

spotlight

No. 290 – May 30, 2006

FISCALLY RESPONSIBLE BUDGETS *Governor's and Senate's Budgets Accelerate Spending Growth*

S U M M A R Y : Budget proposals from Gov. Mike Easley and the Senate put state spending back on the path of rapid growth last seen in the late 1990s. After inflation, the state will spend 10 percent more per resident on operations in the FY2006-07 than it did just three years ago. Real spending per resident is up 23 percent in the last decade. If the General Assembly had restricted spending growth to inflation and population growth over the decade, the General Fund operations budget would be \$3.4 billion less than proposed.

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On May 24, the Senate passed its \$18.82 billion budget bill for fiscal year 2006-07 with \$18.57 billion going to operations, a one-year increase of 8.3 percent. More troubling for the fiscal health of North Carolina, the budget returns to the pattern of rapid spending growth seen in the fat years of the late 1990s.

Adjusting for inflation and population growth, the General Fund operations budget is 10 percent higher in the FY2006-07 budget than it was in FY 2003-04. This means a family of four will pay \$8,448 starting in July to keep state government running, \$772 more than it did three years ago. Over the past decade, the burden has grown nearly 23 percent, or \$1,564 for a family of four.

If the General Assembly for the last ten years had increased spending at the rate of inflation and population growth, thereby keeping the tax burden on state residents constant, General Fund operations spending in FY2006-07 would be just \$15.13 billion instead of \$18.57 billion – a savings of \$3.4 billion. Putting the limit in place for the last three years would have kept operations spending in the General Fund to \$16.87 billion – saving taxpayers \$1.7 billion.

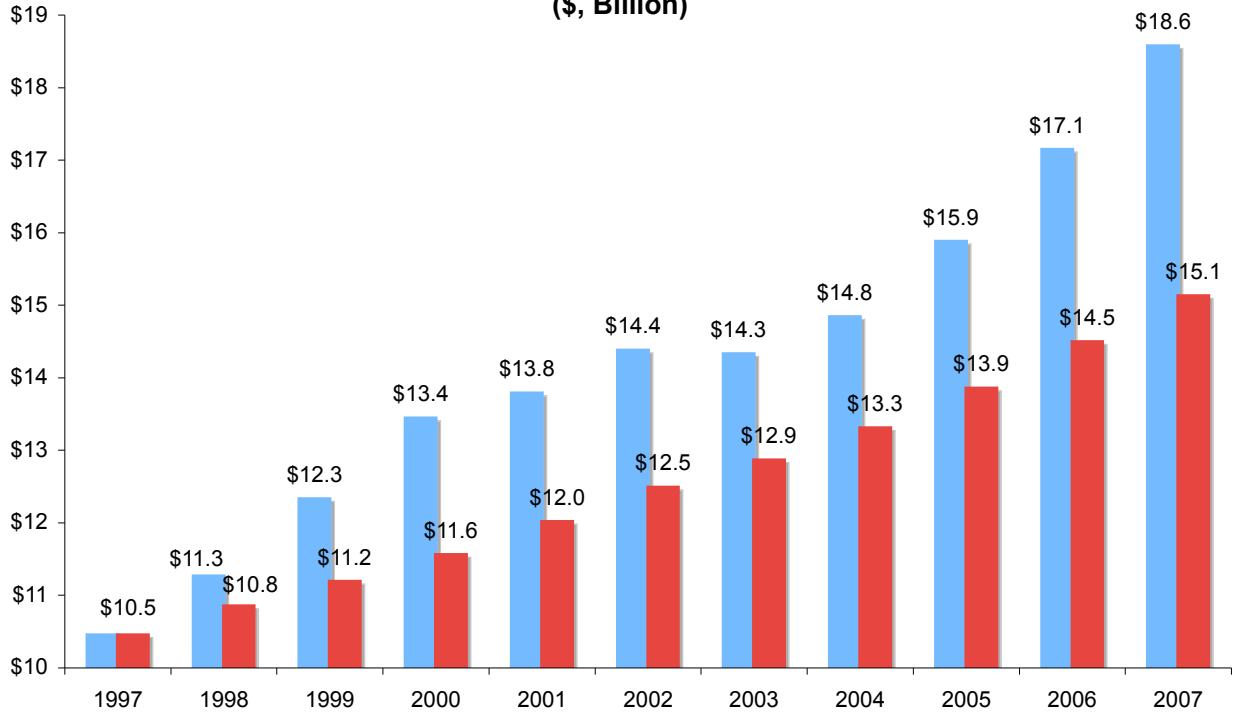
The General Assembly still has time to show real fiscal restraint, finally end the temporary tax increases imposed in FY2001-02 and limit spending. It is up to the House to lead the way.

