

GOVERNMENT COSTS GROW NC to Spend More Than \$4,000 per Person in FY2006-07

Summary: The budget proposals from the senate and governor return North Carolina to a path of rapid spending growth. Education and Medicaid continue to expand, but economic development joins them as an important growth area. Government spending on a per capita basis retreated after Fiscal Year 1999-2000, but will be 28 percent higher in FY 2006-07 than it was in FY2002-03.

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The cost to individuals of government services in North Carolina continues to climb. Gov. Mike Easley proposed spending \$3,883 per person in Fiscal Year (FY)2005-06 and another \$4,084 per person in FY2006-07.¹ These figures include taxes, fees, and transfers from the federal government and nearly double the \$1,377 per person just a dozen years earlier. The Senate included \$1.6 billion in new taxes and fees in its budget proposal, even before a potential \$300 million in taxes from a new state lottery.²

The Classic Pattern

This year's biennium budget marks a return to rapid spending growth that marked the 1990s. FY2005-06 marks only the second time in the last decade that per capita spending will climb more than 10 percent.

The Senate all but eliminated the growth in Medicaid spending from the governor's proposal, but added over \$100 million in corporate welfare through community colleges, universities, the NC Biotechnology Center, and the Rural Economic Development Center. The net result remains a \$17 billion budget that already counts on \$70 million from a proposed lottery in FY2005-06 to replace corporate income taxes in the School Building Capital & Technology Fund.³

Just as the governor would not reduce Medicaid spending, the Senate seems intent on using the state budget to reward certain companies and industries at the expense of other companies and individual taxpayers.

