

1. The state currently has **19 billion dollars** to allocate in the budget. First, you and the Legislator should brainstorm thoughts and ideas for how to allocate funds to the various categories you have prioritized, as well as the additional categories noted. Keep in mind that the budgetary decisions you make can affect how your constituents view you, and thus can affect whether you are re-elected or not. You should thus balance your own opinions with what is best for the "common good." **(2 minutes)**
2. After brainstorming, together make your final decisions regarding how much money to assign to the various categories. You will write these final numbers on the back of this sheet. **(8 minutes)**
3. You and the Legislator should discuss what can be said to the Governor regarding why he/she should agree with your decisions and why your budget should be passed. Write a one or more paragraph speech (this can last up to 2 minutes when spoken) that you will say to the Governor which attempts to defend your budget and convince him/her to agree with your decisions. The Legislator will be responsible for delivering this speech to the Governor and the State Budget Director. You will answer any questions he/she has and be responsible for any follow-up statements. **(5 minutes)**
- .....
4. After 15 minutes, you will meet with the Governor and his/her State Budget Director. The Legislator will have up to 2 uninterrupted minutes to explain your budget to the Governor and his/her State Budget Director.
5. Upon finishing, the Governor and his/her State Budget Director will present their budgetary ideas to you. They will also have 2 uninterrupted minutes. You and the Legislator should write down any questions, thoughts, or disagreements you have as you listen to the Governor's budget.

6. The four of you will then have 5-6 minutes to openly discuss and debate your two budget versions. Your goal is to reconcile the Legislator's budget with the Governor's budget (who can veto your budget if he/she does not like it). If the Governor presents a budget the Legislator does not approve of, the Legislator may vote against that budget. At the end of 5 minutes, the group will report back regarding whether you were able to reach a compromise, or if you are locked in disagreement. (As you discuss and debate your versions, all of you should consider what being unable to compromise will look like to the constituents of our state!)
7. Assuming you are able to compromise, write your final budgetary allocations in Column II of the budget chart.

### BUDGET WORK SESSION

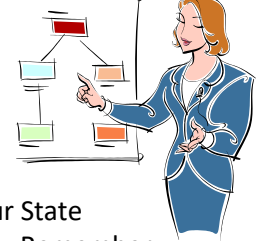
**Total Amount of Funds Available for Allocation in North Carolina:  
19 Billion Dollars (1 billion = 1,000 million)**

**Brainstorm how you think the 19 billion dollars should be allocated to the various budgetary categories:**

**Note your final allocations in Column I (leave Column II blank for now):**

Budgetary Categories	I	II
Public Education (K-12)		
Community Colleges		
Health and Human Services		
UNC System (all 16 schools)		
Public Safety		
General Government and Natural Resources		
Debt Service (Minimum Payment of \$1 billion)		
Capital Projects		
<b>TOTAL FUNDS ALLOCATED</b>		

**Brainstorm a short speech (up to 2 minutes when spoken) on notebook paper that the Legislator will present to the Governor and his/her State Budget Director to convince them to support the above budget. Write the final speech below:**



## Building a Budget! – Governor

It is that time of year when a budget must be created for the state of North Carolina. You and your State Budget Director must work together to create a balanced budget that will serve our state's needs. Remember, "balanced" means that the amount you spend will be equal to the amount North Carolina collected from taxes, fees, and other revenues. Using what you learned in your class notes and your own inferences, you and your State Budget Director will create a budget that you will later attempt to convince a powerful Legislator and his or her Budget Officer to pass at an important budgetary meeting.

As the **Governor**, you ran on a platform of funding Healthcare Programs (HHS), K-12 Education, and the University system. The public has been very vocal that they want these three areas funded heavily during this budget season. You must also fund the state's debt service payments by a minimum of \$1 billion.

