

CIVITAS INSTITUTE
TALKING POINTS
 FACTUAL REVIEW OF PUBLIC POLICY ISSUES

House Budget Talking Points and Considerations

1. Temporary increases in the sales tax and income tax rates were imposed in 2001 with the promise that they would be repealed, or sunset in 2003. Economic conditions and choices made by the leadership did not allow the taxes to be repealed, as promised in 2003, and they were extended until 2005. In 2005, the promises of repeal were again broken and the taxes were again extended until 2007. Currently, there is a \$2 billion surplus in revenue. When, if not now, is the time to repeal these temporary taxes? When, if not now, will promises be honored? When, if not now, will the taxpayer get a break?
2. Due to unusual and unique economic conditions, North Carolina finds itself with a \$2 billion surplus in revenue this year. Instead of making good on the promises to repeal “temporary” taxes, the House proposes increasing spending by 9.74 percent over last year’s spending. Admittedly, some of the spending is for good causes — teacher and state employee raises and help for the counties with Medicaid burden. However, not all of the spending is justified or necessary. Once again, it comes down to a matter of priorities. What is more important new and expanded programs or returning money to taxpayers? A vote on this budget will clearly identify those members who value a promise kept, who understand and respect the sacrifice of each taxpayer, and are courageous enough to budget for the future.
3. This budget makes obligations for on-going projects with one-time revenue.
 - Recurring spending: \$859 million
 - Recurring revenue: \$500 million
 - Shortfall in revenue next year: \$359 million

Under the Constitution, North Carolina must have a balanced budget. The only way to make up for a shortfall is to either cut programs or raise taxes.

4. NCGA Fiscal Research has projected shortfalls in revenue based on very conservative estimates of 7 percent growth in spending (the House proposal increases it 9.74 percent) and 6 percent growth in revenue beginning next year. Again, any shortfalls in revenue will result in either increased taxes or cutting programs.

The shortfalls projected each year are as follows:

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
With taxes sunset:	\$1,045,000,000	\$1,163,000,000	\$1,259,000,00	\$1,372,000,000
Without sunsets:	510,000,000	507,000,000	573,000,000	655,000,000

See attached spreadsheet.

5. Promises of a clean budget are false. Even if pork is not included in the budget bill, there are over \$745 million in requests for appropriations in bills filed in the House of Representatives. Of the 386 bills asking for funding, 300 are from Democrats, Republicans and Democrats jointly sponsor 52, and 34 are from Republicans.

There is talk of a separate bill granting some or all of these requests. No matter how the requests are funded, it is still government spending. We don't suggest that every one of these requests will be met, but some of them will. Spending will not be limited to what appears in Senate Bill 1741. It's only the beginning.

See attached Pork Report.

6. Another bill of considerable concern is House Bill 2433, 2006 Fee Bill. In addition to any changes in taxes that may appear in the House budget, this bill will take money out of the hands of North Carolina families and businesses. The bill is currently a draft and already "sets fees for services provided by state agencies" (isn't this the same as a tax?) affecting insurance, utilities, well testing, mental health and public water permits. Again, the leadership may avoid loading the budget bill with additional fees that cost the taxpayer, but it doesn't mean they won't get it before it's all over. They just make it harder to find. What appears in Senate Bill 1741 is only the beginning of what taxpayers will pay.

7. The House proposed budget claims to add 1,574.2 positions. The reality is that over 7,000 new positions are added this year. In last year's budget, Senate Bill 622, over 4,000 new government positions were authorized for 2006-2007. The House proposal adds an **additional** 1,574.2, plus 1,900 teacher positions based on anticipated school enrollment. Over 80 percent of the state's spending is for government employees. The bigger government becomes, the more bureaucracy is established and the more it costs taxpayers.

8. The money provided to help counties with their Medicaid burden is non-recurring. \$35 million has been allocated with 40 percent going to counties with 25 percent eligible population, 55 percent to counties with 25 percent-15 percent and the remaining 5 percent to counties with less than 15 percent Medicaid eligible population. Even though their burden will be capped at the 2005-2006 rate, the assistance money is non-recurring. After this year they're on their own. Further, the burden of Medicare shifts from the counties to the state. It doesn't go away. Taxpayers are still left with the full burden. A responsible budget would address significant Medicaid reform like reduced eligibility, offering less optional services and ensuring that Medicaid benefits go to legal citizens of North Carolina.

9. There is an increase in state funding of \$200,000 to the Women's Health Services. A portion of this money would be given directly to Planned Parenthood. Planned Parenthood is the leading abortion provider in the nation. Public money should only fund pregnancy prevention and not cover the termination of an already existing pregnancy.

10. Slush funds continue to be funded. This budget allocates \$500,000 for the Contingency and Emergency Fund with little oversight or direction on how it can be spent.

11. A new corporate welfare program is established with \$10 million allocated for North Carolina Economic Development Reserve Fund. Instead of continuing to give tax money to select companies, lawmakers should reduce the corporate tax for all businesses in North Carolina.

Becki Gray
Chief Policy Analyst
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