— Joseph Coletti, Fiscal Policy Analyst

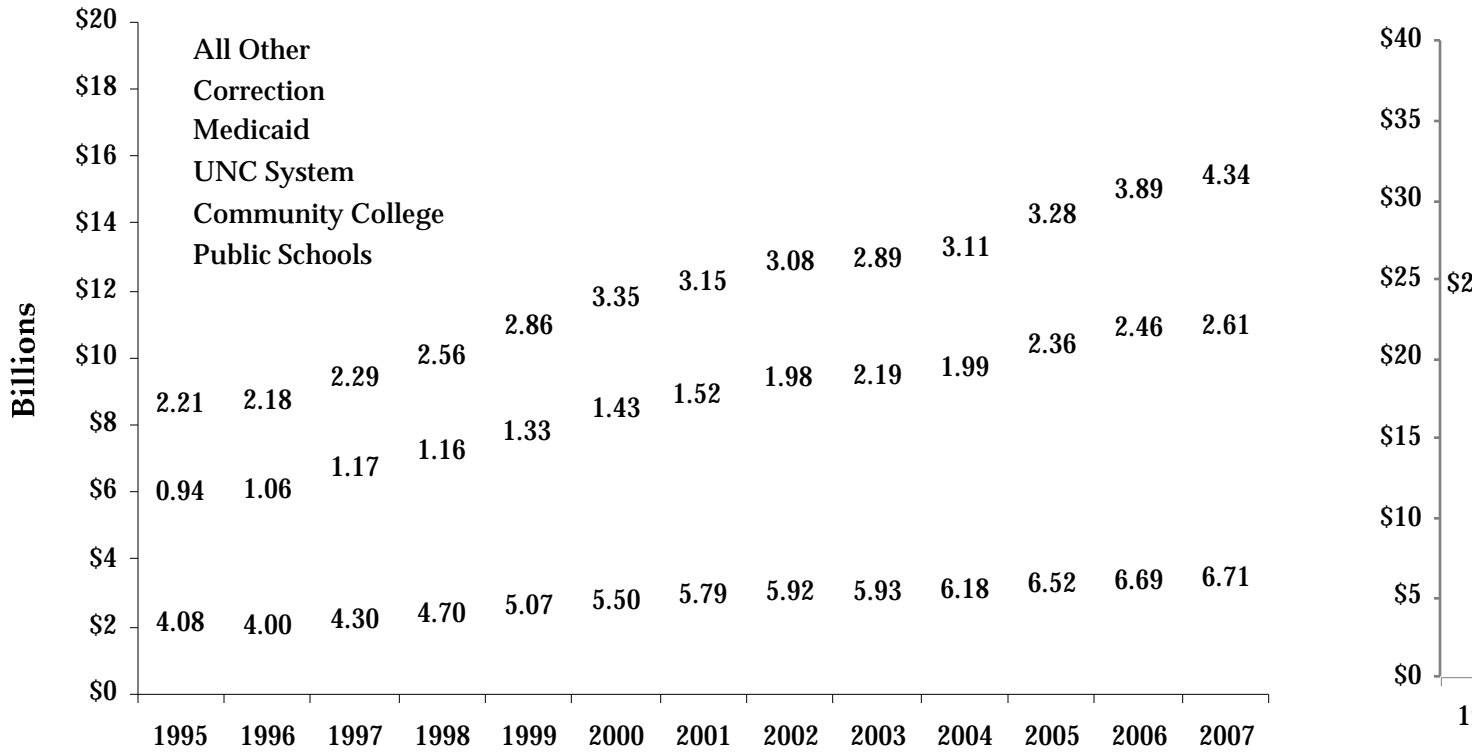
NOTES

¹ "North Carolina State Budget 2005-2007, Summary of Recommendations," Office of State Budget and Management, <http://www.osbm.state.nc.us>

² "Senate Appropriations/Base Budget Committee, Report on the Continuation, Expansion and Capital Budgets," NC General Assembly Fiscal Research Division, <http://www.ncleg.net>

³ Senate Budget Proposal, SB622, <http://www.ncleg.net/>

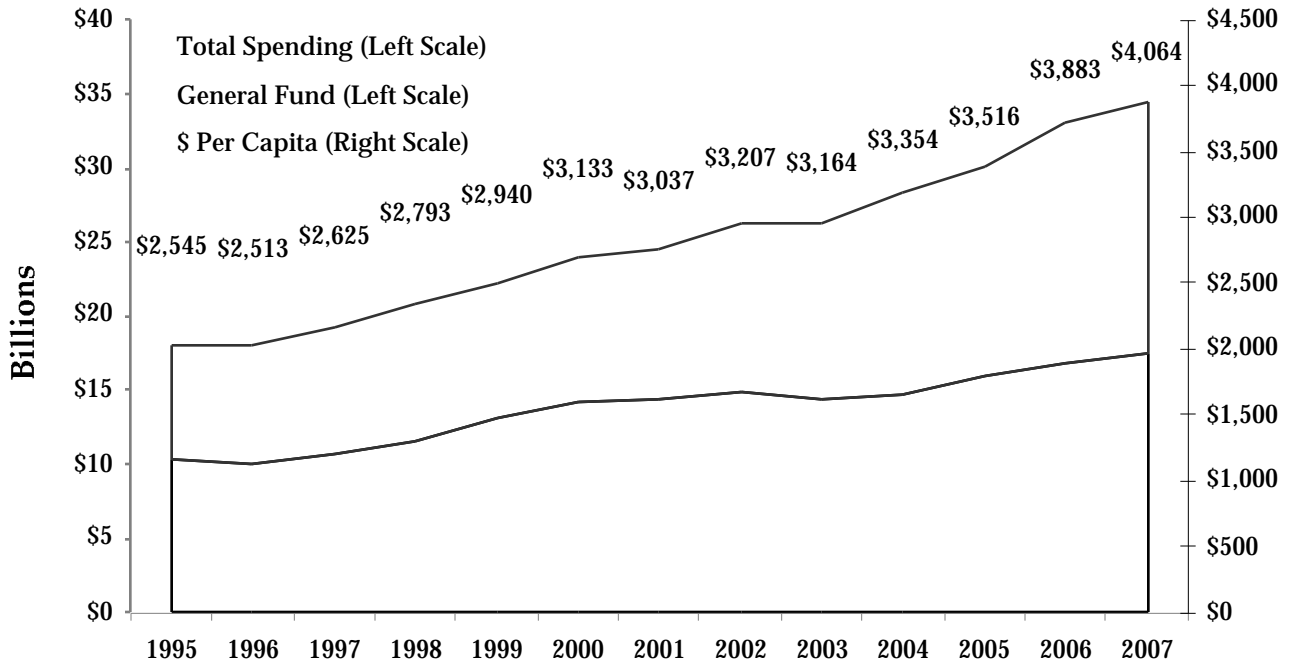
**Fig. 1: General Fund Appropriations
FY1995 - FY2007 (Senate Budget for FY2006 and FY2007)**



Source: North Carolina State Budget, 2005-2007, Summary of Recommendations; Fiscal Research Division

Source: North C

**Fig. 2: General Fund, Total, and Per Capita Spending
FY1995 - FY2007 (governor's proposal for FY2006 and FY2007)**



Source: North Carolina State Budget, 2005-2007, Summary of Recommendations; Author Calculations