### Your Responsibilities in the Budget Work Session:

You and the State Budget Director will have approximately 15 minutes to create your budget, write a speech in defense of your budget, and practice delivering this speech to the Legislator and the Budget Officer, who you will be meeting with later. Throughout your budget work session:

- **Both of you** are responsible for offering thoughts and ideas on the budget, finalizing the budget, and composing a convincing speech that will get the Legislator to support your budget.
- **You** will be responsible for paying attention to the time and ensuring you both stay on track and focused.
- **You** will also be responsible for delivering a short speech to the Legislator and the Budget Officer that convinces them to support and pass your budget.
- The State Budget Director will be responsible for taking notes throughout the brainstorming, final budget decisions, and speech writing. The State Budget Director will also be responsible for answering any follow-up questions regarding your budget and offering additional convincing arguments to the Legislator and the Budget Officer.

### Steps to take in the Budget Work Session:

1. The state currently has **19 billion dollars** to allocate in the budget. First, you and the State Budget Director should brainstorm thoughts and ideas for how to allocate funds to the various categories you have prioritized, as well as the additional categories noted. Keep in mind that the budgetary decisions you make can affect how your constituents view you, and thus can affect whether you are re-elected or not. You should thus balance your own opinions with what is best for the "common good." **(2 minutes)**
2. After brainstorming, together make your final decisions regarding how much money to assign to the various categories. The State Budget Director will write these final numbers on the back of this sheet. **(8 minutes)**
3. You and the State Budget Director should discuss what can be said to the Legislator regarding why he/she should agree with your decisions and why your budget should be passed. Write a one or more paragraph speech (this can last up to 2 minutes when spoken) that you will say to the Legislator which attempts to defend your budget and convince him/her to agree with your decisions. You will be responsible for delivering this speech to the Legislator and the Budget Officer. The State Budget Director will answer any questions he/she has and be responsible for any follow-up statements. **(5 minutes)**  
.....
4. After 15 minutes, you will meet with the Legislator and the Budget Officer. You will have up to 2 uninterrupted minutes to explain your budget to the Legislator and the Budget Officer.
5. Upon finishing, the Legislator and Budget Officer will present their budgetary ideas to you. They will also have 2 uninterrupted minutes. You and the State Budget Director should write down any questions, thoughts, or disagreements you have as you listen to the Legislator's budget.
6. The four of you will then have 5-6 minutes to openly discuss and debate your two budget versions. Your goal is to reconcile your budget with the Legislator's budget (who can vote against your budget if he/she

does not like it). If the Legislator presents a budget you do not approve of, you also have the power to veto the budget. At the end of 5 minutes, you will report back regarding whether you were able to reach a compromise, or if you are locked in disagreement. (As you discuss and debate your versions, all of you should consider what being unable to compromise will look like to the constituents of our state!)

7. Assuming you are able to compromise, write your final budgetary allocations in Column II of the budget chart.



## Building a Budget! – State Budget Director

It is that time of year when a budget must be created for the state of North Carolina. You and the Governor must work together to create a balanced budget that will serve our state's needs. Remember, "balanced" means that the amount you spend will be equal to the amount North Carolina collected from taxes, fees, and other revenues. Using what you learned in your class notes and your own inferences, you and the Governor will create a budget that you will later attempt to convince a powerful Legislator and his or her Budget Officer to pass at an important budgetary meeting.

As the **State Budget Director**, you serve at the pleasure of the Governor (meaning the Governor can fire you if he or she chooses). It is your job to match the Governor's priorities the best you can within the legal restraints of the budget. You must also provide technical expertise for the Governor. The budget must include at least \$1 billion in debt service payments.

### Your Responsibilities in the Budget Work Session:

You and the Governor will have approximately 15 minutes to create your budget, write a speech in defense of the Governor's budget, and practice delivering this speech to the Legislator and the Budget Officer, who you will be meeting with later. Throughout your budget work session:

- **Both of you** are responsible for offering thoughts and ideas on the budget, finalizing the budget, and composing a convincing speech that will get the Legislator to support your budget.
- **You** will be responsible for taking notes throughout the brainstorming, final budget decisions, and speech writing.
- **You** will also be responsible for answering any follow-up questions regarding your budget and offering additional convincing arguments to the Legislator and the Budget Officer.
- The Governor will be responsible for paying attention to the time and ensuring you both stay on track and focused. The Governor will also be responsible for delivering a short speech to the Legislator and the Budget Officer that convinces them to support and pass the Governor's budget.