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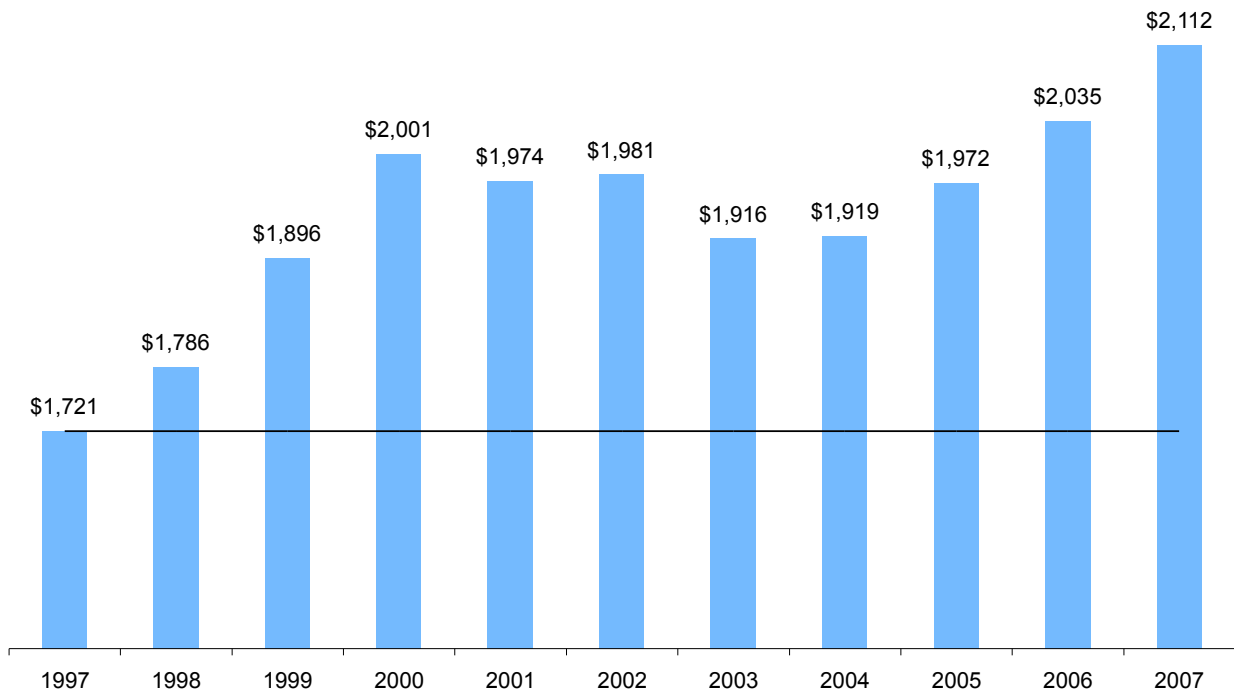
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General Fund Operating Budget, Actual vs. Inflation + Population Growth (\$, Billion)



Source: State Demographer's Office, St. Louis Federal Reserve, Fiscal Research Division, NeatIdeas.com

Per Capita Operations Spending (Constant 2005 Dollars)



Source: State Demographer's Office, St. Louis Federal Reserve, Fiscal Research Division, NeatIdeas.com