### Steps to take in the Budget Work Session:

1. The state currently has **19 billion dollars** to allocate in the budget. First, you and the Governor should brainstorm thoughts and ideas for how to allocate funds to the various categories the Governor has prioritized, as well as the additional categories noted. Keep in mind that the budgetary decisions can affect how your constituents view the Governor, and thus can affect re-election of the Governor (and your future job). You should thus balance your own opinions with what is best for the "common good." **(2 minutes)**
2. After brainstorming, together make your final decisions regarding how much money to assign to the various categories. You will write these final numbers on the back of this sheet. **(8 minutes)**
3. You and the Governor should discuss what can be said to the Legislator regarding why he/she should agree with your decisions and why your budget should be passed. Write a one or more paragraph speech (this can last up to 2 minutes when spoken) that the Governor will say to the Legislator which attempts to defend the Governor's budget and convince him/her to agree with your decisions. The Governor will deliver this speech to the Legislator and the Budget Officer. You will answer any questions he/she has and be responsible for any follow-up statements. **(5 minutes)**  
.....
4. After 15 minutes, you will meet with the Legislator and the Budget Officer. The Governor will have up to 2 uninterrupted minutes to explain your budget to the Legislator and the Budget Officer.
5. Upon finishing, the Legislator and Budget Officer will present their budgetary ideas to you. They will also have 2 uninterrupted minutes. You and the Governor should write down any questions, thoughts, or disagreements you have as you listen to the Legislator's budget.



6. The four of you will then have 5-6 minutes to openly discuss and debate your two budget versions. The Governor's goal is to reconcile his or her budget with the Legislator's budget (who can vote against your budget if he/she does not like it). If the Legislator presents a budget the Governor does not approve of, the Governor can veto the budget. At the end of 5 minutes, you will report back regarding whether you were able to reach a compromise, or if you are locked in disagreement. (As you discuss and debate your versions, all of you should consider what being unable to compromise will look like to the constituents of our state!)
7. Assuming you are able to compromise, write your final budgetary allocations in Column II of the budget chart.

### BUDGET WORK SESSION

**Total Amount of Funds Available for Allocation in North Carolina:  
19 Billion Dollars (1 billion = 1,000 million)**

**Brainstorm how you think the 19 billion dollars should be allocated to the various budgetary categories:**

**Note your final allocations in Column I (leave Column II blank for now):**

Budgetary Categories	I	II
Public Education (K-12)		
Community Colleges		
Health and Human Services		
UNC System (all 16 schools)		
Public Safety		
General Government and Natural Resources		
Debt Service (Minimum Payment of \$1 billion)		
Capital Projects		
<b>TOTAL FUNDS ALLOCATED</b>		

**Brainstorm a short speech (up to 2 minutes when spoken) on notebook paper that the Governor will present to the Legislator and Budget Officer to convince them to support the above budget. Write the final speech below:**

## Review a Budget! – Side 1

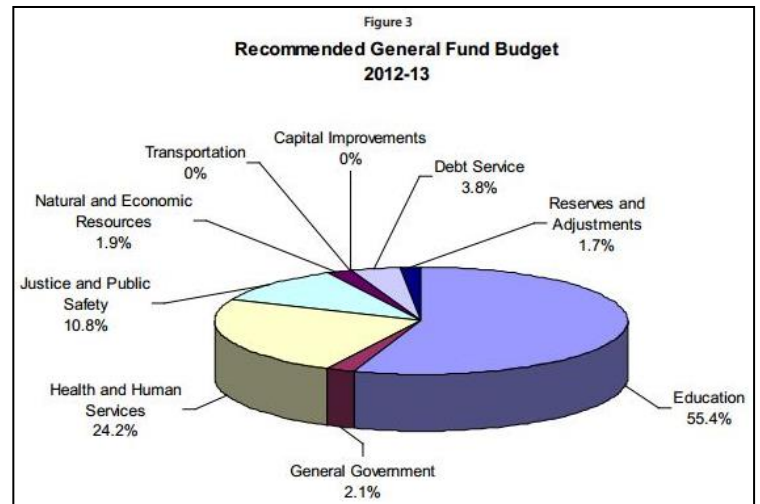
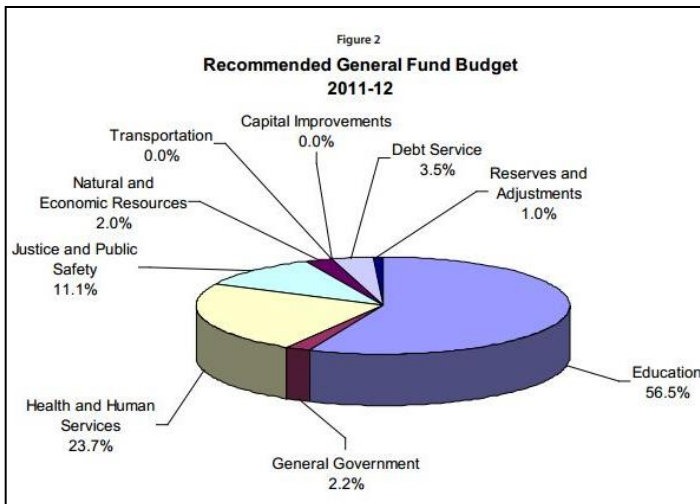
Name:

Period:

Date:



These are pie graphs of the 2011-2013 Budget in North Carolina. Review the graphs and answer the questions.



What is your opinion of the above allocations? Would you change anything about these percentages if given the decision? Why or why not?

If you had to cut the budget above by 10%, explain in detail what you would do. Do you think your decision would be widely accepted by the citizens of North Carolina? Explain.

## **Review a Budget! – Side 2**

**Why do you think the Governor has the executive power to veto a budget? Do you feel the Governor should have the power to veto? Why or why not? Likewise, do you agree or disagree with the legislature having the power to vote against the budget? Explain.**



**When you saw the amount of money spent each year in state government, what was your reaction and why?**

**The last step in the budgeting process was “Evaluation.” What do you think the value is in re-examining a budget years down the road?**

## **Pain management (Editorial from the News and Observer)**

### **Budget-cutting specifics lay bare the truth of how the national recession could affect North Carolina state services**

Governor Perdue has directed state agencies to pinpoint where they'd slice their budgets in response to the recession, and they've done it -- but the governor knows even more may be needed. Her initial call was to cut the current year's operating budget, which is now \$21.5 billion, by 7 percent, although she wisely indicated some protection for vital services such as education.

But as the specifics offered by agencies demonstrate, that doesn't mean North Carolinians won't feel the hit. Not to mention that cuts could go deeper. This week, Perdue warned that layoffs in state agencies may be necessary. After all, the projected budget shortfall for the fiscal year ending June 30 could top \$2 billion, and that's 10 percent of the operating number.

Some relief is hoped for through a federal stimulus package that could deliver billions of dollars to states. Governors have their fingers crossed, to be sure.

But so far as where things stand, it must be said that the governor's staff will have to comb through the possible cuts closely, because while some might keep eyebrows level, others will have them dancing.

Consider, for example, that in the Department of Health and Human Services, there are suggestions to eliminate 50 beds at the Broughton and Cherry psychiatric hospitals, saving \$6 million. But that would come at a time when the state's mental health system is under serving people and is in a state of management flux, to put it mildly. Then, in that same department, there's the \$5.8 million that would be saved in closing Wright and Whitaker schools for emotionally disturbed children and adolescents -- again, a cause that advocates, rightly, will fight to preserve.

Even in the smaller proposed savings, there are dubious ideas. Counties and cities wouldn't get \$100,000 to help with sedimentation and erosion control. That's a fairly small amount, but is it really smart to take a chance that creeks and rivers will "silt up" and thus risk water pollution problems down the road, creating greater cleanup expenses?

At the Department of Transportation, there would be less money for road repair and maintenance and a huge cut of \$19.6 million in money for public transportation. And in the Department of Juvenile Justice, there would be an end to state-sponsored after-school programs, a savings of \$5.9 million. Painful and counterproductive are words that come to mind.

It's traditional, when agencies face budget-cutting mandates, for them to offer up for sacrifice things they know will get the attention of lawmakers inclined to protect those programs. Lawmakers need to treat that game for what it is. It's also customary for some agencies to talk about passing on some responsibilities to local governments. The problem with that this time out, of course, is that the local folks don't have any money, either.

The governor is right to state frankly that this will be a tough process, and that not all virtuous programs will be preserved. As the balancing act continues, however, agency heads and the governor's office -- and shortly, the General Assembly -- need to hold fast to the principles of protecting working families, not allowing convenient shortsightedness to rule the day, and maintaining investments in public education, including community colleges and universities. And then let's pray for rain from Washington.

## **North Carolina governor's budget veto overturned**

RALEIGH, North Carolina (Reuters) - North Carolina's Republican-led Senate overrode Democratic Governor Beverly Perdue's veto of the state budget on Wednesday, making the two-year spending plan law.

The 31-19 vote ended a bitter debate between Democrats and Republicans about how deeply to cut spending in light of high unemployment and the slow pace of recovery from the last recession.

In an earlier post-midnight session on Wednesday, House Republicans also voted to override the governor's veto with the help of five conservative Democrats who supported the budget originally. Perdue is the first North Carolina governor to veto a state budget, and only once before have lawmakers successfully overridden a veto.

The \$19.7 billion budget for the coming year takes effect on July 1.

Republicans control both chambers of the state Legislature for the first time in more than a century, and the budget bill fulfills campaign promises not to raise taxes and to let a temporary one-cent sales tax and some income taxes on high earners expire.

It also makes cuts and changes in state spending to close a \$2.5 billion budget shortfall.

"This is a responsible budget in a difficult year," said House Majority Leader Paul Stam.

Perdue on Sunday became the first North Carolina governor to veto a budget since the state's top elected official obtained veto power in 1997.

She argued the one-cent temporary sales tax should have been extended another year to fund education. She and other Democrats objected to the General Assembly budget cutting a further \$124 million in funding for local education on top of \$305 million cut in previous years.

They said the extra cut would cost thousands of teachers and teacher aides their jobs and worsen the state's unemployment rate, which at 9.7 percent is above the national average.

"Tonight, the Republican-controlled legislature turned its back on North Carolina's long-standing commitment to our people to provide quality schools, community colleges and universities -- all to save a penny," Perdue said in a statement after the House override of her veto.

Republican leaders in the General Assembly said Democrats exaggerated the budget cuts' impact on public schools. Stam said the difference between the governor's proposed budget for education and what became law on Wednesday was only a half of 1 percent.

Stam is correct in terms of funding for K-12 education. But the governor emphasizes a bigger gap in overall education spending during the two-year term of the budget.

When comparing funding of K-12, community colleges and the state university system, the General Assembly's plan will spend \$561 million less than the governor proposed.

Overall spending on education during the next two years will be about \$22 billion.

Perdue spokeswoman Chrissy Pearson said Republicans were "choosing one little piece of the picture that looks best for them."

Stam told Reuters the governor's version of the education budget cuts was "just wrong on the math. She's not wrong often, but she's wrong on that."

Adapted and edited by the NC Civic Education Consortium from the Following Sources:

<http://www.reuters.com/article/2011/06/16/us-budget-northcarolina-idUSTRE75F01T20110616> -

<http://www.wral.com/news/state/nccapitol/story/9732350/>